ASX/Media Release

1 August 2017

The Manager
Australian Stock Exchange
Company Announcement Office
Level 4
20 Bridge Street
Sydney NSW 2000

Dear Sir

Sale of AJA's Property (TK) Interests and Notice of EGM

Please find attached for immediate release with regard to the abovementioned subject:

1) An ASX and Media Release;

2) An Investor Presentation;

3) An executed Implementation Deed; and

4) A Notice of Meeting, including an Independent Expert's Report

Yours sincerely

John Pettigrew

Company Secretary

Astro Japan Property Group

Encl.

Astro Japan Property Group
Astro Japan Property Group Limited ABN 25 135 381 663
Astro Japan Property Management Limited ABN 94 111 874 563 AFSL 283142
as responsible entity of the Astro Japan Property Trust ARSN 112 799 854

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ASX/Media Release

1 August 2017

Sale of Astro Group's Property (TK) Interests

Agreement to sell Property (TK) Interests to Funds managed by Blackstone Real Estate

Net consideration to AJA securityholders of $7.18[1]

Astro Group to be delisted and wound up

The Board of Astro Japan Property Group ("Astro Group") today announces that it has entered into agreements with Jetsons Holding II Pte. Ltd., an entity which is incorporated in Singapore by funds managed by Blackstone Real Estate (together with its affiliates, "Blackstone"), that, subject to the approval of Astro Group securityholders and the satisfaction of other conditions including lender consents, will result in:

- Blackstone acquiring all of the interests held by Astro Group in the TK Agreements, through which the Astro Group indirectly invests in Japanese real estate for net consideration of JPY37.908 billion. This implies a property portfolio valuation of JPY98.642 billion, reflecting a 2.38% premium to recently completed independent valuations;
- net proceeds from the sale of the TK Interests being returned to Astro Group securityholders; and
- Astro Group being delisted from ASX and the constituent entities[2] of Astro Group being wound up (collectively, the "Blackstone Proposal")

It is expected that Astro Group securityholders will receive net consideration of approximately $7.18[1] as a result of the Blackstone Proposal ("Proposed Consideration") in October 2017.

In addition to the Proposed Consideration, Astro Group securityholders will also receive:

- the normal half yearly distribution payable at the end of August 2017, of 21 cents per Security; and
- distributions currently estimated at 14 cents per Security on the wind up of the Trust and AJCo ("Final Distributions")[3] targeted to occur prior to January 2018.

[1] Currency conversions throughout this announcement are at a rate of JPY88.5:A$1, however A$ proceeds will be a function of the prevailing rate at the Implementation Deed, subject to the currency arrangements referred to in Section 5.1.3 of the Explanatory Memorandum.
[2] A further meeting of shareholders of AJCo will be required to consider the winding up of that entity.
[3] Includes income received in the period from 1 July 2017 to completion and a distribution from Spring (incorporating Astro Group's share of the profits from the disposal of Spring's interest in the Sekisui House SI Residential REIT management platform), less any obligation to pay a performance fee to Spring under the existing asset management arrangements and liquidation costs to wind up the Trust and AJCo.

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Board Recommendation

The Astro Group Board unanimously recommends that Astro Group securityholders vote in favour of the Blackstone Proposal, in the absence of a superior proposal.

Astro Group directors intend to vote securities they own or control in favour of the Blackstone Proposal, in the absence of a superior proposal.

Grant Samuel & Associates Pty Limited has provided an Independent Expert's Report, opining that the Blackstone Proposal is fair and reasonable to non-associated Astro Group securityholders, in the absence of a superior proposal.

Full details of the Blackstone Proposal, a discussion of the reasons for the Board's recommendation and a copy of the Independent Expert's Report are contained in the Explanatory Memorandum and Notice of Meeting attached to this announcement.

In presenting the Blackstone Proposal, Mr Allan McDonald, Chairman of Astro Group commented,

> *"We are pleased to be able to put this proposal to our securityholders. The Blackstone Proposal delivers Astro securityholders with an asset premium that reflects the quality and scarcity of our underlying real estate portfolio, and net proceeds that provide cash liquidity at a material premium to recent trading levels."*

A meeting of Astro Group securityholders to approve the Blackstone Proposal has been convened for 13 September 2017.

Background to the Blackstone Proposal

Astro Group has consistently traded at a discount to NTA and, as part of value maximisation initiatives for Securityholders, the Board and its asset manager, Spring Investments Co. Ltd ("Spring"), regularly assess Astro Group's portfolio, including discussions with parties interested in acquiring the portfolio, or part of the portfolio.

In late 2016, an affiliate of Lone Star Fund V ("Lone Star") made an approach to Astro Group to acquire the properties beneficially owned by it ("Lone Star Proposal"). The Board did not consider that the Lone Star Proposal would deliver acceptable value for Securityholders. Since the approach by Lone Star, the Board has received a number of further approaches to acquire Astro Group's portfolio.

Value maximisation initiatives considered by the Board include:

- continuing Astro Group in its current form;
- termination of the TK Agreements and consequent sale of the underlying properties over time;
- re-establishing the portfolio as a newly listed REIT in Japan; and
- seeking alternative proposals to acquire the assets, TK Interests or the securities.

The Board has determined that the Blackstone Proposal delivers the most compelling and certain value proposition to Securityholders of all alternatives considered and compared to all other proposals received to date.

Proposed Consideration

The table below sets out the calculation of the Proposed Consideration to Astro Group securityholders.

	JPY (billion)	A$ (million)	A$ per security
Blackstone's implied value for portfolio	98.642	1,114.6	18.38
Provisions[4]	(58.782)	(664.2)	(10.95)
Facilitation and Termination Payment payable to Spring Group	(1.952)	(22.1)	(0.36)
Net consideration from Blackstone	**37.908**	**428.3**	**7.06**
Disposal fee payable to Spring	(0.247)	(2.8)	(0.05)
Receipt for AJCO's interest in the Spring TK Agreement	0.523	5.9	0.10
Net liquid assets in Australia	0.797	9.0	0.15
Estimated transaction costs	(0.418)	(4.7)	(0.08)
Net consideration to AJA securityholders	**38.563**	**435.7**	**7.18**

The Proposed Consideration provides Astro Group securityholders with cash liquidity at a material premium to recent trading prices, and reflects:

- a 13.1% premium to the closing price of $6.35 per Security on 31 July 2017, the last trading day prior to the ASX Announcement;
- a 21.3% premium to the undisturbed price of $5.92 per Security on 6 March 2017, the last trading day prior to Astro Group's response to market commentary on the Lone Star proposal;
- a 12.0% premium to the 30-day volume weighted average price ("VWAP") of $6.41 per Security up to 31 July 2017;
- a 10.0% premium to the 90-day VWAP of $6.53 per Security to 31 July 2017; and
- an approximate 2.4% discount to NTA. This discount to NTA is driven by leakages in the transaction including payments to Spring that are not accounted for in any published NTA. By reason of Astro Group's structure, its long term debt and Spring's asset management arrangements, a discount to NTA is likely in any transaction of this nature.

Astro Group has put in place foreign exchange hedging arrangements to provide Securityholders with a level of certainty in relation to Australian dollar Proposed Consideration from the Blackstone Proposal. The hedging arrangements take the form of a collar, entered into via a series of foreign exchange options, such that the exchange rate at the Implementation Date is fixed within a range of JPY86.17:A$1 – JPY89.50:A$1. As a result, the Proposed Consideration to Securityholders may be between $7.11 - $7.38, depending on the exchange rate at the Implementation Date. The collar arrangement was entered into at no cost to Astro Group. In the event that the Blackstone Proposal does not complete and the Japanese Yen appreciated beyond JPY86.17:A$1, Astro Group would have a residual FX exposure under the arrangements described above. The cost of unwinding the hedge in the event of an appreciation of the Japanese Yen against the Australian Dollar would be A$4.5 million for each 1% appreciation of the Japanese Yen beyond JPY86.17:A$1.

[4] Includes provisions for loans, other assets and liabilities, payment to TK Operators, withholding taxes and debt break and financing costs. All of these, other than payment to TK Operators, have been provisioned for in Astro Group's financial statements; however, the amounts provisioned for are different for withholding taxes, and debt break and financing costs due to the value of the Blackstone Proposal. In addition includes ¥18.3m for an acquisition tax on the Fukuoka hotel that was not accounted for in AJA's 30 June 2017 accounts but will be payable after 30 June 2017.

Arrangements with Spring Group

As a condition of the Blackstone Proposal, Blackstone has required termination of the existing asset management arrangements between the TK Operators and Spring. There are a number of arrangements that have been agreed with the Spring Group, which is controlled by Mr Eric Lucas, to facilitate the Blackstone Proposal and to procure the required termination, which are summarised as follows:

- Blackstone will make a payment to Spring Group of JPY1.952 billion (A$22.1 million) to facilitate the transaction and procure termination of the existing asset management arrangements (Facilitation and Termination Payment);
- Spring will receive a disposal fee from Astro Group on the sale of the TK Interests of JPY247 million (A$2.8 million), negotiated to be 50% of the fee that would otherwise have been payable on the sale of assets by the TK Operators (Disposal Fee);
- Spring may also be entitled to a performance fee, depending on Astro Groups' relative performance against the S&P ASX 200 A-REIT Accumulation Index in the period from 1 July 2017 to the date of the meeting;
- A nominee of Spring Group will acquire AJCo's 25% interest in Spring for an amount equal to 25% of the Facilitation and Termination Fee and the Disposal Fee (plus any performance fee that becomes payable on completion), net of a provision for Spring Group bonuses.

Blackstone has advised that it and Spring will enter into new asset management arrangements for the portfolio following implementation of the Blackstone Proposal, and that these new arrangements are on less favourable terms for Spring, particularly as to term and fees.

Blackstone has also advised that entities associated with Mr Lucas will co-invest alongside Blackstone in the portfolio and in this context will receive:

- a cost protection benefit and a zero-cost option to acquire equity interests in the portfolio, which together have a current aggregate value in the order of JPY800 million to JPY1 billion (A$9.0 million to $11.3 million), noting the ultimate value will be dependent upon the future performance of the portfolio; and
- a low cost limited recourse loan of JPY1 billion (A$11.3 million), the ultimate value of which will be dependent upon the future performance of the portfolio

These arrangements, as advised by Blackstone and Spring, are outlined in the Explanatory Memorandum and considered at length in the Independent Expert's Report.

The Astro Group Board is mindful of the benefits flowing to Spring and Mr Lucas as a result of the Blackstone Proposal while having regard to the overall benefits of the Blackstone Proposal for Securityholders. The Board considers the arrangements described above are necessary in order to facilitate the Blackstone Proposal being put to Securityholders, given the need for Spring's cooperation in giving effect to the Blackstone Proposal.

Implementation Deed

A copy of the Implementation Deed is attached to this announcement, and sets out the obligations of Blackstone, Astro Group, Spring and the TK Operators in relation to the implementation of the Blackstone Proposal. It also sets out all of the conditions.

The Implementation Deed provides for market standard deal protection in favour of Blackstone, including exclusivity arrangements (no existing discussions, no-shop, no-talk, no due diligence and notification rights), subject to fiduciary carve outs in the event that any restriction interfered with the Board's ability to fulfil its fiduciary and statutory obligations. Blackstone has advised that similar arrangements have been agreed between it and Spring and Mr Lucas.

The Implementation Deed provides for a break fee of $1.5 million.

Securityholder Approval

The Blackstone Proposal requires the approval of Astro Group Securityholders, by majority vote pursuant to ASX Listing Rules 10 and 11 (excluding Mr Lucas and his associates). To this end, a meeting of Astro Group securityholders has been convened for 13 September 2017.

Astro Group is being advised by Herbert Smith Freehills and Fort Street Advisers.

ENDS

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About Astro Japan Property Group (AJA)
Astro Japan Property Group is a listed property group which invests in the Japan real estate market. It currently holds interests in a portfolio comprising 29 retail, office, residential and hotel properties. Asset management services in Japan are generally undertaken by Spring Investment Co., Ltd.

AJA is a stapled entity comprising Astro Japan Property Trust (ARSN 112 799 854) and Astro Japan Property Group Limited (ABN 25 135 381 663). For further information please visit our website: www.astrojapanproperty.com

Astro Japan Property

Cash acquisition of Property (TK) Interests by affiliates of Blackstone Real Estate

1 August 2017

IMPORTANT NOTICE

This presentation is issued by the Astro Japan Property Group (“Astro Group” or “AJA”), comprising Astro Japan Property Management Limited (ABN 94 111 874 563, AFSL 283142) (“Responsible Entity”) as responsible entity of the Astro Japan Property Trust (ARSN 112 799 854) (“AJT”) and Astro Japan Property Group Limited (ABN 25 135 381 663) (“AJCo”). It is not an offer of securities for subscription or sale and is not financial product advice.

Information in this presentation including, without limitation, any forward looking statements or options (the ‘Information’) may be subject to change without notice.

Full details of the proposal discussed in this presentation will be set out in an Explanatory Memorandum accompanying the Notice of Meeting in relation to the proposal. Investors should refer to that document, which prevails to the extent of any inconsistency with this presentation.

To the extent permitted by law, Astro Group, and its officers, employees or advisers do not make any representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of the Information and disclaim all responsibility and liability for it (including, without limitation, liability for negligence).

The information contained in this presentation should not be considered to be comprehensive or to comprise all the information which an Astro Group securityholder or potential investor may require in order to determine whether to deal in Astro Group stapled securities. This presentation does not take into account the financial situation, investment objectives and particular needs of any particular person.

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Asset management services in Japan are generally undertaken by Spring Investment Co., Limited (“Spring”). Property level information contained in this Presentation has been provided by Spring. The Astro Group’s property interests are held via a Japanese Tokumei Kumiai structure, which is a contractual arrangement whereby the Astro Group has no ownership interest in the properties. See the Astro Group website under About Us – Ownership Structure for more details, www.astrojapanproperty.com.

OVERVIEW OF PROPOSAL

- Astro Japan Property Group ('AJA') has entered into agreements with funds managed by Blackstone Real Estate ('Blackstone') that will, subject to the satisfaction of conditions, result in:
  - Blackstone acquiring all of the properties held by AJA by purchase of AJA's TK interests for net cash consideration of ¥37.908 billion;
  - net proceeds from the sale of the TK Interests being returned to Astro Group securityholders; and
  - AJA being delisted from the ASX and the constituent entities of AJA being wound up (collectively, the 'Proposal')
- The Proposal implies a property portfolio valuation of ¥98.642 billion, reflecting a 2.38% premium to the 30 June 2017 book values
- It is expected that Astro Group securityholders will receive net consideration of approximately A$7.18 as a result of the Proposal ('Proposed Consideration')[1] in October 2017. In addition, Astro Group securityholders will also receive:
  - the normal half yearly distribution payable at the end of August 2017 of 21 cents per security; and
  - distributions currently estimated at 14 cents per security following the wind-up of Astro Group (targeted prior to January 2018)
- The AJA Directors unanimously recommend the Proposal and intend to vote in favour of the resolutions in relation to AJA securities they own or control, in the absence of a superior proposal
- The Independent Expert, Grant Samuel & Associates Pty Limited, has opined that the Proposal is fair and reasonable to non-associated Astro Group securityholders, in the absence of a superior proposal
- The Proposal requires the approval of AJA securityholders by majority vote and the securityholder meeting is expected to be held on 13 September 2017

1. Assuming an exchange rate of ¥88.5:$A1. Based on hedging arrangements detailed in the Explanatory Memorandum, Proposed Consideration may be between $7.11 - $7.38, depending on the exchange rate at the Implementation Date. In the event that the Transaction does not complete and the JPY appreciates beyond ¥86.17:$A1, Astro would have a residual FX exposure under the arrangements described in Section 5.1.3 the Explanatory Memorandum.

OVERVIEW OF PROPOSAL

- The Proposal will be implemented via a sale of AJA's TK Interests, followed by a delisting of AJA and each of the constituent entities of AJA being wound up
- A condition of the Proposal requires termination of existing asset management (AM) agreements between the TK Operators and the asset manager, Spring
- Arrangements have been agreed with Spring Group entities to facilitate the Proposal and procure that termination
- Material conditions precedent to the implementation of the Proposal include:
    - securityholder approval;
    - TK financier consents; and
    - no material adverse change in the underlying assets
- The Implementation Deed also contains a number of market standard provisions in relation to exclusivity (subject to customary fiduciary outs if a superior proposal emerges) including a break fee of A$1.5 million which is payable in certain circumstances

	¥ bn	A$m[1]	A$ per security[1]
Blackstone implied value for portfolio	98.642	1,114.6	18.38
Provisions[2]	(58.782)	(664.2)	(10.95)
Facilitation and Termination Payment payable to Spring Group	(1.952)	(22.1)	(0.36)
Net consideration from Blackstone	**37.908**	**428.3**	**7.06**
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Net liquid assets in Australia	0.797	9.0	0.15
Estimated transaction costs	(0.418)	(4.7)	(0.08)
Net consideration to AJA securityholders	**38.563**	**435.7**	**7.18**

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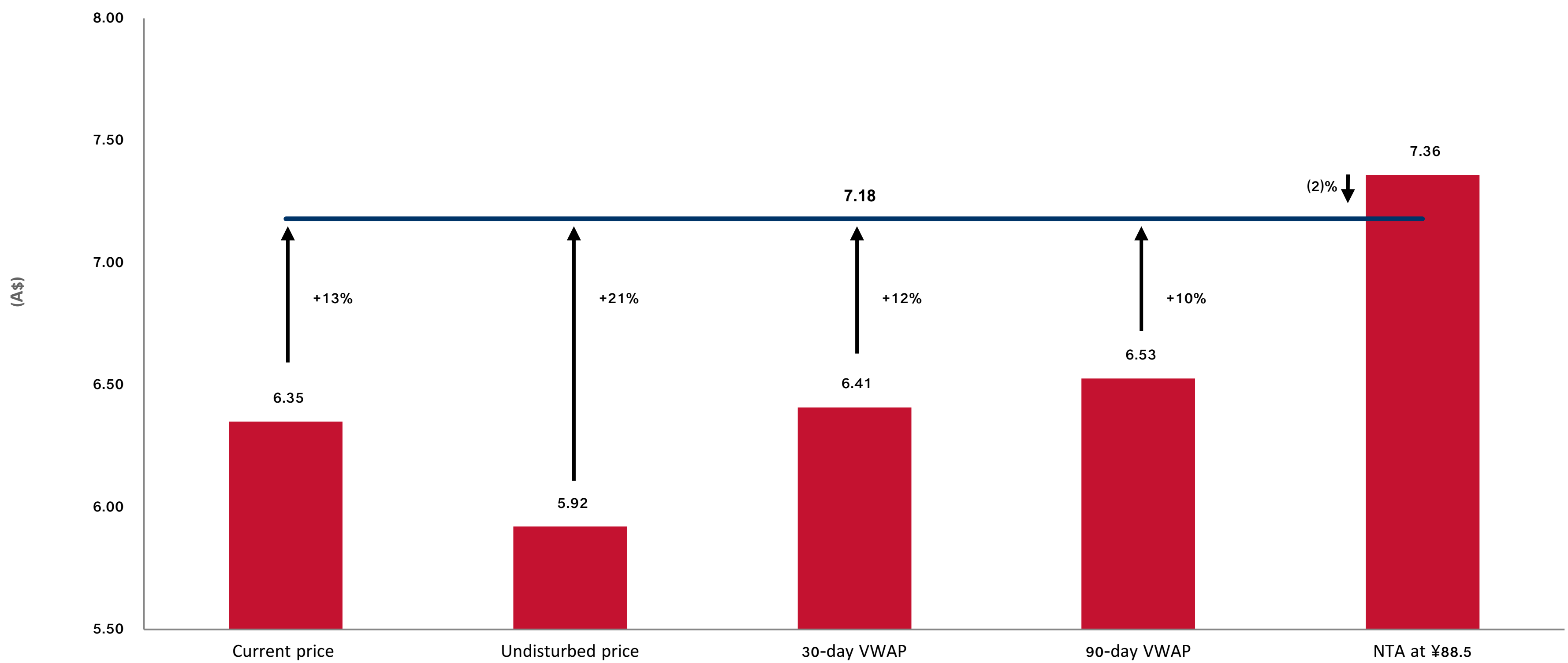
2. Includes provisions for loans, other assets and liabilities, payment to TK Operators, withholding taxes and debt break and financing costs. All of these, other than payment to TK Operators, have been provisioned for in Astro Group's financial statements; however, the amounts provisioned for are different for withholding taxes, and debt break and financing costs due to the value of the Proposal. In addition includes ¥18.3m for an acquisition tax on the Fukuoka hotel that was not accounted for in AJA's 30 June 2017 accounts but will be payable after 30 June 2017.

AJA BOARD'S CONSIDERATIONS

- The AJA Board has been considering alternatives aimed at maximising value for AJA securityholders given the AJA price has consistently traded at a discount to NTA
  - focus has intensified this year following approaches by Lone Star and other parties
  - AJA security price continues to trade at a discount to NTA following the investment of AJA's surplus capital
- The AJA Board has considered a range of alternatives, including:
  - maintaining the status quo;
  - termination of the TK Agreements and consequent sale of the underlying properties over time;
  - re-establishing the portfolio as a newly listed REIT in Japan; and
  - seeking alternative proposals to acquire the assets, TK Interests or 100% of the issued capital of AJA
- The AJA Board unanimously recommends the Proposal in the absence of a superior proposal. In assessing the Proposal, the Board believes it:
  - provides a material premium to the pre-announcement trading price of AJA stapled securities
  - achieves certainty of value for AJA securityholders through cash consideration; and
  - is the most attractive and certain proposal that is available to AJA securityholders
- The AJA Directors intend to vote securities they own or control in favour of the Proposal, in the absence of a superior proposal
- A full analysis of the Proposal is set out in the Explanatory Memorandum to be dispatched to securityholders on or about 9 August

MATERIAL PREMIUM TO TRADING PRICE

The Proposed Consideration provides Astro Group securityholders with cash liquidity at a material premium to recent trading prices but at a slight discount to AJA's net assets as at 30 June 2017[1]



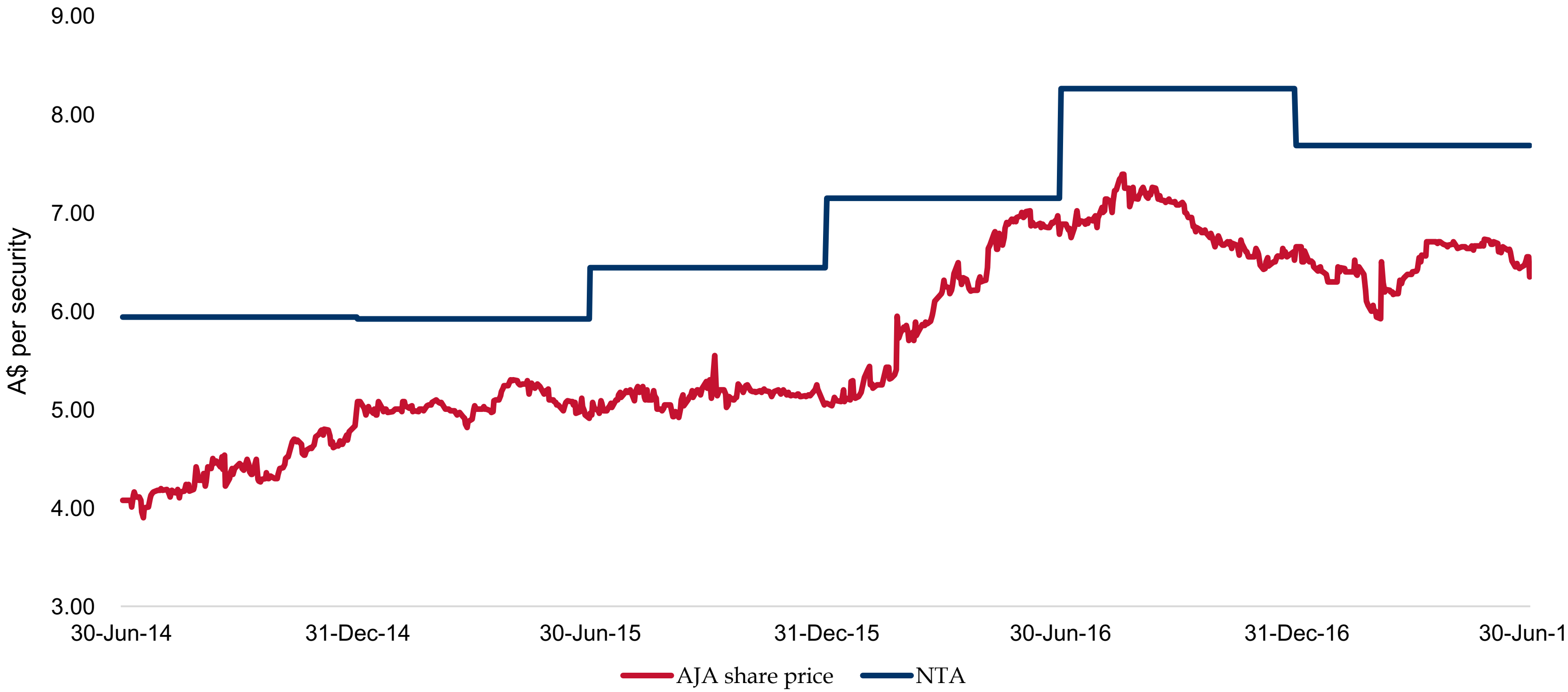
Source: Bloomberg

1. By reason of Astro Group's structure, its long term debt and Spring's asset management arrangements, a discount to NTA is likely in any transaction of this nature
2. Undisturbed price on 6 March 2017, the last trading day prior to Astro Group's response to market commentary on the Lone Star proposal

Astro Japan Property

ADDRESSES DISCOUNT TO NTA

Proposal seeks to address AJA's persistent trading discount to NTA[1]



Source: Bloomberg

1. Average discount of 18% from 30 June 2014 to 30 June 2017

Astro Japan Property

ARRANGEMENTS WITH SPRING GROUP

- A number of arrangements have been agreed with the Spring Group, which is controlled by Mr. Eric Lucas, who owns approximately 11.6% of Astro Group securities to facilitate the transaction and procure the required termination of Spring's asset management agreements, including:
  - termination and facilitation fee of ¥1.952 billion (A$22.1m[1]) to be paid by Blackstone;
  - disposal fee of ¥247 million (A$2.8m[1]) negotiated to be 50% of the fee that would otherwise have been payable on the sale of assets by the TK Operators, to be paid by AJA; and
  - potential for a performance fee, depending on the performance of AJA relative to the ASX 200 A-REIT Accumulation Index in the period from 1 July 2017 to the meeting date
- A nominee of Spring will acquire AJCo's 25% interest in Spring for an amount equal to 25% of the above fees, net of a provision for Spring Group bonus in relation to the disposal and performance fee
- Blackstone and Spring to enter into new asset management agreements. Blackstone has advised that the new arrangements are on less favourable terms, particularly as to term and fees
- Blackstone has advised that the entities associated with Mr. Lucas will co-invest alongside Blackstone in the portfolio and in this context will receive:
  - a cost protection benefit and a zero cost option to acquire equity interests in the portfolio which together have a current aggregate value in the order of ¥800 million - ¥1 billion (A$9.0m – A$11.3m[1]), noting the ultimate value will be dependent upon the future performance of the portfolio; and
  - and a low cost limited recourse loan of ¥1 billion (A$11.3m[1]), the ultimate value of which will be dependent upon the future performance of the portfolio
- Mr Lucas and his associates will not be able to vote on the Proposal

1. Assuming an exchange rate of ¥88.5:$A1

INDICATIVE TIMETABLE

Event	Date
Announcement of Proposal	1 August 2017
Notice of Meeting, Explanatory Memorandum and Independent Expert's Report sent to securityholders	On or about 9 August 2017
AJA securityholders' meeting to vote on the resolutions to implement the Proposal	13 September 2017
Implementation date	Target 4 October 2017
Delisting date and AJT and AJCo to commence wind up	Target 10 October 2017

Note: Indicative timetable subject to change

HERBERT
SMITH
FREEHILLS

Deed

Execution Version

Implementation Deed

Astro Japan Property Group Limited

Astro Japan Property Management Limited as the responsible entity of Astro Japan Property Trust

TK Operators listed in Schedule 3

Spring Investment Co., Ltd.

Jetsons Holding II Pte. Ltd.

HERBERT SMITH FREEHILLS

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HERBERT SMITH FREEHILLS

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HERBERT SMITH FREEHILLS

Implementation Deed

Date ▸ 1 August 2017

By

AJCo	**Astro Japan Property Group Limited** ABN 25 135 381 663 of Suite 4, Level 10, 56 Pitt Street, Sydney NSW 2000
AJPML	**Astro Japan Property Management Limited** (ABN 94 111 874 563) **as the responsible entity of Astro Japan Property Trust** (ARSN 112 799 854) of Suite 4, Level 10, 56 Pitt Street, Sydney NSW 2000
Blackstone	**Jetsons Holding II Pte. Ltd.** of 77 Robinson Road, #13-00, Singapore 068896
Spring	**Spring Investment Co., Ltd.** of 6F Izumikan Kioicho 4-3 Kioicho Chiyoda-ku, Tokyo 102-0094 Japan
TK Operators	each of the TK Operators listed in Schedule 3.

Recitals

1 The Parties have agreed to take the steps set out in this deed with the intent that:

(a) Blackstone will acquire from the Stapled Entities all of their TK Interests;

(b) the existing asset management agreements between the TK Operators and Spring will be terminated and replaced with new agreements to apply following Blackstone's purchase; and

(c) the Spring TK Agreement between AJCo and Spring will be transferred.

2 To give effect to the above, the Parties have agreed that:

(a) the Stapled Entities will seek Securityholder approval for the Resolutions which are required to implement the Transaction;

(b) if the Securityholders pass the Resolutions by the requisite majorities, and all other Conditions are satisfied or waived (as applicable), Blackstone will acquire all of the TK Interests and will pay the Purchase Price in accordance with the TK Interests Transfer Agreement;

(c) Spring Hold Co will agree (in accordance with the Spring Facilitation Agreement) to facilitate the transaction and to procure required actions by Spring;

(d) the Spring TK Agreement will be transferred in accordance with the Spring TK Transfer Agreement;

(e) the Asset Management Agreements will be terminated in accordance with the Asset Management Termination Agreement; and

(f) the Stapled Entities will apply for removal from the official list of ASX promptly following implementation of the Transaction and will take such steps as are necessary to wind-up the Stapled Entities.

This deed provides

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1 Definitions and interpretation

1.1 Definitions and interpretation

In this deed, capitalised expressions have the meanings set out in Schedule 1. This deed will be interpreted in accordance with Schedule 1.

2 Agreement to implement Transaction

2.1 Obligations of the Parties

Subject to the terms of this deed:

(a) each of the Parties agrees to carry out the Transaction Steps for which it is responsible in accordance with this deed;

(b) without limiting the foregoing:

(1) each of the Stapled Entities agrees to propose the Resolutions to the Securityholders and, if the Resolutions are approved and the Conditions are satisfied or waived (as applicable), to transfer the TK Interests to Blackstone in accordance with the terms of the TK Interests Transfer Agreement and this deed; and

(2) Blackstone agrees to pay the Purchase Price in accordance with the terms of the TK Interests Transfer Agreement and this deed.

2.2 Payment of Deposit on signing

(a) Blackstone must pay the Deposit in Immediately Available Funds to Intertrust Escrow (Asia) Limited of 3806 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong (**Escrow Agent**) on execution of this deed to be dealt with in accordance with the Escrow Agreement and clause 2.2(b) below.

(b) The Deposit must be paid to:

(1) Blackstone, if Completion does not occur for any reason except where a Stapled Entity lawfully terminates the this deed in accordance with clause 9.2(a); or

(2) the Stapled Entities, if:

(A) Completion occurs, at Completion; or

(B) Completion does not occur as a result of termination of this deed where a Stapled Entity lawfully terminates this deed in accordance with clause 9.2(a).

(c) The interest accrued on the Deposit is payable to Blackstone in all circumstances except where a Stapled Entity lawfully terminates this deed in accordance with clause 9.2(a).

(d) In order to give effect to clauses 2.2(b) and 2.2(c), Blackstone and the Stapled Entities must, in accordance with the requirements of the Escrow Agreement, execute and deliver the joint transfer instructions in relation to the release of the

Deposit and / or accrued interest on the Deposit to the party entitled to the Deposit and / or interest accrued on the Deposit in accordance with clauses 2.2(b) and 2.2(c) above.

3 Conditions precedent

3.1 Conditions

The Parties' obligations to give effect to the Transaction, and to make payments as contemplated in the Transaction Steps, do not become binding until each of the following conditions precedent has been satisfied or waived, and this deed shall not be binding on each TK Operator unless and until such TK Operator's Financier has given the consents specified in clause 3.1(c):

(a) (**Securityholder approval**): the Securityholders approve the Resolutions put to them at the Meeting by the requisite majorities;

(b) (**ASX**): ASX issues or provides such consents, waivers and approvals or does such other acts as are necessary to allow implementation of the Transaction;

(c) (**Financier notice and consent**): notice has been provided to each Financier, and each Financier has given all necessary consents to the implementation of the Transactions as agreed between the parties (insofar as they are relevant to that Financier) and the execution, delivery and performance of this deed and the TK Interests Transfer Agreement by each TK Operator, and such consents remain in full force and effect;

(d) (**third party consents**): all other third party consents, approvals and waivers which are necessary to implement the Transaction as agreed between the parties have been obtained;

(e) (**no regulatory action**): between the date that a public announcement of the Transaction is made under clause 10.1 and the Transaction Implementation Date:

(1) there is not in effect any preliminary or final decision, order or decree issued by a Government Agency; and

(2) no action or investigation is announced or commenced by a Government Agency,

that restrains, impedes or prohibits or otherwise materially adversely impacts upon the implementation of the Transaction or the acquisition by Blackstone of the TK Interests.

(f) (**no Material Adverse Change or Disposal**): no Material Adverse Change or Disposal occurs between the date a public announcement of the Transaction is made under clause 10.1 and immediately prior to Completion;

(g) (**restraints**): no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the Transaction is in effect at 8:00 am on the Transaction Implementation Date;

(h) (**Transaction Documents**): all Transaction Documents are entered into by the relevant parties, and are duly executed in accordance with the Timetable and the Transaction Steps (or as otherwise agreed) and remain in effect at the Transaction Implementation Date;

(i) (**Superior Proposal**): the Board of the Stapled Entities have not received a Competing Proposal which they have determined is a Superior Proposal between the date of this deed and 6:00 pm on the day before the Meeting Date;

(j) (**Independent Expert**): the Independent Expert concludes in the Independent Expert's Report that the Transaction is fair and reasonable; and

(k) (**No prohibited acts**): none of the actions set forth in clause 4.2(b) of the TK Interests Transfer Agreement shall have occurred from the date of this Agreement until the Completion Date (as defined in the TK Interests Transfer Agreement) that would result in a material detriment to Blackstone upon Completion, unless any such action is permitted under clause 4.2 or 4.3 of the TK Interests Transfer Agreement.

3.2 Reasonable endeavours

(a) The Stapled Entities must, to the extent it is within their power to do so:

(1) use their reasonable endeavours to procure that the conditions in clauses 3.1(a), 3.1(b), 3.1(d) and 3.1(h) are satisfied as soon as practicable after the date of this deed and continue to be satisfied at all times until the earlier of the Transaction Implementation Date and the End Date; and

(2) where requested by Blackstone, co-operate with, and use their reasonable endeavours to assist Blackstone or any other party in obtaining the Financier consents the subject of the condition in clause 3.1(c) where such co-operation or assistance is reasonably required in order to obtain the necessary consent.

(b) Spring and each of the TK Operators (in respect of each TK Agreement to which they are a party) must, to the extent it is within their power to do so, use their reasonable endeavours to procure that the conditions in clause 3.1(c), 3.1(d) and 3.1(h) are satisfied as soon as practicable after the date of this deed and continues to be satisfied at all times until the earlier of the Transaction Implementation Date and the End Date.

(c) Blackstone must, to the extent it is in its power to do so use its reasonable endeavours to procure that the conditions in clauses 3.1(c), 3.1(d) and 3.1(h) are satisfied as soon as practicable after the date of this deed and continue to be satisfied at all times until the earlier of the Transaction Implementation Date and the End Date.

3.3 Notification

Each Party must promptly notify each other Party in writing if it discovers that any condition is satisfied or becomes incapable of being satisfied.

3.4 Waiver

(a) The Conditions (other than the Conditions referred to in clauses 3.4(b), 3.4(c) and 3.4(d)) are for the benefit of the Stapled Entities, Blackstone and each TK Operator (but only in respect of the TK Interests and TK Assets referable to that TK Operator) and cannot be waived except by written agreement of each of those Parties in their absolute and unfettered discretion.

(b) The Conditions referred to in clauses 3.1(f) and 3.1(k) are for the benefit of Blackstone and may only be waived in writing by Blackstone in its absolute and unfettered discretion.

(c) The Conditions referred to in clauses 3.1(a) and 3.1(b) may not be waived.

(d) The Conditions referred to in clauses 3.1(i) and 3.1(j) are for the benefit of the Stapled Entities and may only be waived in writing by the Stapled Entitles in their absolute and unfettered discretion.

(e) Waiver of the breach or non-fulfilment of a Condition does not affect a Party's right to bring a Claim (subject to the terms of this document) against any other Party for breach of this deed.

(f) If a waiver by a Party of a Condition is itself expressed to be conditional and all other Parties affected by the conditions accept the conditions, the terms of the conditions apply accordingly. If the other Parties affected by the conditions do not accept the conditions, the relevant Condition has not been waived.

3.5 End Date and termination

(a) If a Condition is not satisfied or waived or becomes incapable of being satisfied and is not waived on or by the End Date, the Parties must consult in good faith for a period of 10 Business Days (from the time it becomes apparent that a Condition is incapable of being satisfied) to determine whether the Transaction may proceed by alternative means and whether or not to extend the End Date.

(b) Any Party may terminate this deed at any time with immediate effect by written notice to the other Party if:

(1) a Condition is not satisfied or waived or becomes incapable of being satisfied by the End Date and is not waived;

(2) the period of good faith consultation as set out in clause 3.5(a) has expired; and

(3) the Parties do not agree to extend the End Date under clause 3.5(a),

provided that:

(4) such Condition is for the benefit of that Party (whether or not the Condition Precedent is also for the benefit of the other party); and

(5) there has been no failure by that Party to comply with its obligations under this deed, where that failure directly and materially contributed to the Condition to which the notice relates, becoming incapable of satisfaction, being breached or not fulfilled before the End Date.

4 Conduct of business before Implementation

4.1 Conduct of business before Implementation

From the date of this deed up to and including the earlier of the Transaction Implementation Date and the date of termination of this deed:

(a) the Stapled Entities must use all reasonable endeavours to:

(1) procure that the Trust conducts its business in the ordinary course, in substantially the same manner as it was conducted prior to the date of this deed and, to the extent consistent, use reasonable endeavours to maintain its business and assets; and

(2) in respect of AJPML, comply with its obligations under clause 4 of the TK Interests Transfer Agreement with respect to the period before Completion;

(b) each TK Operator must use all reasonable endeavours to:

(1) procure that the TK Assets referable to it (as set out in Schedule 2) are managed and maintained in the ordinary course, in substantially the same manner as they were managed and maintained prior to the date of this deed; and

(2) comply with its obligations under clause 4 of the TK Interests Transfer Agreement with respect to the period before Completion; and

(c) Spring must use all reasonable endeavours to conduct its business in the ordinary course, in substantially the same manner as it was conducted prior to the date of this deed, including in the management and maintenance of the TK Assets under the asset management agreements it has with the TK Operators.

5 Implementation

5.1 Implementation

Subject to any applicable laws, the Listing Rules and the terms of this deed, each Party must execute all documents and take all necessary action within its power to implement the Transaction Steps as soon as reasonably practicable and in the order set out in the Transaction Steps. In particular, each Party must provide each other Party with reasonable assistance to implement the Transaction Steps. No other provision of this clause 5 limits the generality of this clause 5.1.

5.2 Timing

Each Party must use all reasonable endeavours to complete all Transaction Steps for which it is responsible and perform all its other obligations substantially in accordance with the Timing for the relevant Transaction Steps set out in Annexure 1 (to the extent that those Transaction Steps have not been completed before the date of this deed).

5.3 Reasonable endeavours

Any provision of this deed that requires a Party to use reasonable endeavours, or to take all steps reasonably necessary, to procure that something is performed or occurs, requires that Party to do so as soon as is reasonably practicable, but does not include any obligation to:

(a) pay any significant sum of money (other than the Purchase Price payable by Blackstone) or to provide any significant financial compensation, valuable consideration or any other incentive to or for the benefit of any person, except for payment of any applicable fee for the lodgement or filing of any relevant application with any Government Agency or fees to any professional advisers;

(b) agree to commercially onerous or unreasonable conditions imposed by a third party;

(c) do anything which would result in a Party acting in breach of the law (including fiduciary obligations); or

(d) commence any legal action or proceeding against any person, to procure that that thing is done or happens,

except where that provision expressly specifies otherwise.

5.4 Regulatory Approvals

Without limiting the generality of clause 3.2:

(a) each Party must promptly apply for all relevant Regulatory Approvals it requires to be able to implement the Transaction and to take the Transaction Steps for which it is responsible, including responding to requests for information at the earliest practicable date.

(b) each Party must consult with each other Party in advance in relation to all communications (whether written or oral and whether direct through agents or advisors) with any Government Agency relating to any Regulatory Approval. In particular, each Party must:

(1) give each other Party drafts of any material written communication to be sent to a Government Agency and attempt to resolve in good faith any dispute about the form and content of communications; and

(2) give each other Party copies of any written communications sent to or received from any Government Agency promptly on sending or receiving them.

5.5 Explanatory Memorandum

(a) The Stapled Entities must prepare the Notice of Meeting and the Explanatory Memorandum (other than those parts of the Explanatory Memorandum required to be prepared by another entity and provided to the Stapled Entities under clause 5.5(b) or clause 5.5(c)) so that those documents comply with the Listing Rules and all other applicable laws.

(b) Blackstone must prepare and provide the Stapled Entities with information referable to Blackstone (**Blackstone Information**) in a form for inclusion in the Explanatory Memorandum, which information is to include all information regarding Blackstone required to enable the Explanatory Memorandum to comply with the Listing Rules and all other applicable law (including information as to the mechanism for, and security of, funding for the Transaction).

(c) Spring and each TK Operator must prepare and provide the Stapled Entities with information referable to Spring or the relevant TK Operator as applicable (**Spring/TKO Information**), in a form for inclusion in the Explanatory Memorandum, which information is to include all information regarding Spring or the relevant TK Operator required to enable the Explanatory Memorandum to comply with the Listing Rules and all other applicable laws.

(d) Each of Blackstone and Spring must prepare and provide to the Stapled Entities all material information concerning the financial arrangements agreed between Blackstone and Spring and their respective associates (including Mr Eric Lucas) in connection with the Transaction (**Blackstone/Spring Information**) in a form for inclusion in the Explanatory Memorandum, to enable the Explanatory Memorandum to comply with the Listing Rules and all other applicable laws. Blackstone and Spring confirm that such information has already been provided to the Stapled Entities prior to the date of this deed.

(e) Each Party must reasonably assist each other Party in the earliest possible preparation of the Explanatory Memorandum.

(f) Each Party must consult with each other Party about the form and content of the Explanatory Memorandum and any other communication provided to Securityholders and attempt to resolve in good faith any dispute about the form and content of communications with a view to reaching agreement in a reasonable time frame but recognising that the Board shall have the final decision as to the form and content of the Explanatory Memorandum.

(g) Each Party must ensure that those parts of the Explanatory Memorandum for which the Party is responsible are updated with any information of which the Party becomes aware between the Explanatory Memorandum Despatch Date and the Meeting Date, that is necessary to ensure that the Explanatory Memorandum is not misleading or deceptive, or likely to mislead or deceive, in any material respect and complies with all applicable laws and the Listing Rules.

(h) The Notice of Meeting and Explanatory Memorandum will contain a responsibility statement:

(1) by the Stapled Entities, that all of the information contained in the Notice of Meeting and Explanatory Memorandum, other than the Blackstone Information, the Spring/TKO Information, the Blackstone/Spring Information and the Independent Expert's Report, has been prepared by Stapled Entities and is the responsibility of the Stapled Entities;

(2) by Blackstone, that it has prepared and is responsible for the Blackstone Information and the Stapled Entities and Spring do not assume any responsibility for the accuracy or completeness of the Blackstone Information;

(3) by Spring and the relevant TK Operator that each has prepared and is responsible for the Spring/TKO Information as applicable and the Stapled Entities and Blackstone do not assume any responsibility for the accuracy or completeness of that information; and

(4) by Blackstone and Spring that each has prepared and is responsible for the Blackstone/Spring Information and the Stapled Entities do not assume any responsibility for the accuracy or completeness of the Blackstone/Spring Information.

5.6 Access to information

Subject to each Party's respective fiduciary duties, confidentiality obligations, attorney-client privilege and the terms of any information protocols agreed between the Parties, the Stapled Entities and the TK Operators must give Blackstone:

(a) reasonable access during normal business hours to its records (subject to any existing confidentiality obligations owed to third parties), premises and personnel and reasonable co-operation for the purpose of planning the management and operation of the TK Assets; and

(b) all information that it reasonably requires to implement the Transaction Steps and give effect to the Transaction or otherwise perform its obligations under this deed.

5.7 Board recommendation

(a) Subject to clause 5.7(b), each of the Stapled Entities must use its best endeavours to procure that its Board agrees to recommend (including in the public announcement of the Transaction under clause 10.1, the Notice of

Meeting and Explanatory Memorandum and any other public announcements by the Stapled Entities in relation to the Transaction) that Securityholders vote in favour of the Resolutions in the absence of a Superior Proposal and subject to the Independent Expert concluding in the Independent Expert's Report that the Transaction is fair and reasonable provided that the Stapled Entities shall not be required to do anything in the foregoing part of this clause 5.7(a) if the Independent Expert concludes in the Independent Expert's Report (either initially or in any updated, revised or supplemented report) that the Transaction is not fair and reasonable;

(b) A Stapled Entity must use its best endeavours to procure that its Board does not change, withdraw or modify, its recommendation in favour of the Resolutions unless either:

(A) the Independent Expert concludes in the Independent Expert's Report (either initially or in any updated, revised or supplemented report) that the Transaction is not fair and reasonable; or

(B) the Stapled Entity has received a Superior Proposal which the Board of the Stapled Entity has determined, after receiving written financial advice from its financial advisers and written legal advice from its legal advisers, that continuing to recommend the Resolutions would be, or would be likely to be, a breach of their statutory or fiduciary duties or would be, or would be likely to be, unlawful.

5.8 Board intentions

(a) The public announcement of the Transaction under clause 10.1 and Notice of Meeting and Explanatory Memorandum must state (on the basis of written statements or resolutions made by each of the relevant AJ Directors) that each AJ Director who holds Securities or on whose behalf Securities are held intends to vote such Securities in favour of the Transaction, unless:

(1) there is a Superior Proposal; or

(2) the Independent Expert concludes (either in the Independent Expert's Report or in any updated, revised or supplemented report) that the Transaction is not fair and reasonable.

(b) The Stapled Entities must use their reasonable endeavours to ensure that each AJ Director who holds Securities or on whose behalf Securities are held:

(1) intends to vote such Securities in favour of the Transaction; and

(2) does not change that voting intention,

unless:

(3) there is a Superior Proposal; or

(4) the Independent Expert concludes (either in the Independent Expert's Report or any updated, revised or supplemented report) that the Transaction is not fair and reasonable.

6 Exclusivity

6.1 Stapled Entity no existing discussions

Each Stapled Entity represents and warrants that it has ceased negotiations and/or discussions in respect of any Competing Proposal with any other person.

6.2 Stapled Entity no-shop

During the Exclusivity Period, each Stapled Entity must ensure that neither it nor any of its Representatives directly or indirectly:

(a) solicits, invites, encourages or initiates any enquiries, negotiations or discussions; or

(b) communicates to a third party any intention to do any of these things,

with a view to obtaining any offer, proposal or expression of interest from any person in relation to a Competing Proposal.

6.3 Stapled Entity presentations

Nothing in clause 6.2 prevents the Stapled Entities and their Representatives from continuing to make normal presentations to, and to respond to enquiries from, brokers, portfolio investors and analysts in the ordinary course in relation to the Transaction or its business generally.

6.4 Stapled Entity no-talk

Subject to clause 6.7, during the Exclusivity Period, each Stapled Entity must ensure that neither it nor any of its Representatives:

(a) negotiates or enters into; or

(b) participates in negotiations or discussions with any other person regarding,

a Competing Proposal or any agreement, understanding or arrangement that may be reasonably expected to lead to a Competing Proposal, even if that person's Competing Proposal was not directly or indirectly solicited, invited, facilitated, encouraged or initiated by a Stapled Entity or any of their Representatives or the person has publicly announced the Competing Proposal.

6.5 Stapled Entity no due diligence

Subject to clause 6.7, during the Exclusivity Period, each Stapled Entity must ensure that neither it nor any of their Representatives solicits or enables any person without the prior written consent of Blackstone to undertake due diligence investigations on a Stapled Entity or the TK Assets for the purposes of obtaining, or which may reasonably be expected to lead to a Competing Proposal.

6.6 Stapled Entity notification of Competing Proposal

Subject to clause 6.7, during the Exclusivity Period, the Stapled Entities must:

(a) promptly inform Blackstone if any of its Representatives receives any approach with respect to any Competing Proposal which the Board reasonably considers is likely to be a Superior Proposal to the Transaction, on the basis that it will only be required to disclose to Blackstone:

(1) the fact that the approach has been made;

(2) subject to any obligation of confidentiality, the identity of the relevant person or persons involved and the nature of any Competing Proposal (to the extent known); and

(3) all reasonable details of the Competing Proposal, including details of the value of the Competing Proposal, conditions and timing;

(b) use its reasonable endeavours to ask the person who has made the applicable Competing Proposal (the **Competing Party**) for their consent to their name and other identifying details which may identify the Competing Party (**Identifying Details**) being provided by the Stapled Entities to Blackstone on a confidential basis; and

(c) as soon as practicable notify Blackstone if a Stapled Entity proposes to provide confidential information of a Stapled Entity to any third party in relation to any Competing Proposal, and in any event no later than 1 Business Day after the Board resolves to consider the Competing Proposal,

but nothing in this clause 6.6 limits the obligations of the Stapled Entities under clauses 6.2, 6.4 and 6.5.

For the avoidance of doubt each new Competing Proposal as contemplated in clause 6.6(a) and each successive material amendment, modification or update to a Competing Proposal will oblige the Stapled Entities as relevant to issue a new notification of Competing Proposal under clause 6.6(a), and clause 6.6 will operate on multiple occasions according to their terms.

6.7 Stapled Entity exceptions

Clauses 6.4, 6.5 and 6.6 do not apply to the extent that they restrict the Stapled Entities or the Board from taking or refusing to take any action with respect to a bona fide Competing Proposal (which was not solicited, invited, encouraged or initiated by a Stapled Entity in contravention of clause 6.2) provided that the Board has determined:

(a) in good faith; and

(b) acting reasonably; and

(c) after receiving written advice from its external financial advisor and external legal advisor,

that the Competing Proposal is, or may reasonably be expected to lead to, a Superior Proposal and that failing to respond to that bona fide Competing Proposal would be reasonably likely to constitute a breach of the Board’s fiduciary or statutory obligations.

6.8 Spring no existing discussions

Spring represents and warrants that it and its Affiliates have ceased negotiations and/or discussions in respect of any Proposal with any other person.

6.9 Spring no-shop

Subject to clause 6.13, during the Exclusivity Period, Spring must ensure that neither it nor any of its Representatives directly or indirectly:

(a) solicits, invites, or initiates any enquiries or negotiations; or

(b) communicates to a third party any intention to do any of these things,

with a view to obtaining any offer, proposal or expression of interest from any person in relation to a Proposal.

6.10 Spring no-talk

Subject to clause 6.13, during the Exclusivity Period, Spring must ensure that neither it nor any of its Representatives:

(a) negotiates or enters into;

(b) participates in negotiations with any other person regarding; or

(c) discloses or otherwise provides any material non-public information about the business or affairs of Spring to a third party with a view to obtaining or which would reasonably be expected to encourage or lead to receipt of,

a Proposal or any agreement, understanding or arrangement that may be reasonably expected to lead to a Proposal, unless that person's Proposal was not directly or indirectly solicited, invited, facilitated, encouraged or initiated by Spring or any of its Representatives or the person has publicly announced the Proposal.

6.11 Spring no due diligence

Subject to clause 6.13, during the Exclusivity Period, Spring must ensure that neither it nor any of its Representatives solicits or enables any person without the prior written consent of Blackstone to undertake due diligence investigations on a Stapled Entity or the TK Assets for the purposes of obtaining, or which may reasonably be expected to lead to a Proposal.

6.12 Spring notification of Proposal

During the Exclusivity Period, Spring must promptly inform Blackstone if any of its Representatives receives any approach with respect to any Proposal and on the basis it will only be required to disclose to Blackstone the fact that the approach has been made.

6.13 Spring exceptions

(a) Each of clauses 6.10 and 6.11 does not apply to the extent that it restricts Spring from taking or refusing to take any action with respect to a bona fide Competing Proposal or a bona fide Spring Competing Proposal received in conjunction with a Competing Proposal (which was not solicited, invited, encouraged or initiated by Spring in contravention of clause 6.9), provided that the Board has determined, in consultation with Spring, that the Competing Proposal is, or may reasonably be expected to lead to, a Superior Proposal.

(b) Clauses 6.9, 6.10 and 6.11 do not apply to the extent that they restrict Spring from:

(1) performing an existing obligation under any contract entered into prior to the date hereof in relation to the TK Assets to which they are a party as at the date of this document or any obligation arising under any law of any jurisdiction; or

(2) providing information as a result of a request from a Stapled Entity in connection with any due diligence investigations undertaken with respect to a Stapled Entity.

6.14 Equal access to information

If a Stapled Entity or Spring provides any information relating to the Stapled Entities or any of their businesses, assets, interests or operations to any person in connection with or for the purposes of a current or future Competing Proposal, it must at the same time provide Blackstone (or an Affiliate of Blackstone) with access to, or a copy of, that information to the extent it has not already provided Blackstone (or an Affiliate of Blackstone) that information.

6.15 Legal advice

The Stapled Entities and Spring acknowledge that they have received legal advice on this deed and the operation of this clause 6.

7 Undertaking to pay Compensating Amount

7.1 Excluded Event

For the purposes of this clause 7 **Excluded Event** means:

(a) the Independent Expert concludes (either in the Independent Expert's Report or any updated, revised or supplemented report) that the Transaction is not fair and reasonable (except where the Independent Expert refers to a Competing Proposal as the primary reason for reaching that conclusion); or

(b) a Stapled Entity terminates this deed pursuant to clause 9.2; or

(c) any of the Conditions set out in clause 3.1(a) to clause 3.1(h) are not satisfied or waived (except to the extent that a Stapled Entity has failed to comply with its obligations in clause 3.2(a)).

7.2 Undertaking

The Stapled Entities undertake to pay the Compensating Amount to Blackstone once only, if:

(a) (**change of recommendation**) other than because of an Excluded Event, any AJ Director:

(1) does not recommend the Transaction to Securityholders;

(2) withdraws or adversely modifies an earlier recommendation;

(3) approves or recommends or makes an announcement in support of a Competing Proposal or any other transaction that would reduce the likelihood of success of the Transaction; or

(4) announces an intention to do any of these acts; or

(b) (**Competing Proposal**) a Competing Proposal is announced before the earlier of the date this deed is terminated and the End Date and:

(1) during that period is approved, agreed to, recommended or publically supported by any AJ Director; and

(2) is completed at any time in the period 6 months after the earlier of termination of this deed and the End Date; or

(c) (**entry into a Competing Proposal**) between the date of this document and the earlier of the date this deed is terminated and the End Date, a Stapled Entity accepts or enters into, or agrees to accept or enter into, any Competing Proposal; or

(d) (**material breach**) Blackstone terminates this document in relation to a material breach by a Stapled Entity in accordance with clause 9.3.

7.3 Compensating Amount

The Compensating Amount is A$1.5 million, plus the amount of any GST payable.

7.4 Compensating Amount not payable

Despite any other term of this document, the Compensating Amount will not be payable to Blackstone (or, if paid, will be repayable by Blackstone to the Stapled Entities) if the Transaction completes.

7.5 Stapled Entities' acknowledgment

Based on the representations made to it by Blackstone, each Stapled Entity acknowledges that the Compensating Amount is reasonable in the context of the Transaction.

7.6 Demand for payment

Any demand by Blackstone for payment of the Compensating Amount must be in writing and the Stapled Entities must pay the Compensating Amount to Blackstone within 5 Business Days of receipt of the demand.

7.7 Compliance with law

(a) **Unlawful Amount** means all or any part of the payment required to be made under clause 7.2 that is found by the Takeovers Panel or a Court to be unlawful, involve a breach of director's duties or to constitute "unacceptable circumstances".

(b) If the Takeovers Panel or a Court finds an Unlawful Amount and the period for lodging an application for review or a notice of appeal of that decision has expired without such application or notice having been lodged or if an application for review or a notice of appeal has been lodged with the Takeovers Panel or a Court within the prescribed period and the relevant review Panel or Court finds an Unlawful Amount then:

(1) the undertaking under clause 7.2 does not apply to the extent of the Unlawful Amount; and

(2) Blackstone must refund any Unlawful Amount paid to Blackstone under this document.

7.8 Survival

The obligations in this clause shall survive termination of this deed.

8 Representation and warranties

8.1 Party Warranties

Each Party makes each of the warranties in clause 1 of Annexure 4 to each other Party on the date of this deed, on the Meeting Date and on each subsequent date up to the Transaction Implementation Date, or any other date on which a warranty is expressed to be made.

8.2 AJPML Warranties

AJPML makes each of the AJPML Warranties in clause 2 of Annexure 4 to each other Party. The AJPML Warranties are made on the date of this deed, on the Meeting Date and on each subsequent date up to of the Transaction Implementation Date, or on any other date on which an AJPML Warranty is expressed to be made.

8.3 Blackstone Warranties

Blackstone makes each of the Blackstone Warranties in clause 3 of Annexure 4 to each other Party. The Blackstone Warranties are made on the date of this deed, on the Meeting Date and on each subsequent date up to the Transaction Implementation Date, or any other date on which a Blackstone Warranty is expressed to be made.

8.4 Spring Warranties

Spring makes each of the Spring Warranties in clause 4 of Annexure 4 to each other Party. The Spring Warranties are made on the date of this deed, on the Meeting Date and on each subsequent date up to the Transaction Implementation Date, or on any other date on which a Spring Warranty is expressed to be made.

8.5 TK Operators Warranties

Each TK Operator makes each of the TK Operator Warranties in clause 5 of Annexure 4 to each other Party. The TK Operator Warranties are made on the date of this deed, on the Meeting Date and on each subsequent date up to the Transaction Implementation Date, or on any other date on which a TK Operator Warranty is expressed to be made.

8.6 Warranties in TK Interests Transfer Agreement

Each Party who is a party to the TK Interests Transfer Agreement makes each of the warranties set out in Schedule 2 of that agreement made by that Party. Such warranties are made on each day they are expressed to be made in the TK Interests Transfer Agreement.

8.7 No reliance

Each Party acknowledges that it has not entered into this deed in reliance on any warranty or representation made by or on behalf of any other Party, except the warranties and representations set out in this deed.

9 Termination

9.1 Termination

A Party may terminate this deed by written notice at any time before the Transaction Implementation Date:

(a) (**End Date**): in accordance with clause 3.5;

(b) (**Resolutions**): if the Meeting is held and the Securityholders fail to pass any of the Resolutions put to them;

(c) (**regulatory intervention**): if ASIC, the ASX, a court or other Government Agency has issued an order, decree or ruling or taken other action which materially restrains or prohibits the Transaction and that restraint or prohibition is not removed or addressed to the satisfaction of the Parties within 30 days (or by the End Date, if earlier); or

(d) (**TK Interests Transfer Agreement terminated**): if the TK Interests Transfer Agreement is terminated for any reason.

9.2 Termination by Stapled Entities

A Stapled Entity may terminate this deed by written notice at any time before the Meeting Date if:

(a) Blackstone is in material breach of this deed or a Warranty given by it is or becomes materially inaccurate or misleading and the matter remains unremedied for 7 days after AJPML provides the relevant Party with written notice of such matter;

(b) any Party (other than a Stapled Entity or Blackstone) is in material breach of this deed or a Warranty given by that Party is or becomes materially inaccurate or misleading and:

    (1) the material breach or inaccurate or misleading Warranty would, or would be reasonably likely to, cause a Stapled Entity to suffer a prejudice or loss (other than a prejudice or loss which could reasonably be considered immaterial); and

    (2) the matter remains unremedied for 7 days after AJPML provides the relevant Party with written notice of such matter; or

(c) between the date of this deed and 6:00 pm on the day before the Meeting Date, a Stapled Entity receives a Competing Proposal to the Transaction which it has determined is a Superior Proposal to the Transaction and in the best interests of Securityholders.

9.3 Termination by Blackstone

Blackstone may terminate this deed by written notice at any time before the Meeting Date if any Party (other than Blackstone) is in material breach of this deed or the TK Interests Transfer Agreement or a Warranty given by that Party is or becomes materially inaccurate or misleading and the matter remains unremedied for 7 days after Blackstone provides the relevant Party with written notice of such matter.

9.4 Termination by Spring

Spring may terminate this deed by written notice at any time before the Meeting Date if any Party (other than Spring or a TK Operator) is in material breach of this deed or the TK Interests Transfer Agreement or a Warranty given by that Party is or becomes materially inaccurate or misleading and:

(a) the material breach or inaccurate or misleading Warranty would, or would be reasonably likely to, cause a Spring or a TK Operator to suffer a prejudice or loss (other than a prejudice or loss which could reasonably be considered immaterial); and

(b) the matter remains unremedied for 7 days after Spring provides the relevant Party with written notice of such matter.

9.5 Effect of termination

(a) If this deed is terminated, the Parties are discharged from any further performance of their obligations under this deed. Subject to clause 14.1(d), this discharge does not apply to:

  (1) any obligations which are expressed in this deed to survive termination; or

  (2) any liability for breach of this deed.

(b) The rights and obligations of each Party under each of the following clauses and schedules will continue independently from the other obligations of the Parties and survive termination of this deed:

  (1) clause 1 (Definitions and interpretation);

  (2) clause 2.2 (Payment of Deposit on signing);

  (3) clause 7 (Undertaking to pay Compensating Amount);

  (4) clause 11 (Costs and Duty);

  (5) clause 14 (No recourse); and

  (6) clause 15 (General).

9.6 Notification of breach

Each Party must promptly give each other Party notice if it becomes aware that:

(a) a warranty or representation made by the Party in this deed has become inaccurate or misleading; or

(b) the Party has breached this deed.

10 Announcements and disclosure

10.1 Announcement of Transaction

Immediately after the execution of this deed, the Stapled Entities, Blackstone and Spring must issue a public announcement in a form previously agreed to in writing between them.

10.2 Public announcements

Subject to clause 10.3, no public announcement or disclosure regarding the Transaction may be made other than in a form approved by the Stapled Entities, Blackstone and Spring (acting reasonably), but each of them must use all reasonable endeavours to provide such approval as soon as practicable.

10.3 Required disclosure

A Party may make any announcement or disclosure in connection with the Transaction or any Transaction Step that it is required by applicable law or the Listing Rules to make, provided that the Party has, to the extent practicable and lawful having regard to the timing of the disclosure, consulted with the other Parties prior to making the relevant disclosure.

11 Costs and Duty

11.1 Costs

Subject to clause 11.2, each Party must pay its own costs and expenses in respect of the negotiation, preparation, execution, delivery, stamping and registration of this deed and any other document signed or executed under this deed.

11.2 Duty

Blackstone must pay any stamp duty (including fines, penalties and interest) payable on or in connection with the transfer of the TK Interests or the implementation of the Transaction Steps and the Transaction in accordance with this deed.

12 GST

12.1 GST exclusive

All fees or other sums payable or any other consideration provided, or to be provided, under or in connection with this deed, are GST exclusive.

12.2 GST gross up

(a) A party making a taxable supply under or in connection with this deed (**Supplier**), may recover from the party to whom the taxable supply is made (**Recipient**), an additional amount of GST calculated by multiplying the amount or value of the consideration payable or to be provided for the supply (without any deduction or set-off) by the prevailing GST rate (**Additional Amount**).

(b) The Additional Amount must be paid at the time when payment of the consideration for the taxable supply is due if the consideration is monetary, and within 14 days after the Supplier provides a tax invoice to the Recipient if the consideration is non-monetary.

(c) The Supplier will provide a tax invoice to the Recipient for any taxable supply made under or in connection with this deed prior to the time the Additional Amount is due.

12.3 Adjustments

If the amount of GST recovered by the Supplier from the Recipient under clause 12.2(a) differs from the amount of GST payable at law by the Supplier in respect of the supply, the amount payable by the Recipient to the Supplier will be adjusted accordingly.

12.4 Indemnity or reimbursement payments

If a payment to a party under this deed is a reimbursement or indemnification, calculated by reference to a loss, cost or expense incurred by that party, then the payment will be reduced by the amount of any input tax credit to which that party (or an entity grouped with that party for GST purposes) is entitled for that loss, cost or expense.

12.5 Interpretation

Terms and expressions used in this clause 12 which are defined in the GST Act, have the same meaning given to those terms and expressions in that Act.

13 Limitation of liability

13.1 Limitation of AJPML's liability

(a) AJPML enters into this deed only in its capacity as responsible entity of the Trust.

(b) Subject to clause 13.1(d):

(1) a liability arising under or in connection with this deed (or the transactions contemplated by it) is limited and can be enforced against AJPML only to the extent to which it can be satisfied out of property of the Trust out of which AJPML is actually indemnified for the liability; and

(2) the limitation in clause 13.1(b)(1) applies despite any other provisions of this deed.

(c) Subject to clause 13.1(d), no party shall:

(1) sue AJPML in any capacity other than as responsible entity of the Trust;

(2) seek to appoint or take any steps to procure or support the appointment of a receiver, a receiver and manager, a liquidator, a provisional liquidator, an administrator or similar person to AJPML or

prove in any liquidation, administration or arrangement of or affecting AJPML (except in relation to property of the Trust);

(3) enforce or seek to enforce any judgment in respect of any liability arising under or in connection with this deed (or the transactions contemplated by it) against any property of AJPML other than property held by AJPML as responsible entity of the Trust.

(d) The limitations in clauses 13.1(a), (b) and (c) do not apply to any liability of AJPML to the extent that the liability is not satisfied because, under the Trust Constitution or by operation of law there is a reduction in the extent of AJPML’s indemnification out of the assets of the Trust, as a result of AJPML's fraud, negligence or breach of trust (involving its wilful default or lack of good faith).

14 No recourse

14.1 No recourse to owners or Affiliates

Each Party covenants, acknowledges and agrees that, notwithstanding anything in this document to the contrary:

(a) no direct or indirect legal or beneficial owner of any Party (or its Affiliates) will have any liability or obligation in respect of this document or with respect to any matter relating to any other Party;

(b) no recourse under or in relation to this document will be made against any former, current or future trustee, director, officer, agent, representative, Affiliate, employee, general or limited partner, member, manager or shareholder of that Party (or its Affiliates) (except where the relevant person is a Party to this document), whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any statute, regulation or other applicable laws;

(c) without limiting the generality of the foregoing (and for the avoidance of doubt), none of the partners, shareholders, members, directors, officers, employees, portfolio companies or Affiliates (other than Blackstone) of The Blackstone Group L.P. or its Affiliates (other than Blackstone), or of any other Party will have any obligation under or in relation to this document (or any of the transactions contemplated hereby) or with respect to any matter relating to any other Party;

(d) notwithstanding anything in this document, the TK Interests Transfer Agreement, the Equity Commitment Letter or at law to the contrary, the right of AJPML to receive the Deposit and all interest on the Deposit pursuant to this deed shall be and is the sole and exclusive remedy of the Stapled Entities, whether at law or in equity, in contract, in tort or otherwise, for any losses suffered for the failure of Completion to occur due to any fault of Blackstone or due to any breach by Blackstone (whether under this document or the TK Interests Transfer Agreement, or otherwise in connection with the transactions contemplated hereunder or thereunder) prior to Completion; and

(e) each Party will not make any claim which is inconsistent with clauses 14.1(b),14.1(c) and 14.1(d) above.

14.2 Funding commitment

(a) Blackstone represents and warrants that:

(1) it has delivered to the Stapled Entities, a true and complete copy of the executed commitment letter, dated as of the date hereof (the **Equity Commitment Letter**), among Blackstone and the other parties thereto (such other parties, the **Equity Financing Sources**), pursuant to which the Equity Financing Sources have committed, subject only to the terms and conditions therein, to provide contributions to Blackstone in the amounts set forth therein (the **Equity Financing**);

(2)

(A) the Equity Commitment Letter is in full force and effect and is the valid and binding obligation of Blackstone and the other parties thereto, subject to:

(i) applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar laws of general application, now or hereafter in effect, affecting or relating to the enforcement of creditors' rights generally; and

(ii) general principles of equity, whether considered in a proceeding at law or in equity; and

(B) the respective commitments contained in the Equity Commitment Letter have not been (and will not be, prior to Completion or the valid termination of this Agreement or the TK Interests Transfer Agreement) withdrawn, rescinded or otherwise amended, supplemented or otherwise modified in any respect;

(3) the aggregate proceeds contemplated by the Equity Commitment Letter will be sufficient for Blackstone to pay (1) the Purchase Price, and (2) any other amounts required to be paid by Blackstone upon the terms and subject to the conditions hereunder and under the TK Interests Transfer Agreement;

(4) no event has occurred which, with or without notice, lapse of time or both, would constitute a default or breach on the part of Blackstone under any term, or a failure of any condition, of the Equity Commitment Letter or otherwise result in any portion of the Equity Financing contemplated thereby being unavailable on the Transaction Implementation Date; and

(5) assuming the accuracy of the representations and warranties set forth in this deed and the TK Interests Transfer Agreement, the performance in all material respects by all parties (other than Blackstone) of their obligations under this deed and the TK Interests Transfer Agreement, and satisfaction of the Conditions (or waiver by the party(ies) entitled to the benefit thereof), Blackstone has no reason to believe that it or any Equity Financing Source would be unable to satisfy on a timely basis any term or condition of the Equity Commitment Letter required to be satisfied by it.

15 General

15.1 Notices

(a) Any notice or other communication including, but not limited to, any request, demand, consent or approval, to or by a Party and given under or in connection with this deed:

(1) must be in legible writing and in English addressed as shown below:

(A) If to a Stapled Entity:

Address: Suite 4, Level 10

56 Pitt Street

Sydney NSW 2000

Attention: Mr John Pettigrew

Email: john.pettigrew@astrojapanproperty.com

Facsimile: +61 2 8987 3999

(B) If to Blackstone:

Address: c/o Blackstone Singapore Pte. Ltd.
Marina Bay Financial Centre Tower 2
Suite 13-01/02
10 Marina Boulevard
Singapore 018983

Attention: Legal Department and Alan Miyasaki

Facsimile: +65 6850 7501

(C) If to Spring:

Address: 6F Izumikan Kioicho 4-3 Kioicho Chiyoda-ku, Tokyo 102-0094 Japan

Attention: Mr Eric Lucas

Email: eric.lucas@spring-i.com

Facsimile: +81 3 3238 1687

(D) If to the TK Operators, to the relevant TK Operator in accordance with the details set out in Schedule 3,

or to such other addresses or numbers as the Parties may notify to each other in writing;

(2) where the sender is a company, must be signed by an officer or under the common seal of the sender;

(3) is regarded as being given by the sender and received by the addressee:

(A) if delivered by hand, when delivered;

(B) in the case of delivery by express post, to an address in the same country, 5 Business Days after the date of posting;

(C) in the case of delivery by any other method of post, 10 Business Days after the date of posting (if posted to an address in the same country) or 10 Business Days after the date of posting (if posted to an address in another country); and

(D) if sent by email or facsimile, when sent unless the sender receives a notification indicating non-delivery within 4 working hours of sending the email or facsimile,

but if the delivery or receipt is on a day which is not a Business Day or is after 4:00 pm (addressee's time) it is regarded as received at 9:00 am on the following Business Day; and

(4) can be relied upon by the addressee and the addressee is not liable to any other person for any consequences of that reliance if the addressee believes it to be genuine, correct and authorised by the sender.

(b) In this clause 15.1, a reference to an addressee includes a reference to an addressee's officers, agents or employees. Any Party may change its address or facsimile number for the purposes hereof by written notice to the other Parties.

15.2 Discretion in exercising rights

A Party may exercise a right or remedy or give or refuse its approval or consent in any way it considers appropriate (including by imposing conditions), unless this deed expressly states otherwise. If a Party does not exercise a right or remedy fully or at a given time, the party may still exercise it later.

15.3 Governing law

This deed is governed by the laws of New South Wales.

15.4 Prohibition and enforceability

Any provision of, or the application of any provision of, this deed which is prohibited in any jurisdiction is, in that jurisdiction, ineffective only to the extent of that prohibition.

15.5 Waivers

(a) Waiver of any right arising from a breach of this deed or arising upon default under this deed must be in writing and signed by the person granting the waiver.

(b) A failure or delay in exercise, or partial exercise, of a right arising from a breach of this deed does not result in a waiver of that right.

(c) A person is not entitled to rely on a delay in the exercise or non exercise of a right arising from a breach of this deed or on a default under this deed as constituting a waiver of that right.

(d) A person may not rely on any conduct of another person as a defence to exercise of a right by that other person.

(e) This clause may not itself be waived except by writing.

15.6 Variation

A variation of any term of this deed must be in writing and signed by the Parties.

15.7 Assignment

Rights and obligations arising out of or under this deed are not assignable by any Party without the prior written consent of each other Party.

15.8 Further assurances

Each Party must do all things and execute all further documents necessary to give full effect to this deed.

15.9 Entire agreement

This deed supersedes all previous discussions, negotiations, understandings, agreements and deeds in respect of its subject matter and embodies the entire agreement between the Parties.

15.10 Counterparts

(a) This deed may be executed in any number of counterparts.

(b) All counterparts, taken together, constitute one instrument.

(c) A Party may execute this deed by signing any counterpart.

15.11 To the extent not excluded by law

The rights, duties and remedies granted or imposed under the provisions of this deed operate to the extent not excluded by law.

Schedule 1

Definitions and Interpretation

(clause 1)

1 Definitions

(a) The meanings of the terms used in this deed, unless the context otherwise requires, are set out below.

Term	**Meaning**
Affiliates	of any person means any other person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such person; and **control** (including the terms controlling, controlled by and under common control with) means the possession, direct or indirect, of the power to direct or cause the direction of the management, policies or activities of a person, whether through the ownership of securities, by contract or agency or otherwise.
AJ Director	means a director of AJPML (as responsible entity for the Trust) or AJCo.
AJPML Warranties	each representation and warranty in clause 2 of Annexure 4.
Anti-Corruption Laws	in respect of a Party any law of any jurisdiction in which that Party performs its business, relating to the prevention of bribery and corruption.
Anti-Social Person(s)	(a) a Person who falls within any of the following criminal or anti-social classifications: (i) criminal syndicate (*boryokudan*), (ii) criminal syndicate (*boryokudan*) member or a person who was a criminal syndicate (*boryokudan*) member at any time within the most recent five years, (iii) criminal syndicate (*boryokudan*) associate, (iv) criminal syndicate (*boryokudan*)-related company, (v) racketeer (*sokaiya*), social/political movement racketeer, or special intelligence violence group, (vi) any group or individual, other than those listed in the foregoing items, that should receive the same treatment under Japanese criminal laws as those listed in the foregoing items ((i) through (vi)

Term	Meaning
	collectively referred to as a “Criminal Association” (*boryokudan tou*)), (vii) any Person who has a relationship with and whose management is under the control of a Criminal Association, (viii) any Person who has a relationship with a Criminal Association that is substantially involved in such Person’s management; (ix) any Person who has a relationship with a Criminal Association and takes advantage of such relationship to obtain unfair profits or to damage a third party, (x) any Person who has a relationship with a another Person that such Person knows is a Criminal Association and provides such Criminal Association with money, support or other resources, and (xi) any Person whose associates, representatives or others who substantially control such Person’s management have a socially condemnable relationship (*shakai teki ni hinan sareru beki kankei*) with a Criminal Association, or (b) a Person which is engaged in or promotes any of the following criminal activities or uses any portion of the Property for any of the following criminal activities: (i) the making of demands through violent acts, (ii) the making of unjust demands that go beyond another Person’s legal responsibilities, (iii) the use of threatening behavior, including verbal threats or the use of physical violence, in relation to a transaction, (iv) damaging public confidence in another Person or hindering the business operations of another Person by spreading rumors, using deceptive measures or using unjust power, and (v) any act, other than those listed in the foregoing items, that should receive the same treatment under Japanese criminal laws as those listed in the foregoing items or (c) a Person who falls within any of the following anti-social classifications: (i) any Person which conducts a Special Adult Entertainment Business (*sei fuzoku kanren tokusyu eigyo*) as defined in Article 2, Paragraph 5 of the Law Regarding Regulation on Adult Entertainment Business, etc. (*fuzoku eigyo tou no kisei oyobi gyoumu no tekiseika tou ni kansuru houritsu*) (Law No. 122 of 1948, as amended) of Japan, or any member of such entity, (ii) any organization subject to a disposition pursuant to the Act on the Control of Organizations Which Have Committed Acts of Indiscriminate Mass Murder (Act No.147 of 1999, as amended) or any member of such an organization, or any corporation or Person found to be under the influence of such an organization or member thereof, (iii) any Person suspected of the concealment of crime proceeds or accepting crime proceeds or any person who has dealings with such Persons as set forth in the Act on Punishment of Organized Crimes and Control of Crime Proceeds (Act No. 136 of 1999, as amended), or (iv) any Person who is restricted from making collections, as defined under Article 24(3) of the Money Lending Business Act (Act No. 32 of 1983, as amended), or any person equivalent to the same.
Anti-Money Laundering Laws	in respect of a Party all laws related to money laundering applicable to that Party.

Term	Meaning
ASIC	the Australian Securities and Investments Commission.
Asset Management Agreement	the respective asset management agreement entered into between the relevant TK Operator and Spring pursuant to each TK Agreement, as set out in Schedule 4.
Asset Management Termination Agreement	the agreement between the TK Operators and Spring to terminate the Asset Management Agreements and facilitate the Transaction.
ASX	ASX Limited ABN 98 008 624 691, or the market operated by it, as the context requires.
ATO	the Australian Taxation Office.
Blackstone Warranties	each representation and warranty in clause 3 of Annexure 4.
Board	means the board of directors of AJCo and AJPML (as those boards are constituted from time to time), and includes any authorised committee of those boards.
Business Day	a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Singapore, Sydney, Australia and Tokyo, Japan.
Claim	any claim, demand, legal proceedings or cause of action, including any claim, demand, legal proceedings or cause of action: 1 based in contract (including breach of warranty); 2 based in tort (including misrepresentation or negligence); 3 under common law or equity; or 4 under statute (including the Australian Consumer Law (being Schedule 2 of the *Competition and Consumer Act 2010* (Cth) (**CCA**)) or Part VI of the CCA, or like provision in any state or territory legislation), in any way relating to this deed or the Transaction, and includes a claim, demand, legal proceedings or cause of action arising under an indemnity in this deed.

Term	Meaning
Competing Proposal	any proposal, offer or expression of interest that would if completed substantially in accordance with its terms, result in any person or persons other than Blackstone (or one or more of its Affiliates) acquiring: 1 all or a substantial part or material part of the TK Interests; 2 all or a substantial part or material part of the TK Assets; 3 an interest in 20% or more by value of the business or property or assets of the Stapled Entities and its subsidiaries; or 4 a relevant interest in more than 20% of the Securities of the Stapled Entities, including by way of takeover bid, informal trust scheme, company scheme, capital or income distribution, sale of assets, sale of units or shares or joint venture.
Completion	has the meaning given in the TK Interests Transfer Agreement.
Conditions	the conditions set out in clause 3.1.
Corporations Act	the *Corporations Act 2001* (Cth).
Deposit	has the meaning given in the TK Interests Transfer Agreement.
Disposal	except as contemplated to give effect to the Transaction, AJPML disposes or offers or agrees to dispose of any of its TK Interests or any TK Operator disposes or offers or agrees to dispose of any entities or real estate assets (or interests in any entity, business or real estate asset).
Duty	any stamp, transaction or registration duty or similar charge imposed by any Government Agency and includes any interest, fine, penalty, charge or other amount imposed in respect of the duty or charge.
Encumbrance	an interest or power: 1 reserved in or over an interest in any asset; or 2 created or otherwise arising in or over any interest in any asset under a security agreement, a bill of sale,

Term	Meaning
	mortgage, charge, lien, pledge, trust or power, by way of, or having similar commercial effect to, security for the payment of a debt, any other monetary obligation or the performance of any other obligation, and includes, but is not limited to: 3 any third party rights of acquisition, easement, right of way, community property interest or other claim or restriction of any nature; 4 any agreement to grant or create any of the above; and 5 a security interest within the meaning of section 12(1) of the PPSA.
End Date	the date that is four months after the date of this document, or such other date as agreed by the Parties.
Equity Commitment Letter	has the meaning given in 14.2(a)(1).
Escrow Agent	has the meaning given in clause 2.2(a).
Escrow Agreement	means the escrow agreement to be dated on or around the date of this deed between the Escrow Agent, AJPML and Blackstone.
Exclusivity Period	means the period commencing on the date of this deed and ending on the earlier of: 1 the termination of this deed in accordance with its terms; 2 the Transaction Implementation Date; and 3 the End Date.
Explanatory Memorandum	the Explanatory Memorandum to be attached to the Notice of Meeting.
Explanatory Memorandum Despatch Date	the date set out in the Timetable for the Notice of Meeting and Explanatory Memorandum to be sent to Securityholders by the Stapled Entities or such other date as Blackstone and the Stapled Entities agree in writing.

Term	Meaning
Financier	in respect of a TK Asset, the financier identified against the TK Asset in Schedule 2.
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government, whether foreign or Australian.
Government Authority	any nation or government or any province, state or any other political subdivision thereof, any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any government authority, agency, department, board, commission or instrumentality, of any jurisdiction in which a Party is resident, any court, tribunal or arbitrator and any securities exchange or body or authority regulating such securities exchange.
Government Official	individually or collectively, (i) an officer, agent or employee of a government, government-owned enterprise (or any agency, department or instrumentality thereof), political party or public international organization, (ii) a candidate for government or political office, or (iii) an agent, officer, or employee of any entity owned by a government.
GST	goods and services tax or similar value added tax levied or imposed in Australia under the GST Law or otherwise on a supply.
GST Act	the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
GST Law	has the same meaning as in the GST Act.
Immediately Available Funds	cash, bank cheque or telegraphic or other electronic means of transfer of cleared funds into a bank account nominated in writing in advance by the payee.
Independent Expert	Grant Samuel & Associates Pty Limited (or such other independent expert as the Stapled Entities may appoint to provide an Independent Expert's Report in relation to the

Term	Meaning
	Transaction).
Independent Expert's Report	the report prepared by the Independent Expert in relation to the Transaction for inclusion in the Explanatory Memorandum.
Insolvency Event	in relation to an entity: 1 a liquidator, provisional liquidator, receiver or receiver and manager is appointed in relation to the whole or a substantial part of the undertaking or property of the entity; 2 a court order is made or an effective resolution is passed for the winding up or dissolution without winding up (otherwise than for the purposes of reconstruction or amalgamation) of the entity; or 3 an administrator is appointed under section 436A, 436B or 436C of the Corporations Act, or, in respect of any non-Australian entity, any event having similar effect occurs in respect of that entity.
Listing Rules	the listing rules of ASX.
Material Adverse Change	an event, change or condition which has, or could reasonably be expected to have, either individually or in aggregate with other events, changes and conditions: 1 an adverse financial effect of A$30 million or more on the value of the TK Interests; or 2 in the case of any (a) damage or destruction, or (b) condemnation or taking by a Government Agency, with respect to any of the real estate underlying the TK Assets, a loss of A$40 million or more on the value of such real estate (notwithstanding any recovery from insurance or compensation paid by any Government Agency), other than: 3 mark to market movements relating to investment properties and financial derivatives (including those reflected in the Trust's share of net profit or loss on investments accounted for using the equity method); or 4 events, changes and conditions publicly announced by the Stapled Entities to ASX or otherwise disclosed to Blackstone or its representatives during due diligence, in each case prior to the date of this deed, by the Stapled Entities, Spring or the TK Operators, in each case where the relevant disclosure is not, incomplete,

Term	Meaning
	incorrect, or misleading.
Meeting	the meeting of Securityholders to be convened to consider the Resolutions.
Meeting Date	the date on which the Meeting is held.
Notice of Meeting	the notice of meeting convening a meeting of Securityholders to consider the Resolutions to be sent to Securityholders by the Stapled Entities.
Parties	all parties to this deed.
Payment Date	the date which is 4 Business Days after the Transaction Implementation Date.
PPSA	the *Personal Property Securities Act 2009* (Cth).
Proposal	a Competing Proposal or a Spring Competing Proposal.
Purchase Price	has the meaning given to that term in the TK Interests Transfer Agreement.
Record Date	5 Business Days after the Meeting Date. The time for determining entitlements to distributions under the Transaction is 7:00 pm on the Record Date.
Regulatory Approvals	any ASX confirmation or waiver or approval required by a Party to complete the Transaction Steps.
related body corporate	has the meaning given in the Corporations Act.
Representative	means, in relation to a person: 1 an Affiliate of the person; or 2 a related body corporate of the person; or 3 an officer, director or executive manager of the person

Term	Meaning
	or any of the person's related bodies corporate; or 4 an adviser to the person or any of the person's related bodies corporate.
Resolutions	the resolutions set out in Annexure 2.
Security	a unit in the Trust, stapled to a share in AJCo.
Securityholder	a person registered as the holder of a Security including any persons jointly registered.
Specified Transaction Documents	the Transaction Documents which the parties have agreed will not be signed at the same time at this deed but which are to be signed as soon as possible thereafter in substantially the same form as agreed between the Japanese legal advisers to the Buyer and the Seller by way of email confirmation prior to the date of this deed, adjusted as necessary to reflect the applicable parties, assets and any comments of any third party counterparts.
Spring Competing Proposal	any proposal, offer or expression of interest from any person other than Blackstone (or one or more of its Affiliates) in relation to a transaction: 1 for the management of the TK Assets, including any transaction under which any entity that provides management services in respect of the TK Assets (including Spring) is acquired, agrees to terminate or amend its existing management rights or sub-delegates its obligations to a third party that is not, or is not intended to remain Spring or any of its Affiliates; or 2 under which Spring or any of its Affiliates co-invests with a third party for the acquisition of the TK Assets, or any part or asset thereof; or 3 having an economically similar effect to the transactions described in paragraph 1 or 2 above, including any termination or facilitation fee.
Spring Facilitation Agreement	the agreement to facilitate the transaction and procure required actions of Spring to be entered into on or about the date of this deed.

Term	Meaning
Spring Hold Co	Spring Holdings International Limited.
Spring TK Agreement	the Amended and Restated Tokumei Kumiai Agreement between AJCo and Spring as amended from time to time.
Spring TK Transfer Agreement	the agreement to transfer the Spring TK Agreement to be entered into on or about the date of this deed.
Spring Warranties	each representation and warranty in clause 4 of Annexure 4.
Stapled Entities	AJPML, as responsible entity for the Trust, and AJCo.
Superior Proposal	a bona fide Competing Proposal received by Stapled Entities that the Board determines, acting in good faith and in order to satisfy what the Board considers to be its fiduciary or statutory duties (after having taken written legal advice from its external legal adviser and written advice from its external financial adviser): 1 is, in the Board's view (acting reasonably), reasonably likely to be completed in accordance with its terms, taking into account all aspects of the Competing Proposal, including financial, regulatory, conditionality, and the ability of the proposing party to consummate the transactions contemplated by the Competing Proposal after taking into account a qualitative assessment of the identity, expertise, experience, reputation and financial standing of that proposing party; and 2 would, if completed substantially in accordance with its terms, be more favourable to the Securityholders than the Transaction, taking into account all the terms and conditions of the Competing Proposal including firstly, consideration and secondly, conditionality, funding, certainty and timing.
subsidiary	has the meaning given in the Corporations Act, but so that: 1 a trust may also be a subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share; and 2 an entity may be a subsidiary of a trust if it would have been a subsidiary if that trust would have been a

Term	Meaning
	corporation.
Takeovers Panel	the panel established under section 171 of the *Australian Securities and Investments Commission Act 2001* (Cth) and given powers under Part 6.10 of the Corporations Act.
Timetable	the proposed timetable attached as Annexure 3 to this deed, with such modifications as may be required by ASX.
TK Agreements	the TK Agreements entered into between AJMPL and each of the TK Operators as set out in Schedule 2.
TK Assets	the trust beneficial interests in trusts held by the TK Operators, and the Japanese real estate interests which are held in such trusts by the Japanese trustees, as set out in Schedule 2.
TK Interests	AJMPL's right, title and interest in the TK Agreements.
TK Interests Transfer Agreement	the agreement for the transfer of the TK Interests from AJPML to Blackstone to be entered into on or about the date of this deed.
TK Operator Warranties	each representation and warranty in clause 5 of Annexure 4.
Transaction	the transactions contemplated in the Transaction Steps.
Transaction Documents	the documents stated to be a Transaction Document for the purposes of this deed as agreed between the parties.
Transaction Implementation Date	the later of: 1 14 Business Days after the Meeting date; and 2 14 Business Days after the satisfaction or waiver of all of the Conditions in clause 3.1 other than Conditions 3.1(e), 3.1(f), 3.1(g), 3.1(h) and 3.1(k).

Term	Meaning
Transaction Steps	the steps to be performed by the Parties under this deed as set out in Annexure 1 to this deed.
Trust	the trust known as Astro Japan Property Trust (ARSN 112 799 854).
Trust Constitution	the constitution of the Trust, as amended from time to time.
Trust Register	the register of Securityholders maintained by the Stapled Entities.
Unlawful Amount	has the meaning given to it in clause 7.7(a).
Warranty	any representation or warranty given in this Deed or the TK Interests Transfer Agreement.

2 Interpretation

In this deed, unless the context otherwise requires:

(a) headings and bold types are for convenience only and do not affect the interpretation of this deed;

(b) words importing the singular include the plural and vice versa;

(c) words importing a gender include any gender;

(d) other parts of speech and grammatical forms of a word or phrase defined in this deed have a corresponding meaning;

(e) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate;

(f) a reference to a day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day;

(g) a reference to any thing (including, but not limited to, any right) includes a part of that thing but nothing in this clause implies that performance of part of an obligation constitutes performance of the obligation;

(h) a reference to a part, clause, party, annexure, exhibit or schedule is a reference to a part and clause of, and a party, annexure, exhibit and schedule to, this deed and a reference to this deed includes any annexure, exhibit and schedule;

(i) a reference to a document includes all amendments or supplements to, or restatements, replacements or novations of, that document;

(j) a reference to a party to a document includes that party's successors and permitted assigns;

(k) no provision of this deed will be construed adversely to a party solely on the ground that the party was responsible for the preparation of this deed or that provision;

(l) a reference to a body, other than a party to this deed (including, without limitation, an institute, association or authority), whether statutory or not:

(1) which ceases to exist; or

(2) whose powers or functions are transferred to another body,

is a reference to the body which replaces it or which substantially succeeds to its powers or function;

(m) a reference to a statute, ordinance, code or other law or rule includes regulations and other instruments under it and consolidation, amendments re-enactments or replacement; and

(n) unless otherwise specified in this deed, terms defined in the Corporations Act have the same meaning when used in this deed.

Schedule 2

TK Interests

TK Agreement	TK Assets	Financier
Arabesque S Godo Kaisha See Schedule 2-1 for list.	• **Property Name:** Musashino Towers Skycross Tower **Address:** 1-11-16, Nakacho, Musashino-shi, Tokyo • **Property Name:** Musashino Towers Skygate Tower **Address:** 1-12-10, Nakacho, Musashino-shi, Tokyo	Prudential Mortgage Asset Holdings 1 Japan Investment Limited Partnership Prudential Mortgage Asset Holdings 2 Japan Investment Limited Partnership
JPT August Co., Ltd. See Schedule 2-1 for list.	N/A (All assets have been sold)	N/A
JPT Co., Ltd See Schedule 2-1 for list.	• **Property Name:** Konan Home Centre Ichikawa **Address:** 2526-6, Baraki, Ichikawa-shi, Chiba • **Property Name:** Ginza Dowa Building **Address:** 7-2-22, Ginza, Chuo-ku, Tokyo	MetLife Insurance K.K.
JPT Corporate Co., Ltd See Schedule 2-1 for list.	• **Property Name:** Kawasaki Dice **Address:** 8, Ekimaehoncho, Kawasaki-ku, Kawasaki-shi, Kanagawa • **Property Name:** JN **Address:** 3-56-1, Aioicho, Naka-ku, Yokohama-shi, Kanagawa • **Property Name:** Tosabori **Address:** 3-3-2, Tosabori, Nishi-ku, Osaka-shi, Osaka	MetLife Insurance K.K.
	N/A (All assets have been sold)	N/A

TK Agreement	TK Assets	Financier
JPT Direct Co., Ltd See Schedule 2-1 for list.		
JPT Newton Co., Ltd See Schedule 2-1 for list.	• **Property Name:** Konami Sports Club Shibuya **Address:** 18-11, Shinsencho Shibuya-ku, Tokyo • **Property Name:** Bell City Susono **Address:** 1039-,Sano,Susono-shi,Shizuoka • **Property Name:** JPT Tsudanuma **Address:** 1-11-4, Tsudanuma, Narashino-shi, Chiba • **Property Name:** Round One Nara **Address:** 7-1-43, Omiyacho Nara-shi, Nara • **Property Name:** Forest Kita Aoyama Building **Address:** 3-10-3, Kita Aoyama, Minato-ku, Tokyo • **Property Name:** KF Motomachi Building **Address:** 4-168, Motomachi, Naka-ku, Yokohama-shi, Kanagawa • **Property Name:** Higashi Totsuka West Building **Address:** 90-6, Kawakamicho, Totsuka-ku,Yokohama-shi, Kanagawa • **Property Name:** Harajuku Bell Pier **Address:** 6-6-2, Jingumae, Shibuya-ku, Tokyo	Shinsei Bank, Limited
JPT Omega Co., Ltd See Schedule 2-1 for list.	• **Property Name:** Matsudo Nitori **Address:** 2301-1, Matsudo Matsudo-shi, Chiba • **Property Name:** Sekijomachi **Address:** 21-16, Sekijomachi, Hakata-ku, Fukuoka-shi, Fukuoka • **Property Name:** Matsudo Nitori Parking **Address:** 612-6 Iwase Matsudo-shi, Chiba	Resona Bank, Limited

TK Agreement	**TK Assets**	**Financier**
JPT Scarlett Co., Ltd See Schedule 2-1 for list.	• **Property Name:** OS Tsukiji **Address:** 4-4-12, Tsukiji, Chuo-ku, Tokyo • **Property Name:** Kajicho Ekimae **Address:** 2-9-3,Kajicho,Chiyoda-ku,Tokyo • **Property Name:** Nishi Kasai **Address:** 2-8-14, Nishi Kasai Edogawa-ku, Tokyo • **Property Name:** Shinjuku Fuji **Address:** 1-16-4, Nishi Shinjuku, Shinjuku-ku, Tokyo • **Property Name:** Prime Kanda **Address:** 2-8-2, Kanda Sudacho, Chiyoda-ku, Tokyo • **Property Name:** G-Clef Kamata, **Address:** 4-15-11, Nishi-kamata Ota-ku, Tokyo • **Property Name:** Asakusa **Address:** 1-3-8, Komagata, Taito-ku, Tokyo • **Property Name:** Takadanobaba OC **Address:** 3-12-2, Takadanobaba, Shinjuku-ku, Tokyo	Mizuho Trust & Banking Co., Ltd.
Tokumei Kumiai Agreement dated 7 April 2017 as amended from time to time FKD&S Co., Ltd AJPML	• **Property Name:** Fukudaya Utsunomiya **Address:**237,Imaizumicho,Utsunomiya-shi,Tochigi	MetLife Insurance K.K.
Tokumei Kumiai Agreement dated 17 August 2016 as amended from time to time KTS&S Co., Ltd AJPML	• **Property Name:** Kuretake Inn Asahikawa **Address:**9-1704-18,shijodori,Asahikawa-shi,Hokkaido • **Property Name:** Kuretake Inn Okayama **Address:** 2-12-13, Yanagi-cho,Kita-ku,Okayama-shi,Okayama	N/A
Tokumei Kumiai Agreement dated 28 March 2017 as amended from time to time	• **Property Name:** Hotel WBF Fukuoka Tenjin Minami **Address:** 3-23-32,Haruyoshi,Chuo-ku,Fukuoka-shi,Fukuoka	The Tokyo Star Bank, Limited

TK Agreement	TK Assets	Financier
WBF&S Co., Ltd		
AJPML		

Schedule 2-1

TK Interests

Arabesque S Godo Kaisha (“**Arabesque**”)

Tokumei Kumiai Agreement dated as of March 27, 2013 by and between Arabesque and Astro Japan Property Management Limited as the Responsible Entity of the Astro Japan Property Trust (“**AJPML**”)

Assignment of Rights and Assumptions of Obligations Under Tokumei Kumiai Agreement dated as of May 28, 2015 by and among Arabesque, Stahl Capital Ltd., and AJPML

Assignment Agreement Regarding Tokumei Kumiai Interest (*tokumei kumiai shusshi mochibun ni kakaru jouto keiyaku*) dated as of June 26, 2015 by and among Arabesque, Okachi Securities Co., Ltd., and AJPML

Assignment Agreement Regarding Tokumei Kumiai Interest (*tokumei kumiai shusshi mochibun ni kakaru jouto keiyaku*) dated as of July 31, 2015 by and among Arabesque, Xymax Corporation and AJPML

Assignment of Rights and Assumptions of Obligations Under Tokumei Kumiai Agreement dated as of August 4, 2015 by and between AJPML and Pangloss YK

Supplement to Assignment of Rights and Assumption of Obligations Under Tokumei Kumiai Agreement dated as of October 27, 2015 by and among Arabesque, AJPML and Pangloss YK

Settlement Agreement dated as of October 27, 2015 by and among AJPML, Pangloss YK and Spring Investment Co., Ltd.

Amended and Restated Tokumei Kumiai Agreement dated as of 4 December 2015 by and between Arabesque and AJPML

JPT August Co., Ltd. (“**August**”)

Tokumei Kumiai Agreement dated as of September 6, 2007 by and between August and Babcock Brown Japan Property Management Ltd (“**B&BJPML**”)

Amendment and Restatement Agreement to Tokumei Kumiai Agreement dated as of October 14, 2008 by and between August and B&BJPML

JPT Co., Ltd. (“**JPT**”)

Tokumei Kumiai Agreement dated as of March 24, 2005 by and between JPT and B&BJPML

Supplement to Tokumei Kumiai Agreement dated as of March 17, 2010 by and between JPT and B&BJPML

Amended and Restated Tokumei Kumiai Agreement dated as of March 23, 2012 by and between JPT and AJPML

Amended and Restated Tokumei Kumiai Agreement dated as of December 31, 2012 by and between JPT and AJPML

Amended and Restated Tokumei Kumiai Agreement dated as of September 19, 2014 by and between JPT and AJPML

Settlement Agreement dated as of March 31, 2015 by and among JPT, JPT Newton Co., Ltd. and AJPML

JPT Corporate Co., Ltd. ("**JPT Corporate**")

Tokumei Kumiai Agreement dated as of September 29. 2006 by and between JPT Corporate and B&BJPML

Supplement to Tokumei Kumiai Agreement dated as of July 27, 2007 by and between JPT Corporate and B&BJPML

Supplement to Tokumei Kumiai Agreement dated as of December 17, 2007 by and between JPT Corporate and B&BJPML in relation to the JN property

Supplement to Tokumei Kumiai Agreement dated as of December 17, 2007 by and between JPT Corporate and B&BJPML in relation to the Tosabori property

Supplement to Tokumei Kumiai Agreement dated as of March 17, 2010 by and between JPT Corporate and B&BJPML

Supplement to Tokumei Kumiai Agreement dated as of March 23, 2011 by and between JPT Corporate and AJPML

Amended and Restated Tokumei Kumiai Agreement dated as of January 13, 2012 by and between JPT Corporate and AJPML

Amended and Restated Tokumei Kumiai Agreement dated as of September 19, 2014 by and between JPT Corporate and AJPML.

JPT Direct Co., Ltd. ("**Direct**")

Tokumei Kumiai Agreement dated as of August 26, 2006 by and between Direct and B&BJPML

Supplemental Agreement to Tokumei Kumiai Agreement dated as of August 8, 2014 by and between Direct and AJPML

JPT Newton Co., Ltd. ("**Newton**")

Tokumei Kumiai Agreement dated as of January 30, 2013 by and between Newton and AJPML

Settlement Agreement dated as of January 31, 2013 by and among Newton, JPT Direct Co., Ltd. and AJPML

Additional Capital Contribution Request dated as of March 27, 2015 from Newton to AJPML and acknowledged by AJPML

Settlement Agreement dated as of March 31, 2015 by and among JPT, Newton and AJPML

Amended and Restated Tokumei Kumiai Agreement dated as of March 31, 2015 by and between Newton and AJPML

First Supplement to Amended and Restated Tokumei Kumiai Agreement dated as of February 29, 2016 by and between Newton and AJPML

Second Supplement to Amended and Restated Tokumei Kumiai Agreement dated as of September 30, 2016 by and between Newton and AJPML

Third Supplement to Amended and Restated Tokumei Kumiai Agreement dated as of January 31, 2017 by and between Newton and AJPML

JPT Omega Co., Ltd. (“**Omega**”)

Tokumei Kumiai Agreement dated as of July 30, 2013 by and between Omega and AJPML

Settlement Agreement dated as of July 31, 2013 by and among Omega, JPT August Co., Ltd., JPT Direct Co., Ltd. and AJPML

Additional Contribution Request dated as of February 12, 2014 from Omega to AJPML and acknowledged by AJPML

Amended and Restated Tokumei Kumiai Agreement dated as of December 5, 2014 by and between Omega and AJPML

JPT Scarlett Co., Ltd. (“**Scarlett**”)

Tokumei Kumiai Agreement dated as of November 29, 2005 by and between Scarlett and B&BJPML

Supplement to Tokumei Kumiai Agreement dated as of December 22, 2005 by and between Scarlett and B&BJPML

Supplement Agreement dated as of January 18, 2006 by and between Scarlett and B&BJPML

Supplement Agreement dated as of February 28, 2006 by and between Scarlett and B&BJPML

Supplement Agreement dated as of March 30, 2006 by and between Scarlett and B&BJPML

Supplement Agreement dated as of October 27, 2006 by and between Scarlett and B&BJPML

Additional Contribution Request dated as of July 16, 2009 from Scarlett Co., Ltd to B&BJPML and acknowledged by B&BJPML

Amendment and Restatement Agreement to Tokumei Kumiai Agreement dated as of January 21, 2010 by and between Scarlett and B&BJPML

Supplemental Agreement to the Tokumei Kumiai Agreement dated as of September 29, 2010 by and between Scarlett and AJPML

Amended and Restated Tokumei Kumiai Agreement dated as of December 22, 2010 by and between Scarlett and AJPML

Amended and Restated Tokumei Kumiai Agreement dated as of January 13, 2012 by and between Scarlett and AJPML

Additional Capital Contribution Request dated as of January 29, 2015 from Scarlett to AJPML and acknowledged by AJPML

Settlement Agreement dated as of January 30, 2015 by and among Scarlett, JPT Direct Co., Ltd. and AJPML

Amended and Restated Tokumei Kumiai Agreement dated as of January 30, 2015 by and between Scarlett and AJPML

Schedule 3

Notice details

Arabesque S Godo Kaisha

Address	10-201, 22 Toranomon 3-chome, Minato-ku, Tokyo
Attention	Executive Officer Kiyohiko Ide
Phone	
Fax	+813-5404-6622

JPT August Co., Ltd.

Address	201, 22-10, Toranomon 3-chome, Minato-ku,Tokyo, Japan
Attention	Executive Officer
Phone	
Fax	+81-3-3238-1687

JPT Co., Ltd.

Address	6F Izumikan Kioicho 4-3, Kioicho, Chiyoda-ku Tokyo 100-0094, Japan
Attention	Director
Phone	
Fax	+81-3-3238-1687

JPT Corporate Co. Ltd.

Address	201, 22-10, Toranomon 3-chome, Minato-ku, Tokyo, Japan
Attention	Director
Phone	
Fax	+81-3-3238-1687

JPT Direct Co., Ltd.

Address	4-3, Kioicho, Chiyoda-ku Tokyo, Japan
Attention	Director
Phone	
Fax	+813- 238-5921

JPT Newton Co. Ltd.

Address	4-3 Kioicho, Chiyoda-ku, Tokyo, Japan
Attention	Director
Phone	
Fax	+81-3-3238-1687

JPT Omega Co. Ltd.

Address	4-3, Kioicho, Chiyoda-ku, Tokyo, Japan
Attention	Executive Officer
Phone	
Fax	+81-3-3238-1687

JPT Scarlett Co. Ltd.

Address	c/o EP Consulting Services, 1-2-9, Nishi-Shimbashi, Minato-ku, Tokyo, Japan
Attention	Director
Phone	
Fax	+813-3234-2489

FKD&S Co., Ltd.

Address	4-3, Kioicho, Chiyoda-ku Tokyo, Japan
Attention	Manager (*shokumu shikkosha*)
Phone	
Fax	+813-3238-5921

KTS&S Co., Ltd.

Address	4-3, Kioicho, Chiyoda-ku Tokyo, Japan
Attention	Manager (*shokumu shikkosha*)
Phone	
Fax	+813-3238-5921

WBF&S Co., Ltd.

Address	4-3, Kioicho, Chiyoda-ku Tokyo, Japan
Attention	Manager (*shokumu shikkosha*)
Phone	
Fax	+813-3238-5921
Email	

Schedule 4

Asset Management Agreements

1. Arabesque S Godo Kaisha

Amended and Restated Discretionary Asset Management Agreement, dated as of December 4, 2015, by and between Arabesque S Godo Kaisha and Spring Investment Co., Ltd.

2. JPT Co., Ltd.

Amended and Restated Asset Management Agreement, dated as of September 19, 2014, by and between JPT Co., Ltd. and Spring Investment Co., Ltd.

3. JPT Corporate Co., Ltd.

Amended and Restated Asset Management Agreement, dated as of September 19, 2014, by and between JPT Corporate Co., Ltd. and Spring Investment Co., Ltd.

4. JPT Newton Co., Ltd.

Amended and Restated Asset Management Agreement dated as of March 31, 2015, by and between JPT Newton Co., Ltd. and Spring Investment Co., Ltd. as supplemented by First Supplement to Amended and Restated Asset Management Agreement dated February 29, 2016, Second Supplement to Amended and Restated Asset Management Agreement dated September 30, 2016, and Third Supplement to Amended and Restated Asset Management Agreement dated January 31, 2017

5. JPT Scarlett Co., Ltd.

Amended and Restated Asset Management Agreement, dated as of January 30, 2015, by and between JPT Scarlett Co., Ltd. and Spring Investment Co, as supplemented by First Supplement to Amended and Restated Asset Management Agreement dated as of February 19, 2016, Second Supplement to Amended and Restated Asset Management Agreement dated as of March 25, 2016, and Third Supplement to Amended and Restated Asset Management Agreement dated as of May 12, 2016.

6. FKD&S Co., Ltd.

Amended and Restated Asset Management Agreement dated as of April 11, 2017, by and between FKD&S Co., Ltd. and Spring Investment Co., Ltd.

7. JPT Omega Co., Ltd.

Asset Management Agreement, dated as of December 14, 2014 by and between JPT Omega Co., Ltd. and Spring Investment Co., Ltd.

8. WBF&S Co., Ltd.

Amended and Restated Asset Management Agreement, dated as of March 30, 2017, by and between WBF&S Co., Ltd. and Spring Investment Co., Ltd.

9. KTS&S Co., Ltd.

Amended and Restated Asset Management Agreement dated as of August 19, 2016, by and between KTS&S Co., Ltd. and Spring Investment Co., Ltd.

HERBERT
SMITH
FREEHILLS

Signing page

Executed as a deed

Signed sealed and delivered by
Astro Japan Property Group Limited
By

sign here ▶		sign here ▶	
	Company Secretary/Director		Director
print name	JONATHON MOODY	print name	JOHN PETTIGREW

Signed sealed and delivered by
Astro Japan Property Management Limited as the responsible entity of Astro Japan Property Trust
By

sign here ▶		sign here ▶	
	Company Secretary/Director		Director
print name	JONATHON MOODY	print name	JOHN PETTIGREW

Sealed and delivered by
Spring Investment Co., Ltd.,
By

affix seal here▶

Representative Director

print name OSAMU EBINUMA

Sealed and delivered by
Arabesque S Godo Kaisha,
By

Affix seal here▶

Executive Officer

print name Kiyohiko Ide

Sealed and delivered by
JPT August., Ltd.,
By

affix seal here▶

Manager (*shokumu shikkosha*)

print name Masaki Aguni

Sealed and delivered by
JPT Co., Ltd.,
By

affix seal here▶

Director

print name Kiyohiko Ide

Sealed and delivered by
JPT Corporate Co., Ltd.,
By

affix seal here▶

Director

print name Kiyohiko Ide

Sealed and delivered by
JPT Direct Co., Ltd.,
By

affix seal here►

Director

print name Masaki Aguni

Sealed and delivered by
JPT Newton Co., Ltd.,
By

affix seal here►

Manager (*shokumu shikkosha*)

print name Kiyohiko Ide

Sealed and delivered by
JPT Omega Co., Ltd.,
By

affix seal here►

Executive Officer (*shokumu shikkosha*)

print name Kiyohiko Ide

Sealed and delivered by
JPT Scarlett Co., Ltd.,
By

affix seal here►

Director

print name Hiroyasu Nakamura

Sealed and delivered by
FKD&S Co., Ltd.
By

affix seal here▶

Manager (*shokumu shikkosha*)

print name Kazuhiro Matsuzawa

Sealed and delivered by
KTS&S Co., Ltd.
By

affix seal here▶

Manager (*shokumu shikkosha*)

print name Kazuhiro Matsuzawa

Sealed and delivered by
WBF&S Co., Ltd.
By

affix seal here▶

Manager (*shokumu shikkosha*)

print name Kazuhiro Matsuzawa

Executed and delivered as a deed for and on behalf of
Jetsons Holding II Pte. Ltd.
By

sign here ►	Director	*sign here ►*	Witness
print name	Prashant Kanodia	*print name*	Emily Anderson
		print address	Marina Bay Finance Centre Tower 2 Suite 13-01/02, 10 Marina Boulevard, Singapore 018983

Annexures

Table of contents

HERBERT SMITH FREEHILLS

Annexure 1

Transaction Steps

Note: The Parties may by agreement amend the dates and times set out in the Transaction Steps below.

	STEP	STATUS / COMMENTS	TIMING	PARTIES/RESPONSIBILITY
A. EXECUTION OF TRANSACTION DOCUMENTS				
1	**Execute Transaction Documents (other than Specified Transaction Documents)**		Simultaneously with execution of this Implementation Deed.	All parties to those documents.
2	**Execute Specified Transaction Documents**		As soon as possible after execution of Transaction Documents set out in Step 1.	Blackstone.
3	**Bank consents**	Request consent from Financiers for transfer of TK Interests and the execution, delivery and performance of this deed and the TK Interests Transfer Agreement.	On or as soon as possible after the date of announcement of entry into the Implementation Deed , Spring, on behalf of the TK Operators, will contact and meet with lenders to request their written consent..	TK Operators/Spring
4	**Satisfaction of conditions precedent**	Confirm satisfaction of all Conditions other than Securityholder approval.	Target prior to Securityholder Meeting	Party primarily responsible for Condition

	STEP	STATUS / COMMENTS	TIMING	PARTIES/RESPONSIBILITY
	B. RESOLUTIONS AND REGULATORY MATTERS			
5	**Announce entry into Implementation Deed and Transaction Documents**	Stapled Entities to announce entry into Implementation Deed and Transaction Documents being executed concurrently with the Implementation Deed.	On execution of Implementation Deed. Target 1 August 2017	Stapled Entities Blackstone Spring
	C. SECURITYHOLDER DOCUMENTS			
6	**Explanatory Memorandum and Notice of Meeting**	HSF to prepare initial drafts of EM and NOM. Blackstone/Spring to provide information on funding, intentions and on asset management arrangements.	Target despatch date 10 August 2017	HSF to prepare with assistance from Stapled Entities / Blackstone / Spring
7	**Proxy form**	To be prepared by Link and provided to HSF for review.	Target despatch date 10 August 2017	Link to prepare HSF to review
8	**Independent Expert's Report**	Stapled Entities to engage Independent Expert and instruct preparation of report. Draft to be reviewed by Astro/Fort St/HSF.	Report to be finalised for inclusion in Explanatory Memorandum – Target 1 August 2017	Stapled Entities to engage Independent Expert HSF to review
	D. SECURITYHOLDER MEETING – 13 September 2017			
9	**ASX announcement of securityholder meeting**	Stapled Entities to prepare draft. HSF to review.	1 August 2017	Stapled Entities / HSF
10	**Despatch securityholder documents**		10 August 2017	Stapled Entities / Printer

	STEP	STATUS / COMMENTS	TIMING	PARTIES/RESPONSIBILITY
11	**Update Astro Japan Property Group website**	Update Astro Japan Property Group website.	Following despatch of securityholder documents	Stapled Entities
12	**Chairman's address / Q&A for securityholder meeting**	Fort St/HSF to prepare drafts. Astro to review.	Before securityholder meeting	Stapled Entities / HSF
13	**Submit all materials to be used at the securityholder meeting to ASX**	If applicable, e.g. if it is intended to give a formal presentation at the meeting	ASX to confirm material has been released to the market before start of securityholder meeting (required by Listing Rule 15.7)	Stapled Entities
14	**Hold securityholder meeting**		13 September 2017	Stapled Entities
15	**Prepayment notification**	**Notice of prepayment to be provided to those Financiers whose loans will be prepaid.**	Immediately following passing of resolutions is targeted.	Spring / relevant TK Operator
16	**ASX announcement of resolution results**		Immediately after securityholder meeting	Stapled Entities
17	**Minutes of securityholder meeting**		After securityholder meeting, based on Notice of Meeting	Stapled Entities / HSF
E. IMPLEMENTATION OF PROPOSAL **The steps in this section should occur in accordance with the timetable approved by ASX, set out in the Explanatory Memorandum.**				
18	**Trading halt**	Request in writing that ASX provide a trading halt in AJCo Shares and Trust Units from market open on the date of the meeting until the close of trading on the date of the meeting.	From market open on meeting date until close of trading on meeting date.	Stapled Entities / ASX / HSF

	STEP	STATUS / COMMENTS	TIMING	PARTIES/RESPONSIBILITY
19	**Suspension of trading and request for delisting**	Request in writing that ASX suspends trading in AJCo Shares and Trust Units from the close of trading on the date of the meeting. Formally request de-listing to occur after payment of distribution.	At close of trading on meeting date	Stapled Entities / ASX / HSF
20	**Execute and deliver Joint Escrow Release Notice**	Blackstone and AJPML to execute and deliver the Joint Escrow Release Notice (as defined in the Escrow Agreement) in accordance with clause 2.2(d) specifying the Transaction Implementation Date as the relevant payment date and deliver such notice to the Escrow Agent.	Immediately after the satisfaction or waiver of all of the Conditions precedent in clause 3.1 other than Conditions 3.1(e), 3.1(f), 3.1(g), 3.1(h) and 3.1(k).	Blackstone and AJPML.
21	**Completion of transaction – Transaction Implementation Date**	Date of completion of the transfer by the Trust of TK Interests to Blackstone in accordance with the TK Transfer Agreement. • Blackstone to provide Purchase Price less the Deposit to be paid to an account nominated by AJPML. • Deposit to be received from Escrow Agent. • Transfer of TK Interests to Blackstone. • Asset Management Agreements are terminated pursuant to Asset Management Termination Agreement	the later of: 1 14 Business Days after the Meeting date; and 2 14 Business Days after the satisfaction or waiver of all of the Conditions precedent in clause 3.1 other than Conditions 3.1(e), 3.1(f), 3.1(g), 3.1(h) and 3.1(k). Target 4 October 2017	Stapled Entities Registry Blackstone
22	**Record date**	Record date for: • distribution to securityholders from Trust of capital and income, less an amount retained by AJPML for payment of expenses and liabilities in winding up (to the extent not able to be covered by AJCo); and • AJCo capital reduction.	5 Business Days after the Meeting date. Target 20 September 2017	
23	**Payment of disposal fee to Spring**		Transaction Implementation Date. Target 4 October 2017	Stapled Entities

	STEP	STATUS / COMMENTS	TIMING	PARTIES/RESPONSIBILITY
24	**Payment of performance fee (if any) to Spring (and concurrent reduction of Purchase Price)**		Transaction Implementation Date. Target 4 October 2017	Blackstone
25	**Payment of facilitation payment to Spring Hold Co**		Transaction Implementation Date. Target 4 October 2017	Blackstone
26	**Payment of Spring TK transfer payment to AJCo**		Transaction Implementation Date. Target 4 October 2017	Cosmic Dust Limited, a British Virgin Islands company limited by shares (as a nominee of Spring).
27	**Payment of the Daily Profit Amount (as defined in the TK Interests Transfer Agreement) to AJPML**		Transaction Implementation Date. Target 4 October 2017	Blackstone
28	**Distribution of proceeds to securityholders**	Distribution out of Trust of the majority of the proceeds, as approved by Board resolution. AJCo Capital Reduction.	4 Business Days after Transaction Implementation Date. Target 10 October 2017	Stapled Entities / Registry
	F. DE-LISTING AND WINDING UP			
29	**De-listing of AJPGL and AJPT and announcement of de-listing**		At market close 4 Business Days after the Transaction Implementation Date. Target 10 October 2017	ASX / Stapled Entities / HSF

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Annexure 2

Resolutions

Securityholders will be asked to consider, and if thought fit, to pass the following resolutions:

(a) a resolution of the Trust’s unitholders to approve the Transaction under Listing Rule 11.2 and to wind up the Trust by ordinary resolution;

(b) a resolution of the Trust’s unitholders to approve the Transaction under Listing Rule 10.1;

(c) a resolution of AJCo shareholders to approve the Transaction generally by ordinary resolution; and

(d) a resolution of AJCo shareholders to approve an equal reduction of capital by AJCo by ordinary resolution.

Annexure 3

Timetable

It is intended that if the Resolutions are approved by Securityholders, the Transaction will be implemented on 4 October 2017. However, if all Conditions have not been satisfied by that date the Transaction Implementation Date may be deferred.

Business Day	Anticipated date	Action
On the date of this deed	1 August 2017	Parties to execute the Transaction Documents to be entered into on the date of this deed subject to conditions precedent including Securityholder approval.
28 + 3 days prior to Meeting Business Day - 31	10 August 2017	Stapled Entities to send out notice of meeting, explanatory memorandum and Independent Expert's Report to Securityholders.
2 days prior to Meeting Business Day - 2	11 September 2017	3:00 pm: Last date and time to lodge proxy and corporate representative forms for meeting.
Meeting Business Day 0	13 September 2017	10:00 am: Stapled Entities to request a trading halt from ASX from market open on meeting day to market close on meeting day . 11:00 am: Meeting of Securityholders held to consider resolutions required to implement Transaction. Stapled Entities to advise ASX of the outcome of the meeting and whether Securityholder approval was obtained. Suspension of trading on ASX at market close. Stapled Entities apply for suspension of trading from date of meeting and de-listing from date of payment.

Distribution Record Date		
5 Business Days after Business Day 0.	20 September 2017	Record Date for distribution of majority of TK Interest proceeds from AJPML (less retention for liabilities and wind up expenses) and for AJCo capital reduction.
Implementation		
The later of: • 14 Business Days after Meeting Date; or • 14 Business Days after the satisfaction or waiver of all conditions precedent other than Conditions 3.1(e), 3.1(f), 3.1(g), 3.1(h) and 3.1(k)	4 October 2017	Transaction implementation date, on which Blackstone pays the Purchase Price less the Deposit into an account nominated by AJPML on completion of transfers of TK Interests and the Asset Management Agreements terminate pursuant to the Asset Management Termination Agreement.
Payment Date		
4 Business Days after the Transaction Implementation Date	10 October 2017	Payment date for distribution and AJCo capital reduction.
De-listing		
Market close 4 Business Days after the Transaction Implementation Date	10 October 2017	Removal of Stapled Entities from the official list of ASX and announcement of ASX's decision to remove Astro from the official list. AJT to commence wind up.

Annexure 4

Warranties

1 Party Warranties

1.1 Corporate power and authority

Each Party represents and warrants that:

(a) **due incorporation**: it is duly incorporated in its place of incorporation and is validly existing;

(b) **corporate power**: it has the corporate power to own its assets and to carry on its business as it is now being conducted;

(c) **authority**: it has full power and authority to enter into and perform its obligations under this deed;

(d) **authorisations**: it has taken or will take as required by this deed all necessary action to authorise the execution, delivery, and performance of this deed;

(e) **binding obligations**: this deed constitutes its legal, valid and binding obligations, which are, subject to any necessary stamping and registration, enforceable in accordance with their terms subject to laws generally affecting creditors' rights and to principles of equity;

(f) **transaction permitted**: the execution, delivery and performance by it of this deed and the arrangements contemplated by it will not, upon satisfaction of the Conditions violate, breach or result in a contravention of:

(1) any law, regulation or authorisation;

(2) its memorandum and articles of association or constitution; or

(3) any material document or obligation which is binding upon it; and

(g) **solvency**: no Insolvency Event is threatened or persisting in relation to it.

2 AJPML Warranties

2.1 Corporate power and authority

AJPML further represents and warrants that:

(a) **MIS status**: the Trust is validly established and registered as a 'registered scheme' under Chapter 5C of the Corporations Act;

(b) **Responsible Entity**: as at the date of this Agreement, AJPML is the responsible entity of the Trust, has been validly appointed and remains as responsible entity of the Trust, and no action has been taken or proposed to be taken to remove it as responsible entity;

(c) **Authority**: AJPML is empowered by the Trust Deed to enter into and perform its obligations under this deed and to carry out the Transaction, in its capacity as responsible entity of the Trust;

(d) **Resolutions**: except as otherwise contemplated by this deed, all necessary resolutions have been duly passed and all consents, approvals and other procedural matters have been obtained or attended to as required or as may be required, including under the Trust Deed, for AJPML to enter into and perform its obligations under this deed;

(e) **Insolvency**: the Trust is not currently experiencing an Insolvency Event;

(f) **Right of indemnity**: except by operation of law and the terms of its trust deed, AJPML's right of indemnity out of, and lien over, the assets of the Trust have not been limited in any way. AJPML has no liability which may be set off against that right of indemnity;

(g) **Transaction permitted**: the execution, delivery and performance by it of this deed will not violate, breach or result in a contravention of the Trust Deed;

(h) **Government interests**: other than as stapled security holders of the Stapled Entities, no Government Official is associated with, or owns an interest, whether direct or indirect, in AJPML, AJCo nor the Trust, or has any legal or beneficial interest in this agreement or any payments to be made by Blackstone to AJPML, AJCo or the Trust under this agreement;

(i) **Use of proceeds**: except as contemplated by this deed, any compensation provided by Blackstone to AJPML, AJCo or the Trust under this agreement is for the benefit of the receiving party and will not be transferred or assigned to any other party, and AJPML, AJCo and the Trust shall make no payments to other third parties on behalf of Blackstone;

(j) **Anti-Corruption laws**: neither AJPML, AJCo nor the Trust, nor their principals, officers, directors or, to AJPML's knowledge, employees or agents, have taken any action that would constitute a violation of any applicable Anti-Corruption Laws, and AJPML;

(k) **Improper payments**: neither AJPML, AJCo nor the Trust, nor their principals, officers, directors or, to AJPML's knowledge, employees or agents, has promised to make, will promise to make, or will cause to be made, in connection with the proposed agreement contemplated herein, any payment (including the provision of cash or any other benefit) (i) to or for the use or benefit of any Government Official; (ii) to any other person either for an advance or reimbursement, if it knows or has reason to know that any part of such payment will be directly or indirectly given or paid by such other person, or will reimburse such other person for payments previously made, to any Government Official; or (iii) to any other person or entity, to obtain or keep business or to secure some other improper advantage, the payment of which would violate applicable Anti-Corruption Laws;

(l) **Books and records**: AJPML, AJCo and the Trust's operations have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of Anti-Money Laundering Laws;

(m) **Government proceedings**: no proceeding by or before any Government Authority involving AJPML, AJCo or the Trust with respect to Anti-Money Laundering Laws or Anti-Corruption Laws is pending or, to AJPML's knowledge, is threatened;

(n) **Sanctions laws**: AJPML, AJCo and the Trust, and their principals, officers, directors and, to AJPML's knowledge, employees and agents, (i) are not subject to any sanction administered by the U.S. Department of Treasury Office of

Foreign Assets Control (“OFAC”); (ii) do not make any sales to or engage in business activities with or for the benefit of any persons or countries subject to economic sanctions, including any persons listed on the U.S. Department of the Treasury’s Specially Designated Nationals List (“SDN List”); and (iii) will not use any amounts payable under this agreement to finance the activities of any persons or countries subject to economic sanctions; and

(o) **Anti-social forces**: AJPML, AJCo and the Trust, and their principals, officers, directors and, to AJPML’s knowledge, employees and agents, are not Anti-Social Persons and do not knowingly conduct business with or engage in any transactions with any Anti-Social Person or any person owned by, controlled by, acting for on behalf of, or otherwise associated with any Anti-Social Person.

3 Blackstone Warranties

3.1 Information

Blackstone further represents and warrants that:

(a) (**information**) All information given to the Stapled Entities by Blackstone for inclusion in the Explanatory Memorandum, including the Blackstone Information and the Blackstone/Spring Information:

(1) has been given in good faith and on the understanding that the Stapled Entities are relying on that information to prepare and adopt the Explanatory Memorandum;

(2) to the best of Blackstone's knowledge and belief, is true and correct in all material respects as at the date the Explanatory Memorandum is despatched to Securityholders; and

(3) to the best of Blackstone's knowledge and belief, is not misleading or deceptive in any material respect, or likely to mislead or deceive (whether by omission or otherwise) in any material respect as at the date the Explanatory Memorandum is despatched to Securityholders.

(b) (**opinions and belief**) Any statement of opinion or belief contained in the information given to the Stapled Entities by Blackstone for inclusion in the Explanatory Memorandum is honestly held and there are reasonable grounds for holding the opinion or belief.

4 Spring Warranties

4.1 Information

Spring further represents and warrants that:

(a) (**information**) All information given to the Stapled Entities by Spring for inclusion in the Explanatory Memorandum, including the Spring/TKO Information and the Blackstone/Spring Information:

(1) has been given in good faith and on the understanding that the Stapled Entities are relying on that information to prepare and adopt the Explanatory Memorandum;

(2) to the best of Spring's knowledge and belief, is true and correct in all material respects as at the date the Explanatory Memorandum is despatched to Securityholders; and

(3) to the best of Spring's knowledge and belief, is not misleading or deceptive in any material respect, or likely to mislead or deceive (whether by omission or otherwise) in any material respect as at the date the Explanatory Memorandum is despatched to Securityholders.

(b) (**opinions and belief**) Any statement of opinion or belief contained in the information given to the Stapled Entities by Spring for inclusion in the Explanatory Memorandum is honestly held and there are reasonable grounds for holding the opinion or belief.

5 TK Operator Warranties

Each TK Operator further represents and warrants that:

(a) It is the owner of all of the TK Assets referable to it as set out in Schedule 2 free and clear of all Encumbrances and third party rights, except for any Encumbrance granted to the relevant Financier for that TK Asset as set out in Schedule 2 and any Encumbrance disclosed to Blackstone in the CD-ROMS provided by Spring to Blackstone through to 28 July 2017;

(b) (**information**) All information given to the Stapled Entities by the TK Operator for inclusion in the Explanatory Memorandum:

(1) has been given in good faith and on the understanding that the Stapled Entities are relying on that information to prepare and adopt the Explanatory Memorandum;

(2) to the best of the TK Operator's knowledge and belief, is true and correct in all material respects as at the date the Explanatory Memorandum is despatched to Securityholders; and

(3) to the best of the TK Operator's knowledge and belief, is not misleading or deceptive, or likely to mislead or deceive (whether by omission or otherwise) as at the date the Explanatory Memorandum is despatched to Securityholders;

(c) (**opinions and belief**) Any statement of opinion or belief contained in the information given to the Stapled Entities by the TK Operator for inclusion in the Explanatory Memorandum is honestly held and there are reasonable grounds for holding the opinion or belief;

(d) **Government interests**: other than as stapled security holders of the Stapled Entities, no Government Official is associated with, or owns an interest, whether direct or indirect, in each TK Operator, or has any legal or beneficial interest in this agreement or any payments to be made by Blackstone to each TK Operator under this agreement;

(e) **Use of proceeds**: any compensation provided by Blackstone to each TK Operator under this agreement is for the benefit of the TK Operator and will not be transferred or assigned to any other party, and each TK Operator shall make no payments to other third parties on behalf of Blackstone;

(f) **Anti-Corruption laws**: no TK Operator, nor its principals, officers, directors or, to each TK Operator’s knowledge, employees or agents, has taken any action that would constitute a violation of any applicable Anti-Corruption Laws;

(g) **Improper payments**: no TK Operator, nor its principals, officers, directors or, to each TK Operator's knowledge, employees or agents, has promised to make, will promise to make, or will cause to be made, in connection with the proposed agreement contemplated herein, any payment (including the provision of cash or any other benefit) (i) to or for the use or benefit of any Government Official; (ii) to any other person either for an advance or reimbursement, if it knows or has reason to know that any part of such payment will be directly or indirectly given or paid by such other person, or will reimburse such other person for payments previously made, to any Government Official; or (iii) to any other person or entity, to obtain or keep business or to secure some other improper advantage, the payment of which would violate applicable Anti-Corruption Laws;

(h) **Books and records**: its operations have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of Anti-Money Laundering Laws;

(i) **Government proceedings**: no proceeding by or before any Government Authority involving any TK Operator with respect to Anti-Money Laundering Laws or Anti-Corruption Laws is pending or, to each TK Operator's knowledge, is threatened;

(j) **Sanctions laws**: each TK Operator, and its principals, officers, directors and, to each TK Operator's knowledge, employees and agents, (i) are not subject to any sanction administered by the U.S. Department of Treasury Office of Foreign Assets Control ("OFAC"); (ii) do not make any sales to or engage in business activities with or for the benefit of any persons or countries subject to economic sanctions, including any persons listed on the U.S. Department of the Treasury's Specially Designated Nationals List ("SDN List"); and (iii) will not use any amounts payable under this agreement to finance the activities of any persons or countries subject to economic sanctions; and

(k) **Anti-social forces**: each TK Operator, and its principals, officers, directors and, to each TK Operator's knowledge, employees and agents, are not Anti-Social Persons and do not knowingly conduct business with or engage in any transactions with any Anti-Social Person or any person owned by, controlled by, acting for on behalf of, or otherwise associated with any Anti-Social Person.

Notice of Meeting and Explanatory Memorandum

in relation to a proposal to transfer all of the TK Interests held by Astro Japan Property Group

The Directors unanimously recommend that you vote **IN FAVOUR** of the Proposal, in the absence of a superior proposal.

The Independent Expert has concluded that in its opinion the Proposal described in this Notice of Meeting and Explanatory Memorandum is fair and reasonable to the non-associated Securityholders, in the absence of a superior proposal.

This document is issued by Astro Japan Property Management Limited (ABN 94 111 874 563; AFSL 283142) as responsible entity of Astro Japan Property Trust (ARSN 112 799 854) and by Astro Japan Property Group Limited (ABN 25 135 381 663).

Contents

Important Notice

What is this document?

This Explanatory Memorandum provides Securityholders of Astro Japan Property Group Limited (ACN 135 381 663) (**AJCo**) and Astro Japan Property Trust (ARSN 112 799 854) (**Trust**) (together, **Astro Group**) with an explanation of, and information about, a proposed sale of all of the Trust's TK Interests to Jetsons Holding II Pte. Ltd. (**Blackstone**), an entity which is incorporated in Singapore by funds managed or advised by Affiliates of The Blackstone Group L.P. (**The Blackstone Group**), the transfer of AJCo's Spring TK Agreement with Spring Investment Co., Ltd. (**Spring**) and the delisting and subsequent winding up of Astro Group.

Please note, the Notice of Meeting is included at Appendix 1.

Personal investment advice

The information contained in this Explanatory Memorandum and recommendation of the Directors to vote in favour of the Resolutions is not personal financial product advice. It has been prepared without reference to your particular investment objectives, financial situation, taxation position or needs. It is important that you read this Explanatory Memorandum in its entirety and consider your own objectives, financial situation and needs before making any decision on how to vote on the Resolutions set out in the Notice of Meeting. If you are in any doubt in relation to these matters, you should consult your investment, financial, tax, legal or other professional adviser.

Privacy

AJCo and Astro Japan Property Management Limited, as responsible entity for the Trust (**RE**), may collect personal information in the process of conducting the Meeting and implementing the Resolutions, if approved.

Such information may include the Securityholder's name, contact details and securityholding, and the name of persons they have appointed to act as a proxy, corporate representative or attorney at the Meeting. The primary purpose of collecting personal information is to assist AJCo and the RE to conduct the Meeting and implement the Resolutions, if approved. Personal information collected will not be used for any other purpose. Personal information of the type described above may be disclosed to print, mail and other service providers and related bodies corporate of AJCo and the RE.

Securityholders and persons appointed to act as a proxy, corporate representative or attorney at the Meeting have certain rights to access their personal information that has been collected and may contact AJCo and the RE in the first instance if they wish to access their personal information.

Key dates

Date of issue of this Explanatory Memorandum:
1 August 2017

Latest date and time for receipt of Proxy Forms (with any power of attorney) for the Meeting:
11:00am (AEST) on 11 September 2017

Meeting Record Date:
7:00pm (AEST) on 11 September 2017

Meeting to be held at:
11:00am (AEST) on 13 September 2017 at Sofitel Sydney Wentworth, Hobart Room, Ground Floor,
61-101 Phillip Street, Sydney NSW

Forward looking statements

This Explanatory Memorandum contains historical and forward looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements. All forward looking statements in this Explanatory Memorandum reflect the current expectations of AJCo and the RE and their respective directors concerning future results and events. The statements contained in this Explanatory Memorandum about the impact that the Resolutions may have on Astro Group's operations, and the advantages and disadvantages which may result should the Resolutions be passed, are forward looking statements. These forward looking statements and the financial performance of Astro Group are subject to various risks which may be beyond the control of AJCo or the RE. As a result, Astro Group's actual results of operations and earnings following implementation or rejection of the proposed changes set out in this Explanatory Memorandum may differ significantly from those that are identified, in respect of timing, amount or nature, and may never be achieved.

Various business risks could affect future results of Astro Group following the implementation or rejection of the Proposal, causing these results to differ materially from those expressed, implied or projected in any forward looking statements. Further, any number of unknown or unpredictable facts also could have material adverse effects on future results of Astro Group following the implementation or rejection of the Proposal.

Any forward looking statements included in this Explanatory Memorandum are made only as at the date of this Explanatory Memorandum. AJCo and the RE cannot assure Securityholders that forward looking statements or implied results or events will be achieved. Subject to any continuing obligations under the Corporations Act or at law, AJCo and the RE do not give any undertaking to update or revise any change in expectation or any change in events, conditions or circumstances on which any such statement is based.

Disclaimer

Information concerning Astro Group and the intentions, views and opinions of AJCo and the RE contained in this Explanatory Memorandum have been prepared by AJCo and the RE and are the responsibility of AJCo and the RE (as applicable).

The historical information is derived from sources believed to be accurate at the date of this Explanatory Memorandum. However, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of any information, opinion or conclusion contained in this Explanatory Memorandum. To the maximum extent permitted by law, none of AJCo, the RE nor any of their directors, officers, employees, agents, advisers or intermediaries, nor any other person, accepts any liability for any loss arising from the use of this Explanatory Memorandum or its contents or otherwise arising in connection with it, including, without limitation, any liability from fault or negligence on their part.

The historical information in this Explanatory Memorandum is, or is based upon, information that has been released to the market. It should be read in conjunction with Astro Group's other periodic and continuous disclosure announcements, including Astro Group's half year financial results for the period ended 31 December 2016, lodged with ASX Limited (**ASX**) on 22 February 2017, and announcements to ASX available at www.asx.com.au.

The information in this Explanatory Memorandum remains subject to change without notice. AJCo and the RE reserve the right to withdraw or vary the timetable for implementing the Resolutions without notice. Any pro forma financial information provided in this Explanatory Memorandum is for illustrative purposes only and is not represented as being indicative of AJCo's or the RE's views on the future financial condition and/or performance of Astro Group.

ASX involvement

A copy of this Explanatory Memorandum has been provided to ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Explanatory Memorandum.

Responsibility for information

Except as outlined below and subject to the disclaimer above, all the information contained in this Explanatory Memorandum and the Notice of Meeting has been prepared by AJCo and the RE and is the responsibility of AJCo and the RE.

The Independent Expert, Grant Samuel & Associates Pty Limited (**Independent Expert**), has provided and is responsible for the information contained in section 8 of this Explanatory Memorandum. Neither the Independent Expert nor any of its directors, officers, employees, agents, advisers or intermediaries assume any responsibility for the accuracy or completeness of the information contained in this Explanatory Memorandum other than that contained in section 8 .

Greenwoods & Herbert Smith Freehills Pty Limited (**G&HSF**) has provided and is responsible for the information contained in section 9 of this Explanatory Memorandum. Neither G&HSF nor any of its directors, officers, employees, agents, advisers or intermediaries assume any responsibility for the accuracy or completeness of the information contained in this Explanatory Memorandum other than that contained in section 9.

Spring and the relevant TK Operator has each prepared and is responsible for the information referable to Spring or the relevant TK Operator as applicable contained in section 4 of this Explanatory Memorandum (**Spring/TKO Information**). None of AJCo, the RE nor Blackstone assumes any responsibility for the accuracy or completeness of the Spring/TKO Information.

Blackstone has prepared and is responsible for the information referable to Blackstone in section 7 of this Explanatory Memorandum (**Blackstone Information**). None of AJCo, the RE nor Spring assumes any responsibility for the accuracy or completeness of the Blackstone Information.

Blackstone and Spring has each prepared and is responsible for all material information concerning the financial arrangements agreed between Blackstone and Spring and their respective associates (including Mr Eric Lucas) in connection with the Proposal (**Blackstone/Spring Information**) set out in sections 1, 5 and 6 of this Explanatory Memorandum. None of AJCo nor the RE assumes any responsibility for the accuracy or completeness of the Blackstone/Spring Information.

Defined terms

Capitalised terms used in this document have the meaning given to them in the Glossary, as set out in section 10 of this Explanatory Memorandum.

Currency and financial data

Unless stated otherwise, all dollar values are in Australian Dollars (A$) and financial data is presented as at the date stated. Currency conversions in this document are at a rate of ¥88.5:A$1, however A$ proceeds will be a function of the prevailing rate at the Implementation Date, subject to the currency hedging arrangements referred to in section 5.1.3.

Time

Unless stated otherwise, all references to time are to Australian Eastern Standard Time (**AEST**).

Date

This Explanatory Memorandum is dated 1 August 2017.

1. Chairman's Letter

1 August 2017

Dear Securityholder,

Proposed realisation of Astro Japan Property Group's investment portfolio

I am pleased to write to you regarding a proposal for Blackstone to acquire all of Astro Group's interests in its Japanese assets (**Proposal**).

Under the Proposal, Blackstone has offered to acquire the interests held by Astro Group in the tokumei kumiai agreements (**TK Agreements**) through which Astro Group invests indirectly in underlying Japanese property assets for net consideration of ¥37.908 billion. The Proposal implies a premium of 2.38% to the book value as at 30 June 2017 and a net consideration per Security of $7.18.[1]

The sale proceeds received from Blackstone will then be distributed to Securityholders (less retentions for liabilities and wind up expenses) in a staged process. The sale proceeds will be distributed shortly after the completion of the sale to Blackstone. The normal half yearly distribution will be distributed at the end of August 2017. A final distribution (in one or more tranches) will be made after the delisting of the Astro Group and the wind up of the Trust and AJCo.

The Proposal is subject to a number of conditions (set out further below) including Securityholder approval and Financier consents.

The Notice of Meeting for the Proposal is set out in Appendix 1.

Background to the Proposal

Astro Group has consistently traded at a discount to NTA and, as part of value maximisation initiatives for Securityholders, the Board and its asset manager, Spring, regularly assess Astro Group's portfolio, including discussions with parties interested in acquiring the portfolio, or part of the portfolio.

In late 2016, an affiliate of Lone Star Fund V (**Lone Star**) made an approach to Astro Group to acquire the properties beneficially owned by it (**Lone Star Proposal**). The Board did not consider that the Lone Star Proposal would deliver acceptable value for Securityholders.

Since the approach by Lone Star, the Board has received a number of further approaches to acquire Astro Group's portfolio. The Board has determined that the Proposal delivers the most compelling and certain value proposition to Securityholders of all alternatives considered and compared to all other alternatives received to date.

Key elements of the Proposal

- The Proposal values the portfolio of assets at ¥98.642 billion which implies a premium of 2.38% to the 30 June 2017 book value of the Japanese property assets, reflecting updated portfolio valuations carried out as at 30 April 2017.
- The Proposal delivers net consideration of ¥37.908 billion after deductions are made for the outstanding obligations of the TK structures in Japan.
- Securityholders will receive distributions totalling approximately $7.32, made up of the following components:[2]
  - $7.18 per Security on the Distribution Date, depending on currency alignment (see section 5 for details on currency hedging arrangements); and
  - a distribution currently estimated at 14 cents per Security on the wind up of the Trust and AJCo, which includes income received in the period from 1 July 2017 to the Implementation Date and a distribution from Spring (incorporating Astro Group's share of the profits from the disposal of Spring's interest in the Sekisui House SI Residential REIT management platform), less any obligation to pay a performance fee to Spring under the existing asset management arrangements and liquidation costs to wind up the Trust and AJCo (Final Distribution).
- The distributions will be in addition to the normal half yearly distribution payable at the end of August 2017, of 21 cents per Security.
- As a condition of the Proposal, the existing arrangements with Spring need to be terminated and there are a number of arrangements that have been agreed with Spring Group to facilitate the termination of these arrangements.
- As noted above, the Proposal will result in a delisting of Astro Group's Securities, a wind up of the Trust and a further meeting of Securityholders to consider the winding up of AJCo.

Further details of the Proposal are set out in this Explanatory Memorandum.

[1] A$ proceeds will be a function of the prevailing rate at the Implementation Date, subject to the currency hedging arrangements referred to in section 5.1.3.

[2] See footnote 1, above. The estimated distributions payable to Securityholders are based on June 2017 management accounts and are ultimately subject to adjustment for cash balances based on the audited accounts of Astro Group as at 30 June 2017.

Key benefits of the Proposal

The key benefits of the Proposal (discussed further below) include:

- cash liquidity for Securityholders at a price of $7.18 per Security. This represents a significant premium to the current and recent trading price of Securities, after accounting for all costs of implementing the Proposal, including:[3]
  - 13.1% premium to the closing price of $6.35 per Security on 31 July 2017, the last trading day prior to the ASX Announcement;
  - 21.3% premium to the undisturbed price of $5.92 per Security on 6 March 2017, the last trading day prior to Astro Group's response to market commentary on the Lone Star proposal;
  - 12.0% premium to the 30-day volume weighted average price (**VWAP**) of $6.41 per Security up to 31 July 2017;
  - 10.0% premium to the 90-day VWAP of $6.53 per Security to 31 July 2017; and
  - an approximate 2.4% discount to NTA. This discount to NTA is driven by leakages in the transaction including payments to Spring Group that are not accounted for in any published NTA. By reason of Astro Group's structure, its long term debt and Spring's asset management arrangements, a discount to NTA is likely in any transaction of this nature;
- Astro Japan is likely to continue to trade at a discount to NTA and the Proposal consideration, in the absence of a superior proposal; and
- Securityholders receiving distributions from 1 July 2017 to the Implementation Date currently estimated at 14 cents per Security; and
- a superior value proposition compared with other alternatives considered by Astro Group, including:
  - continuing Astro Group in its current form;
  - termination of the TK Agreements and consequent sale of the underlying properties that are subject to the TK Agreements over time;
  - re-establishing the portfolio as a newly listed REIT in Japan; and
  - seeking alternative proposals to acquire the assets, TK Interests or the Securities (and relative to alternative proposals received to date).

These alternative sale scenarios face significant practical hurdles and likely value leakages as described further in section 6.2.4 of this Explanatory Memorandum. The Board believes the immediate liquidity offered to Securityholders under the Proposal is attractive when considered against these alternatives.

Asset management arrangements

Spring currently manages the assets which are held under the TK Agreements. These are effectively long term arrangements under which Spring has the right to receive base fees, transaction fees and performance fees which in the last four calendar years from 1 January 2013 to 31 December 2016 have resulted in annual revenues to Spring ranging from approximately ¥620 million to ¥850 million (equivalent to approximately $7.1 million to $9.7 million). Spring is majority owned by Affiliates of Mr Eric Lucas, who also holds a 11.6% interest in Astro Group Securities. It is a condition of the Proposal that the asset management arrangements be terminated. The arrangements agreed with Spring Group are as follows:

- Blackstone has advised Astro Japan that it or its Affiliates will pay to Spring Group (which includes Spring Holdco and its Affiliates) certain agreed amounts to facilitate the Proposal and to procure the termination of the ongoing asset management arrangements between Spring and the TK Operators, which Blackstone has advised amounts to approximately ¥1,952 million (equivalent to approximately $22.1 million) (**Facilitation and Termination Payment**).
- Spring will receive a disposal fee from the Astro Group on the sale of the TK Interests, negotiated as 50% of the fee that would otherwise have been payable on an asset disposal by the TK Operators. In addition, the existing agreements allow for a performance fee, depending on the performance of Astro Group relative to the S&P ASX 200 A-REIT Accumulation Index.
- A nominee of Spring Group will buy out AJCo's 25% interest in Spring by acquiring AJCo's interests in the Spring TK Agreement for an amount equal to 25% of the Facilitation and Termination Payment and the net disposal and performance fees.
- Blackstone will enter into arrangements with Spring for management of the assets following the implementation of the Proposal (which it has confirmed are on less favourable terms as to term and fees).

Co-investment arrangements

Blackstone has advised that Spring Group will co-invest alongside Blackstone in the portfolio and in this context will provide a cost protection benefit, a zero cost option and a low-cost limited recourse loan. These arrangements, as advised by Blackstone and Spring, are outlined in section 5.1.3. The ultimate value of those benefits will depend on the success of the portfolio over time.

[3] See footnote 1, above.

1. Chairman's Letter
continued

Benefits to Spring Group and indirectly to Mr Lucas

The Directors acknowledge that the Proposal involves significant benefits to Spring Group (and indirectly to Mr Lucas) in consideration of their agreeing to facilitate the Proposal and terminate the existing asset management contracts.

Whilst these benefits arise through agreements that are not under the control of Astro Group, the Board has been very mindful of the benefits flowing to Spring Group and indirectly to Mr Lucas as a result of the Proposal while having regard to the overall benefits of the Proposal for Securityholders. The details of the arrangements have been considered by the Independent Expert as part of its opinion, and are outlined in this Explanatory Memorandum for consideration by Securityholders as part of the Proposal.

The Board considers the arrangements agreed by Blackstone with Spring Group as necessary in order to facilitate the Proposal being put to Securityholders, given the need for Spring Group's cooperation in giving effect to the Proposal. At present, Spring enjoys various fee entitlements under effective long-term management contracts with the TK Operators (which are not controlled by Astro Group), with limited termination rights, and a significant degree of autonomy in the management of the Japanese property portfolio, arising in large part from the manner in which Astro Group is required to be structured for Japanese compliance purposes.

Blackstone has made it a condition of the Proposal that the existing Spring Asset management contracts be terminated and that Spring agree to alternative arrangements. The Directors consider that, notwithstanding the benefits that are made available to Spring Group (which are likely to be a feature of any potential alternative transaction), the Proposal is a compelling proposition for Securityholders and is preferable to all other alternatives considered.

Unanimous Recommendation

The Directors unanimously recommend that you vote **IN FAVOUR** of the Proposal, in the absence of a superior proposal.

Each Astro Group Director who holds or controls Astro Group Securities intends to vote in favour of the Resolutions in relation to the Astro Group Securities which they hold or control in the absence of a superior proposal.

Securityholders are being presented with the opportunity to monetise the value of their Securities at a significant premium to the most recent trading price of the Securities. The Proposal is attractive when considered against the alternatives currently available to Astro Group.

The merits of the Proposal are fully considered in section 6 of this Explanatory Memorandum.

Independent Expert

The Directors appointed the Independent Expert to assess the merits of the Proposal.

The Independent Expert has concluded the Proposal is fair and reasonable to the non-associated Securityholders, in the absence of a superior proposal. The Independent Expert Report is set out in full in section 8 of this Explanatory Memorandum.

Meeting Process

The Proposal requires the approval of Securityholders at a Meeting proposed to be held at 11:00 am (AEST) on 13 September 2017 at Sofitel Sydney Wentworth, Hobart Room, Ground Floor, 61-101 Phillip Street, Sydney NSW. The Notice of Meeting is included in Appendix 1 to this Explanatory Memorandum.

It is proposed that Astro Group will request a trading halt from ASX from market open on the Meeting Date, being 13 September 2017, until market close on that day.

To proceed with the implementation of the Proposal, Securityholders must pass resolutions of the Trust and resolutions of AJCo. Spring Group and its associates (including Mr Lucas) will not be entitled to vote on the Proposal. Details of the Resolutions are contained in section 3 of this Explanatory Memorandum. If the Resolutions are passed and the Proposal implemented, Astro Group intends to seek immediate suspension and removal from the official list of ASX in accordance with the key dates set out in section 2.1 of this Explanatory Memorandum.

It is important to note that, if the Resolutions are approved, trading in Securities will cease from market open on the Meeting Date (13 September 2017). There will be no further opportunites for trading.

Further details of the proposed trading halt and suspension can be found in sections 7.11 and 7.12 respectively.

A period of 14 Business Days will elapse between the Meeting Date and the propsed Implementation Date. It is possible that further time may be required to obtain Financier consents (assuming those consents are obtained). In this circumstance, implementation of the Proposal and return of the Sale Proceeds will be delayed. As noted above, trading of Securities will not be permitted in this period and accordingly Securityholders should be aware of the possibility that there may be delays between the date of any Securityholder approval and the time, following satisfaction of the Conditions, at which cash proceeds may be distributed.

Details on how to vote on the Resolutions are contained in section 2 of this Explanatory Memorandum.

This Explanatory Memorandum contains important information relating to the Proposal and should be read carefully before making your decision and voting at the Meeting.

If you have any questions in relation to the Proposal, please contact your professional advisers or call the Astro Japan Information Line on 1300 568 726 (within Australia) or +61 2 8022 7947 (from outside Australia) between 8:30 am and 5:30 pm (AEST) Monday to Friday.

I look forward to your participation at the Meeting on 13 September 2017 and encourage you to vote in favour of the Resolutions. Meanwhile, I thank you for your ongoing support of Astro Group.

Yours faithfully

Allan McDonald
Chairman

2. Information for Securityholders

2.1 KEY DATES

2.1.1 Key Dates Relevant to the Meeting

Latest date and time for receipt of Proxy Forms (with any power of attorney) for the Meeting	11 September 2017 at 11:00 am
Record date to determine eligibility to vote at Meeting	11 September 2017 at 7:00 pm
ASX trading halt	13 September 2017 at market open
Meeting to be held at Sofitel Sydney Wentworth, Hobart Room, Ground Floor, 61-101 Phillip Street, Sydney NSW	13 September 2017 at 11:00 am

2.1.2 Key Dates if the Resolutions are approved at the Meeting

Indefinite suspension of trading on the ASX	13 September 2017 immediately following the Meeting
Distribution Record Date	20 September 2017 at 7:00 pm
Implementation Date	Target 4 October 2017
Payment of Distribution of Sale Proceeds (including the amount of the Capital Reduction)	Target 10 October 2017
Astro Group to delist from ASX	Target 10 October 2017 at market close
Commence wind up of the Trust	Target 10 October 2017
Meeting to wind up AJCo	Target December 2017
Payment of Final Distribution	Target prior to January 2018

Important note: If the Resolutions are approved, trading in Securities will cease from market open on the Meeting Date (13 September 2017). There will be no further opportunites for trading.

2.2 What you need to do

Step 1 – Read this Explanatory Memorandum	This Explanatory Memorandum sets out information relating to the Meeting of Securityholders to consider the Resolutions and includes the Notice of Meeting. Information contained in this Explanatory Memorandum and Notice of Meeting is important. Please read this document carefully and if necessary seek your own independent advice on any aspects about which you are not certain. If you have sold all your Securities, please disregard this document.
Step 2 – Vote	The Meeting is scheduled for 11:00 am (AEST) on 13 September 2017 at the Sofitel Sydney Wentworth, Hobart Room, Ground Floor, 61-101 Phillip Street, Sydney NSW. You can vote on the Resolutions by attending the Meeting (or having an attorney or, in the case of a body corporate, corporate representative attend on your behalf) or by completing and returning the Proxy Form accompanying this Explanatory Memorandum. For details on how to complete and lodge the Proxy Form, or having your corporate representative or attorney attend the Meeting, please see below.
Step 3 – Notify bank account details	On each distribution, proceeds will be paid to each eligible Securityholder's nominated bank account recorded with the Registry. If you have not previously notified your nominated bank account, please contact the Registry, Link Market Services on 1800 881 098 (within Australia) or +61 1800 881 098 (outside Australia) before the Distribution Record Date to provide payment directions.

2.3 Quorum Requirements

The quorum requirement for the Meeting is at least five Securityholders present in person or by proxy, attorney or representative.

If a quorum is not present within 30 minutes after the time appointed for the Meeting, the Meeting will be adjourned as the Chair directs.

2.4 Voting Details

2.4.1 Voting Eligibility

All Unitholders on the Trust Register as at 7:00 pm (AEST) on 11 September 2017 are eligible to vote on the Trust Resolutions unless they are otherwise excluded from voting on the basis set out in the Notice of Meeting.

All Members on the AJCo Register as at 7:00 pm (AEST) on 11 September 2017 are eligible to vote on the AJCo Resolutions unless they are otherwise excluded from voting on the basis set out in the Notice of Meeting.

In order for the Proposal to be implemented, the Resolutions must be approved by the requisite majority as specified in section 3.

The Notice of Meeting is set out in Appendix 1 to this Explanatory Memorandum. A personalised Proxy Form is enclosed with this Explanatory Memorandum.

2.4.2 Voting

The Chair has advised that he intends to demand a poll so that the Resolutions are each decided on a poll.

Unitholders

On a poll, each Unitholder has one vote for each dollar of the value of units held by the Unitholder. Each person present as proxy, attorney or representative of a Unitholder has one vote for each dollar of the value of Securities held by the Securityholder that person represents. The value of your units will be calculated by reference to the last sale price of Securities on ASX on the last trading day before the Meeting (12 September 2017).

You are not required to exercise all your votes in the same way, or to cast all your votes.

AJCo Members

On a poll, each AJCo Member has one vote for each share held by the Member. Each person present as proxy, attorney or representative of a Member has one vote for each share held by the Member that person represents.

You are not required to exercise all your votes in the same way, or to cast all your votes.

2.4.3 Voting Exclusions

Under ASX Listing Rule 14.11, the RE will disregard any votes cast on each Resolution by a person who might obtain a benefit (other than a benefit solely in the capacity of a holder of Securities) if the Resolutions are passed or a party to the Proposal, an associate of that person or a person whose vote in ASX's opinion should be disregarded.

Section 253E of the Corporations Act provides that the responsible entity of a managed investment scheme and its associates are not entitled to vote their interest on any resolutions if they have an interest in the resolution other than as a member, unless the vote is cast as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form.

As a consequence of the above voting exclusions, the RE has determined that each party to the transaction (including Spring Group and its associates, including Mr Lucas) will be excluded from voting on Resolutions 1, 2 and 3 unless that vote:

- is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2.4.4 Conduct of voting

The Resolutions will be passed as ordinary resolutions of each of the Trust and AJCo. An ordinary resolution will be passed if it is approved by more than 50% of the votes cast of those Securityholders present and entitled to vote (including by proxy) at the Meeting.

In relation to the AJCo Resolutions, clause 6.7(b) of the AJCo Constitution provides that if the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote, in addition to any deliberative vote. The Chair will exercise any casting vote in favour of the AJCo Resolutions.

2.4.5 Jointly Held Securities

If your Securities are jointly held, only one of the joint holders is entitled to vote. If both joint holders are present at the Meeting, only the vote of the person named first in the Trust Register or AJCo Register (as applicable) counts.

2. Information for Securityholders continued

2.4.6 Individuals
If you plan to attend the Meeting, we ask you to arrive at the venue 30 minutes prior to the designated Meeting time so that we may check your Securities against the Trust Register and the AJCo Register and note your attendance.

2.4.7 Corporations
In order to vote at the Meeting, a corporation that is a Securityholder may appoint a proxy or may appoint a person to act as its representative. The appointment of a representive of a Member must comply with section 250D of the Corporations Act and the appointment of a representative of a Unitholder must comply with section 253B of the Corporations Act. The representative should bring evidence of his or her appointment to the Meeting, including any authority under which it is signed.

2.4.8 Appointing a Proxy
If you are entitled to attend and vote at the Meeting, you can appoint a proxy to attend and vote on your behalf. You may nominate one or two persons to vote on your behalf at the Meeting. A proxy need not be a Securityholder.

If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half your votes.

To ensure that all Securityholders can exercise their rights to vote on the proposed resolution, a Proxy Form is enclosed which includes information on what you need to do to lodge a valid proxy.

A Proxy Form may be returned in the reply paid envelope provided. Alternatively, you may deliver your completed Proxy form by any of the mechanisms set out in the Notice of Meeting.

The Proxy Form must be received no later than 48 hours before the Meeting, failing which the Proxy Form will be disregarded for the purpose of the Meeting.

2.4.9 Voting intentions of Chair for proxies
The directors of AJCo (in accordance with the AJCo Constitution) and the RE (in accordance with section 252S of the Corporations Act) have appointed Allan McDonald, or failing him, Mr Doug Clemson, to chair the Meeting. If the Chair is your proxy and you do not specifically direct how your proxy is to vote on the Resolutions, you will be taken to have directed the Chair to vote in favour of the Resolutions and the Chair will exercise your votes in favour of the Resolutions.

2.5 ENQUIRIES
If you have questions about the Resolutions, attending the Meeting, how to vote or the Proxy Form, please contact Astro Japan Information Line on 1300 568 726 (within Australia) or +61 2 8022 7947 (from outside Australia) between 8:30 am and 5:30 pm (AEST) Monday to Friday or consult your financial or other professional advisers.

3. Details of the Resolutions

3.1 Overview

The purpose of the Meeting (as set out in detail in the Notice of Meeting) will be to consider, and if thought fit, pass as ordinary resolutions, resolutions of the Trust and AJCo that are necessary to give effect to the Proposal.

The Directors unanimously recommend that you vote **IN FAVOUR** of the Resolutions, in the absence of a superior proposal.

Each Astro Group Director who holds or controls Astro Group Securities intends to vote in favour of the Resolutions in relation to the Astro Group Securities which they hold or control in the absence of a superior proposal.

3.2 Resolutions

The Resolutions are as follows:

3.2.1 Resolution 1: Trust Resolution for ASX Listing Rule 11.2

The following resolution as an ordinary resolution of Unitholders:

*"That, for the purposes of ASX Listing Rule 11.2 and for all other purposes, subject to satisfaction or waiver of the Conditions (as defined in the Explanatory Memorandum accompanying this resolution), the disposal of Astro Japan Property Trust's (**Trust**) TK Interests (as defined in the Explanatory Memorandum accompanying this resolution) to Jetsons Holding II Pte. Ltd. and the subsequent winding up of the Trust in accordance with the Trust's Constitution and the Corporations Act 2001 (Cth), as described in the Explanatory Memorandum accompanying this resolution are approved."*

The Proposal requires Unitholder approval by ordinary resolution under ASX Listing Rule 11.2, on the basis that the Proposal involves the disposal by the RE of its main undertaking.

While the wind up of the Trust does not require approval by the Unitholders under the Trust Constitution or the Corporations Act, it is proposed that Resolution 1 would include an approval of the Unitholders to wind up the Trust in accordance with the Trust Constitution following the Distribution of Sale Proceeds.

3.2.2 Resolution 2: Trust Resolution for ASX Listing Rule 10.1

The following resolution as an ordinary resolution of Unitholders:

"That, for the purposes of ASX Listing Rule 10.1, subject to satisfaction or waiver of the Conditions (as defined in the Explanatory Memorandum accompanying this resolution), the disposal of Astro Japan Property Trust's TK Interests (as defined in the Explanatory Memorandum accompanying this resolution) to Jetsons Holding II Pte. Ltd., as described in the Explanatory Memorandum accompanying this resolution is approved."

The Proposal requires Unitholder approval by ordinary resolution under ASX Listing Rule 10.1, on the basis that the Proposal involves the RE disposing of a substantial asset to an associate of a substantial holder in the Trust (see section 5.1.3 for further details).

3.2.3 Resolution 3: AJCo Resolution to approve Proposal

The following resolution as an ordinary resolution of Members:

"That, for all purposes, subject to satisfaction or waiver of the Conditions (as defined in the Explanatory Memorandum accompanying this resolution), the Proposal, as described in the Explanatory Memorandum accompanying this resolution, is approved."

While the Proposal does not require a vote of Members under the applicable law, it is proposed that Members would also consider and vote on an ordinary resolution to effectively constitute a general approval of the Proposal.

3.2.4 Resolution 4: AJCo Resolution to approve Capital Reduction

The following resolution as an ordinary resolution of Members:

"That for the purposes of sections 256B and 256C(1) of the Corporations Act 2001 (Cth) and all other purposes, subject to satisfaction or waiver of the Conditions (as defined in the Explanatory Memorandum accompanying this resolution), approval is given for:

(a) the issued share capital of Astro Japan Property Group Limited (ACN 135 381 663) (AJCo) to be reduced by A$20,678,857.46; and

(b) such reduction be given effect by returning on the Distribution Date (as defined in the Explanatory Memorandum accompanying this resolution) to each Member of AJCo who is registered as a holder of ordinary shares in AJCo on the Distribution Record Date (as defined in the Explanatory Memorandum accompanying this resolution), A$0.3409 of capital per fully paid ordinary share held by the Member on the Distribution Record Date."

4. Overview of Astro Group Structure

The structure of Astro Group is complex, but has been necessary to achieve optimal results for Securityholders since inception. To assist Securityholders in considering the Proposal, the Board believes it may be useful to briefly summarise the structure of Astro Group. This should assist in understanding the Proposal and the various payments contemplated under the Proposal.

4.1 Background

Astro Group's mandate is to provide an investment exposure, via an ASX-listed entity, to Japanese real estate assets. In contrast to other A-REITs, Astro Group does not enjoy control over, or a proprietary interest in, the Japanese properties. In addition, Astro Group does not control the appointment of the asset manager for the properties.

This non-controlled structure is necessary in order to maintain acceptable Japanese tax treatment on returns to Securityholders, however the structure does have implications for the ability of Astro Group to implement certain strategic initiatives without the consent of third parties.

The Board considers that, notwithstanding the limitations, the existing structure and management arrangements deliver an effective mechanism for Australian investors seeking an exposure to Japanese commercial real estate.

In the absence of the Proposal or a superior proposal, the Board believes that continuing with the current arrangements, including retaining Spring as asset manager, would be in the best interests of Securityholders.

A summary of the structure (as disclosed upon listing on the ASX and in the context of the 2009 restructure and stapling approvals) and asset management agreements is set out below. This provides background to Securityholders to consider the Proposal.

4.2 Existing investment structure

4.2.1 Tokumei Kumiai (TK) structure

Astro Group invests in Japan by way of tokumei kumiai agreements (**TK Agreements**). This is a contract under which an investor (**TK Investor**) contracts with a Japanese entity (**TK Operator**) for an economic investment in a business or property held by the TK Operator.

TK Agreements are a common form of investment into Japanese properties and the usual way in which non-Japanese investors invest in Japanese real estate. In essence, they give the TK Investor a passive contractual economic interest in the TK business run by the Japanese TK Operator.

A TK Agreement specifies the scope of permissible business for the TK Operator (e.g. investment in real estate). The TK Operator uses money contributed by the TK Investor to invest in the permissible TK business. The TK Operator owns in its own right the assets acquired.

The TK structure has been extensively described in Astro Group's previous disclosures, including the Product Disclosure Statement for Astro Group's listing in 2005 and the explanatory memorandum for the stapling of Astro Group in October 2009.

4.2.2 Rationale for TK Structure

An investment through a TK Agreement results in a Japanese tax rate for the TK Investor of 20.42% of any taxable distributions made to investors compared with rates which might otherwise apply of 42% or more.

To maintain this treatment (often referred to as **TK validity**), the TK Investor must remain entirely passive. The TK Investor can have no ownership or control of the underlying assets and no control over the operation or management of the assets (except some limited contractual controls set out within the TK Agreement). The TK Investor is simply entitled to a contractually agreed share of capital and income profits from the TK business.

The extent of any controls in the TK Agreement and the extent of any influence by the TK Investor over management of the assets must remain strictly limited, but there are no formal guidelines under Japanese tax laws.

Astro Group holds all of its Japanese property interests through TK Agreements.

4.2.3 Ownership of TK Operator

The TK Operators are typically owned by nominees for the sponsor group, to ensure bankruptcy remoteness. The TK Operator will typically retain a percentage of operating profits as agreed with the TK Investor. The remaining profits are distributed to the TK Investor.

In Astro Group's case, the TK Operators are special purpose companies whose voting stock is held by nominees for Spring.

4.3 Existing management arrangements

4.3.1 Appointment of Asset Manager

The TK Operator may appoint a Japanese manager for the assets. If the assets are real estate (or trust beneficial interests in trust, the trustee of which owns real estate), the asset manager must be licensed under Japanese law. To ensure TK validity, the TK Investor may not control the identity of the asset manager as this is a matter for the TK Operator.

4.3.2 Spring

The TK Operators have appointed Spring (a Japanese licensed company) to manage all the Japanese properties. Consistent with the TK validity requirements, Astro Group has no control over Spring or its appointment or the management of the assets.

Mr Lucas and his Affiliates indirectly hold approximately 98% of the shares in Spring. Mr Lucas has had a long involvement in Astro Group and is currently a Securityholder who holds 11.6% of Astro Group Securities and is also a Senior Adviser to the Board (although he has been excluded from Board deliberations on the Proposal in accordance with protocols adopted by the Board).

Securityholders are also invested in Spring through a TK Agreement between Spring and AJCo which provides Astro Group with a 25% economic interest in Spring's pre-tax profits.

4.3.3 Term of the agreements

The term of the asset management agreements is 10 years to 16 April 2019. This will be automatically renewed for two further five-year periods, provided total return exceeds the IPD Japan Annual Property Index by at least 5% over the relevant period. The asset management agreements may also be renewed by the TK Operators where they consider Spring's performance warrants a continuation of these agreements. Given Spring's performance to date (as indicated below), it is currently anticipated that the asset management agreements will be renewed for a further 5 years in 2019, with a further right of renewal in April 2024 for another 5 years. Following this, the reappointment of Spring would be a matter for the TK Operators (as set out in section 4.3.1).

4.3.4 Role of Spring

The Board considers that Spring has thus far provided a compelling management proposition to Securityholders, based on the following considerations:

- strong performance in the day-to-day management of, and familiarity with, the asset portfolio;
- the performance of Securities relative to the S&P ASX 200 A-REIT Accumulation Index, as recognised in Spring receiving performance fees for outperformance of that index in FY14, FY15, FY16 and FY17;
- ability to manage communication with, and reporting to, Australian investors;
- significant alignment with Securityholders (both via Astro Group's economic interest in Spring and Mr Lucas' substantial investment in Astro Group);
- expertise in, and execution of, capital management initiatives that have delivered significant value to Astro Group, including relationships with key lending banks, restructuring of lending arrangements and selected asset divestments (at a premium to book values) to reduce gearing; and
- strong support from Astro Group's current investor base.

The Board is not aware of an alternative asset management platform that would deliver the same strategic benefits to Astro Group as offered by Spring.

In early 2014, in the context of ongoing substantial asset sales to improve Astro Group's balance sheet, Spring sought some clarification as to its future role and whether it would be likely that the TK Operators would continue the asset management arrangements based on overall performance levels at that time.

In response, in April 2014, the TK Operators assessed Spring's performance and indicated to Spring and the Board that, barring a material deterioration in performance from that date, they would plan to continue Spring's appointment beyond the relevant review dates. The Board indicated it was supportive of this approach. Since that time, Astro Group has continued to outperform the S&P ASX 200 A-REIT Accumulation Index.

These arrangements provide a useful context for the differing elements of the Proposal as described below.

5. Key Commercial Details of the Proposal

5.1 Key Commercial Details of the Proposal

5.1.1 The Offer from Blackstone

The offer from Blackstone is to acquire Astro Group's TK Interests for a net consideration of ¥37.908 billion. The analysis below illustrates the estimated price per security which will be received by Securityholders as a result of the Proposal, after deductions of various associated costs and allowances.

5.1.2 Entry into Implementation Deed

On 1 August 2017, Astro Group announced that it had entered into an Implementation Deed with Blackstone, Spring and the TK Operators.

The Implementation Deed sets out the terms and conditions of the Proposal by Blackstone to acquire the Trust's TK Interests.

The Implementation Deed was attached to Astro Group's ASX announcement of 1 August 2017 and is available at www.astrojapanproperty.com. It sets out the obligations of Astro Group, Blackstone, Spring and the TK Operators in relation to the Proposal.

The Implementation Deed includes conditions to which the Proposal is subject (being the **Conditions**). The Conditions are summarised in section 7.5 of this Explanatory Memorandum.

5.1.3 Details of the Proposal

Under the Proposal, it is proposed that Blackstone will acquire all of the interests that the Trust holds in the TK Agreements.

The key elements of the Proposal are as follows:

Blackstone to acquire 100% of TK Interests

- Blackstone will acquire 100% of the TK Interests held by the Trust for a net consideration of ¥37.908 billion. The Proposal values the portfolio of assets at ¥98.642 billion, which implies a premium of 2.38% to the 30 June 2017 book value. The 30 June 2017 book value reflects updated portfolio valuations carried out as at 30 April 2017.
- The consideration of ¥37.908 billion payable by Blackstone to the RE is calculated by reference to the gross asset value of the portfolio reduced by:
  - provisions for loans, other assets and liabilities, payments to TK Operators, withholding taxes, and debt break and financing costs; and
  - the Facilitation and Termination Payment payable to Spring Group.
- The table below depicts the reconciliation of the gross purchase price to the net consideration to be received by Securityholders with A$ values based on currency alignment of ¥88.5:A$1. Further details are provided below.

	Yen (billion)	A$ (million)	A$ per security
Blackstone's implied value for portfolio	98.642	1,114.6	18.38
Provisions[1]	(58.782)	(664.2)	(10.95)
Payments for:			
Facilitation and Termination Payment payable to Spring Group	(1.952)	(22.1)	(0.36)
Net consideration from Blackstone	**37.908**	**428.3**	**7.06**
Disposal fee payable to Spring	(0.247)	(2.8)	(0.05)
Receipt for AJCO's interest in the Spring TK Agreement	0.523	5.9	0.10
Net liquid assets in Australia	0.797	9.0	0.15
Estimated transaction costs	(0.418)	(4.7)	(0.08)
Net consideration to AJA securityholders	**38.563**	**435.7**	**7.18**

1. Includes provisions for loans, other assets and liabilities, payment to TK Operators, withholding taxes and debt break and financing costs. All of these, other than payment to TK Operators, have been provisioned for in Astro Group's financial statements; however, the amounts provisioned for are different for withholding taxes, and debt break and financing costs due to the value of the Proposal. In addition includes ¥18.3m for an acquisition tax on the Fukuoka hotel that was not accounted for in Astro Group's 30 June 2017 accounts but will be payable after 30 June 2017.

2. The amount of the performance fee (if any) when known will be deducted from income for the period from 1 July 2017 to the Implementation Date.

Foreign exchange hedging

- Astro Group has put in place foreign exchange hedging arrangements to provide Securityholders with a level of certainty in relation to A$ Sale Proceeds from the Proposal. The hedging arrangements take the form of a collar, entered into via a series of foreign exchange options, such that the exchange rate at the Implementation Date is fixed within a range of ¥86.17:A$1 - ¥89.50:A$1. As a result, Sale Proceeds to Securityholders may be between $7.11 - $7.38, depending on the exchange rate at the Implementation Date. The collar arrangement was entered into at no cost to Astro Group. In the event that the Proposal does not complete and the Japanese Yen appreciated beyond ¥86.17:A$1, Astro Group would have a residual FX exposure under the arrangements described above. The cost of unwinding the hedge in the event of an appreciation of the Japanese Yen against the Australian Dollar would be A$4.5 million for each 1% appreciation of the Japanese Yen beyond ¥86.17:A$1.

Spring Group co-investment opportunity

- Blackstone has advised Astro Group that Spring Group (which is affiliated with Mr Lucas, who currently holds approximately 11.6% of the Securities) will be given an option to acquire an equity interest in the portfolio. Mr Lucas is not a "related party" of Astro Group for Corporations Act purposes, but holds more than 10% of the Securities. Separately, Mr Lucas has made it clear that he wishes to retain his investment in the portfolio.
- As part of the co-investment arrangements, Blackstone has advised that Spring Group will receive:
  - a cost equalisation issue of equity interests in the portfolio so that it does not bear its proportionate share of portfolio acquisition costs (recognising that Mr Lucas is already effectively invested in the portfolio) and a zero cost option to acquire equity interests in the portfolio which together have a current aggregate value in the order of ¥800 million - ¥1 billion (approximately $9.0 million to $11.3 million), noting the ultimate value will be dependent upon the future performance of the portfolio; and
  - a low-cost limited recourse loan of ¥1 billion (approximately $11.3 million), the ultimate value of which will be dependent upon the future performance of the portfolio.
- For a limited number of assets, Blackstone has also indicated it will provide Spring Group with some flexibility to find alternative third party capital (together with its own funds) to purchase those assets shortly after the Proposal is completed. Blackstone has confirmed that this is at a price at least the same as Blackstone's purchase price, plus any debt break costs for Blackstone, meaning there is no purchase price discount for Spring Group under those arrangements.

Facilitation and Termination Payments

- Spring currently manages the assets which are held under the TK Agreements. These are effectively long term arrangements under which Spring has the right to receive base fees, transaction fees and performance fees which in the last four calendar years from 1 January 2013 to 31 December 2016 have resulted in annual revenues to Spring ranging from approximately ¥620 million to ¥850 million (equivalent to approximately $7.1 million to $9.7 million). As a condition of Blackstone's offer, Blackstone requires that the TK Operators terminate their asset management agreements with Spring and enter into new agreements with Spring, which Blackstone has advised are on less favourable terms for Spring (particularly as to term and fees). To effect this, Blackstone and Spring Holdco entered into a Facilitation Agreement on the same date as the Implementation Deed. Blackstone has advised that pursuant to that agreement Spring Holdco has agreed that it will facilitate the Proposal and ensure the termination of the asset management agreements. Spring Group will be entitled to the Facilitation and Termination Payment which Blackstone has advised amounts to ¥1,952 million (equivalent to approximately $22.1 million).

Disposal and performance fees

- Spring will receive a disposal fee from the Astro Group of 0.25% of asset value (being half the fee that could otherwise have been payable under the terms of the existing asset management agreements on a disposal of the assets) (approximately ¥247 million, equivalent to approximately $2.8 million) and a performance fee (if applicable under the terms of the existing asset management agreements). The amount of the performance fee will depend on Astro Group's relative performance against the S&P ASX 200 A-REIT Accumulation Index in the period from 30 June 2017 to the Meeting Date.
- The amount of the performance fee (if any) when known will be deducted from income for the period from 1 July 2017 to the Implementation Date.

Transfer of AJCo's interest in the Spring TK Agreement

- At the time of internalisation, AJCo entered into a TK Agreement with Spring entitling it to 25% of the operating profits of Spring. This agreement will be transferred to a nominee of Spring Group for an amount equal to 25% of the Facilitation and Termination Payment and any disposition and performance fees (so that Astro is effectively entitled to receive 25% of these amounts (or in the case of the performance fee and disposition fee, of these amounts less 20% for Spring bonuses) payable to the Spring Group).

Deal protection

- Astro Group and Spring have entered into some market standard exclusivity arrangements with Blackstone, with standard fiduciary outs, which are described in further detail in section 7.9.

5. Key Commercial Details of the Proposal
continued

5.1.4 Implementation of the Proposal

Trading halt prior to Meeting

- It is proposed that Asto Group will request a trading halt from ASX from market open on the Meeting Date, being 13 September 2017, until market close on that day. Further details of this are provided in section 7.11.

Suspension of trading after Meeting

- If the Resolutions are passed by Securityholders, trading in the Securities will be suspended immediately following the Meeting. Further details of this are provided in section 7.12.
- It is important to note that if the Resolutions are approved, trading in Securities will cease from market open on the Meeting Date (13 September 2017). There will be no further opportunites for trading.

Implementation of Proposal

- On the date that is the later of 14 business days after the Meeting and 14 business days after the satisfaction or waiver (as applicable) of all relevant Conditions under the Implementation Deed (**Implementation Date**):
  - Blackstone will pay ¥37.908 billion (**Sale Proceeds**) in Immediately Available Funds to a bank account nominated by the RE; and
  - the RE will transfer the TK Interests to Blackstone,

  in accordance with the Implementation Deed and the TK Transfer Agreement.
- Downside hedging arrangements have been entered into as at the date the TK Transfer Agreement was signed to ensure that the Australian Dollar value of the Sale Proceeds agreed to be paid by Blackstone under the Proposal will not be less than $7.11 and not more than $7.38. This is described further in section 5.1.3.
- The Distribution Record Date will be 7:00 pm 5 Business Days after the Meeting Date.

Distribution of Sale Proceeds and half yearly distribution

- On the Distribution Date, the RE and AJCo will distribute the Sale Proceeds from the Trust and Company (less any anticipated liabilities and wind up expenses) (**Distribution of Sale Proceeds**).
- The Distribution of Sale Proceeds is anticipated to be $7.18 per Security (inclusive of the Capital Reduction described in section 5.1.5).[4]
- The RE will pay the ordinary half yearly distribution (of 21 cents per Security) at the end of August 2017.

5.1.5 Capital Reduction

- As at the date of this Explanatory Memorandum, the Trust has a loan outstanding to AJCo of $11,921,621. It is proposed that this amount be repaid on or before the Implementation Date.
- Once this repayment has been made, it is proposed that AJCo conduct a capital reduction to the amount of A$20,678,847.46. This amount has been included in the Distribution of Sales Proceeds. Such reduction is to be given effect by returning on the Distribution Date to each Member who is registered as a holder of ordinary shares in AJCo on the Distribution Record Date, A$0.3409 of capital per AJCo Share held by the AJCo Member on the Distribution Record Date (**Capital Reduction**).
- Further details of the Capital Reduction are set out in section 7.10 of this Explanatory Memorandum.

5.1.6 Delisting and wind up

Delisting of Astro Group

- Immediately following the Distribution of Sale Proceeds, it is intended that Astro Group will be delisted from the ASX.

Wind up of the Trust

- Following the Distribution of Sale Proceeds, the Trust will be wound up in accordance with the Trust Constitution.

Wind up of AJCo

- It is proposed that AJCo will be wound up following the wind up of the Trust and after completing its statutory obligations for completion of audited financial statements, ASIC lodgements and taxation returns. This wind up will require a special resolution of Members in due course following delisting of Astro Group. However, it is anticipated that assets in AJCo would not be significant and this aspect of the Proposal is anticipated to be of an administrative nature over a period, following the corporate voluntary liquidation process.

Final Distribution

- Upon wind up of the Trust and AJCo, a Final Distribution currently estimated at 14 cents per Security will be paid to Securityholders in one or more tranches. The Final Distribution includes income received in the period from 1 July 2017 to the Implementation Date and a distribution from Spring (incorporating Astro Group's share of the profits from the disposal of Spring's interest in the Sekisui House SI Residential REIT management platform), less any obligation to pay a performance fee to Spring and liquidation costs to wind up the Trust and AJCo.

[4] See footnote 1, above.

6. Evaluation of the Proposal

6.1 Evaluation of the Proposal

6.1.1 Key benefits of the Proposal

The Directors unanimously recommend that you vote **IN FAVOUR** of the Resolutions, in the absence of a superior proposal.

Each Astro Group Director who holds or controls Astro Group Securities intends to vote in favour of the Resolutions in relation to the Astro Group Securities which they hold or control in the absence of a superior proposal.

The reasons for this recommendation are addressed in detail in this section 6, but may be summarised as follows:

- **Premium to market price:** The Proposal represents a significant premium to the trading price of Securities.
- **Continue to trade at a discount to NTA in the absence of the Proposal:** Astro Group is likely to continue to trade at a discount to NTA and the Proposal value in the absence of a superior proposal.
- **Independent Expert conclusions:** The Independent Expert has concluded that the Proposal is fair and reasonable to the non-associated Securityholders, in the absence of a superior proposal.
- **Superior to alternatives:** The Proposal provides superior value compared to other alternatives.
- **Risk management:** There are risks associated with not voting for the Proposal and continued ownership of Securities.

These reasons are discussed in greater detail below.

6.1.2 Benefits to Spring Group and indirectly to Mr Lucas

As set out above, the Directors acknowledge that the Proposal involves significant benefits to Spring Group (and indirectly to Mr Lucas) in consideration of their agreeing to facilitate the Proposal and terminate the existing asset management contracts.

Whilst these benefits arise through agreements that are not under the control of Astro Group, the Board has been very mindful of the benefits flowing to Spring Group and indirectly to Mr Lucas as a result of the Proposal while having regard to the overall benefits of the Proposal for Securityholders. The details of the arrangements have been considered by the Independent Expert as part of its opinion, and are outlined in this Explanatory Memorandum for consideration by Securityholders as part of the Proposal.

After lengthy consideration, the Board considers the arrangements agreed by Blackstone with Spring Group as necessary in order to facilitate the Proposal being put to Securityholders, given the need for Spring Group's cooperation in giving effect to the Proposal. At present, Spring enjoys various fee entitlements under an effective long-term management contract with the TK Operators (which are not controlled by Astro Group), with limited termination rights, and a significant degree of autonomy in the management of the Japanese property portfolio, arising from the manner in which Astro Group is required to be structured for Japanese compliance purposes.

Blackstone has made it a condition of the Proposal that the existing Spring asset management contracts be terminated and that Spring agree to alternative arrangements. The Directors consider that, notwithstanding the required payments (which are likely to be a feature of any transaction), the Proposal is a compelling proposition for Securityholders and is preferable to all other alternatives considered.

6.2 Reasons to vote in favour of the Proposal

6.2.1 The Proposal represents a Premium to the Market Trading Price

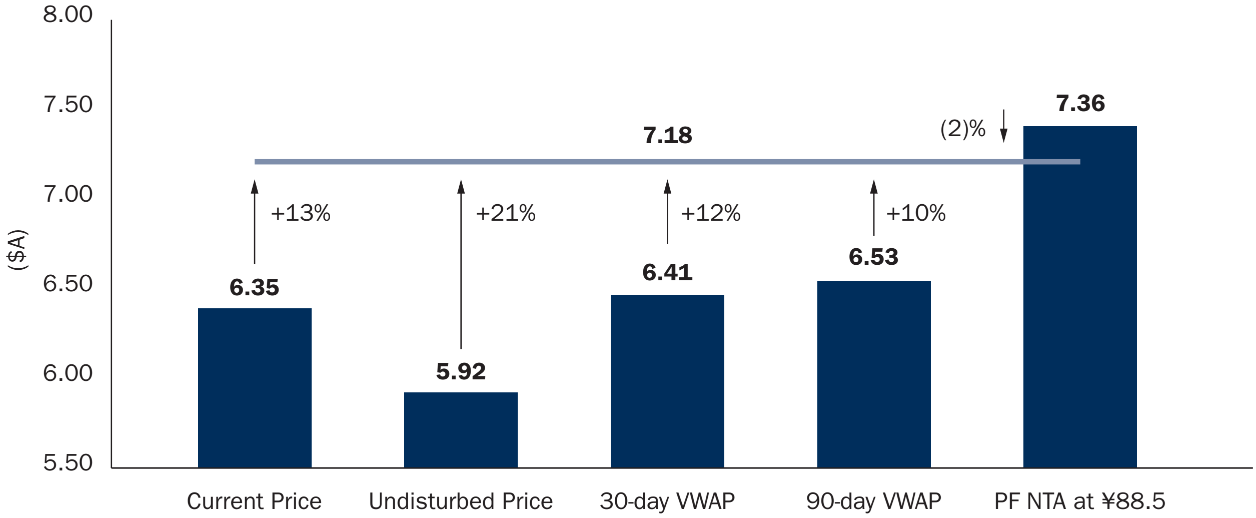
The Proposal represents a significant premium to the trading price of the Securities immediately prior to the ASX Announcement ($6.35 per Security) as Securityholders are expected to receive a distribution of $7.18 per Security.[5]

The distributions proposed to be paid to Securityholders under the Proposal reflect a:

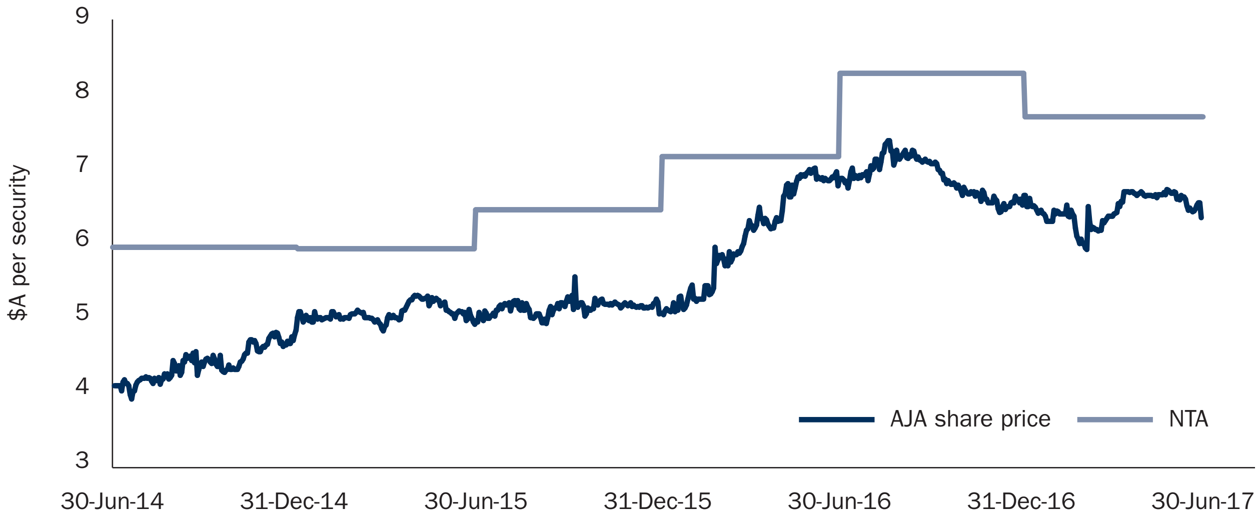
- 13.1% premium to the closing price of $6.35 per Security on 31 July 2017, the last trading day prior to the ASX Announcement;
- 21.3% premium to the undisturbed price of $5.92 per Security on 6 March 2017, the last trading day prior to Astro Group's response to market commentary on the Lone Star proposal;
- 12.0% premium to the 30-day volume weighted average price (**VWAP**) of $6.41 per Security up to 31 July 2017; and
- 10.0% premium to the 90-day VWAP of $6.53 per Security to 31 July 2017; and
- an approximate 2.4% discount to NTA. This discount to NTA is driven by leakages in the transaction including payments to Spring Group that are not accounted for in any published NTA. By reason of Astro Group's structure its long term debt and Spring's asset management arrangements, a discount to NTA is likely in any transaction of this nature.

[5] See footnote 1, above. The estimated distributions payable to Securityholders are based on June 2017 management accounts and are ultimately subject to adjustment for cash balances based on the audited accounts of Astro Group as at 30 June 2017.

6. Evaluation of the Proposal
continued



6.2.2 Astro Japan has historically traded at a discount to NTA and is likely to continue to trade at a discount to NTA and the Proposal consideration in the absence of a superior proposal



Between 30 June 2014 and 30 June 2017, Astro Japan's Security price has traded at average discount of 18% to its NTA.

There are material costs associated with the implementation of any proposal involving the disposal of Astro Group's interests. These include costs associated with the need to terminate the TK management arrangements with Spring, disposal and performance fees, withholding taxes and debt break costs. These costs are not factored into Astro Group's headline NTA.

Having regard to these costs, the Proposal represents a 2.4% discount to 30 June 2017 NTA. As noted above, this discount to NTA is driven by leakages in the transaction including payments to Spring Group that are not accounted for in any published NTA. By reason of Astro Group's structure, its long term debt and Spring's asset management arrangements, a discount to NTA is likely in any transaction of this nature.

Securityholders will also receive the Final Distribution, currently estimated at a combined 14 cents per Security. In addition, Securityholders will receive the August 2017 distribution of 21 cents per Security.

6.2.3 The Independent Expert's conclusion

The Independent Expert has concluded that the proposal is fair and reasonable to the non-associated Securityholders, in the absence of a superior proposal. The Independent Expert Report is included in section 8.

6.2.4 The Proposal provides superior value compared to other identified alternatives for Astro Group

The Directors have reviewed the alternatives available to Astro Group. In assessing those options, the Directors have considered the potential value outcome for Securityholders and the risk involved in pursuing each option. The Directors have considered the following alternatives:

- continuing Astro Group in its current form;
- termination of the TK Agreements and consequent sale of the underlying properties that are subject to the TK Agreements over time;
- re-establishing the portfolio as a newly listed REIT in Japan; and
- seeking alternative proposals to acquire the assets, TK Interests or the Securities.

The Directors believe the alternatives considered are either not viable, contain higher risk or, if executed, are not expected to provide a more compelling proposition than the Proposal. In particular, the alternative sale options carry significant practical hurdles, uncertainties as to timing and likely value leakages, such that the Board considers the immediate liquidity offered by the Proposal offers the most attractive available proposition. This is discussed further below.

Continuing Astro Group in its current form

If the Proposal is not approved by Securityholders, Astro Group will continue with the current strategy and current management arrangements. Securityholders will continue to receive distributions from Astro Group's assets and be exposed to the ongoing risks of an investment in Astro Group as set out in section 6.4.4.

The Directors do not believe that this alternative will maximise value for investors for a number of reasons, including:

- Astro Group has consistently traded at a discount to NTA and there is no reason to believe that this will change. There are a number of potential reasons for this, including:
  - currency risk associated with the vehicle;
  - lack of rental growth in the Japanese economy;
  - risk of interest rate increases;
  - low liquidity of the Securities; and
  - external asset management and a consequent lack of control over the assets arising from the requirements for TK validity;
- the excess cash from asset sales and refinancings that was previously available for investment has been fully deployed making ongoing growth and diversification more difficult. Any future growth would in all likelihood require a capital raising which appears difficult to justify given the current trading price relative to NTA;
- it is unlikely that Astro Group will be included in any major ASX indices given its size and lack of liquidity;
- since the global financial crisis in 2008, ASX listed entities investing in, or through a similar structure to Astro Group, wholly in real estate outside Australia have generally found it difficult to attract investor support; and
- none of the three entities which followed Astro Group in listing on the ASX with a business plan to invest solely in Japanese real estate remains in existence.

Termination of the TK Agreements and consequent sale of the underlying properties over time

One alternative could be a triggering of termination of the TK agreements, with a resultant sale of the underlying portfolio assets. However, this has a number of practical and value issues.

The TK Agreements are not unilaterally terminable by their express terms. Astro Group understands that under general Japanese law, the TK Agreements are not capable of termination by Astro Group except on six months' notice given prior to the end of a financial year, but subject also to the consent of the differing Financiers of the TK Operators.

As a result, and assuming that Financier consent could be obtained, the earliest termination of the TK Agreements would be at 30 June 2018, at which time the current Proposal would not be available. The process of obtaining consent from the Financiers and their willingness to grant consent to any termination is unclear and would require further exploration. Further, the Financiers may have their own requirements with respect to consent.

Following any termination on this basis, the value and timing of any sale of underlying property assets would be at the discretion of the TK Operators and Spring. The TK Operators and Spring may take its own view as to what is reasonable in terms of timing and value and the Board cannot control this.

6. Evaluation of the Proposal
continued

This creates considerable uncertainty as to timing and value of any sale. However, it is clear that realisation of the portfolio as a whole could take considerable time, and include value leakages. Given the current asset management arrangements, and familiarity of Spring with the asset portfolio, the Board believes that pursuit of such a course without the willing cooperation of the asset manager would likely create a sub-optimal result in terms of the sales process.

The Directors believe there are a number of other issues associated with this alternative, including:

- Astro Group could trade poorly and be even less liquid as the assets are progressively realised and capital returned;
- Spring has advised that if the TK Agreements were successfully terminated as set out above, it would seek compensation for loss of its management revenues, in an amount not less than and potentially greater than the benefits provided to Spring Group under the Proposal;
- there are a number of risks including being left with a small portfolio or not being able to optimise the sale of remaining assets; and
- the brokerage costs and other costs involved with selling the assets on an asset-by-asset basis will be material. Analysis of brokerage costs on past asset transactions indicates that brokerage costs for a sale on an asset-by-asset basis could be anywhere from 1%-3% of gross asset value, which Spring has advised is the customary range in Japan.

The Board has concluded that this alternative is not as attractive as the Proposal having regard to the likely net proceeds, the timing of receiving the net proceeds and the risks of implementation.

Re-establishing the portfolio as a newly listed REIT in Japan

Careful consideration was given to the possibility of a sale of the portfolio to a newly listed REIT in Japan, which was the path followed by Galileo Japan Trust (**GJT**) in providing liquidity to its securityholders in 2016.

GJT was a vehicle which listed on the ASX after Astro Group and adopted a similar structure and strategy to Astro Group, namely to invest solely in Japanese property.

The Board, in consultation with Spring, determined that this option had considerable risks. The Tokyo Stock Exchange REIT index is trading approximately 9% lower than it did 12 months ago and several recent J-REIT listings are trading below their listing price. Therefore, considerable doubt would exist as to the timing and pricing of an exit using this method.

In the GJT case, securityholders were asked to approve a sale of the assets wholly conditional on the success of an initial public offering of equity capital in Japan during a period of up to nine months after the approval was given. The benefits provided under the Proposal, including a firm commitment, pricing and certainty of timing are considered to outweigh the possible benefits of pursuing this route.

No superior proposal has emerged

As at the date of this Explanatory Memorandum, Astro Group has not received any alternative superior proposal from a third party.

A feature of any competing proposal which is dependent on a termination of Spring's management arrangements, is that the proposal also requires the agreement and cooperation of Spring Group for that proposal to be put into effect. If those arrangements are not addressed, any purchaser will have the same limited control rights over the assets and the asset manager as are currently available to Astro Group. This is likely to limit the attractiveness to potential purchasers of a deal such as a Securities deal, unless agreement can be reached with Spring Group on the management arrangements similar to the arrangement proposed with Blackstone.

6.2.5 The Proposal has the unanimous support of the Directors

Having carefully considered the terms of the Proposal against available alternatives for Astro Group, the Directors unanimously recommend that you vote **IN FAVOUR** of the Proposal, in the absence of a superior proposal.

Each Astro Group Director who holds or controls Astro Group Securities intends to vote in favour of the Resolutions in relation to the Astro Group Securities which they hold or control in the absence of a superior proposal.

6.2.6 Risks associated with not voting in favour of the Proposal

There is the risk that Securityholders may not have the opportunity in the future to monetise their Securities at a price greater than or equal to the amount that they are anticipated to receive as distributions under the Proposal.

6.3 Reasons why you might vote against the Proposal

The Directors acknowledge that there may be reasons why Securityholders may consider voting against the Proposal.

6.3.1 Securities may increase in value in the future

The Proposal will result in Securityholders disposing of all of their Securities. As a result, Securityholders will not have exposure to any potential increase in the value of Astro Group's portfolio in the future. If the Proposal is not approved and implemented Securities may return greater value over time through better market conditions, more attractive currency alignment or improved trading price.

6.3.2 The Proposal represents a discount to Astro Group's pro-forma NTA

The Proposal reflects a 2.4% discount to Astro Group's pro-forma NTA as at 30 June 2017 of $7.36, on account of deductions from the gross consideration as set out in section 6.2.2 of this Explanatory Memorandum. This discount to NTA is driven by leakages in the transaction including payments to Spring Group that are not accounted for in any published NTA.

As set out above, deductions of this nature appear a likely part of any proposal, so that it is likely that some discount to NTA might also be expected on any future proposal. However, you may believe an increase in the NTA over time could result in a higher price over time.

6.3.3 A superior offer may emerge at a future date

You may believe that an alternative offer may emerge at a future date which is, on the whole, superior to the Proposal.

6.3.4 You may disagree with the Directors' recommendation or the Independent Expert's conclusion

Notwithstanding the Directors' unanimous recommendation and the Independent Expert's opinion that the Proposal is fair and reasonable to the non-associated Securityholders, in the absence of a superior proposal, you may consider, based on your own circumstances, that the Proposal is not in your best interests. Tax will be payable to the extent of any gains above your original cost base in your Securities.

6.4 What happens if the Proposal does not proceed?

6.4.1 Implications for Securityholders

If the Proposal does not proceed, Securityholders will not receive the distribution of $7.18 shortly after the completion of the sale to Blackstone on the Distribution Date.[6]

However, they will still receive the August 2017 distribution of 21 cents per Security and the distribution payable in relation to the disposal of Spring's interest in the Sekisui House SI Residential REIT management platform. Current year earnings implicit in the Final Distribution will be retained within the structure for future distribution after expenses in the ordinary course of business.

Securityholders will retain their Securities and may not have the opportunity in the future to monetise their Securities at a price greater than or equal to the distributions under the Proposal.

6.4.2 Strategy for Astro Group if the Proposal does not proceed

If the Proposal is not implemented, Astro Group will continue to be listed on the ASX. Securityholders will continue to have exposure to the risks currently facing Astro Group.

Astro Group will continue to consider and remain open to options which may deliver greater value and a superior net outcome to Securityholders, taking into account the expenses associated with debt break fees, withholding taxes due on the sale of assets and payments that would need to be made to terminate the Spring asset management agreements.

6.4.3 Distributions and distribution policy

Astro Group will continue to make distributions each six months, based on net property income and after allowing for other outlays such as interest on debt, debt amortisation and capital expenditure.

[6] See footnote 1, above.

6. Evaluation of the Proposal continued

6.4.4 Risks associated with Astro Group if the Proposal does not proceed

Astro Group's Product Disclosure Statement dated 24 March 2005 (available at www.astrojapanproperty.com) sets out in section 3.2 the potential risks associated with investing in Astro Group. Many of the risks outlined there remain generally applicable. For example, if Astro Group continues, Securityholders should be aware of potential investment risks which may be associated with:

- potential falls in property values, either across the Japanese property market generally or in relation to the underlying assets to the TK Agreements in which the Trust has an interest in particular;
- adverse impacts arising from potential tenant defaults and leasing vacancies or other leasing issues;
- potential for default in repayments of debt facilities if for any reason there is insufficient income to service debt (leading to a possible foreclosure by financiers with adverse impacts on Astro Group);
- potential interest rate rises in Australia and/or Japan;
- unforeseen increase in expenses such as capital expenditure or the need for higher lease incentives;
- unforeseen environmental issues that may affect any of the underlying assets to the TK Agreements in which the Trust has an interest;
- adverse changes in the Australian Dollar and the Japanese Yen exchange rate to the extent expected distributions and equity capital are not hedged. Furthermore, if any foreign exchange restrictions or controls were to be introduced for transactions with respect to the Australian Dollar or Japanese Yen, the restrictions or controls may adversely affect the Trust;
- trading and stock market risks particular to the Securities or across the Australian market;
- adverse changes in political, legal, regulatory conditions in Australia and/or Japan generally or in relation to the underlying assets to the TK Agreements in which the Trust has an interest in particular;
- adverse market conditions and factors affecting the Australian and/or Japanese economies generally or the markets in Australia or Japan for office buildings and investment in the office sector; and
- political instability in the region, for example, arising out of the current tensions in North Korea.

In particular, the following should be noted as particular ongoing risks of Astro Group if the Proposal does not proceed:

- in recent years, Astro Group performance has been enhanced by capital management initiatives such as restructuring debt and investment of surplus cash. Having completed such initiatives, future distribution growth is likely to be constrained by projected lack of rental growth in Japan; and
- income distributions and NTA per security are significantly impacted by the conversion rate between the Japanese Yen and Australian Dollar. The conversion rate is unpredictable and during the past six months has ranged from ¥89.1:A$1 - ¥81.6:A$1 impacting Japanese Yen denominated values by approximately 8%.

6.5 Conclusion

Under the Proposal, Securityholders have the opportunity to realise their investment in Astro Group at a premium. The Independent Expert considers the Proposal is fair and reasonable to the non-associated Securityholders, in the absence of a superior proposal and the Directors believe the Proposal is in the best interests of Securityholders. Having weighed up the various considerations outlined above, the Directors unanimously recommend that you vote **IN FAVOUR** of the Proposal, in the absence of a superior proposal.

7. Further Details and Additional Information

7.1 Details of the Acquiring Group

Blackstone is a newly-incorporated Singapore company formed for the purpose of completing the Proposal and is ultimately controlled by The Blackstone Group.

The Blackstone Group is one of the largest institutional real estate investors in the world. With offices in the United States of America, Europe and Asia, as of 31 December 2016, The Blackstone Group manages US$102 billion of equity for real estate investments. Since 2004, the Blackstone Group has completed over 20 public company real estate acquisitions with a combined transaction value in excess of US$110 billion (including Hilton Hotels, Equity Office Properties Trust, Trizec Properties, Spirit Group, CarrAmerica Realty, CenterParcs UK, MeriStar Hospitality, La Quinta, Wyndham International, NHP PLC, Boca Resorts, Prime Hospitality, Extended Stay America, Savoy Hotels, Valad Property Group, Tysan Holdings Ltd., Japan Residential Investment Company, Strategic Hotels & Resorts, BioMed Realty Trust and the recent offer for Croesus Retail Trust an Asia-Pacific retail business trust focused on investing in a diversified portfolio of predominantly retail real estate assets located in Japan and the Asia-Pacific region). The Blackstone Group is also one of the largest retail owners in the world, with investments in 563 properties globally and 15 properties totaling 6.5 million square feet in Asia (as of 30 September 2016).

The Blackstone Group also has significant experience in executing transactions and has completed acquisitions with an aggregate value of over US$3 billion in Japan (as of 31 December 2016).

7.2 Funding of the Proposal

Blackstone proposes to fund the acquisition using capital from certain of its real estate funds, namely, the funds commonly known as Blackstone Real Estate Partners Asia and Blackstone Real Estate Partners VIII, which have in aggregate undrawn commitments in excess of US$3 billion and US$10.4 billion as of 30 June 2017 respectively.

The real estate funds listed above have provided equity commitment letters to Blackstone in an amount necessary to fund Blackstone's obligations under the Proposal on the Implementation Date. While Astro Group has been provided copies of the executed equity commitment letters, which are consistent with the above, those equity commitment letters are not directly enforceable by Astro Group. There is, therefore, a risk that the real estate funds will not capitalise Blackstone when required and that Blackstone will default on its obligations to acquire the TK Interests.

In this circumstance, the Proposal would not proceed, the Trust would not transfer the TK Interests to Blackstone and Securityholders would not receive the Sale Proceeds contemplated by this Explanatory Memorandum. In such a case, it is likely that the price of the Securities would fall significantly below the price contemplated by the Proposal.

To address this risk and to compensate Astro Group on any failure to fund, the Blackstone Group has provided a cash deposit equal to 10% of the agreed Sale Proceeds (¥3.8 billion) (equivalent to approximately $43 million). This deposit is held by an escrow agent, Intertrust Escrow (Asia) Limited, and would be paid to the Trust (as its sole remedy) if Astro Group were to terminate the Implementation Deed by reason of a material breach by Blackstone (including a failure to fund when required). Given the size of the deposit and the considerable time and effort expended by the Blackstone Group in pursuing the Proposal to date, the Board believes the above arrangements provide significant surety as to the funding arrangements for the Proposal, and that the risk of a funding default may be considered unlikely.

7.3 Approval Of Proposal

One of the Conditions is that the Resolutions must be approved by ordinary resolutions of Members of AJCo and Unitholders of the Trust at the Meeting.

Subject to the satisfaction or waiver of the remaining Conditions, the Proposal will become effective upon approval of the Resolutions by Securityholders. The parties will then become bound to implement the Proposal in accordance with the terms of the Implementation Deed.

7.4 TK Financier Consents

The Proposal is conditional on receipt of Financier consents. A period of 14 Business Days will elapse between the Meeting Date and the proposed Implementation Date. It is possible that further time may be required to obtain Financier consents (assuming those consents are obtained). In this circumstance, implementation of the Proposal and return of the Sale Proceeds will be delayed. As noted above, trading of Securities will not be permitted in this period and accordingly Securityholders should be aware of the possibility that there may be delays between the date of any Securityholder approval and the time, following satisfaction of the Conditions, at which cash proceeds may be received.

7.5 Other Conditions

Other than approval of the Resolutions by Securityholders, the Conditions that remain outstanding under the Implementation Deed as at the date of this Explanatory Memorandum can be summarised as follows:

(a) **(ASX)**: ASX issues or provides such consents, waivers and approvals or does such other acts as are necessary to allow implementation of the Proposal;

7. Further Details and Additional Information
continued

(b) (Financier notice and consent): notice has been provided to each Financier and each Financier has given all necessary consents to the implementation of the Proposal as agreed between the parties (insofar as it is relevant to that Financier) and the execution, delivery and performance of the Implementation Deed and the TK Transfer Agreement by each TK Operator, and such consents remain in full force and effect. The Implementation Deed does not become binding on each TK Operator unless and until such TK Operator's Financier has given the consents specified in this condition;

(c) (third party consents): all other third party consents, approvals and waivers which are necessary to implement the Proposal as agreed between the parties have been obtained;

(d) (no regulatory action): between the date that a public announcement of the Proposal is made under the Implementation Deed and the Implementation Date:

(i) there is not in effect any preliminary or final decision, order or decree issued by a Government Agency; and

(ii) no action or investigation is announced, threatened or commenced by a Government Agency,

that restrains, impedes or prohibits or otherwise materially adversely impacts upon the implementation of the Proposal or the acquisition by Blackstone of the TK Interests;

(e) (no Material Adverse Change or Disposal): no Material Adverse Change or Disposal occurs between the date a public announcement of the Proposal is made under the Implementation Deed and immediately prior to completion of the transfer of the TK Interests to Blackstone (as set out in the TK Transfer Agreement);

(f) (restraints): no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the Proposal is in effect at 8:00 am on the Implementation Date;

(g) (Transaction Documents): all Transaction Documents are entered into by the relevant parties and duly executed in accordance with the Timetable and the Transaction Steps (or as otherwise agreed) and remain in effect at the Implementation Date;

(h) (Superior Proposal): the Board has not received a Competing Proposal which they have determined is a Superior Proposal between the date of the Implementation Deed and 6:00 pm on the day before the Meeting Date;

(i) (Independent Expert): the Independent Expert concludes in the Independent Expert Report that the Proposal is fair and reasonable; and

(j) (no prohibited acts): none of the "prohibited acts" set out in the TK Transfer Agreement shall have occurred from the date of the Implementation Deed until the completion of the transfer of the TK Interests to Blackstone (as set out in the TK Transfer Agreement) that would result in a material detriment to Blackstone upon such completion (unless such action is expressly permitted under the TK Transfer Agreement).

7.6 Reasonable endeavours

Astro Group must, to the extent it is within its power to do so:

- use its reasonable endeavours to procure that the conditions relating to Securityholder approval, and sections 7.5(a), (c) and (g) are satisfied as soon as practicable after the date of the Implementation Deed and continue to be satisfied at all times until the earlier of the Implementation Date and the End Date; and
- where requested by Blackstone, co-operate with and use their reasonable endeavours to assist Blackstone or any other party in obtaining the Financier consents the subject of the condition in section 7.5(b) where such co-operation or assistance is reasonably required in order to obtain the necessary consent.

Spring and each of the TK Operators (in respect of each TK Agreement to which they are a party) must, to the extent it is within their power to do so, use their reasonable endeavours to procure that the conditions in sections 7.5(b), (c) and (g) are satisfied as soon as practicable after the date of the Implementation Deed and continue to be satisfied at all times until the earlier of the Implementation Date and the End Date.

Blackstone must, to the extent it is in its power to do so use its reasonable endeavours to procure that the conditions in sections 7.5(b), (c) and (g) are satisfied as soon as practicable after the date of the Implementation Deed and continue to be satisfied at all times until the earlier of the Implementation Date and the End Date.

7.7 Waiver

The Conditions relating to Securityholder approval of the Resolutions and the Condition referred to in section 7.5(a) cannot be waived. If those Conditions are not satisfied, then the Proposal cannot proceed.

The Condition referred to in sections 7.5(e) and (j) are for the benefit of Blackstone and may only be waived in writing by Blackstone in its absolute and unfettered discretion.

The Conditions referred to in sections 7.5(h) and (i) are for the benefit of Astro Group and may only be waived in writing by Astro Group in its absolute and unfettered discretion.

The Conditions (other than the Conditions referred to in sections 7.5(a) (b) and (c)) are for the benefit of Astro Group, Blackstone and each TK Operator (but only in respect of the TK Interests and assets referable to that TK Operator) and cannot be waived except by agreement of each of those parties in their absolute and unfettered discretion.

Waiver of the breach or non-fulfillment of a Condition does not affect a party's right to bring a claim against any other party for breach of the Implementation Deed.

Subject to the observations in section 7.4, neither the RE nor AJCo is aware of any reason why any other Condition referred to in sections 7.5(a) to (j) above is not likely to be satisfied in the time required by the Implementation Deed.

7.8 Termination rights and end date

7.8.1 Consultation

If a Condition is not satisfied or waived or becomes incapable of being satisfied and is not waived on or by the End Date, the parties to the Implementation Deed must consult in good faith for a period of 10 business days (from the time it becomes apparent that a Condition is incapable of being satisfied) to determine whether the Proposal may proceed by alternative means and whether or not to extend the End Date.

7.8.2 Termination by parties to the Implementation Deed

Any party to the Implementation Deed may terminate the Implementation Deed at any time with immediate effect by written notice to the other parties if:

- a Condition is not satisfied or waived or becomes incapable of being satisfied by the End Date and is not waived;
- the period of good faith consultation set out above in section 7.8.1 has expired; and
- the parties to the Implementation Deed do not agree to extend the End Date,
- provided that:
- any such Condition is for the benefit of that party (whether or not the Condition is also for the benefit of the other party); and
- there has been no failure by that party to comply with its obligations under the Implementation Deed, where that failure directly and materially contributed to the Condition to which the notice relates, becoming incapable of satisfaction, being breached or not fulfilled before the End Date.

In addition, any party to the Implementation Deed may terminate the Implementation Deed at any time before the Implementation Date by written notice if:

- the Meeting is held and the Securityholders fail to pass any of the Resolutions put to them; or
- ASIC, the ASX, a court or other government agency has issued an order, decree or ruling or taken other action which materially restrains or prohibits the Proposal and that restraint or prohibition is not removed or addressed to the satisfaction of the parties within 30 days (or by the End Date, if earlier); or
- if the TK Transfer Agreement is terminated for any reason.

7.8.3 Termination by Astro Group

The RE or AJCo may terminate the Implementation Deed by written notice at any time before the Meeting Date if:

- Blackstone is in material breach of the Implementation Deed or a warranty given it is or becomes materially inaccurate or misleading and the matter remains unremedied for seven days after the RE provides the relevant party with written notice of such matter;
- any party (other than the RE or AJCo or Blackstone) is in material breach of the Implementation Deed or a warranty given by that party is or becomes materially inaccurate or misleading and:
  - the material breach or inaccurate or misleading warranty would, or would be reasonably likely to, cause either the RE or AJCo to suffer a prejudice or loss (other than a prejudice or loss which could reasonably be considered immaterial); and
  - the matter remains unremedied for seven days after the RE provides the relevant party with written notice of such matter; or
- between the date of the Implementation Deed and 6:00 pm on the day before the Meeting Date, the RE or AJCo receives a Competing Proposal to the Proposal which it has determined is a Superior Proposal and in the best interests of Securityholders.

7.8.4 Termination by Blackstone

Blackstone may terminate the Implementation Deed by written notice at any time before the Meeting Date if any party (other than Blackstone) is in material breach of the Implementation Deed or the TK Transfer Agreement or a warranty given by that party is or becomes materially inaccurate or misleading and the matter remains unremedied for seven days after Blackstone provides the relevant party with written notice of such matter.

7. Further Details and Additional Information continued

7.8.5 Termination by Spring

Spring may terminate the Implementation Deed by written notice at any time before the Meeting Date if any party (other than Spring or a TK Operator) is in material breach of the Implementation Deed or the TK Transfer Agreement or a warranty given by that party is or becomes materially inaccurate or misleading and:

- the material breach or inaccurate or misleading warranty would, or would be reasonably likely to, cause Spring or a TK Operator to suffer a prejudice or loss (other than a prejudice or loss which could reasonably be considered immaterial); and
- the matter remains unremedied for seven days after Spring provides the relevant party with written notice of such matter.

7.9 Deal Protection

Astro Group and Spring have entered into some market standard exclusivity arrangements with Blackstone, which are set out in full in the Implementation Deed. Importantly, these will not apply if the Board receives a Competing Proposal which it determines is, or may reasonably be expected to lead to, a Superior Proposal and that failing to respond to that bona fide Competing Proposal would be reasonably likely to constitute a breach of the Board's fiduciary or statutory obligations. In the case where this results in a change of recommendation, or a Competing Proposal is effected, or where Blackstone has terminated the Implementation Deed as a result of a material breach by Astro Japan, the Board has agreed to meet break costs in an amount of $1.5 million, which is well within market standard parameters.

7.10 Further Details of the Capital Reduction

7.10.1 Requirements under the Corporations Act

Under section 256B(1) of the Corporations Act, a company may reduce its share capital if the reduction:

- is fair and reasonable to the company's shareholders as a whole;
- does not materially prejudice the company's ability to pay its creditors; and
- is approved by shareholders under section 256C of the Corporations Act.

Having considered the first two requirements set out above, the directors of AJCo consider that the Capital Reduction:

- is fair and reasonable to AJCo's shareholders as a whole; and
- does not materially prejudice AJCo's ability to pay its creditors.

Members will be treated equally under the Capital Reduction and AJCo has assessed its financial position having regard to its obligations, liabilities and commitments and considers that the Capital Reduction does not materially prejudice AJCo's ability to pay its creditors. In essence, the Capital Reduction is one of the means by which Astro Group seeks to return to Securityholders the proceeds of the Transaction, after retention of amounts which the Directors consider necessary and prudent to retain in respect of the winding up of Astro Group.

- In relation to the third requirement, the Capital Reduction constitutes an 'equal reduction' for the purposes of section 256B(2) of the Corporations Act as:
- it relates only to ordinary shares;
- it applies to each holder of ordinary shares in proportion to the number of ordinary shares they hold; and
- the terms of the reduction are the same for each holder of ordinary shares.

The Capital Reduction, therefore, requires shareholder approval by ordinary resolution under section 256C(1) of the Corporations Act. Pursuant to section 256C(4) of the Corporations Act, in this Explanatory Memorandum AJCo provides Members with all the information known to AJCo that is material to the decision on how to vote on the resolution (unless it would be unreasonable to require AJCo to do so because AJCo has previously disclosed the information to Members).

7.11 Trading Halt

It is proposed that Asto Group will request a trading halt from ASX from market open on the Meeting Date, being 13 September 2017, until market close on that day. Trading in the Securities will be suspended immediately following the meeting (as outlined in section 7.12 below).

7.12 Suspension of Trading

If the Resolutions are passed by Securityholders, trading in the Securities will be suspended immediately following the Meeting. In addition, to avoid issues with the administration of the Trust Register and the AJCo Register, it is proposed that, after Astro Group is delisted, this suspension will continue.

Accordingly, if the Resolutions are approved, trading in Securities will cease from market open on the Meeting Date (13 September 2017). There will be no further opportunites for trading.

To give effect to the above:

- the Directors of AJCo intend to suspend the registration of transfers of shares in AJCo in accordance with clause 5.3 of AJCo's Constitution after Astro Group is delisted; and
- the RE intends to impose requirements to permit it to refuse a transfer of Units in accordance with clause 12.1(a) of the Trust's Constitution after Astro Group is delisted.

This will ensure that Securityholders who receive the Distribution of Sale Proceeds on the Distribution Date, are entitled to receive the Final Distribution.

7.13 Payment to Securityholders

If the Resolutions are approved at the Meeting and the remaining Conditions are satisfied or waived, then Securityholders on the Trust Register at 7:00 pm on the Distribution Record Date will be entitled to be paid the Distribution of Sale Proceeds.

On the Implementation Date, the purchase price (including the deposit) for the TK Interests will be paid in Immediately Available Funds to a bank account nominated by the RE and the TK Interests will be transferred to Blackstone, in accordance with the TK Transfer Agreement.

On the Distribution Date, the Distribution of Sale Proceeds will be paid to each eligible Securityholder's nominated bank account recorded with the Registry.

On the wind up of the Trust and AJCo, the Final Distribution will be paid in one or more tranches to each eligible Securityholder's nominated bank account recorded with the Registry.

If you have not previously notified your nominated bank account, please contact the Registry, Link Market Services, on 1800 881 098 (within Australia) or +61 1800 881 098 (outside Australia) before the Distribution Record Date to provide payment directions. Further distributions as detailed above will be paid in the same way to the same Securityholders.

7.14 Tax Implications For Securityholders

A taxation letter from Greenwoods & Herbert Smith Freehills (**G&HSF**), is set out in section 9 of this Explanatory Memorandum, providing general information as to taxation implications of the Proposal for Securityholders who are resident individuals who hold their Securities on capital account.

The tax information in that letter is general in nature and is not exhaustive of all taxation implications which could apply in the circumstances of any given Securityholder. Therefore, it is recommended that all Securityholders consult with their own independent taxation advisers in relation to their own positions

7.15 ASX Consultation

ASX has indicated that a timetable that reflects the Key Dates set out in section 2 is acceptable in principle, and that, if the Resolutions are approved, it is likely to agree to delist Astro Group

7.16 Consents to be named

The following persons have given and have not, before the date of this Explanatory Memorandum, withdrawn their consent to be named in this Explanatory Memorandum in the form and context in which they are named:

- Spring;
- TK Operators;
- Blackstone;
- G&HSF;
- Mr Lucas; and
- the Independent Expert.

Spring has given, and has not withdrawn, its written consent to the inclusion of the Blackstone/Spring Information and the Spring/TKO Information in the form and context in which it is included in this Explanatory Memorandum.

Mr Lucas has given, and has not withdrawn, his written consent to the inclusion of the information referable to Mr Lucas in sections 1, 4, 5 and 6 in the form and context in which it is included in this Explanatory Memorandum.

Each of the TK Operators has given, and has not withdrawn, its written consent to the inclusion of the Spring/TKO Information in the form and context in which it is included in this Explanatory Memorandum.

Blackstone has given, and has not withdrawn, its written consent to the inclusion of the Blackstone Information and the Blackstone/Spring Information in the form and context in which it is included in this Explanatory Memorandum.

G&HSF has given, and has not withdrawn, its written consent to the inclusion of the information in section 9 in the form and context in which it is included in this Explanatory Memorandum.

The Independent Expert has given, and has not withdrawn, its written consent to the inclusion of the Independent Expert Report in the form and context in which they are included in this Explanatory Memorandum.

8. Independent Expert's Report

GRANT SAMUEL

GRANT SAMUEL & ASSOCIATES

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1 August 2017

The Directors
Astro Japan Property Management Limited
as responsible entity for Astro Japan Property Trust
Suite 4, Level 10
56 Pitt Street
Sydney NSW 2000

The Directors
Astro Japan Property Group Limited
Suite 4, Level 10
56 Pitt Street
Sydney NSW 2000

Dear Directors

Sale of Investment Property Portfolio and Winding Up

1 Introduction

On 1 August 2017, the directors of Astro Japan Property Group ("Astro Group") announced that they had reached agreement with Jetsons Holding II Pte. Ltd ("Blackstone"), an entity incorporated in Singapore by funds managed or advised by affiliates of The Blackstone Group L.P. ("Blackstone Group"), to acquire all of Astro Group's interests in the Tokumei Kumiai ("TK") arrangements that own Astro Group's real estate investments in Japan ("the Proposal").

The Proposal is the culmination of an extended period during which the directors have evaluated and pursued various alternatives to maximise value for Astro Group securityholders and follows the announcement in March 2017 that Astro Group had received (and rejected) an offer from an affiliate of Lone Star Fund V. Subsequent to that announcement, Astro Group engaged with a number of interested parties and the directors have determined that the Proposal provides the best outcome for securityholders.

If the Proposal is implemented, Blackstone will acquire Astro Group's TK interests for a net price of ¥37.908[1] billion reflecting:

- a gross price for the real estate portfolio of ¥98.642 billion;
- deductions for:
  - aggregate borrowings of the TKs and costs associated with terminating those facilities;
  - other assets, liabilities and provisions of the TKs[2];
  - estimated withholding taxes payable within the TKs (assuming the assets are sold); and
  - payments to the TK Operators for their 1% profit share; and
- a ¥1.952 billion payment by Blackstone to Spring Group[3] (i.e. Spring Holdings International Limited and any of its affiliates including Spring Investment Co., Ltd ("Spring"), the asset manager of the real estate portfolio) ("the Spring Payment").

Following completion of the Proposal, Astro Group will be delisted from the Australian Securities Exchange ("ASX") and wound up with the net proceeds returned to securityholders. The directors estimate that securityholders will receive:

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1 Calculated based on 30 June 2017 management accounts but subject to adjustment based on the audited financial statements of Astro Group as at 30 June 2017.

2 Including Japanese acquisition tax relating to Hotel WBF Fukuoka Tenjin Minami which was acquired in March 2017 which is not reflected in the 30 June 2017 management accounts.

3 Spring Group is affiliated with Eric Lucas who is Astro Group's largest securityholder (with an 11.6% interest) and is also a Senior Advisor to the Astro Group Board.

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- an interim cash distribution of $7.18[4,5] per security, which is expected to be paid shortly after the Proposal is completed[6]; and
- a final cash distribution[7] of 14.0[4] cents per security incorporating earnings of the TKs from 1 July 2017 and various other adjustments (performance fee, liquidation expenses etc.).

Securityholders will also receive the ordinary distribution for the six months ended 30 June 2017 of 21 cents per stapled security which is to be paid on 31 August 2017.

Other elements of the transaction include:

- Astro Group's 25% economic interest in Spring will be acquired by a nominee of Spring Group for a price reflecting its entitlement to 25% of the Spring Payment and other fees (net of Spring staff bonuses); and
- Blackstone has advised that Spring Group will co-invest alongside Blackstone and acquire an equity interest in the real estate portfolio. As part of the co-investment arrangements, Spring Group will receive:
  - a rebate for transaction costs incurred by Blackstone (through an equity adjustment);
  - a zero cost option over additional equity interests in the real estate portfolio (the value of which will depend on performance of the portfolio); and
  - a low cost limited recourse loan of up to ¥1 billion.

  In addition:

  - Spring will be reappointed as asset manager for the TKs but on less lucrative terms. While the base management remains at current levels, there will be no acquisition fees, lower disposal and performance fees and the agreement will be terminable by Blackstone at any time after 12 months (subject to a minimum payment of 2.5 years base fees); and
  - Spring Group will have certain rights to find new third party capital (together with its own funds) to purchase certain of the assets in the real estate portfolio shortly after completion of the Proposal (at a price equal to Blackstone's cost plus any debt break costs).

  These arrangements, together with the Spring Payment, are collectively referred to as "the Spring Arrangements" in this report.

As a result of Mr Lucas' ownership of 11.6% of Astro Group and Spring Group's co-investment alongside Blackstone in the real estate portfolio (as well as Mr Lucas' indirect 98% ownership of Spring), the Proposal requires the approval of Astro Group securityholders not associated with Mr Lucas (the "non associated securityholders") under ASX Listing Rule 10.1. The Proposal also requires approval by Astro Group securityholders under ASX Listing Rule 11.2.

Accordingly, the directors of Astro Group have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Proposal is fair and reasonable to the non associated securityholders. A copy of the report (including this letter) will accompany the Notice of Meeting and Explanatory Memorandum ("Explanatory Memorandum") to be sent to securityholders by Astro Group. This letter contains a summary of Grant Samuel's opinion and main conclusions.

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4 Calculated based on an exchange rate of ¥88.50 = A$1.00.

5 Astro Group has entered into foreign exchange hedging arrangements such that the exchange rate at implementation of the Proposal is fixed within a range of ¥86.17 = A$1.00 to ¥89.50 = A$1.00. As a result, the interim distribution may be between $7.11-$7.38 per security, depending on the exchange rate at implementation (see Section 5.1.3 of the Explanatory Memorandum for more details).

6 The Proposal is subject to a number of conditions which are summarised in the Explanatory Memorandum, including approval by Astro Group securityholders and lender consents. In Section 7.4 of the Explanatory Memorandum it is noted that some time may elapse between the meeting to consider the Proposal and the obtaining of lender consents and, in that circumstance, implementation of the Proposal and payment of the interim distribution would be delayed.

7 Potentially paid in more than one tranche.

2 Opinion

In Grant Samuel's opinion, the Proposal is fair and reasonable to the non associated securityholders, in the absence of a superior proposal.

3 Summary of Conclusions

The gross sale price for the property portfolio of ¥98.642 billion represents a premium of 2.4% over the independent valuation of the portfolio as at 30 April 2017 (equivalent to a 6.1% premium to NTA). Given the characteristics of the assets, Grant Samuel considers the price to be consistent with the underlying value of the property portfolio and is arguably at the upper end of the range (i.e. it fully captures any likely portfolio premium).

The Spring Payment and the broader Spring Arrangements confer a substantial benefit on Spring Group (and indirectly on Mr Lucas) that exceeds its probable financial loss from termination of the management agreements but:

- it incorporates both a payment for termination and a payment for facilitation of the Proposal;
- it reflects relative bargaining power which, in turn, reflects the degree of entrenchment of Spring and the limited control Astro Group has under the TK arrangements. At a practical level, Spring has an effective veto over any corporate transaction; and
- other proposals considered by Astro Group also envisaged significant payments to Spring for termination and any other transaction is also likely to do so.

Most importantly, the sale price for the property portfolio and the Spring Arrangements cannot be viewed in isolation from each other. Spring Group is to be a co-investor alongside Blackstone in the real estate portfolio and Blackstone has advised Astro Group that Spring Group's ongoing involvement (as investor and asset manager) is fundamental to Blackstone's willingness to pursue the opportunity and underpins the price it is prepared to pay for the portfolio. The relevant test for securityholders is whether the net proceeds to Astro Group of ¥96.69 billion (being ¥98.642 billion less the Spring Payment of ¥1.952 billion) represent fair value. It exceeds the latest aggregate independent valuations at 30 April 2017 (albeit by only a small margin). Given that the assets sold include the obligations, liabilities and lack of control under the TK arrangements (and the asset management agreement), Grant Samuel considers this to be an attractive outcome for the non associated securityholders.

Accordingly, Grant Samuel considers the Proposal to be fair. As it is fair it is also reasonable. In any event, there are supporting reasons:

- the primary benefit of the Proposal is that it results in a cash payment to Astro Group securityholders that:
  - is in line with the underlying value of Astro Group's assets; and
  - represents a material premium over the trading price prior to announcement of the Proposal;
- the primary disadvantage is that it involves a cumbersome process that incurs additional costs (break fees, liquidation expenses etc.) for securityholders compared to, say, a conventional takeover offer. The discount of 18 cents[8] from proforma NTA represented by the estimated interim distribution of $7.18[4] per security is due to these costs. However, as discussed below, alternatives that could avoid these costs are not available for Astro Group;
- Astro Group has engaged with a number of parties over the past few months. During that period no credible alternative proposal that was superior to the Proposal was received. It remains open for interested parties to put forward a superior proposal up until the securityholder meeting to consider the Proposal, although they have already had a significant period of time in which to do so. In this context, any compensating amount payable to Blackstone is limited to $1.5 million;

[8] Difference between proforma NTA ($7.36 per security) and the estimated interim distribution ($7.18 per security). Proforma NTA is management NTA at 30 June 2017 (which was based on an exchange rate of A$1.00 = ¥86.07) restated for the exchange rate used in determining the estimated interim distribution (refer footnote 4) and adjusted to reflect AJA's share of the FY17 performance fee to Spring.

- there are no alternative structures realistically available that would provide a better outcome (e.g. by avoiding the various costs associated with sale and winding up). A takeover offer for Astro Group is unlikely and unilateral termination of the TK arrangements is likely to be suboptimal. The other proposals received by Astro Group also envisaged a sale of the portfolio and winding up as the preferred structure. Further, most acquirers will probably want to apply their own tailored financing structures (within a short period) so it is difficult to avoid the loan break costs and prepayment penalties; and
- if the Proposal does not proceed, Astro Group stapled securities are likely to fall back towards the previous trading range (broadly around $6.40) in the absence of any alternative proposal. The trading in Astro Group securities will continue to be impacted by movements in the ¥:A$ exchange rate and factors such as its relatively small size, limited liquidity and existing cost structure. It is also likely to be hampered by a perception of limited growth potential (a mature portfolio in a market with minimal rental growth and limited opportunity for corporate activity).

4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Astro Group securityholders. Accordingly, before acting in relation to their investment, securityholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Securityholders should read the Explanatory Memorandum issued by Astro Group in relation to the Proposal.

Voting for or against the Proposal is a matter for individual securityholders based on their views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Securityholders who are in doubt as to the action they should take in relation to the Proposal should consult their own professional adviser.

Similarly, it is a matter for individual securityholders as to whether to buy, hold or sell securities in Astro Group. This is an investment decision upon which Grant Samuel does not offer an opinion and independent of a decision on whether to vote for or against the Proposal. Securityholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act 2001. The Financial Services Guide is included at the beginning the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with the summary.

The opinion is made at the date of this letter and reflects circumstances and conditions at that date.

Yours faithfully
GRANT SAMUEL & ASSOCIATES PTY LIMITED

Grant Samuel & Associates

Financial Services Guide
and
Independent Expert's Report
in relation to the Proposal from
Blackstone Group

Grant Samuel & Associates Pty Limited
(ABN 28 050 036 372)

1 August 2017

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Financial Services Guide

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Astro Japan Property Group Limited and Astro Japan Property Management Limited as responsible entity for Astro Japan Property Trust (together, Astro Japan Property Group ("Astro Group")) in relation to the sale of its Japanese real estate interests and subsequent winding up ("the Astro Group Report"), Grant Samuel will receive a fixed fee of $340,000 plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 5.3 of the Astro Group Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Astro Group Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 5.3 of the Astro Group Report:

> *"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Astro Group, Spring Group, Blackstone or Blackstone Group or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal.*
>
> *Grant Samuel commenced analysis for the purposes of this report in May 2017 prior to the announcement of the Proposal. This work did not involve Grant Samuel participating in setting the terms of, or any negotiations leading to, the Proposal.*
>
> *Grant Samuel had no part in the formulation of the Proposal. Its only role has been the preparation of this report.*
>
> *Grant Samuel will receive a fixed fee of $340,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Proposal. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.*
>
> *Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011."*

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, No. 11929. If you have any concerns regarding the Astro Group Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Financial Ombudsman Service at GPO Box 3 Melbourne VIC 3001 or 1300 780 808. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act, 2001.

Grant Samuel is only responsible for the Astro Group Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

GRANT SAMUEL & ASSOCIATES PTY LIMITED
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GRANT SAMUEL

Table of Contents

1 Terms of the Proposal

1.1 Background

Astro Japan Property Group ("Astro Group") is stapled group listed on the Australian Securities Exchange ("ASX") with a strategy of investing in the real estate market in Japan. It comprises Astro Japan Property Trust ("AJT") and Astro Japan Property Group Limited ("AJCo"). Astro Japan Property Management Limited ("AJPM"), a wholly owned subsidiary of AJCo, is the responsible entity for AJT. The boards of directors of AJCo and AJPM are identical ("Astro Group Board").

Astro Group invests in real estate assets via a Japanese investment structure known as a Tokumei Kumiai ("TK") arrangement (refer Section 3.2 for more details). While Astro Group is internally managed, asset management services are undertaken by Spring Investment Co., Ltd ("Spring"), a Japanese company in which the Astro Group has a 25% economic interest. Spring has acted as asset manager since 2005 and is 98% indirectly owned by Eric Lucas (74% economic interest). Mr Lucas is Astro Group's largest securityholder (with an 11.6% interest) and is also a Senior Advisor to the Astro Group Board.

In March 2017, the Astro Group Board announced that in late 2016 it had received an indicative proposal from an affiliate of Lone Star Fund V ("Lone Star") to acquire the properties beneficially owned by Astro Group with the sale proceeds to be returned to securityholders. This proposal was conditional on due diligence, documentation, final investment committee approval and Astro Group reaching agreement with Spring to terminate its asset management agreements with any payment to be deducted from the sale proceeds. The Astro Group Board concluded that the proposal would not deliver acceptable value to securityholders and did not grant due diligence access to Lone Star. A further indicative proposal received from Lone Star in February 2017 was also judged inadequate by the Astro Group Board.

Subsequently, the Astro Group Board has received a number of unsolicited proposals from parties interested in acquiring some or all of its real estate assets. The Astro Group Board has considered the proposals received in light of the value delivered as well as other factors (such as deal certainty) and other opportunities available to deliver value to Astro Group securityholders.

On 1 August 2017, the Astro Group Board announced that it had entered into an Implementation Deed (and associated agreements) with Jetsons Holding II Pte. Ltd ("Blackstone"), Spring and the TK Operators, pursuant to which Blackstone will acquire Astro Group's Japanese real estate interests ("the Proposal"). Blackstone is an entity incorporated in Singapore by funds managed or advised by affiliates of The Blackstone Group L.P. ("Blackstone Group"). Following completion of the Proposal, Astro Group will be wound up and the net proceeds returned to Astro Group securityholders.

1.2 Details of the Proposal

If the Proposal is implemented, Blackstone will acquire Astro Group's TK interests for a net price of ¥37.908[1] billion reflecting:

- a gross price for the real estate portfolio of ¥98.642 billion;
- deductions for:
  - aggregate borrowings of the TKs;
  - costs associated with terminating the existing borrowing arrangements (including break fees and early prepayment penalties);
  - other assets, liabilities and provisions of the TKs[2];

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[1] Calculated based on 30 June 2017 management accounts but subject to adjustment to reflect the audited financial statements of Astro Group as at 30 June 2017.

[2] Including Japanese acquisition tax relating to Hotel WBF Fukuoka Tenjin Minami which was acquired in March 2017 which is not reflected in the 30 June 2017 management accounts.

- estimated withholding taxes payable within the TKs (assuming the assets are sold); and
- payments to the TK Operators for their 1% profit share; and

- deduction of a ¥1.952 billion payment by Blackstone to Spring Group[3] for facilitation of the Proposal and procurement of the termination of Spring's asset management agreements ("the Spring Payment").

The Proposal is subject to a number of conditions which are set out in the Implementation Deed and summarised in the Notice of Meeting and Explanatory Memorandum ("Explanatory Memorandum") to be sent by Astro Group to its securityholders, including approval by Astro Group securityholders and lender consents.

Other elements of the Proposal include:

- a payment to Spring of 50% of the disposal fee that would have otherwise been payable on a sale of the real estate portfolio at the sale price (i.e. 0.25% rather than 0.50%);
- a payment to Spring of a performance fee under the existing asset management agreements for the period from 1 July 2017 to completion of the Proposal (if applicable);
- a nominee of Spring Group will acquire Astro Group's 25% economic interest in Spring for a price equal to 25% of the Spring Payment plus the disposal fee and the performance fee (net of Spring staff bonuses);
- TK earnings from 1 July 2017 to completion of the Proposal will be for the account of Astro Group;
- Astro Group has agreed to certain exclusivity arrangements (including no-shop, no-talk and no-due diligence restrictions and a notification obligation) that apply during the exclusivity period[4]. The no-talk, no-due diligence and notification provisions are subject to a carve out in respect of the fiduciary and statutory obligations of the Astro Group Board;
- Astro Group has agreed to pay to Blackstone a compensating amount of $1.5 million in certain circumstances[5]; and
- Astro Group has entered into foreign exchange hedging arrangements to protect the A$ value of the net proceeds under the Proposal[6].

It is proposed that Astro Group will request a trading halt for its securities from market open on the date of the meeting to consider the Proposal. If the Proposal is approved by Astro Group securityholders, Astro Group stapled securities will be suspended from trading on the ASX immediately following the meeting.

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3 Spring Group means Spring Holdings International Limited and any of its affiliates (including Spring). Spring Group is affiliated with Eric Lucas.

4 The period from 1 August 2017 to the earlier of the date on which the Implementation Deed is terminated, the date the Proposal is implemented and the end date (i.e. 1 December 2017 or such other date as agreed by the parties).

5 A compensating amount will be payable if:
- any Astro Group director does not recommend or changes their recommendation in relation to the Proposal (other than if the independent expert concludes that the Proposal is not fair and reasonable, either AJT or AJCo terminates the Implementation Deed pursuant to clause 9.2 of that deed or certain conditions precedent have not been satisfied or waived); or
- a competing proposal is announced during the exclusivity period and is approved, agreed to, recommended or publicly supported by any Astro Group director and completed any time within six months of the end of the exclusivity period; or
- during the exclusivity period either AJT or AJPM accepts or enters into or agrees to accept or enter into a competing proposal; or
- Blackstone terminates the Implementation Deed due to a material breach by either AJT or AJCo in accordance with clause 9.3 of that deed.

A competing proposal means any proposal, offer or expression of interest that would, if completed substantially in accordance with its terms, result in any person other than Blackstone (or one or more of its affiliates) acquiring:
- all or a substantial part or material part of the TK interests;
- all or a substantial part or material part of the TK assets;
- an interest in 20% or more by value of the business or property or assets of Astro Group; or
- a relevant interest in more than 20% of the securities in Astro Group.

6 The hedging arrangements take the form of a collar such that the exchange rate at implementation of the Proposal is fixed within a range of ¥86.17 = A$1.00 to ¥89.50 = A$1.00. As a result, the interim distribution may be between $7.11-$7.38 per security, depending on the exchange rate at implementation. This arrangement was entered into at no cost to Astro Group. However, if the Proposal does not complete and the ¥ appreciated beyond ¥86.17 = A$1.00, Astro Group would have a residual foreign exchange exposure. See Section 5.1.3 of the Explanatory Memorandum for details of the hedging arrangements.

1.3 Winding Up

Subsequent to completion of the Proposal, Astro Group will be delisted from the ASX and wound up with the net proceeds to be distributed to securityholders.

The distribution is expected to be structured as follows:

- an initial payment ("interim distribution") currently estimated to be in the range $7.18[7] per stapled security comprising the net proceeds from the Proposal less Astro Group's share of the disposal fee paid to Spring and transaction costs plus proceeds on the sale of the 25% interest in Spring and the net liquid assets of Astro Group in Australia. This payment is expected to be made shortly after completion of the Proposal; and
- one or more subsequent payments ("final distributions") currently estimated to total 14.0 cents[7] per stapled security reflecting:
  - income earned from the TKs from 1 July 2017 until completion of the Proposal;
  - a distribution from Spring of Astro Group's 25% share of the profit on sale of Spring's shareholding in Sekisui House SI Asset Management, Ltd ("SSA") which was announced in March 2017 (net of Spring staff bonuses);
  - any performance fee payable to Spring for the period from 1 July 2017 until completion of the Proposal[8] (net of Astro Group's 25% share); and
  - liquidation costs to wind up Astro Group.

Securityholders will also receive the ordinary distribution for the six months ended 30 June 2017 of 21 cents per stapled security which is to be paid on 31 August 2017.

1.4 The Spring Arrangements

Blackstone has advised Astro Group that Spring Group will co-invest alongside Blackstone and acquire an equity interest in the real estate portfolio. As part of the co-investment arrangements, Spring Group will receive the following:

- a cost equalisation issue of equity interests in the real estate portfolio so that it does not bear the full costs incurred by Blackstone in implementing the Proposal;
- a zero cost option to acquire additional equity interests in the real estate portfolio (the value of which will depend on performance of the portfolio); and
- a low cost limited recourse loan of up to ¥1 billion.

Blackstone has also advised Astro Group that:

- Spring will be reappointed as asset manager of the TKs under a new agreement that:
  - reflects the same base asset management fees as Spring currently earns;
  - does not have any entitlement to acquisition fees and disposal fees will be materially less than its current entitlement;
  - has a performance fee payable upon ultimate realisation of the portfolio; and
  - has a minimum term of 12 months but is thereafter terminable at Blackstone's option (subject to a minimum payment equal to 2.5 years base fees); and
- Spring Group will have the right to find alternative third party capital (together with its own funds) to purchase certain of the assets in the portfolio shortly following completion of the Proposal (at a price of Blackstone's cost plus any debt break costs);

These arrangements, together with the Spring Payment, are collectively referred to as "the Spring Arrangements" in this report.

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7 Calculated based on an exchange rate of ¥88.50 = A$1.00.

8 Any post 30 June 2017 performance fee has been capped at A$3.8 million.

1.5 Approvals Required

At the meeting to consider the Proposal, Astro Group securityholders will be asked to approve four resolutions as follows:

- an ordinary resolution of AJT to approve the disposal of Astro Group's interests in the TKs and the subsequent winding up of AJT pursuant to ASX Listing Rule 11.2;
- an ordinary resolution of AJT to approve the disposal of Astro Group's interests in the TKs pursuant to ASX Listing Rule 10.1;
- an ordinary resolution of AJCo to approve the Proposal; and
- an ordinary resolution of AJCo to approve a capital reduction pursuant to Sections 256B and 256C(1) of the Corporations Act, 2001 ("Corporations Act").

The Proposal will only be implemented if all four resolutions are passed.

Following completion of the Proposal and the winding up of AJT, AJCo shareholders will be asked to approve a special resolution to wind up the company.

2 Scope of the Report

2.1 Purpose of the Report

The Proposal is subject to the approval of Astro Group securityholders including in accordance with:

- Listing Rule 11.1 of the ASX Listing Rules ("Listing Rule 11.1");
- Listing Rule 11.2 of the ASX Listing Rules ("Listing Rule 11.2"); and
- Listing Rule 10.1 of the ASX Listing Rules ("Listing Rule 10.1").

Listing Rule 11.1 deals with proposed significant changes, either directly or indirectly, to the nature or scale of a listed entity's activities. In this case, the ASX may require the entity to obtain the prior approval of securityholders for the change. In particular, if the change involves the disposal of the main business undertaking, the listed entity must obtain the prior approval of securityholders under Listing Rule 11.2. The Proposal amounts to the disposal of Astro Group's main business undertaking and the prior approval of Astro Group's securityholders is required pursuant to Listing Rule 11.2. An independent expert's report is not required for these purposes.

Listing Rule 10.1 prohibits an entity from disposing of property worth more than 5% of its net assets to a related party without the approval of non associated securityholders. By virtue of the co-investment arrangements, Blackstone is considered an associate of Mr Lucas and therefore, the sale of the TK interests amounts to the disposal of property worth more than 5% of Astro Group's net assets to a related party. In addition, the cost of the Spring Payment is to be borne by Astro Group securityholders (as a deduction to the gross purchase price for the real estate portfolio). Therefore, approval of securityholders not associated with Mr Lucas (the "non associated securityholders") is required. Listing Rule 10.10 requires the notice of meeting at which such approval is sought to include an independent expert's report on whether the transaction is fair and reasonable to the non associated securityholders.

The Astro Group Board has engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Proposal is fair and reasonable to the non associated securityholders and to state reasons for that opinion. A copy of the report will accompany the Explanatory Memorandum to be sent to securityholders by Astro Group.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Astro Group securityholders. Accordingly, before acting in relation to their investment, securityholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Securityholders should read the Explanatory Memorandum issued by Astro Group in relation to the Proposal.

Voting for or against the Proposal is a matter for individual securityholders based on their views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Securityholders who are in doubt as to the action they should take in relation to the Proposal should consult their own professional adviser.

Similarly, it is a matter for individual securityholders as to whether to buy, hold or sell securities in Astro Group. This is an investment decision upon which Grant Samuel does not offer an opinion and independent of a decision on whether to vote for or against the Proposal. Securityholders should consult their own professional adviser in this regard.

2.2 Basis of Evaluation

The Australian Securities & Investments Commission ("ASIC") has issued Regulatory Guide 111 ("RG111") which establishes guidelines in respect of independent expert's reports. RG111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), the expert is required to distinguish between "fair" and "reasonable". A proposal that was "fair and reasonable" or "not fair but reasonable" would be in the best interests of securityholders.

For most other transactions the expert is to weigh up the advantages and disadvantages of the proposal for securityholders. This involves a judgement on the part of the expert as to the overall commercial effect of the proposal, the circumstances that have led to the proposal and the alternatives available. If the advantages outweigh the disadvantages, the proposal would be in the best interests of securityholders.

For control transactions, fairness involves a comparison of the offer price with the value that may be attributed to the securities that are the subject of the offer based on the value of the underlying businesses and assets. For this comparison, value is determined assuming 100% ownership of the target and a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Reasonableness involves an analysis of other factors that securityholders might consider prior to accepting an offer such as:

- the offeror's existing shareholding;
- other significant shareholdings;
- the probability of an alternative offer; and
- the liquidity of the market for the target company's securities.

An offer could be considered "reasonable" if there were valid reasons to accept the offer notwithstanding that it was not "fair".

Fairness is a more demanding criteria. A "fair" offer will always be "reasonable" but a "reasonable" offer will not necessarily be "fair". A fair offer is one that reflects the full market value of a company's businesses and assets. An offer that is in excess of the pre-bid market prices but less than full value will not be fair but may be reasonable if securityholders are otherwise unlikely in the foreseeable future to realise an amount for their securities in excess of the offer price. This is commonly the case where the bidder already controls the target company. In that situation the minority securityholders have little prospect of receiving full value from a third party offeror unless the controlling securityholder is prepared to sell its controlling shareholding.

Listing Rule 10 applies to transactions between an entity and persons in a position to influence the entity. In certain circumstances, such transactions may not also require securityholder approval under the Corporations Act. The ASX does not provide specific guidance as to the analysis required in assessing whether a proposed transaction is fair and reasonable to non associated securityholders for the purposes of Listing Rule 10. However, RG111 provides that where an expert assesses whether a transaction with a person in a position of influence requiring approval of securityholders under Listing Rule 10 is "fair and reasonable", this involves a separate assessment of whether the transaction is "fair" and "reasonable", as in a control transaction.

Applying RG111 guidance, a transaction under Listing Rule 10 will be "fair" if the value of the financial benefit to be provided by the entity to the person in a position of influence is equal to or less than the value of the consideration being provided to the entity. For this comparison, value is determined assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. If it is a control transaction, the relevant basis set out elsewhere in RG111 should apply. In valuing the financial benefit given and the consideration received by the entity, all material terms of the proposed transaction should be taken into account.

Reasonableness involves an analysis of other factors that securityholders might consider prior to voting. RG111 lists the following as potentially relevant factors in a related party transaction:

- the financial situation and solvency of the entity (including, where the consideration for the financial benefit is cash, benefits such as new capital to exploit business opportunities, a reduction in debt and interest or an injection of working capital);
- opportunity costs;
- the alternative options available to the entity and the likelihood of those options occurring;

- whether there is selective treatment of any securityholder, particularly the related party;
- the entity's bargaining position;
- any special value of the transaction to the entity such as particular technology or the potential to write off outstanding loans from the target; and
- the liquidity of the market in the entity's securities.

2.3 Sources of the Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

Publicly Available Information

- the Explanatory Memorandum (including earlier drafts);
- annual reports of Astro Group for the five years ended 30 June 2016;
- half year announcement of Astro Group for the six months ended 31 December 2016;
- press releases, public announcements, media and analyst presentation material and other public filings by Astro Group including information available on its website;
- brokers' reports and recent press articles on Astro Group and the Japanese property sector;
- sharemarket data and related information on listed real estate investment trusts ("REITs") in Australia ("A-REITs") and Japan ("J-REITs") including market data on acquisitions; and
- market data on acquisitions in Australia of real estate funds/asset management businesses and analogous transactions involving payments to fund or asset managers for termination of contracts and facilitation of transactions.

Non Public Information provided by Astro Group

- management accounts for Astro Group for the period ended 31 May 2017 and 30 June 2017;
- English translations of summary extracts from the Japanese property valuations at 30 April 2017 and previous dates; and
- other confidential documents, financial information and working papers.

In preparing this report, Grant Samuel has held discussions with, and obtained information from, senior management of Astro Group and its advisers. Grant Samuel has held no discussions with representatives of Spring, Blackstone or Blackstone Group.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on a particular factor or analysis. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by Astro Group and its advisers. Grant Samuel has considered and relied upon this information. Astro Group has represented in writing to Grant Samuel that to its knowledge the information provided by it was then, and is now, complete and not incorrect or misleading in any material respect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Proposal is fair and reasonable to the non associated securityholders.

However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Astro Group. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

Grant Samuel has not undertaken any valuations of the properties owned by Astro Group and, for the purposes of this report, has relied on the independent property valuations commissioned by Astro Group for those properties in determining the underlying net asset value of investments in property assets.

The information provided to Grant Samuel by Astro Group included estimates for the interim distribution and final distributions. Astro Group is responsible for this forward looking information. Grant Samuel has used the distribution estimates for analytical purposes. Grant Samuel considers that, based on the inquiries it has undertaken and only for the purposes of its analysis for this report, there are reasonable grounds to believe that the forward looking information has been prepared on a reasonable basis. In forming this view, Grant Samuel has taken into account that the distribution estimates reflect the terms of the Proposal, have been scrutinised by Astro Group and its advisers and have been subject to a due diligence review for inclusion in the Explanatory Memorandum. However, the achievability of the distribution estimates is not warranted or guaranteed by Grant Samuel. They are predictions by management of future events that cannot be assured. Actual distributions may be significantly more or less favourable.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the assessments by Astro Group and its advisers with regard to legal, regulatory, tax and accounting matters relating to the transaction are accurate and complete;
- the information set out in the Explanatory Memorandum sent by Astro Group to its securityholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Proposal will be implemented in accordance with its terms; and
- the legal mechanisms to implement the Proposal are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

3 Profile of Astro Group

3.1 Background

AJT was established in January 2005 as an externally managed REIT focussed on Japanese real estate by ASX listed specialised funds and asset manager Babcock & Brown Limited ("Babcock & Brown"). The trust management rights and the asset management rights were held by separate Babcock & Brown subsidiaries. The trust was listed on the ASX in April 2005 as Babcock & Brown Japan Property Trust, raising capital to acquire economic interests in a ¥41.9 billion portfolio of 12 properties. Following listing, the property portfolio grew, funded by a mix of new equity and debt and, at 31 December 2007, comprised interests in 44 properties with a value of ¥174.5 billion.

The global financial crisis that commenced in late 2007 created turmoil in equity and credit markets and had significant implications for world economic activity. The changed economic and market conditions were catastrophic for Babcock & Brown and its listed investment funds. Babcock & Brown entered voluntary administration in 2009 and the underlying businesses were sold or closed. As a consequence of these events, a review of all available options for AJT was commenced.

In April 2009, AJT announced an agreement to internalise the trust management rights and to acquire an economic interest in the asset manager, ensuring continuity of management in both Australia and Japan while maintaining the integrity of the Japanese investment structure. In July 2009, the trust was renamed. In November 2009, Astro Group was formed when the units in AJT were stapled to the shares in AJCo thereby completing the management internalisation process.

Since 2009, Astro Group has focussed on increasing returns for securityholders. It has managed its property portfolio (both divesting and acquiring interests in properties), raised equity, repaid or refinanced borrowings, settled disputes and conducted security buyback programs. Recently, it has also explored alternatives for realising all, or substantially all, of the property portfolio.

Today, Astro Group owns interests in 29 properties independently valued at 30 April 2017 at ¥96.3 billion. Prior to the announcement of the Proposal, Astro Group had a market capitalisation of around $390 million.

3.2 Operating Structure

Astro Group holds its real estate interests via a widely used Japanese investment structure known as a Tokumei Kumiai. A TK is not a legal entity but a contractual relationship between one or more investors and a TK Operator (a Japanese special purpose limited liability company). Under a TK:

- the investors provide capital to a business which is conducted by the TK Operator entirely in its own name and under its sole control in accordance with the terms of a TK Agreement. The TK Operator may appoint an asset manager;
- the TK Operator generally holds the beneficial interest in Japanese properties through trust beneficiary certificates issued by trust banks licensed in Japan (i.e. the banks hold legal title) although it may also hold its investment through a trust beneficiary interest;
- the investors are entitled to a proportional share (based on their equity contribution) of the profit and losses of the TK business;
- the liability of investors in a TK can be limited to the initial investment or investors can be subject to additional capital calls; and
- investors are taxed on their share of TK income (i.e. the TK Operator withholds Japanese tax from TK distributions paid to the investors).

In summary, TK investors contribute money to the business of a TK Operator in return for a passive contractual economic interest with virtually no rights to control the assets. They effectively cede control to the TK Operator and the asset manager. The key benefit of investment via a TK is a lower rate of tax (20.42% compared to rates in excess of 42%). TKs are a common form of investment into Japanese real estate and the usual form for non-Japanese investors in Japanese real estate.

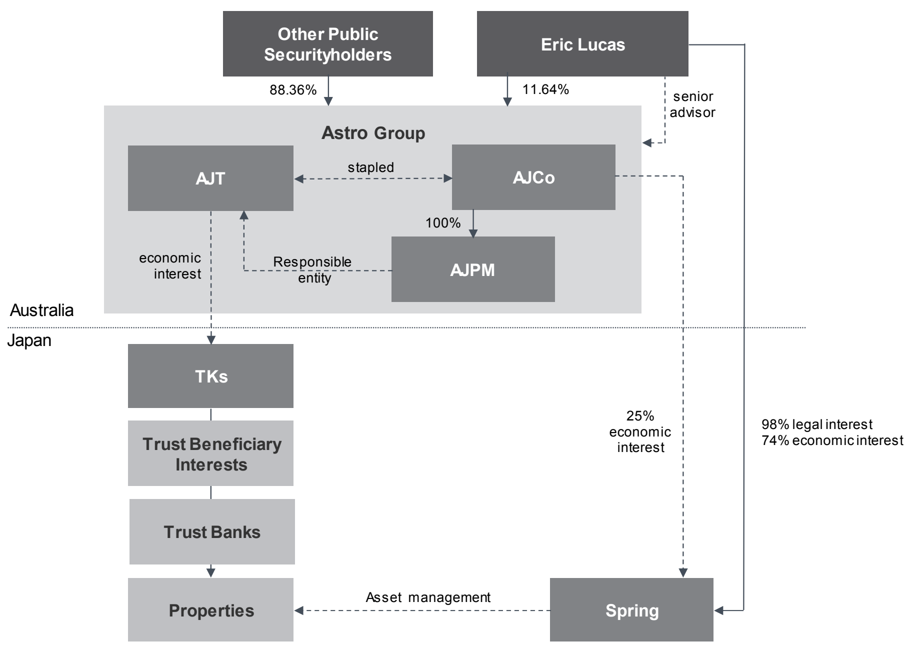
In relation to its current property investments, Astro Group has entered into nine TK Agreements with nine TK Operators (and an additional two TK Agreements that are not active). Under most of these agreements, Astro Group has contributed all of the equity in the TK and is therefore entitled to 100% of the investor capital account and 99% of the profits and losses of the TK business (with the TK Operator entitled to the remaining 1%). The TK Agreements have no fixed term. They are terminable in the event of certain breaches by the TK Operator but not unilaterally terminable. Astro Group understands that the TK Agreements are terminable under general Japanese law, however, in relation to such a termination:

- consent of lenders to the TK is required;
- there is a six month notice requirement and it can only take effect at the end of a financial year; and
- Astro Group would have no control over subsequent events (e.g. the liquidation of assets).

Each of the TK Operators has entered into an asset management agreement with Spring, a licensed Japanese real estate management company. Via another TK Agreement, Astro Group has a 25% economic interest in Spring (which, similarly, confers no voting power or ability to influence the operations of Spring).

The ownership and operating structure of Astro Group is summarised below:

Astro Group – Ownership and Operating Structure



Source: Astro Group

Under the operating structure, management fees are payable at both the Astro Group and TK levels as summarised below:

Astro Group – Fee Structure		
Fee Type	**Paid to**	**Basis**
Astro Group		
▪ Base fee[9]	AJPM	▪ cost recovery basis only
▪ Senior advisor	Eric Lucas	▪ $1,250 per month
TK Business		
▪ Asset base fee[9]	Spring	▪ 0.40% of adjusted gross asset value of each TK
▪ Asset management performance fee[9]	Spring	▪ Tier 1: 5% of the ¥ amount equivalent to the amount of the IRR[10] of the Japanese investments exceeds the asset benchmark (10%) up to 1% outperformance ▪ Tier 2: 15% of the ¥ amount equivalent to the amount of the IRR of the Japanese investments exceeds the asset benchmark (10%) in excess of 1% outperformance This fee has not been paid since internalisation in 2009.
▪ Trust performance fee	Spring	▪ 40% of the fee calculated as follows: - Tier 1: 5% of outperformance of the ASX 200 Property Accumulation Index (up to 2%) multiplied by market capitalisation of AJT - Tier 2: 15% of outperformance of the ASX 200 Property Accumulation Index greater than 2% multiplied by market capitalisation of AJT In measuring performance against the benchmark, comparison is made against the prior years' indices for up to three years (including the current year) to determine if fee is payable.[11]
▪ Transaction fees[12]	Spring	▪ debt arrangement fees of 0.25% of gross funds raised ▪ disposal fees of 0.50% of gross disposal value ▪ acquisition and due diligence fees of 1% of gross consideration
▪ TK Operator share	TK Operators	▪ 1% of profits and losses of each TK business

Source: Astro Group

AJPM's role as responsible entity for AJT is subject to the provisions of the Corporations Act relating to the retirement and removal of responsible entities for listed managed investment schemes. AJPM effectively has indefinite tenure unless it wants to retire or is removed. Either of these changes can only occur following an ordinary resolution of Astro Group securityholders (i.e. approval by at least 50% of votes cast). However, as AJPM is effectively owned by Astro Group securityholders, these termination provisions are of little consequence.

In contrast, Spring's role as asset manager is subject to the agreements between Spring and each TK Operator and Astro Group securityholders have no legal rights in relation to the arrangements. The asset management agreements are for a ten year term to 16 April 2019 with the agreement to be automatically renewed for two five year terms if asset performance exceeds a defined index benchmark. If it is not possible to make the required comparison, Spring's overall performance is to be assessed by the TK Operators[13]. Having regard to the 2014 assessment of Spring's performance by the TK Operators, it is reasonable to assume that, barring any material deterioration in Astro Group's performance, the TK Operators would be likely to continue Spring's appointment at the review dates (i.e. until 16 April 2029).

9 The fees payable to Spring (i.e. the asset base fee and the asset management performance fee) and the cost recovery paid to AJPM are subject to a payment cap where the aggregate amount paid in any one year must not exceed 0.8% of the adjusted gross asset value of the TKs (including investment properties at cost). Any excess will be carried forward into future years and will be payable to the extent that the aggregate fees in that year are less than the cap. Any excess carried forward for three years is then payable and will not be capped.

10 IRR = internal rate of return.

11 Effectively recouping any negative performance in prior two years.

12 Transaction fees are generally paid at the TK level unless the fee relates to a corporate matter or as otherwise agreed (e.g. a major debt restructuring in FY13 and acquisition of additional interests in a TK in FY16).

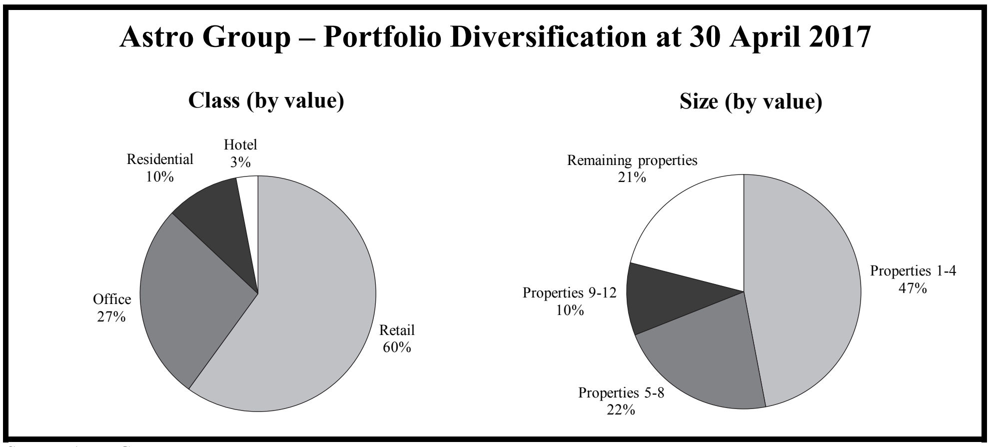
13 It is the view of the Astro Group Board that it is not possible to make a direct comparison of asset performance to the defined (or any) index as there has been a significant change in the nature and mix of the property portfolio over time and as capital management and financing initiatives (rather than asset performance) have been significant drivers of Astro Group's performance. In this context, when Spring sought clarification as to the likely continuation of the asset management arrangements in 2014, the overall assessment of the TK Operators was considered the appropriate basis for renewal.

Under current Australian taxation legislation AJT is a "pass through" vehicle and is not liable for income tax (including capital gains tax) provided securityholders are presently entitled to all of AJT's taxable income at 30 June each year and any taxable gain derived from the sale of an asset is fully distributed to securityholders in respect of each year of income. However, under Japanese taxation legislation, the distribution of profits from the TKs to AJT are subject to 20.42% withholding tax.

AJCo (which, together with AJPM, has elected to be taxed as a single entity under the Australian tax consolidation regime) is taxed as a company and tax payments will generate franking credits. Distributions from the TK through which AJCo holds its 25% interest in Spring are subject to 20.42% Japanese withholding tax.

3.3 Property Portfolio

Astro Group has economic interests in 29 properties (see Appendix 1). The portfolio comprises retail, office, residential and hotel properties and all but two of the properties are 100% owned. Properties are concentrated in central and greater Tokyo (75% by value) with the four largest properties representing 47% of the portfolio:



Source: Astro Group

Rental income from the portfolio is underpinned by 153 leases (of which 51% by income are non-cancellable) with a weighted average lease expiry of 6.9 years. The portfolio is 99% occupied (by area) and has a diversified tenant mix with the top ten tenants accounting for around 45.5% of income.

The properties have a book value of ¥95.8 billion and were independently valued at 30 April 2017 at ¥96.3 billion. The Astro Group Board is of the view that there has been no material change in market value since 30 April 2017.

3.4 Financial Performance

Due to its operating structure, the nature of TKs and the location of the property investments, application of international financial reporting standards results in statutory financial information that makes meaningful analysis of Astro Group's performance difficult. For example, Astro Group:

- does not recognise net property income from the Japanese property portfolio but instead reports distributions from the TKs;
- only recognises revenue from the TKs and its investment in Spring when the right to receive a distribution is established; and
- is exposed to fluctuations in the ¥:A$ exchange rate.

Accordingly, the Astro Group Board is of the view that underlying earnings provides a better understanding of financial performance (particularly between periods).

Set out below is the financial performance of Astro Group since 1 July 2012[14]. This information is based on the statutory and underlying financial information disclosed by Astro Group but has been presented by Grant Samuel on a basis that is more useful for the purposes of this report:

Astro Group - Financial Performance (statutory) ($ millions)

	Year ended 30 June				6 months ended	12 months ended
	2013 restated[14]	2014 actual	2015 actual	2016 actual	31 Dec 2016 actual	30 June 2017 management[15]
Average ¥:A$ exchange rate during period[16]	*92.79*	*89.90*	*95.55*	*84.98*	*79.82*	*82.30*
Revenue						
TK distribution revenue[17]	-[18]	11.0	37.7	15.7	6.4	15.0
Spring distribution revenue[17]	1.4	2.0	2.0	2.1	-	-
Interest and other income	0.2	0.3	0.1	0.2	-	0.1
	1.6	**13.3**	**39.8**	**18.0**	**6.4**	**15.1**
Operating expenses	(4.8)	(2.6)	(2.5)	(2.8)	(1.2)	(3.2)
Operating profit	**(3.2)**	**10.7**	**37.3**	**15.2**	**5.2**	**11.9**
Other items:						
- Goodwill impairment	-	-	(0.4)	-	-	-
- Net gains/(losses) on financial assets	(5.6)	146.6	7.5	109.8	(22.8)	(24.0)
- Net foreign exchange gain/(loss)	(3.0)	0.3	1.1	8.5	(4.3)	(4.1)
	(8.6)	**146.9**	**8.2**	**118.3**	**(27.1)**	**(28.1)**
Profit before tax	**(11.8)**	**157.6**	**45.5**	**133.5**	**(21.9)**	**(16.2)**
Income tax expense	(1.1)	(2.8)	(2.0)	(1.4)	(0.5)	(0.6)
Net profit after tax	**(12.9)**	**154.8**	**43.5**	**132.1**	**(22.4)**	**(16.8)**
Reconciliation to underlying profit after tax:						
- fair value adjustments	17.7	(12.8)	(19.5)	(14.50)	(2.9)	(7.6)
- foreign currency translation losses/(gains)	25.2	15.8	(3.8)	(82.3)	42.1	51.4
- TK Operator share of distributions	0.1	0.1	0.1	0.1	-	-
- loss/(gain) on disposal of properties	1.5	(5.3)	(4.6)	0.2	-	(0.2)
- TK refinancing expenses	4.2	-	5.0	0.8	-	-
- net foreign exchange losses/(gains)	3.0	(0.3)	(1.1)	(8.5)	4.3	4.0
- deferred tax on fair value adjustments	(4.5)	6.1	6.8	3.6	(2.8)	3.4
- other	(5.5)	(131.4)	0.4	-	-	-
Underlying profit after tax	**28.8**	**27.0**	**26.8**	**31.5**	**18.3**	**34.2**
Statistics						
Basic earnings per security	*(20.7¢)*	*230.9¢*	*65.7¢*	*217.9¢*	*(37.0¢)*	*(27.7¢)*
Underlying earnings per security	*46.3¢*	*40.2¢*	*40.4¢*	*51.9¢*	*30.1¢*	*56.4¢*
Distribution per security	*17.5¢*	*20.0¢*	*28.5¢*	*36.0¢*	*21.0¢*	*42.0¢*
Distribution payout ratio[19]	*37.8%*	*49.8%*	*70.5%*	*69.4%*	*69.8%*	*74.4%%*

Source: Astro Group and Grant Samuel analysis

The following should be noted in relation to Astro Group's financial performance:

- TK distribution revenue is recognised when the right to receive a distribution from a TK is established (generally at 31 December and 30 June). Revenue from Astro Group's 25% interest in Spring is recognised on the same basis and distributions for the second half of the financial year tend to be larger as a result of the annual determination of Spring's entitlement

14 A range of new and amended accounting standards were adopted by Astro Group effective 1 July 2013. While most of these accounting standards introduced new disclosure requirements, the adoption of AASB 10 (Consolidated Financial Statements) had a material impact on Astro Group's financial statements and resulted in the results for FY13 being restated. As a consequence, Grant Samuel has only presented Astro Group's financial performance since 1 July 2012.

15 Management results for FY17 which have not yet been audited or reviewed by Astro Group's auditor. In addition, certain year end items (e.g. Spring distribution revenue) are not yet reflected.

16 A$1.00 = ¥

17 Before Japanese withholding tax.

18 In FY13, distributions from all but one of the property TKs were treated as returns of capital as these TKs had retained losses.

19 Calculated by reference to underlying earnings per security.

to performance fees from Astro Group. Spring distribution revenue for the six months ended 30 June 2017 has not yet been reflected in the FY17[20] management accounts;

- operating expenses represent Astro Group's corporate overheads and include listed entity costs (e.g. directors' fees, annual reports and securityholder communications, security registry, listing fees, investor relations), other administration costs (e.g. audit, legal and other professional fees, occupancy costs, insurances etc.) and transaction fees paid to Spring (FY13 and FY16). Operating expenses were high in FY13 reflecting costs associated with a transaction involving two TKs. In recent years, overheads (excluding transaction fees) have been around $2.6 million per annum);
- net gains/(losses) on financial assets predominantly reflect the aggregate impact of fair value adjustments on the TKs (in relation to both property and debt), the investment in Spring and associated unrealised fluctuations in the ¥:A$ exchange rate and other items;
- with almost all revenue and expenses denominated in ¥, Astro Group is exposed to movements in the ¥:A$ exchange rate. Prior to FY13, this currency risk was managed through the use of both capital and distribution hedges. Due to the lack of parties prepared to take counterparty risk at an acceptable cost and changed market perceptions about long term capital hedging, the currency hedging program was discontinued. Nevertheless, Astro Group hedges short term distribution obligations from time to time;
- all borrowings are at the TK level (i.e. Astro Group has no corporate borrowings). Following the global financial crisis in 2008, Astro Group focussed on managing the risks associated with these debt facilities. The stabilisation of the loan structure was completed during FY14 and included a significant level of debt forgiveness by certain lenders (recorded in net gains on financial assets in FY14). TK refinancing expenses in FY15 relate to the renegotiation of all TK borrowings which locked in lower interest costs, longer loan periods and reduced loan amortisation profiles;
- income tax expense represents tax on Australian sourced income and the Japanese withholding tax paid on TK distribution revenue and Spring distribution revenue;
- Astro Group pays distributions to stapled securityholders twice a year for the periods ending 30 June (generally payable in August) and 31 December (generally paid in February). Distributions may include both foreign sourced (i.e. from the TKs) and Australian sourced income, net capital gains, a tax deferred component (tax allowances for building, plant and equipment depreciation), capital gains tax concessional amounts and franked dividends. Securityholders may be able to claim foreign tax offsets for the Japanese withholding tax against the Australian tax payable on the foreign sourced income;
- since FY14 Astro Group has paid distributions of around 70% of underlying earnings to securityholders; and
- during FY15 Astro Group conducted an on market security buyback and an off market security buyback under which, in total, 6.5 million securities (or around 10% of issued securities) were acquired and cancelled.

While underlying earnings prior to FY16 were relatively flat, the capital management initiatives undertaken in FY15 (refinancing all TK borrowings and the security buybacks) resulted in a 28.5% increase in underlying earnings per security in FY16 and a similar increase in distributions to securityholders.

Astro Group has not publicly released detailed earnings forecasts for FY17 or beyond. However, on 22 February 2017, it confirmed guidance for underlying profit after tax in the range 56-58 cents per security ($34-35 million, 8-11% higher than FY16) assuming an average foreign exchange rate of ¥85:A$1.00 for the second half, no material performance fee payable to Spring and no property acquisitions or disposals. Unaudited management results for FY17 are consistent with that guidance.

Total FY17 distributions are to be 42 cents per security (comprising 21 cents per security paid in February 2017 and 21 cents per security due to be paid on 31 August 2017).

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20 FYXX = financial year ended 30 June 20XX

However, the above financial analysis provides limited information on the underlying performance of the TKs. Set out below is an analysis of the aggregate financial performance of the TKs (which underpin the TK distribution revenue received by Astro Group) since 1 July 2012:

Astro Group (TK Level[21])- Financial Performance ($ millions)

	Year ended 30 June				6 months ended 31 Dec	12 months ended 30 June
	2013 restated	**2014** actual	**2015** actual	**2016** actual	**2016** actual	**2017** management[15]
Average ¥:A$ exchange rate during period [16]	*92.79*	*89.90*	*95.55*	*84.98*	*79.82*	*82.30*
Number of properties at period end	*37*	*33*	*31*	*27*	*28*	*29*
Net property income						
Property rental income	87.5	73.4	63.8	71.7	36.4	71.6
Property expenses	(27.0)	(21.5)	(17.7)	(17.9)	(8.8)	(17.0)
	60.5	**51.9**	**46.1**	**53.8**	**27.6**	**54.6**
Interest and other income[22]	0.7	-	-	-	-	-
Total revenue	**61.2**	**51.9**	**46.1**	**53.8**	**27.5**	**54.6**
Management fees:						
- asset base	(5.9)	(4.9)	(4.5)	(5.1)	(2.6)	(5.1)
- asset performance	-	-	-	-	-	-
- trust performance	-	(2.5)	(1.5)	(5.1)	-[23]	(1.1)
	(5.9)	(7.4)	(6.0)	(10.2)	(2.6)	(6.2)
Finance expenses	(22.3)	(13.0)	(14.4)	(9.3)	(4.2)	(8.6)
Other expenses	(1.9)	(1.8)	(1.5)	(1.4)	(0.8)	(1.7)
Total expenses	**(30.1)**	**(22.3)**	**(21.9)**	**(20.9)**	**(7.6)**	**(16.5)**
Operating profit	**31.1**	**29.6**	**24.2**	**32.9**	**20.0**	**38.1**
Other items:						
- Gain/(loss) on disposal of properties	(28.2)	3.7	4.5	(0.2)	-	0.1
- Fair value adjustment on borrowings	3.3	-	(3.2)	(3.8)	-	0.6
- Fair value adjustments on investment properties	7.6	13.8	21.9	19.2	2.9	8.6
Debt forgiveness	-	131.4	-	-	-	-
Net foreign exchange gain/(loss)	-	-	-	-	0.1	-
	(17.3)	**148.9**	**23.2**	**15.2**	**3.0**	**9.3**
Profit before tax	**13.8**	**178.5**	**47.4**	**48.1**	**22.9**	**47.4**
Income tax expense	4.5	(5.7)	(6.8)	(3.9)	2.8	(3.4)
Profit after tax	**18.3**	**172.8**	**40.6**	**44.2**	**25.7**	**44.0**
TK distribution revenue of Astro Group[17]	**-[18]**	**11.0**	**37.7**	**15.7**	**6.4**	**15.0**
Net property income (¥ billion)	**5.6**	**4.7**	**4.4**	**4.6**	**2.2**	**4.5**
Operating margin (¥ billion)	**2.9**	**2.7**	**2.3**	**2.8**	**1.6**	**3.1**
Statistics						
Net property income as % of property rents	*69.2%*	*70.7%*	*72.2%*	*75.0%*	*75.7%*	*76.3%*
Operating margin	*35.5%*	*40.4%*	*37.9%*	*45.8%*	*nmf [24]*	*53.2%*

Source: Astro Group and Grant Samuel analysis

The financial performance of the TKs is denominated in ¥ and therefore the performance presented above is distorted by movements in the ¥:A$ exchange rate across the period. Nevertheless, the following comments can be made:

- while Japan is a low rental growth property market and the number of properties owned by the TKs has decreased across the period, since FY15 the profitability of the portfolio has improved reflecting the realisation of assets and reinvestment in higher yielding assets;

21 This analysis includes all property TKs in which Astro Group has an interest including two TKs which have no assets.

22 Interest and other income of the TKs has been less than $0.1 million in recent years.

23 Performance fees are only measured at financial year end.

24 nmf = not meaningful. Operating margin for the six months ended 31 December 2016 is not meaningful as performance fees are determined only annually at financial year end.

- total management fees paid to Spring have moved with the gross asset value of the TKs (asset base fee) and as Astro Group has outperformed the benchmark (particularly in FY16);
- finance expenses have decreased materially since the capital structure was stabilised in FY14 and the debt refinancing completed in FY15 (current average interest rate is approximately 1.4% and the weighted average debt maturity is 6.3 years);
- other operating expenses have been relatively stable across the period; and
- income tax expense represents the movement in deferred tax assets and liabilities in each TK which is calculated at 31 December and 30 June each year.

While the TKs determine distributions on a six monthly basis, there is no direct relationship between the aggregate profit after tax of the TKs and the TK distribution revenue derived by Astro Group in a given year. Rather, distributions made by the TKs effectively represent unrestricted cash available after allowing for debt servicing costs and lender reserves, trust reserves and various other retentions (including upcoming property and corporate expenses, tenant deposit liabilities, TK Operator allocations).

3.5 Financial Position

The reported financial position of Astro Group as at 30 June 2016 (audited), 31 December 2016 (reviewed) and 30 June 2017 (management) is summarised below:

Astro Group - Financial Position (statutory) ($ millions)			
	30 June 2016 actual	**31 December 2016 actual**	**30 June 2017 management[25]**
¥:A$ exchange rate at period end[16]	*76.67*	*84.44*	*86.07*
Assets			
Cash and cash equivalents	49.5	44.8	4.3
Distributions receivable from TKs	34.3	18.7	17.9
Investment in TKs	425.2	411.7	447.0
Investment in Spring	3.8	3.7	2.3
Other assets (including deferred tax assets)	0.4	0.2	0.3
Goodwill (net)	2.6	2.6	2.6
Total assets	**515.8**	**481.7**	**474.4**
Liabilities			
Payables and employee benefits	(1.5)	(0.7)	(0.6)
Distributions payable	(10.9)	(12.7)	(12.7)
Deferred tax liabilities	(0.1)	(0.1)	-
Total liabilities	**(12.5)**	**(13.5)**	**(13.3)**
Net assets	**503.3**	**468.2**	**461.1**
Statistics			
Securities on issue at period end (million)	*60.7*	*60.7*	*60.7*
Net assets per security	*$8.30*	*$7.72*	*$7.60*
NTA[26] per security	*$8.26*	*$7.68*	*$7.56*
Gearing[27]	*59.4%*	*57.8%*	*59.5%*

Source: Astro Group and Grant Samuel analysis

The following should be noted in relation to Astro Group's financial position:

- cash and cash equivalents are primarily held in ¥ and at 30 June 2016 and 31 December 2016 included excess funds held for future deployment to enhance returns (e.g. acquisitions or capital expenditure). Since 31 December 2016, these excess funds have been reinvested as equity in two new TKs (i.e. property acquisitions);

25 Management balance sheet at 30 June 2017 which has not yet been reviewed or audited by Astro Group's auditor.
26 NTA is net tangible assets, which is calculated as net assets less goodwill.
27 Gearing calculated as face value of debt divided by value of property investments.

- distributions receivable from TKs represents Astro Group's share of distributions determined by each TK Operator at period end;
- investment in TKs represents Astro Group's interest in the net assets of the TKs, the business of which is investment in Japanese real estate. The amount recognised represents the aggregate ¥ denominated net assets of each TK (recognised at fair value) which is then translated into A$ at the exchange rate at period end. The major items recognised at fair value are the investment properties and borrowings. In this context:
  - the investment properties are independently valued on a regular basis. The top ten properties are valued annually with other properties valued if a desk top appraisal by Spring indicates a change in value greater than 5%. In any event, all properties are valued at least every three years; and
  - the borrowings of the TKs include ¥ denominated Japanese bank loans. All of the bank loans are secured against properties and are non recourse to Astro Group;
- investment in Spring represents Astro Group's 25% economic interest in Spring via a TK. It is recognised at fair value in ¥ and then translated into A$ at the spot exchange rate at period end;
- goodwill (net) relates to AJCo's investment in AJPM at the time of the internalisation of management and is net of impairment charges;
- distribution payable at 30 June 2017 ($12.7 million) represents the 21 cents per security distribution to be paid on 31 August 2017;
- AJCo has carried forward income tax losses of approximately $1.1 million (of which none are recognised in the balance sheet) and no accumulated franking credits. AJT has carried forward Australian capital losses totalling approximately $95 million; and
- at 31 December 2016, Astro Group disclosed that there were no contingent assets but that AJT had a contingent liability of $7 million relating to unfunded tenant security deposits. This liability arises as a consequence of AJT's obligation under each TK Agreement to make additional equity contributions to refund tenant security deposits where the TK has insufficient cash to meet this obligation. Normally the deposits from incoming tenants would fund the refund of deposits of outgoing tenants and any deficiency would be funded from cash flow. On this basis, it is unlikely that AJT would be required to inject cash into a TK to meet this contingent obligation.

Astro Group's NTA reflects both the fair value of the TK property portfolio and borrowings as well as movements in the ¥:A$ exchange rate. At 30 June 2016, NTA of $8.26 per security was 28% higher than at 30 June 2015 reflecting the over 20% strengthening of the ¥ in addition to positive revaluations of the property portfolio. However, NTA was 7% lower at 31 December 2016 primarily due to a 10% weakening of the ¥. At 30 June 2017, with the ¥ another 2% weaker, NTA was around 2% lower than at 31 December 2016 (8.5% lower than at 30 June 2016) notwithstanding the uplift in property valuations.

The statutory financial position provides limited transparency in relation to the underlying TKs. Astro Group's investments are managed on a TK by TK basis and Astro Group presents operating segments on that basis. For the purposes of the analysis in this report, set out below is the financial position as at 30 June 2017 (which is based on A$1.00 = ¥86.07) allocated between the TKs and the balance of the group (i.e. Astro Group corporate including the investment in Spring). This analysis excludes certain consolidation adjustments made in the statutory presentation above (e.g. in relation in relation to distributions from TKs and deferred tax assets and liabilities).

Astro Group - Financial Position at 30 June 2017 (management) (segment basis)				
	(¥ billion)	($ millions)		
	TKs	TKs	Corporate	Astro Group
Cash and cash equivalents (including restricted cash)	7.4	86.5	4.3	90.8
Receivables and other assets	0.3	3.0	8.1	11.1
Investment properties	96.3	1,119.3	-	1,119.3
Investment in Spring	-	-	2.3	2.3
Deferred tax assets	0.7	7.4	-	7.4
Goodwill	-	-	2.6	2.6
Total assets	**104.7**	**1,216.2**	**17.3**	**1,233.5**
Payables and employee benefits	(2.0)	(23.6)	9.5	(14.1)
Tenant deposits	(4.4)	(50.9)	-	(50.9)
Interest bearing liabilities	(57.5)	(668.5)	-	(668.5)
Distributions payable	-	-	(12.7)	(12.7)
Deferred tax liabilities	(2.3)	(26.2)	-	(26.2)
Total liabilities	**(66.2)**	**(769.2)**	**(3.2)**	**(772.4)**
Net assets	**38.5**	**447.0**	**14.1**	**461.1**
Statistics				
Gearing	*59.5%*	*59.5%*		*59.5%*

Source: Astro Group and Grant Samuel analysis

The following should be noted in relation to Astro Group's unaudited financial position at 30 June 2017:

- cash and cash equivalents held by the TKs includes cash that is restricted under the TK borrowing arrangements (e.g. lender reserves, tenant deposits) as well as the accumulation of cash from operations which will be used to fund the TK distributions to Astro Group;
- investment properties represent the 29 properties in which Astro Group has economic interests. Book value (¥96.3 billion) reflects the independent valuations at 30 April 2017; and
- the TKs are around 60% geared with all borrowings secured against properties and non recourse to Astro Group.

3.6 Capital Structure and Ownership

Astro Group has 60,652,466 stapled securities on issue. There are around 2,140 registered securityholders in Astro Group. The top 20 registered securityholders account for approximately 89% of securities on issue and are principally institutional nominee or custodian companies. Astro Group has a large retail investor base with 93% of securityholders holding 10,000 or fewer securities although this represents less than 5.5% of securities on issue. Astro Group securityholders are predominantly Australian based investors. Astro Group operates a reinvestment plan which is not currently active.

Astro Group has received notices from the following substantial securityholders:

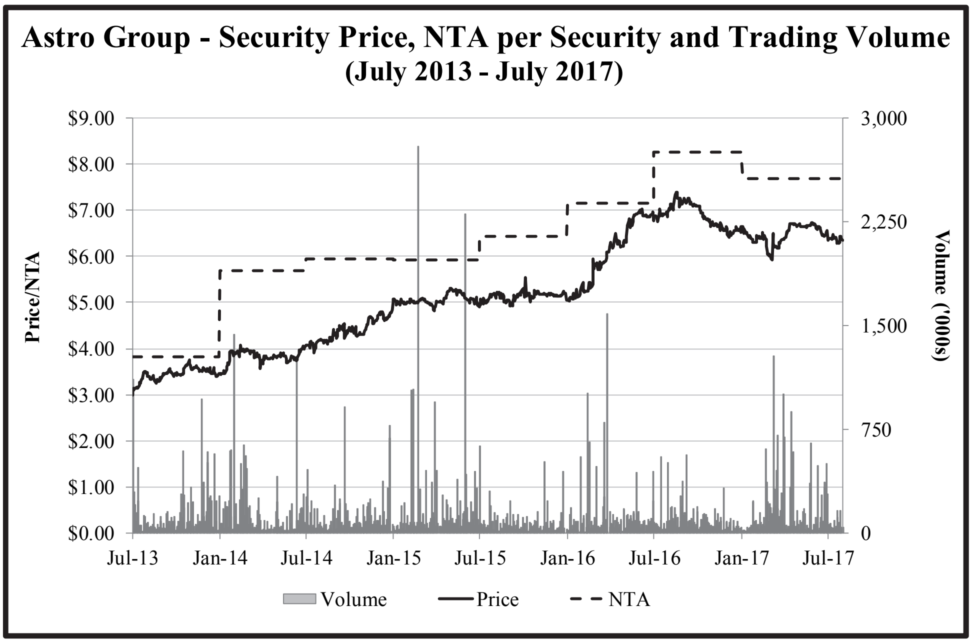
Astro Group – Substantial Securityholders			
Securityholder	Date of Notice	Number of Securities	Percentage[28]
Eric Lucas	2 July 2015	7,057,294[29]	11.64%
Ellerston Capital Limited	3 April 2017	5,840,707	9.63%
The Vanguard Group, Inc.	20 June 2017	4,436,590	7.31%
Milford Funds Ltd	26 June 2017	3,173,070	5.23%
Eley Griffiths Group Pty Limited	11 November 2016	3,146,455	5.19%

Source: Astro Group

28 Based on 60,652,466 stapled securities on issue.
29 Based on current securityholding. Last substantial shareholder notice received related to 6,469,999 securities (10.67%).

3.7 Security Price Performance

Following the internalisation of management and stapling of AJT and AJCo in 2009, Astro Group securities traded broadly in the range of 30-40 cents during 2010 and, in January 2011, a 10 for 1 consolidation of securities was completed. During 2011 and 2012 the securities traded lower but by mid 2013 were trading consistently above $3.00. The following graph illustrates the movement in the Astro Group stapled security price, NTA per stapled security and trading volumes since 1 July 2013:



Source: IRESS

Notes:
(1) NTA per security at 1 July 2013 based on net assets restated for the adoption of a range of new and amended accounting standards, particularly AASB 10 (Consolidated Financial Statements).
(2) The material increase in NTA per security at 31 December 2013 reflects the $131.4 million debt forgiveness recognised following completion of a debt maturity transaction and an associated dispute relating to interest swap arrangements.
(3) NTA per security does not reflect unaudited NTA at 30 June 2017 of $7.56.

Analysis of Astro Group's security performance is complicated by factors relating to its operating structure as well as specific events:

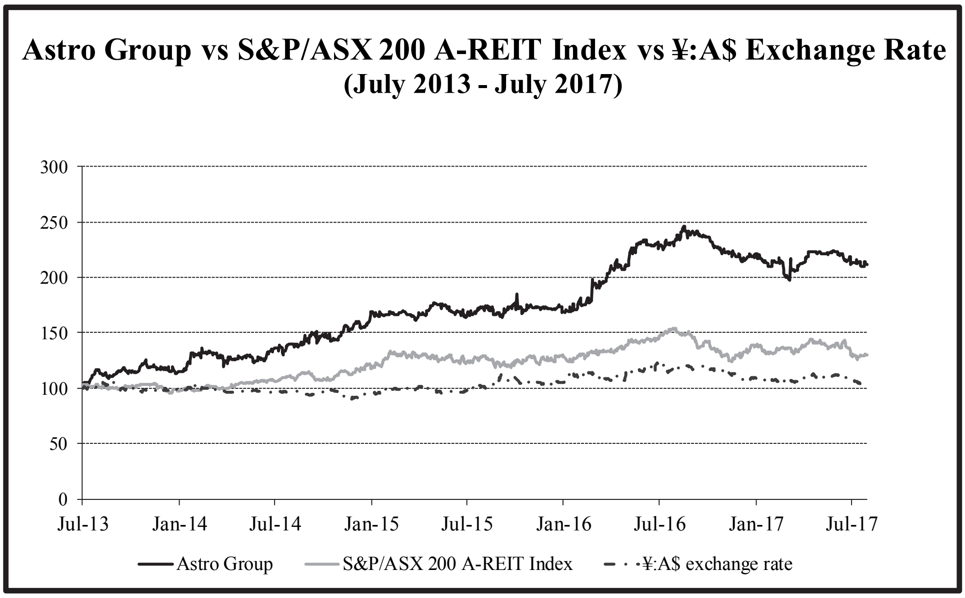
- NTA reflects the ¥ denominated net assets of the TKs. In this context:
  - during this period the ¥ value of the underlying properties increased through to June 2015, but more recently has declined to values similar to 30 June 2015 levels (on a like for like basis). Nevertheless, capital recycling and re-investment has grown the portfolio from a value of ¥85.1 billion to ¥96.3 billion; and
  - Astro Group settled a debt maturity transaction and an associated dispute in late 2013, which resulted in a $131.4 million debt forgiveness and an increase in NTA of around 50% at 31 December 2013;
- the FY15 debt refinancing locked in lower interest rates which has supported increased securityholder distributions;
- during FY15 Astro Group completed on market and off market security buybacks at prices below NTA which reduced the number of securities on issue by around 10% (increasing NTA per security);
- NTA is subject to movements in the ¥:A$ exchange rate which is therefore a key driver of security price performance. While the exchange rate was relatively stable in the period to 30 June 2015 (and, therefore, NTA was stable at around $400 million), the ¥ strengthened materially during FY16 resulting in NTA increasing by 25% to around $500 million. This

movement underpinned the rise in the security price from around $5.00 in December 2015 to around $7.00 by mid 2016. Subsequently, the ¥ weakened and Astro Group's NTA in A$ terms has declined;

- Astro Group is a low liquidity stock with annual turnover of around 46% of total average issued capital in the twelve months prior to the announcement of the Proposal (around 52% if the securityholding of Eric Lucas is excluded). While Astro Group securities trade regularly, average trade size has decreased in recent years to less than 200 securities; and
- while Astro Group is a member of various indices including S&P/ASX 300 Index and S&P/ASX 300 A-REIT Index, its weighting in these indices is not significant (at around 0.02% and 0.30% respectively). As a consequence, Astro Group attracts limited investor interest and is followed by only two brokers on a regular basis.

Overall, the impact of these factors is that Astro Group securities have generally traded at a significant discount to reported NTA. Since mid 2016 the discount has generally been between 10% and 20% (in both A$ or ¥ terms).

The following graph illustrates the performance of Astro Group securities since 1 July 2013 relative to the S&P/ASX 200 A-REIT Index (a proxy for the market) and the ¥:A$ exchange rate:



Source: IRESS

Since August 2013, Astro Group securities have generally traded in line with the A-REIT sector with step ups around corporate activity announcements (e.g. asset sales, stabilisation of the capital structure in FY14, refinancing in FY15). Following the release of the 2016 half year results in February 2016, Astro Group securities outperformed the sector until 30 June 2016. Since then Astro Group securities have mirrored movements in the ¥:A$ exchange rate and traded in line with the sector except in March 2017 around announcements concerning the Lone Star proposal.

Including the impact of distributions, Astro Group has performed strongly compared to the S&P/ASX 200 Property Accumulation Index over the last five years. This relative performance primarily reflects the capital initiatives undertaken by Astro Group between 2013 and 2016 (particularly the debt forgiveness) as well as the strengthening of the ¥ (until recently):

Astro Group – Comparison to Accumulation Indices

	Returns to 30 June		
	1 year	**3 years**	**5 years**
Astro Group	(0.78%)	89.40%	201.07%
S&P/ASX 200 A-REIT Accumulation Index	(6.68%)	39.81%	92.88%

Source: Astro Group

4 Evaluation of the Proposal

4.1 Summary

In Grant Samuel's opinion, the Proposal is fair and reasonable to the non associated securityholders, in the absence of a superior proposal.

The gross sale price for the property portfolio of ¥98.642 billion represents a premium of 2.4% over the independent valuation of the portfolio as at 30 April 2017 (equivalent to a 6.1% premium to NTA). Given the characteristics of the assets, Grant Samuel considers the price to be consistent with the underlying value of the property portfolio and is arguably at the upper end of the range (i.e. it fully captures any likely portfolio premium).

The Spring Payment and the broader Spring Arrangements confer a substantial benefit on Spring Group (and indirectly on Mr Lucas) that exceeds its probable financial loss from termination of the management agreements but:

- it incorporates both a payment for termination and a payment for facilitation of the Proposal;
- it reflects relative bargaining power which, in turn, reflects the degree of entrenchment of Spring and the limited control Astro Group has under the TK arrangements. At a practical level, Spring has an effective veto over any corporate transaction; and
- other proposals considered by Astro Group also envisaged significant payments to Spring for termination and any other transaction is also likely to do so.

Most importantly, the sale price for the property portfolio and the Spring Arrangements cannot be viewed in isolation from each other. Spring Group is to be a co-investor alongside Blackstone in the real estate portfolio and Blackstone has advised Astro Group that Spring Group's ongoing involvement (as investor and asset manager) is fundamental to Blackstone's willingness to pursue the opportunity and underpins the price it is prepared to pay for the portfolio. The relevant test for securityholders is whether the net proceeds to Astro Group of ¥96.69 billion (being ¥98.642 billion less the Spring Payment of ¥1.952 billion) represent fair value. It exceeds the latest aggregate independent valuations at 30 April 2017 (albeit by only a small margin). Given that the assets sold include the obligations, liabilities and lack of control under the TK arrangements (and the asset management agreement), Grant Samuel considers this to be an attractive outcome for the non associated securityholders.

Accordingly, Grant Samuel considers the Proposal to be fair. As it is fair it is also reasonable. In any event, there are supporting reasons:

- the primary benefit of the Proposal is that it results in a cash payment to Astro Group securityholders that:
  - is in line with the underlying value of Astro Group's assets; and
  - represents a material premium over the trading price prior to announcement of the Proposal;
- the primary disadvantage is that it involves a cumbersome process that incurs additional costs (break fees, liquidation expenses etc.) for securityholders compared to, say, a conventional takeover offer. The discount of 18 cents[30] from proforma NTA represented by the estimated interim distribution of $7.18[7] per security is due to these costs. However, as discussed below, alternatives that could avoid these costs are not available for Astro Group;
- Astro Group has engaged with a number of parties over the past few months. During that period no credible alternative proposal that was superior to the Proposal was received. It remains open for interested parties to put forward a superior proposal up until the securityholder meeting to consider the Proposal, although they have already had a significant period of time in which to do so. In this context, any compensating amount payable to Blackstone is limited to $1.5 million;

30 Difference between proforma NTA ($7.36 per security) and the estimated interim distribution ($7.18 per security). Proforma NTA is management NTA at 30 June 2017 (which was based on an exchange rate of A$1.00 = ¥86.07) restated for the exchange rate used in determining the estimated interim distribution (refer footnote 7) and adjusted to reflect AJA's share of the FY17 performance fee to Spring.

- there are no alternative structures realistically available that would provide a better outcome (e.g. by avoiding the various costs associated with sale and winding up). A takeover offer for Astro Group is unlikely and unilateral termination of the TK arrangements is likely to be suboptimal. The other proposals received by Astro Group also envisaged a sale of the portfolio and winding up as the preferred structure. Further, most acquirers will probably want to apply their own tailored financing structures (within a short period) so it is difficult to avoid the loan break costs and prepayment penalties; and
- if the Proposal does not proceed, Astro Group stapled securities are likely to fall back towards the previous trading range (broadly around $6.40) in the absence of any alternative proposal. The trading in Astro Group securities will continue to be impacted by movements in the ¥:A$ exchange rate and factors such as its relatively small size, limited liquidity and existing cost structure. It is also likely to be hampered by a perception of limited growth potential (a mature portfolio in a market with minimal rental growth and limited opportunity for corporate activity).

4.2 Approach to Evaluation

The evaluation of the Proposal is complicated because it has a number of elements:

- the sale of the property portfolio to Blackstone;
- the facilitation and termination payment by Blackstone to Spring Group;
- the reappointment of Spring as asset manager for the TKs under Blackstone ownership; and
- the co-investment by Spring Group alongside Blackstone including various special arrangements (cost rebate, zero cost option and low cost limited recourse loan).

From a related party perspective, Mr Lucas, as an 11.6% owner of Astro Group, is acting in a number of capacities. Indirectly (via Spring Group), he is a co-acquirer of the property portfolio from Astro Group, is receiving a facilitation and termination payment (approximately $17 million[31] for his indirect 74% economic interest in Spring) and is receiving a number of benefits from Blackstone (the new asset management agreements as well as the terms attached to the co-investment).

In Grant Samuel's view, separate opinions on each component in isolation is not meaningful. From the perspective of a non associated securityholder, the relevant test is whether the net cash sum being received is fair (and reasonable). In other words, is it consistent with the market value of the underlying assets and with the amount that could be expected if Astro Group was selling to arm's length parties?

In this respect, the critical element to evaluate is the sale price of the property portfolio net of the Spring Payment (as this is the cash sum received by Astro Group)[32]. It is also relevant to consider the net proceeds to be distributed to securityholders but it is important to recognise that the items deducted (in determining the net sale price of the TKs or the distribution) are either:

- existing liabilities of the TKs and Astro Group (primarily bank debt), net of any assets (such as cash on hand and debtors); and
- third party costs associated with the sale and winding up of Astro Group (break fees, debt prepayment costs, withholding taxes and liquidation expenses).

These are all arm's length costs that are unavoidable in a winding up.

In Grant Samuel's view, reasonableness involves consideration of:

- advantages and disadvantages of the Proposal (relative to the status quo);

[31] 74% of ¥1.952 billion converted at the exchange rate used in determining the estimated interim distribution (refer footnote 7).

[32] The sale price of the TK interests has not been evaluated as it is an intermediate step. The essence of the Proposal is to acquire the property portfolio on a debt free basis. The actual transaction is structured as an acquisition of the TK interests for administrative convenience.

- the likelihood of an alternative proposal that is superior;
- whether there are alternative structural solutions that could produce a superior outcome;
- the liquidity of the market for Astro Group's securities; and
- the other elements listed in RG111.26 for related party transactions.

4.3 Fairness

4.3.1 Independent Valuations

In anticipation of the Proposal, Astro Group obtained independent valuations of all of the properties in the portfolio as at 30 April 2017. The aggregate valuation was ¥96.3 billion and the overall average capitalisation rate was 5.0% (see Appendix 1 for valuations and capitalisation rates for individual properties). This valuation represented an increase of 0.8% compared to the aggregate book value of ¥95.5 billion as at 31 December 2016 (adjusted to a like for like basis).

Grant Samuel has relied on the independent valuations for the purposes of this report and did not undertake its own valuations of the properties. Given the nature of the valuations, Grant Samuel does not have any reason to believe that:

- the valuations are not reasonable estimates of fair market value; or
- it is not reasonable to rely on these valuations for this purpose.

Grant Samuel has undertaken a review of the valuations and notes that:

- the external valuers have accepted their instruction from Spring (as the asset manager of the portfolio) on behalf of the TK Operators;
- no instructions were given that interfered with the valuers' independence or objectivity;
- the valuers are prominent, well known firms licensed under Japanese law with extensive experience in the valuation of Japanese commercial properties (over 50% by value have been prepared by the Japanese arm of CBRE Group Inc.);
- the valuations have been prepared to Japanese Real Estate Appraisal Standards as stipulated by the Ministry of Land, Infrastructure, Transport and Tourism;
- the valuations (and previous valuations) have been accepted by Astro Group's auditors as appropriate for use in preparing Astro Group's financial statements (i.e. they meet Australian reporting standards); and
- the external valuers have utilised standard property valuation methodologies including capitalisation of net income, discounted cash flow and, to the extent available, direct comparison (e.g. value per square metre of net lettable area) and cost. The valuation conclusion had regard to the results of each methodology.

This review does not, however, imply that the valuations have been subject to any form of audit or due diligence.

The valuations were undertaken on a going concern basis in accordance with current use and:

- were on a "market value" basis;
- assume the properties are sold individually (i.e. the valuers have not had regard to the potential effect of selling the properties in one line); and
- allow for property management fees and tenant incentives but do not allow for selling costs; and
- do not reflect any other costs for the owner on realisation (e.g. taxes).

Given the short time that has elapsed since 30 April 2017, there is unlikely to have been a material change in the appraisal value up to the date of this report.

4.3.2 Analysis of the Property Portfolio Sale

Independent property valuations (which effectively incorporate a premium for control as each valuation is for 100% of the individual property), represent the primary reference point for assessing fairness. Prima facie, a sale at a price equal to or above an independent market valuation (that is up to date) is "fair".

However, it must also be recognised that portfolios of properties sometimes change hands at premiums to valuation. The reasons for these premiums vary from case to case but typically reflect one or more of the following factors:

- the value of a portfolio to an acquirer in terms of instant diversification and efficiency (both in time and cost) when compared to accumulating an equivalent portfolio on a piecemeal basis over time. In addition, there may be a structural savings in acquiring a portfolio of properties via the acquisition of a listed REIT (e.g. stamp duty savings in Australia);
- economies of scale and synergies that can be achieved through the acquirer's existing operations, particularly funds management, property management and development management activities;
- larger portfolios of quality properties have scarcity value and may represent a strategic acquisition for some buyers;
- increases in the value of individual properties since the latest valuations;
- value inherent in development pipelines (either refurbishment or expansion potential or greenfield opportunities); and
- related operating businesses that contribute to earnings (such as property funds management and asset management services).

Equally, property portfolios may change hands at a discount to valuation because:

- the properties in a portfolio may not all be equally attractive to acquirers and a discount would be applied to non-core assets;
- of weak market conditions with declining property values and limited access to finance; and
- material cost synergies are not available (e.g. due to geographic spread of portfolio).

In the case of Astro Group, the sale price of ¥98.642 billion represents a premium of:

- 2.4% to the aggregate independent valuations as at 30 April 2017 (¥96.3 billion). This is equivalent to a premium of 6.1% on a geared basis (i.e. comparable to a premium over NTA); and
- 3.3% to the aggregate book value as at 31 December 2016 (on a like for like basis) (¥95.5 billion).

The question for securityholders is whether or not a higher premium could be realised in an open market sale or could otherwise be justified. In this context:

- the valuations of the entire portfolio are up to date (30 April 2017);
- the portfolio is 99% leased so there is minimal upside potential from leasing vacant space (some degree of vacancy is inevitable, particularly in retail property);
- the portfolio comprises well established, relatively mature assets. There is little or no development potential across the portfolio (e.g. expansion, refurbishment, redevelopment, spare land capacity). In any event, well advanced development components would typically be reflected in an external valuation;
- the portfolio is of a meaningful size (>$1 billion) and is diversified across 29 properties and several categories (retail, office, residential and hotel). A large portfolio may have some scarcity value. However:

- none of the individual properties are major or "trophy" type assets;
- there is a significant number of relatively small properties. 20 of the 29 have a market value below ¥2.5 billion (~ $30 million). In reality, there are only four or five meaningful assets and even they are not prime assets;
- the diversification may not be attractive to some acquirers. Those acquirers targeting retail (approximately 60% of the portfolio) would need to dispose of, or otherwise deal with, the office, residential and hotel assets; and
- a significant number of properties are now over 20 years old (and are incurring increased maintenance costs);

■ the premium of 2.4% is across the whole portfolio. To the extent that the portfolio includes a number of smaller, less attractive assets that would arguably attract no premium (or even a discount), the effective premium attributed to the better quality properties is more than 2.4%;

■ Grant Samuel is not aware of any compelling evidence that suggests Japanese property assets similar to those owned by Astro Group regularly sell for prices materially greater than current independent valuations. In this context:
- since 2014, Astro Group has sold ten properties at an average premium to book value of approximately 2% (maximum 6%), net of brokerage costs. In any event, this premium is overstated to the extent that book value did not reflect current independent valuations;
- the most comparable recent transaction to the Proposal involved Galileo Japan Trust ("Galileo"), an A-REIT which owned a ¥56.55 billion (~ $640 million) Japanese property portfolio via TK structures. In February 2016, Galileo announced the sale of 18 of its 19 properties to a Japanese entity that was created through an initial public offering ("IPO") to acquire that portfolio (i.e. the portfolio is now owned by a J-REIT)[33]. The net proceeds on realisation of the property portfolio were then to be distributed to Galileo securityholders (in a similar manner to the Proposal). The sale price of the Galileo property portfolio (¥57.85 billion) was 2.3% above book value (which reflected current independent valuations)[34];
- pricing in the listed J-REIT market indicates an overall price/NTA ratio of around 1.1 but with a significant number of J-REITs trading at a discount to NTA. These ratios would not reflect the most recent valuations of all properties in each J-REIT; and
- material variations from current independent valuations are less likely in an economy such as Japan which is characterised by:
  - low population growth and other unattractive demographic features;
  - minimal inflation;
  - largely flat rental/leasing markets (i.e. no rent growth). The vast majority of Astro Group's recent lease renewals have been rolled over at the same rate; and
  - negative central bank interest rates.

Accordingly, it is Grant Samuel's view that any portfolio premium would, at best, be relatively modest.

33 The remaining property (less than 1% of Galileo's portfolio) was considered unsuitable for a J-REIT and was separately marketed.

34 Prior to the global financial crisis which commenced in late 2007, there were four A-REITs dedicated to investing in Japanese real estate assets via TK structures (AJT (now Astro Group), Galileo, Rubicon Japan Trust ("RJT") and Challenger Kenedix Japan Trust ("CKJT")). The financial collapse of Allco Finance Group in November 2008 (the ultimate parent of the responsible entity of RJT) had a range of consequences for RJT and court orders were made to wind up RJT in October 2009. The winding up was finalised in April 2016 with no return to RJT unitholders. In comparison, after exploring a range of options for CKJT, a subsidiary of Challenger Financial Services Group Limited (51% owner of the Master TK Operator and ultimate owner of the responsible entity of CKJT) acquired all of the units in CKJT by way of a trust scheme under which unitholders received $1.00 cash per unit which equated to a 44% discount to NTA (based on current independent valuations) but a 40% premium to recent unit trading.

4.3.3 Interim Distribution

The Astro Group Board have estimated that securityholders will receive an interim cash distribution from the Proposal of approximately $7.18[7] per stapled security. In addition, they will receive:

- final distributions, currently estimated to total 14.0 cents[7] per security incorporating income from 1 July 2017 to completion of the Proposal and Astro Group's share of proceeds from the SSA transaction (net of Spring staff bonuses) and payment of any performance fee to Spring up to the winding up; and
- the ordinary distribution for the six months to 30 June 2017 of 21 cents per stapled security which is to be paid on 31 August 2017.

The estimated interim distribution of $7.18 per security has been calculated based on an exchange rate of A$1.00 = ¥88.50 as follows:

Estimated Interim Distribution		
	¥ billion	**$ million**
Gross sale price of portfolio	**98.642**	
Debt repayment and associated costs	(58.219)	
Other TK assets, liabilities and provisions (net)	(0.563)	
Spring Payment (100%)	(1.952)	
Net proceeds from sale of TK interests	**37.908**	
Disposal fee payable to Spring (100%)	(0.247)	
Sale of Astro Group's 25% economic interest in Spring	0.523	
Transaction costs	(0.418)	
¥ denominated proceeds	**37.766**	**426.7**
Australian liquid net assets of Astro Group		9.0
Interim distribution to Astro Group securityholders		**435.7**
Astro Group stapled securities on issue (million)		60,652,466
Interim distribution per stapled security		**$7.18**

Securityholders should note the following:

- the estimated interim distribution of $7.18 per security is not certain as:
  - the deductions (other than the Spring Payment) are calculated based on the 30 June 2017 management accounts and subject to audit adjustment. In addition, while Astro Group believes that most of the deductions can be estimated with a reasonable degree of confidence, there is some risk that some costs or expenses could exceed the estimates; and
  - it is calculated based on an A$1.00 = ¥88.50 exchange rate. Under the foreign exchange hedging arrangements that Astro Group has entered into protect the A$ value of the interim distribution, the distribution could fall in the range of $7.11-7.38 per security (assuming the current deduction estimates); and
- the sum received for the sale of Astro Group's 25% economic interest in Spring reflects its 25% share of the Spring Payment plus the disposal fee and the performance fee (if any) paid to Spring (net of Spring staff bonuses).

4.3.4 Conclusion

In Grant Samuel's opinion, the Proposal is fair. The financial benefit given to the related party (the TK interests sold to Blackstone and the Spring Payment) is not more than the consideration received. The reasons for that conclusion are set out below:

- the gross sale price of ¥98.642 billion exceeds the aggregate independent value of Astro Group's investment property portfolio (by 2.4%) and, given the limited basis for a premium, is arguably at the upper end of the range;

- the Spring Payment and the broader Spring Arrangements confer a substantial benefit indirectly on Eric Lucas via Spring Group (see Section 4.5). The Spring Payment is more than the probable present value of the financial loss to Spring Group from the termination of the asset management agreements and the aggregate benefits of the Spring Arrangements are beyond the norms that might be expected in Australia. However:
  - the Spring Payment incorporates a facilitation payment as well as compensation for termination. The transaction cannot proceed without Spring's active co-operation;
  - the arrangements reflect the relative bargaining positions (see Section 4.5) and are a result of the contractual arrangements inherent in the TK structure, in particular the terms of the asset management agreements (which involve a high degree of entrenchment of Spring) and Astro Group's inability to control decisions relating to the assets. These arrangements give Spring an effective veto power;
  - while it is not necessarily a benchmark for the appropriate value, the other proposals received by Astro Group involved indicative termination payments well above the level of Spring Payment; and, most importantly
  - the net sale proceeds of ¥96.69 billion (being the gross sale price of ¥98.642 billion less the Spring Payment of ¥1.952 billion) exceeds the aggregate independent value of the property portfolio as at 30 April 2017 (¥96.3 billion). Accordingly, even after the payment to Spring Group, securityholders are realising a premium (albeit small) for the property portfolio;
- Blackstone has advised Astro Group that the ongoing involvement of Spring and the co-investment by Spring Group are fundamental to Blackstone's interest in the property portfolio and underpin the gross price it is paying. This supports the proposition that the various elements of the Proposal are inextricably linked and need to be evaluated as a single transaction. In this regard, it is arguable that the cost of the Spring Payment is, to some extent, offset by the premium that Blackstone has agreed to pay. In other words, in the absence of involvement of Spring Group with Blackstone, the price for the portfolio would be lower;
- subsequent to receiving the initial approach from Lone Star and prior to reaching agreement with Blackstone, the Astro Group Board engaged with a number of potential acquirers. The process was not a formal auction or widely publicised and did not involve extensive canvassing of the market. However, the Lone Star approach was public knowledge as was the willingness of the Astro Group Board to examine alternative proposals and several interested parties emerged. Over this period, no party submitted a credible proposal that was superior to the Proposal in terms of the net proceeds received by Astro Group (i.e. net of any facilitation and/or termination fees payable to Spring); and
- the estimated interim distribution of \$7.18 per security is a 5% discount to NTA at 30 June 2017 (\$7.56) but:
  - NTA at 30 June 2017 reflected an exchange rate of A\$1.00 = ¥86.07. If restated for the exchange rate used in determining the net proceeds (i.e. A\$1.00 = ¥88.50) and adjusted to reflect Astro Group's share of the FY17 performance fee to Spring, proforma NTA would be \$7.36 and the discount would be only 2.4%;
  - the discount of 18 cents[30] to proforma NTA (\$7.36) is attributable to the costs incurred in the sale process and winding up (break costs, loan prepayment penalties, disposal fee and transaction costs). In aggregate, these costs are estimated at approximately 30 cents per security (more than offsetting the small net premium on the portfolio sale); and

    a discount from NTA even on a going concern basis is not unreasonable if a general allowance is made for the capitalised overheads of managing a portfolio.

If the estimated Spring costs of $3 million[35] are used as a proxy and capitalised at the same rates as the property portfolio (5%), the adjusted proforma NTA would be approximately $6.37[36] per stapled security.

4.4 Reasonableness

4.4.1 Introduction

The sale of Astro Group's property portfolio and the subsequent winding up will result in cash distributions to securityholders currently estimated to total approximately $7.32 per security[37]. The transaction is economically equivalent to a cash takeover offer for Astro Group, albeit with less certainty as to the final sum received and a longer time period until full and final settlement (although 99% of the distribution will be almost immediate).

In this respect, the issues relating to reasonableness are relatively straightforward. In Grant Samuel's view, they revolve around whether there are alternatives available (including the status quo) that would lead to a superior outcome for securityholders.

4.4.2 Alternatives

The most obvious alternative to the Proposal is a takeover offer for Astro Group itself. In theory, a takeover would be more efficient because it could avoid some costs such as incremental withholding taxes, debt break costs, loan prepayment costs and liquidation expenses and could possibly obviate the need to terminate the Spring management arrangements.

However, in Grant Samuel's opinion, a takeover offer for Astro Group is unlikely and not an option practically available to Astro Group securityholders:

- the parties likely to be interested in acquiring Astro Group's underlying assets (i.e. the property portfolio) are large international investment institutions/funds located offshore from Australia. They are highly likely to want to own an interest in Japanese property directly rather than via an Australian based intermediary holding structure with its attendant potential taxation inefficiencies (at a minimum Australian withholding tax on income and capital gains with no benefit from dividend franking) and additional administration and compliance costs; and
- an acquirer of Astro Group would inherit the TK arrangements under which the asset management is largely in the hands of a third party (Spring). It is almost certain that acquirers will want some degree of control over the assets and would require that they renegotiate or restructure the arrangements with Spring as part of any transaction (i.e. termination/facilitation payments would not be avoided).

This attitude has been confirmed during the recent discussions with interested parties and it is notable that a number of recent sale transactions involving Australian REITs owning offshore property portfolios have been structured as sales of the underlying portfolio (including Galileo, Tishman Speyer Office Fund and Charter Hall Office REIT (in relation to its US portfolio)).

In any event, acquirers may want to refinance the portfolio and would inherit potential tax liabilities (and hence would allow for these costs in their pricing).

Accordingly, the net savings from a takeover offer relative to a sale/windup transaction may not be material.

The other primary alternative would be for Astro Group to seek to terminate the TK Agreements which would trigger a sale process. Superficially, this option may be

35 Refer Section 4.5.3(i) for calculation.

36 Proforma NTA ($7.36) less capitalised Spring costs ($3 million divided by 5% divided by securities on issue) (i.e. $7.36 – $0.99).

37 Aggregate of the estimated interim distribution ($7.18 per security) and the estimated final distribution ($0.14 per security)

attractive because it would potentially avoid the need to pay termination fees to Spring (approximately $17 million net of Astro Group's 25% share). However:

- in the absence of a breach of the agreement, the termination right can only be exercised at the end of a financial year and requires six months' notice (i.e. the earliest date the process could be commenced is 30 June 2018);
- termination of the TK Agreements requires lenders consent. Astro Group has no relationship with lenders under the TK arrangements. These relationships are managed by Spring. Failure to gain consent would be an event of default under the loan agreements which could have severe adverse consequences on the net proceeds received from the sale of the properties;
- the individual TK Operators will control the sale process at their discretion. The consequences will be that:
  - there is no fixed timetable to undertake sales;
  - each TK Operator can undertake its own sale process and there will not necessarily be any co-ordination. Assets may well be sold in a piecemeal fashion incurring brokerage and other selling costs (circa 2-3%) which are not reflected in the independent valuations. Even a sale of the assets as a single portfolio would likely incur brokerage costs; and
  - the TK Operator has an obligation to maximise the proceeds but it determines whether or not the sale price is satisfactory. Astro Group has no control over, or say in, this process.
- the individual TK Operators would almost certainly utilise Spring (as the asset manager) to undertake the sale process. Spring would have no incentive to act quickly to achieve the best possible outcome or otherwise assist in the process beyond its strict legal obligations (although Eric Lucas would have an incentive through his 11.6% interest in Astro Group);
- Spring would be entitled to its full disposal fee (0.5% of gross sale proceeds); and
- other costs and expenses incurred under the Proposal (such as withholding taxes and debt break/prepayment costs) will still be incurred under this process.

The net result is likely to be a highly unsatisfactory process and outcome for Astro Group securityholders where assets are realised for suboptimal prices over a considerable period of time with cash returned in "dribs and drabs" over an extended period (probably a minimum of two years from today). If assets were sold individually the better assets could be settled fairly quickly but there would undoubtedly be a "long tail" for the minor assets.

Another option would be to follow the path of Galileo and seek to sell the assets into a (new) J-REIT set up to house the property portfolio. The Astro Group Board has explored this alternative but has determined that it is not viable for Astro Group or likely to deliver a superior outcome. The primary issues are that:

- commercially, it is the same as the Proposal in that the portfolio is sold for cash to a third party and the business is then wound up with proceeds returned to investors (i.e. investors do not "roll over" into a J-REIT). The only difference is that the acquirer is a J-REIT rather than Blackstone;
- as a precedent, the Galileo sale realised a 2.3% premium to current independent valuation (compared to the 2.4% premium being offered by Blackstone). It would be difficult to succeed with an IPO priced at the 6.1% premium over NTA implied by the Blackstone offer;
- the sale process would be less certain because it would be dependent on the success of the IPO for the new J-REIT;
- Astro Group has been advised that a number of properties in the portfolio would not be regarded as suitable for the J-REIT market and would have to be separately sold, which would further complicate the process (and probably result in a lower value outcome and a slower return of all cash);

- Astro Group was unable to find a party or group of parties willing to take on the role of sponsoring and driving the IPO process; and
- there may be existing J-REITs that may be interested in the portfolio but they are no different to Blackstone or any other acquirer.

The net result is that these alternatives were not considered by the Astro Group Board to be likely to provide a superior outcome to a negotiated transaction such as the Proposal. Nevertheless, it remains open for other parties to put forward a superior proposal prior to the meeting (although they have already had a significant period of time in which to engage).

4.4.3 Status Quo

The status quo is a viable option but:

- during 2017 Astro Group securities have been trading at around \$6.40 (mostly in the range \$6.30-6.70). This price represents a significant discount to Astro Group's NTA (\$7.56 per security at 30 June 2017 or \$7.36 adjusted for current exchange rates and other adjustments, refer Section 4.3.4). Historically, the discount to NTA has been in the order of 10-20%;
- there are no obvious catalysts that would trigger a rerating. Trading in Astro Group securities will continue to be hampered by its relatively small size and low liquidity levels as well as its existing cost structure;
- the security price performed strongly between 2013 and 2016, more than doubling from around \$3.00 to around \$7.00. However, most of this growth has come from capital initiatives (particularly the debt forgiveness, and to a lesser extent, the buybacks) with some further impetus from the strengthening of the ¥ during that period;
- looking forward, there is less opportunity for similar large gains. Borrowings are now stabilised. The portfolio is settled and excess cash has been fully deployed. Moreover, the Japanese market is producing minimal rental growth and this is not expected to change in the near future. Gains from this point on are likely to be limited to:
  - more intensive management of assets (including rental growth); and
  - portfolio optimisation.

  Currency movements will also play a key role but there is no reason to expect a sustained rise in the ¥ (against the A\$); and
- the Spring management arrangements would remain in place almost certainly until at least 2029 (and quite likely beyond that date). Even beyond that date, the TK arrangements mean that it would be necessary to continue to engage an asset manager (although it might be possible to engage a manager on more advantageous terms).

In the absence of the Proposal (or any similar proposal), Astro Group securities are likely to trade at levels materially below the estimated interim distribution of \$7.18 per security.

4.4.4 Premium for Control

The Proposal provides an estimated interim distribution to securityholders of \$7.18 per security, representing a premium of:

- 13.1% to the closing price on 31 July 2017 (the day prior to announcement of the Proposal) of \$6.35;
- 12.0% to the VWAP[38] for the 30 days prior to 31 July 2017 of \$6.41;

[38] VWAP = volume weighted average price

- 21.3% to the closing price on 6 March 2017 (the day prior to announcement of the Lone Star proposal) of $5.92; and
- 11.7% to the VWAP during 2017 up to 31 July 2017 of $6.43.

The premium is akin to the premium for control that securityholders would receive in a takeover offer. The implied premiums are relatively modest compared to those typically observed in takeovers (usually stated to be in the order of 20-35%). However, this is not uncommon for REITs because:

- they are yield based investment vehicles that typically pay out close to 100% of earnings;
- they are passive asset owners rather than active businesses; and
- there are limited opportunities for acquirers to generate synergies.

4.4.5 Taxation

Details on taxation consequences of the Proposal and the subsequent winding up of Astro Group for Australian resident individuals who hold their investment on capital account are set out in the letter prepared by Greenwoods & Herbert Smith Freehills in Section 9 of the Explanatory Memorandum. The taxation consequences for Astro Group securityholders will depend on their individual circumstances. If in any doubt, securityholders should consult their own professional adviser.

However, for Australian resident securityholders who hold their securities on capital account it is estimated that almost all of the interim distribution of $7.18 per security will represent a return of capital and will be taxed in a similar manner to the proceeds of a takeover offer (i.e. capital gain, subject to the 50% discount for individuals).

4.4.6 Conclusion

A proposal that is "fair" is definitionally "reasonable". In any event, it is Grant Samuel's opinion that the Proposal is reasonable:

- the primary benefit of the Proposal is that it realises a cash value for Astro Group securities that:
  - is in line with the underlying value of Astro Group's assets; and
  - represents a material premium over the trading price prior to the announcement of the Proposal;
- the primary disadvantage is that it involves a cumbersome process that incurs additional costs for securityholders compared to, say, a conventional takeover offer. However, as discussed below, alternatives that could avoid these costs are highly unlikely to be available for Astro Group;
- Astro Group has engaged with a number of parties over the past few months. During that period no credible alternative proposal that was superior to the Proposal was received. It remains open for interested parties to put forward a superior proposal up until the securityholder meeting to consider the Proposal, although they have already had a significant period of time in which to do so. In this context, any compensating amount payable to Blackstone is limited to $1.5 million;
- there are no alternative structures realistically available that would provide a better outcome (e.g. by avoiding the various costs associated with sale and winding up). A takeover offer for Astro Group is unlikely and unilateral termination of the TK arrangements is likely to be suboptimal. The other proposals received by Astro Group all envisaged a sale of the portfolio and winding up as the preferred structure. Further, most acquirers will probably want to apply their own tailored financing structures (within a short period) so it is difficult to avoid the loan break costs and prepayment penalties; and

- if the Proposal does not proceed, Astro Group stapled securities are likely to fall back towards the previous trading range (broadly around $6.40) in the absence of any alternative proposal. The trading in Astro Group securities will continue to be impacted by movements in the ¥:A$ exchange rate and factors such as its relatively small size, limited liquidity and existing cost structure. It is also likely to be hampered by a perception of limited growth potential (a mature portfolio in a market with minimal rental growth and limited opportunity for corporate activity).

To the extent they are relevant, Grant Samuel believes the specific items listed in RG111.26 (for related party transactions) are covered above.

4.5 The Spring Arrangements

4.5.1 Introduction

Under the Proposal:

- Blackstone will make the Spring Payment of ¥1.952 billion (approximately $22.1 million[7]) which will be deducted from the price paid for the TK interests. The payment is in respect of both termination of the current asset management agreements and facilitation of the Proposal;
- Spring is entitled (under existing arrangements) to a disposal fee on the sale of the portfolio. Spring has agreed to reduce the fee by 50% from the amount that would otherwise have been paid. Spring is also entitled to performance fees until completion of the Proposal; and
- Astro Group is entitled to its 25% share of the Spring Payment (approximately $5.5 million[7]) together with its share of:
  - any performance fee paid to Spring for the period up to completion of the Proposal (net of Spring staff bonuses); and
  - the disposal fee due to Spring on the sale of the property portfolio to Blackstone (net of Spring staff bonuses).

  Structurally, Astro Group will sell its 25% economic interest to Spring for a price reflecting these entitlements.

  Astro Group will also receive its share of the payment to Spring for the termination of the SSA management arrangement, net of Spring staff bonuses (approximately $4 million[7]).

Separately, Astro Group has been advised that Spring Group has entered into a number of arrangements with Blackstone. In summary, these are that:

- Spring will be reappointed as the asset manager of the property portfolio at approximately the same level of base asset management fees but the term will be shorter. Spring can be terminated without cause after a minimum of 12 months, subject to a minimum payment of 2.5 years base fees. Spring will not receive acquisition fees but will be entitled to disposal fees (albeit at levels materially less than its present entitlement). There is also a one off performance fee (payable on realisation of substantially all of the portfolio); and
- Spring Group has agreed to co-invest alongside Blackstone and acquire an equity interest in the real estate portfolio. In connection with this investment:
  - Spring Group will receive an effective rebate (delivered through increased equity) of a substantial portion its share of the transaction costs incurred by Blackstone (on the grounds that Eric Lucas already owns an equivalent interest in the assets) and a zero cost option over additional equity interests in the real estate portfolio in mitigation of leverage, control and tax issues (the value of which will vary subject to portfolio performance). Blackstone has advised Astro

Group that these benefits have an aggregate current value of ¥800-1,000 million (approximately $9.0-11.3 million[7]); and

- Spring Group will receive a low cost limited recourse, interest bearing loan of up to ¥1 billion (approximately $11.3 million[7]) against its equity interest in the real estate portfolio (to compensate for the risk of a higher degree of leverage in the acquisition vehicle compared to Astro Group).

At one level the Spring Payment and the other elements of the Spring Arrangements (cost rebate, loan and option) are not directly relevant to Astro Group securityholders. These are largely internal arrangements between Blackstone and Spring Group. The substantive issue for Astro Group securityholders is whether the net cash received under the Proposal represents fair value and is at least consistent with the net value that could be expected from an arm's length party.

Nevertheless, the Spring Arrangements need to be transparently presented to Astro Group securityholders and scrutinised.

4.5.2 Basis for the Spring Payment

The Spring Payment is the only element that involves consideration to be provided by Astro Group to the related party (albeit the payment is made by Blackstone). The threshold question for any analysis of a transaction such as the Spring Payment is whether such a payment is warranted at all. If it is, then the quantum can be evaluated:

- based on various criteria such as the nature of the agreement (essentially the degree of entrenchment), the level of profitability, the type of services delivered; and
- relative to benchmarks from other comparable transactions.

In Australia, payments to fund or asset managers in situations where their contracts are effectively terminated as part of a broader transaction are commonplace but:

- the quantum and implied parameters (e.g. multiples of revenue or profits or percentage of assets under management) varies substantially depending on the circumstances;
- the payments can be in respect of:
  - termination of existing contractual arrangements; or
  - facilitation of the proposed transaction. This would typically involve assistance with gaining necessary consents, dealing with any other contractual or legal issues, documentation of the transaction, transfer of information and corporate knowledge and generally assisting in the transition to a new owner/manager; or
  - a mixture of the two.

In Grant Samuel's opinion, there is a clear case for making a payment to Spring Group for termination and facilitation:

- the TK arrangements effectively require an asset manager in perpetuity (i.e. the function cannot be "internalised");
- Spring's contract will expire in 2019 but there are two five year extensions that can extend it to 2029. While the extensions are subject to approval based on Spring's performance:
  - there is no published index against which Spring's performance can be measured;
  - in the absence of an index, the decision is in the hands of the individual TK Operators based on an overall assessment of the performance including but not limited to the performance against similar assets in the Japanese property market;
  - following an approach by Spring, the TK Operators reviewed Spring's performance in 2014 and indicated that, barring a material deterioration in

performance, they would plan to continue Spring's performance beyond that date; and

- while Astro Group may be consulted by the TK Operators it is not in a position to direct them;

- appointments beyond 2029 are a matter for the TK Operators (and it should be noted that the TK Operators were initially appointed by Spring);
- the Astro Group Board has publicly stated that they are satisfied with the performance of Spring and:
  - believe that it has provided a compelling proposition for Astro Group; and
  - it is not aware of an alternative platform that would deliver the same strategic benefits.

  Accordingly, there is no reason to believe at the present time the Astro Group Board would recommend non renewal of the Spring management agreements or the replacement of Spring as asset manager post 2029; and
- Spring's co-operation is also required to facilitate the Proposal (or any alternative proposal) as a whole, reflecting its role as the key day to day manager of the assets compared to Astro Group's position as a passive (contractual) investor in the TKs (with no control of underlying assets and no control of operation or management). The key roles are:
  - managing the provision of information to enable Blackstone's due diligence to be completed; and
  - obtaining necessary lender consents (and negotiating break fees and prepayment penalties). Spring has the primary relationship with the lenders to the TKs (and negotiated the original facilities). Astro Group has no relationship with the lenders.

  Other roles include:
  - liaison with key tenants;
  - provision of information for necessary disclosures by Astro Group; and
  - assisting in presentations to Astro Group securityholders.

While the arrangements that lead to this situation may appear less than ideal they are a consequence of the TK structure. Whether securityholders like it or not, that is the reality of the current arrangements. At the same time, it should be acknowledged that the TK structure does provide some significant benefits such as a reduced tax rate on earnings (20.42% compared to rates in excess of 42% that would otherwise apply).

4.5.3 Spring Payment Value Analysis

There is no standard benchmarking for the appropriate quantum to be paid, as it depends on the individual circumstances of the manager's position. Nevertheless, the Spring Payment can be looked at from a number of perspectives:

i) Earnings Multiples

Estimating the underlying earnings and revenues of Spring (in relation to its Astro Group management agreements) is not straightforward and Astro Group does not have full transparency (despite its 25% economic interest). Accordingly, the analysis should be treated with caution. Fees paid to Spring since FY13 (in A$ terms to provide more meaningful context for Astro Group securityholders) are summarised below:

Fees Paid to Spring ($ millions)					
	Year ended 30 June				
	2013	**2014**	**2015**	**2016**	**2017[39]**
Asset base fee	5.9	4.9	4.5	5.1	5.1
Asset performance fee	-	-	-	-	-
Trust performance fee	-	2.5	1.5	5.1	1.1
Management fees	**5.9**	**7.4**	**6.0**	**10.2**	**6.2**
Transaction fees	2.1	0.3	0.8	0.8	0.5
Total	**8.0**	**7.7**	**6.8**	**11.0**	**6.7**

Source: Astro Group

In assessing a normalised level of fee income it is necessary to consider the following:

- based on the current property portfolio the level of asset base fees would now be approximately $5.1 million per annum;
- performance fees are inherently unpredictable and it is unlikely that they would be sustained year after year (although the Astro Group fee structure eliminates any underperformance after three years). The fees paid in FY14 to FY17 reflected the increase in the security price over that period which was largely due to one off factors such as the debt forgiveness; and
- transaction fees (acquisitions, disposals and financing) are likely to reflect lower activity levels going forward now that the excess cash has been fully invested. However, there is still likely to be some level of activity as the portfolio is continually optimised and adjusted. Debt will need to be refinanced on an ongoing basis as facilities mature. Transaction fees paid over the past five years averaged $0.9 million per annum.

For the purposes of this analysis, Grant Samuel has assumed a sustainable revenue level for Spring of $5.75 million per annum.

Spring's historical cost base is distorted by expenses not related to Astro Group activities (including the SSA management contract). Astro Group management and its advisers have estimated a pro forma cost base for Spring (in respect of the Astro Group management agreements) of $3 million per annum (~¥240 million) based on 12 employees[40].

The resultant EBIT of $2.75 million represents a margin of approximately 50% which is not inconsistent with available evidence as to the EBIT margins of Australian based property fund managers (generally between 40% and 60%).

On this basis, the Spring Payment represents an implied EBIT multiple of approximately 8.0 times.

Appendix 2 sets out transaction evidence from a wide variety of Australian transactions since 2009 covering:

- acquisitions of integrated real estate platforms and property funds management businesses or contract rights; and
- internalisations (i.e. termination of external fund management contracts).

While these are not directly comparable to the Spring Payment they are broadly analogous and provide a relevant benchmark. The evidence varies widely, with EBIT multiples (or equivalent measures such as net cost savings) varying from below 4

39 Unaudited management estimate.

40 2 senior managers, 3 property manager supervisors, 2 acquisition/disposals, 3 accounting/finance, 2 administration. To the extent the transaction fee income was less than the level indicated in the revenue estimate, it could be expected that the executive positions relating to acquisitions/disposals may be reduced or eliminated.

times to around 10-11 times. The Spring Payment sits towards the upper end of this range which Grant Samuel regards as appropriate given:

- the highest multiples generally applied in large scale internalisations with high levels of (practical) entrenchment (e.g. CFS Retail Property Trust Group) or high quality, diversified real estate platforms (Westfield, Investa); and
- the expected term of the Spring management agreements (at a practical level) combined with Spring's significant role in facilitating the Proposal justifies a multiple well above the transactions at the lower end (i.e. the payment relates to both termination and facilitation).

ii) Percentage of Funds/Assets under Management

Another common benchmark for analysing these types of transactions is to calculate the payment (or acquisition price) as a percentage of the assets ("AUM") or funds ("FUM") managed by the entity. While this is a relatively crude measure and does not take account of the underlying profitability of the manager (which is the ultimate driver of value) it is widely used and is relatively objective.

The Spring Payment is equivalent to 1.9% of the Astro Group assets that Spring manages.

The percentage of FUM/AUM ratios for the comparable transactions considered above (in relation to earnings multiples) are also set out in Appendix 1. Similarly, they show a wide range of outcomes depending on the individual circumstances. However, some relevant benchmarks are discussed below:

- Growthpoint Properties Australia paid GPT Group an amount equal to 2% in relation to its acquisition of the GPT Metro Office Fund in 2016. GPT's management role involved no entrenchment and could be terminated by unitholders immediately at no cost;
- DEXUS Property Group paid Commonwealth Bank of Australia ("CBA") an amount equal to 1.1% in relation to its acquisition of Commonwealth Property Office Fund in 2013 which was described as solely in relation to facilitation of the transaction (and associated transition services);
- the payment to CBA in relation to internalisation of the CFS Retail Property Trust Group in 2013 represented 3.3%; and
- a large number of other transactions fall in 1-3% range.

It is difficult to assess whether the benchmarks in the Japanese market are materially different. Astro Group has advised that Spring received a payment equal to 4% of AUM in the recent transaction where it sold its 25% interest in the company managing the J-REIT Sekisui House SI Residential Investment Corporation. This indicates termination payments may be higher in Japan. However, Grant Samuel is not aware of any other similar transactions in the Japanese market for which reliable data is publicly available.

The other (non binding) offers received by Astro Group also involved substantial payments to Spring, indicatively at around 4% of AUM. However, this does not necessarily mean these levels are appropriate from the perspective of non associated securityholders.

It is difficult to be definitive about the appropriate benchmark, but in view of the fact that the Spring Payment encompasses both a facilitation payment and a termination payment (for a long term contract with a strong degree of entrenchment) a payment of 1.9% is consistent with, if not more favourable than, market evidence.

4.5.4 Value of Other Components

While the principle is clear, measurement of the precise quantum of the benefit of the other components of the Spring Arrangements is not possible as key elements are:

- in the form of equity options, the value of which will vary subject to portfolio performance (the zero cost option);
- uncertain in value. The loan confers no direct value but the limited recourse nature does create an option value (with an exercise price equal to interest paid less distributions received); or
- of uncertain duration (the ongoing management agreements).

To the extent that they can be quantified:

- the management agreement should deliver approximately $2.1 million per annum in earnings to Spring, ignoring disposal fees and performance fees (i.e. proforma base fees of $5.1 million less estimated costs of $3 million). The typical time horizon for investors such as Blackstone is in the order of five years. However, in this case, Blackstone may terminate the arrangements after 12 months (subject to paying a minimum of 2.5 years base fees);
- the avoidance of a share of transaction costs incurred by Blackstone and the zero cost option in aggregate are estimated to be worth ¥800-1,000 million (approximately $9.0-11.3 million[7]). However:
  - it is arguable that the avoidance of transaction costs does not confer a direct benefit on Spring Group given its existing interest in Astro Group (i.e. it already owns a share of the assets so should not have to pay costs to re-acquire them); and
  - the estimate allows for the maximum face value for the equity option but the option could be worth zero depending on the future performance of the portfolio (which will start from a base 2.4% above valuation); and
- the low cost limited recourse loan will be up to ¥1 billion (approximately $11.3 million[7]). The “option” value of such a facility is not readily realisable (the value of “optionality” diminishes over time). The direct value of such a loan is arguably minimal unless the acquisition experiences financial distress in which case Spring Group will have avoided an equivalent loss of value (assuming that it would have otherwise invested the same amount of its own capital).

4.5.5 Conclusion

The Spring Arrangements deliver substantial value to Spring Group (and indirectly to Eric Lucas).

The Spring Payment is consistent with market evidence if the Spring management arrangements were actually being terminated but, in fact, the probable loss to Spring is substantially less and, arguably, it need only be compensated for the extent to which the new arrangements are less lucrative than the current arrangements. In this respect, the potential loss would incorporate:

- income in the years subsequent to termination by Blackstone. While this is not known at this point in time, if the term is in line with the typical five year investment horizon of investment funds such as Blackstone, the loss is only from 2023-2029; and
- the lower level of transaction and performance fees; offset by
- Mr Lucas’ indirect 98% economic interest in Spring compared to his current 74% economic interest.

From a purely financial perspective, the Spring Payment exceeds the direct financial loss to Spring Group (although part of the payment is attributable to facilitation rather than termination). The additional value delivered through the other elements of the Spring Arrangements exacerbate this situation.

Nevertheless, it is clear that the Proposal as a whole is in the best interests of non associated securityholders:

- the relevant test for Astro Group securityholders is whether the net cash sum received under the Proposal is consistent with market value and at least equivalent to the net proceeds that would be received from arm's length parties. In Grant Samuel's opinion, the consideration is fair.

  No alternative proposals that would deliver a superior outcome for Astro Group securityholders have been received. If there are, interested parties will have sufficient time prior to the securityholder meeting to put forward such a proposal.

  There are no alternative transaction structures that will produce a superior outcome realistically available to Astro Group;
- the direct cost to Astro Group securityholders is only the Spring Payment (approximately $22.1 million[7] less Astro Group's 25% share of $5.5 million) that will be deducted in determining the net proceeds to be distributed. The other elements are benefits provided by Blackstone to Spring Group which:
  - are not paid in cash but are in the form of equity in the real estate portfolio (or the financing of that equity);
  - are in a number of cases contingent on strong future performance of the portfolio (starting from a base 2.4% above current independent valuations); and
  - even if they did not exist, would not necessarily mean that Blackstone would increase the price it was prepared to pay for the property portfolio (i.e. there is no measurable loss of value to securityholders). In fact, Blackstone has advised Astro Group that Spring Group's ongoing participation as manager and as a co-investor is fundamental to Blackstone's willingness to invest and underpins its ability to pay the price it proposes. In this respect, the two elements (portfolio acquisition price and Spring Arrangements) cannot be looked at in isolation from each other;
- the Spring Arrangements reflect the limited bargaining position that Astro Group has under the TK structure. The structure means that Spring has a central role in, and considerable decision making power over, both the day to day operations of the business and any corporate transaction that Astro Group wishes to undertake. In effect it has a veto power. Astro Group needs not only Spring's consent but its active co-operation to execute any realisation transaction. Whether securityholders like it or not, that is the reality of the TK structure; and
- the Spring Arrangements facilitate the broader Proposal under which securityholders will realise net proceeds estimated to be approximately $7.18 per security which provides securityholders with:
  - the opportunity to realise a cash sum consistent with the full underlying value of the Astro Group property portfolio; and
  - a material premium over the recent trading in Astro Group securities.

4.6 Securityholder Decision

Grant Samuel has been engaged to prepare an independent expert's report setting out whether in its opinion the Proposal is fair and reasonable to the non associated securityholders and to state reasons for that opinion. Grant Samuel has not been engaged to provide a recommendation to securityholders in relation to the Proposal, the responsibility for which lies with the Astro Group Board.

In any event, the decision whether to vote for or against the Proposal is a matter for individual securityholders based on each securityholder's views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from securityholder to securityholder. If in any doubt as to the action they should take in relation to the Proposal, securityholders should consult their own professional adviser.

5 Qualifications, Declarations and Consents

5.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services (in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally) and provides marketing and distribution services to fund managers. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 530 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Stephen Wilson BCom MCom(Hons) CA(NZ) SF Fin and Caleena Stilwell BBus FCA F Fin GAICD. Each has a significant number of years of experience in relevant corporate advisory matters. Each of the above persons is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

5.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Proposal is fair and reasonable to the non associated securityholders. Grant Samuel expressly disclaims any liability to any Astro Group securityholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Grant Samuel has had no involvement in the preparation of the Explanatory Memorandum issued by Astro Group and has not verified or approved any of the contents of the Explanatory Memorandum. Grant Samuel does not accept any responsibility for the contents of the Explanatory Memorandum (except for this report).

5.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Astro Group, Spring Group, Blackstone or Blackstone Group or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal.

Grant Samuel commenced analysis for the purposes of this report in May 2017 prior to the announcement of the Proposal. This work did not involve Grant Samuel participating in setting the terms of, or any negotiations leading to, the Proposal.

Grant Samuel had no part in the formulation of the Proposal. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of $340,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Proposal. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.

5.4 Declarations

Astro Group has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. Astro Group has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Any claims by Astro Group are limited to an amount equal to the fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to Astro Group and its advisers and to Spring Group and its advisers. Advance drafts of this report were also provided to Blackstone and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

5.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Explanatory Memorandum to be sent to securityholders of Astro Group. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

5.6 Other

The accompanying letter dated 1 August 2017 and the Appendices form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED
1 August 2017

Grant Samuel & Associates

Appendix 1

Investment Property Portfolio

Astro Group – Investment Property Portfolio							
TK / Property	TK Interest (%)	Property Type	Occupancy by Area	Adjusted Book Value[1] 31 Dec 2016 (¥ billion)	Capital-isation Rate (30 April 2017)	Independent Value 30 April 2017 (¥ billion)	Portfolio Composition (by value)
JPT Co. Ltd. ("JPT")							
Konan Home Centre	100%	Retail	100%	12.0	5.3%	12.3	12.8%
Ginza Dowa	100%	Office	100%	9.0	4.2%	9.0	9.3%
JPT Total				**21.0**		**21.3**	**22.1%**
JPT Scarlett Co. Ltd. ("JPTS")							
Shinjuku Fuji	100%	Retail	100%	4.3	5.8%	4.3	4.5%
Takadanobaba	100%	Office	100%	1.7	5.0%	1.7	1.8%
OS Tsukiji	100%	Office	100%	1.3	5.1%	1.3	1.3%
G-Clef Kamata	100%	Residential	100%	1.2	5.5%	1.2	1.3%
Prime Kanda	100%	Office	100%	1.2	5.3%	1.2	1.3%
Asakusa	100%	Office	100%	1.1	5.9%	1.1	1.1%
Kajicho Ekimae	100%	Retail	100%	0.7	5.5%	0.7	0.7%
Nishi Kasai	100%	Residential	100%	0.6	6.0%	0.6	0.6%
JPTS Total				**12.1**		**12.1**	**12.6%**
JPT Corporate Co. Ltd. ("JPTC")							
Kawasaki Dice	48%	Retail	100%	14.0	4.4%	14.2	14.8%
JN	100%	Office	100%	8.3	4.8%	8.3	8.6%
Tosabori	100%	Residential	100%	5.2	5.0%	5.1	5.3%
JPTC Total				**27.5**		**27.6**	**28.7%**
JPT Newton Co. Ltd. ("JPTN")							
Shibuya Konami	100%	Retail	100%	2.4	4.5%	2.4	2.5%
Tsudanuma	100%	Retail	100%	2.0	5.7%	2.2	2.3%
Harajuku Bell Pier	100%	Retail	100%	1.8	4.2%	1.8	1.9%
Susono	100%	Retail	100%	1.7	6.2%	1.7	1.8%
Forest Kita Aoyama	100%	Office	100%	1.6	4.3%	1.6	1.6%
Higashi Totsuka	100%	Office	74.7%	1.5	6.8%	1.5	1.6%
Motomachi	100%	Retail	40.5%	0.9	5.7%	0.9	0.9%
Round One Nara	100%	Retail	100%	0.8	6.8%	0.8	0.8%
JPTN Total				**12.7**		**12.9**	**13.4%**
JPT Omega Co. Ltd. ("JPTO")							
Sekijomachi	100%	Residential	100%	2.6	5.7%	2.6	2.7%
Matsudo Nitori	100%	Retail	100%	2.3	5.3%	2.3	2.4%
Matsudo Nitori Parking	100%	Retail	100%	0.4	5.3%	0.4	0.4%
JPTO Total				**5.3**		**5.3**	**5.5%**
Arabesque S Godo Kaisya ("JPTGK")							
Musahino Towers	64%	Retail	100%	3.5	4.8%	3.7	3.8%
JPTGK Total				**3.5**		**3.7**	**3.8%**
KTS&S Co. Ltd. ("JPKT")							
Kuretake Inn Okayama	100%	Hotel	100%	0.8	6.2%	0.8	0.8%
Kuretake Inn Asahikawa	100%	Hotel	100%	0.7	6.3%	0.7	0.7%
JPKT Total				**1.5**		**1.5**	**1.5%**
Godo Kaisha WBF&S (GK WBF&S")							
Hotel WBF Fukuoka Tenjin Minami	100%	Hotel	100%	1.7	5.3%	1.7	1.8%
GK WBF&S Total				**1.7**		**1.7**	**1.8%**
Godo Kaisha FKD&S (GK FKD&S")							
FKD Shopping Plaza Utsunomiya	100%	Retail	100%	10.2	4.7%	10.2	10.6%
GK FKD&S Total				**10.2**		**10.2**	**10.6%**
Total Portfolio			**99.1%**	**95.5**	**5.0%**	**96.3**	**100.0%**

Source: Astro Group

[1] Reported book value (¥84.5 billion) adjusted to reflect the sale of one property (Round One Amagasaki in January 2017) and the purchase of two properties (Hotel WBF Fukuoka Tenjin Minami in March 2017 and FKD Shopping Plaza Utsunomiya in April 2017).

Astro Group – Investment Property Portfolio								
Category	**Number of Properties**	**Net Rentable Area (sqm)**	**Number of Leases**	**Occupancy by Area**	**Adjusted Book Value 31 Dec 2016 (¥ billion)**	**Capitalisation Rate (30 April 2017)**	**Independent Value 30 April 2017 (¥ billion)**	**Portfolio Composition (by value)**
Retail	14	182.810	68	99.5%	57.0	5.0%	57.9	60.1%
Office	8	31,556	78	95.4%	25.7	4.8%	25.7	26.7%
Residential	4	27,105	4	100.0%	9.6	5.3%	9.5	9.9%
Hotel	3	9,606	3	100.0%	3.2	5.8%	3.2	3.3%
Total	**29**	**251,077**	**153**	**99.1%**	**95.5**	**5.0%**	**96.3**	**100.0%**

Source: Astro Group

Appendix 2

Transaction Evidence – Real Estate Funds and Asset Management

A selection of relevant Australian transactions (third party acquisitions, internalisation and internalisation and acquisition of rights to independent funds) since 2008 involving property funds management and asset management rights is set out below:

Recent Transaction Evidence - Real Estate Funds and Asset Management[1]

Date	Target	Transaction	Management (FM/AM/DM[2])	Property Category	Consid-eration[3] ($ millions)	AUM[4] ($ millions)	Consid-eration/ AUM	EBIT Multiple[5] (times)		Multiple of Net Savings (times)
								historical	forecast	
Integrated Real Estate Platform										
Third Party Acquisitions										
Nov 2016	360 Capital Investment Management Limited	Acquisition by Centuria Capital Limited	FM,AM,DM	Diversified	91.5[6]	1,397	6.6%	na	10.1	
Jul 2016	Management of GPT Metro Office Fund	Payment by Growthpoint Properties Australia to GPT	FM,AM,DM	Office	7.2[7]	440	1.6%	na	5.5	
Jun 2016	Generation Healthcare Management Pty Limited	Acquisition by Healthcare Properties Real Estate Trust	FM,AM	Healthcare	58.5	439	13.3%	5.1[8]	na	
Feb 2016	Investa Office Management Pty Limited	Acquisition by Investa Commercial Property Fund	FM,AM,DM	Office	90.0	8,600	1.0%	na	9.0	
Jan 2015	Valad Europe property management platform	Acquisition by Cromwell Property Group	FM,AM,DM	Diversified	158.1	7,600	2.1%	na	6.4[9]	
Dec 2013	Management of Commonwealth Property Office Fund	Payment by DEXUS to CBA for facilitation services	FM,AM,DM	Office	41.0[10]	3,824	1.1%	na	2.9[11]	
Aug 2013	360 Capital Property Group	Acquisition by Trafalgar Corporate Group Limited	FM,AM	Diversified	4.5[12]	863	0.5%	7.7	na	
Jul 2012	Austock's property funds management business	Acquisition by Folkestone Limited	FM,AM	Education	11.5	555	2.1%	4.1	na	
Jun 2012	Management of PFA Diversified Property Trust	Acquisition by Charter Hall Direct Property Management	FM,AM	Diversified	10.0	456	2.2%	na	na	
Jul 2011	ING Healthcare Pty Ltd	Acquisition of 67.5% by APN Property Group	FM, AM	Healthcare	4.3	190	1.7%	na	6.8	
Apr 2011	European funds management business of Valad[1]	Acquisition by Blackstone Real Estate Advisors	FM,AM	Diversified (Europe)	24.9[13]	3,800	1.0%	5.5	na	
Oct 2010	Management of ING Industrial Fund	Acquisition by Goodman Group led consortium	FM,AM,DM	Industrial	22.5	2,492	0.9%	na	na	
Oct 2010	Becton Investment Management Limited[1]	Acquisition by 360 Capital Group (prior to May 2011 restructuring proposal)	FM,AM,DM	Diversified	6.0[13]	900	0.7%	0.6	na	

1 Transactions involving financial distress are identified by shading.

2 FM = funds management, AM = asset management, DM = development management, I = property investment

3 Implied value if 100% of entity acquired. Excludes transaction costs, consideration for co-investments, performance fees and, where applicable, payment for net assets.

4 AUM = assets under management

5 Represents gross consideration divided by EBIT. EBIT is earnings before interest, tax, investment income and significant items. However, in some transactions only EBITDA (i.e. earnings before interest, tax, depreciation, amortisation, investment income and significant items) is available. As funds and assets management businesses are not typically capital intensive in some instances EBIT multiples have been calculated by reference to EBITDA.

6 Centuria Capital Group also paid $10 million for net assets (primarily cash).

7 Total payment of $9 million included $1.8 million for management transition assistance and certain property rights.

8 Calculated by reference to EBIT including performance and transaction fees. If these fees are excluded, the multiple is 18.2 times.

9 Based on pro-forma FY15 EBITDA for funds management only (i.e. excludes performance fees and co-investment earnings).

10 DEXUS entered into a facilitation agreement with Commonwealth Bank of Australia (a subsidiary of which was responsible entity for CPA) to provide services to facilitate the transfer of the management of CPA to DEXUS should the DEXUS/CPPIB consortium acquire more than 50.1% of CPA. Therefore, this was not a payment for the CPA management rights (as if control of CPA passed the consortium would be able to terminate the responsible entity) but to facilitate the orderly transition of management.

11 EBIT calculated as $17.5 million responsible entity fee revenue from CPA less $3.5 million incremental costs for an acquirer with an existing real estate management platform. The implied EBIT multiple is low and unlikely to be meaningful as the amount was paid to facilitate the transfer of the management and the EBIT used may be overstated as it does not reflect the costs incurred by the responsible entity (only the incremental cost to an acquirer with an existing platform).

12 Trafalgar paid $56.9 million for 360 Capital Property Group including property investments and the funds management business.

13 Consideration sourced from the independent expert report for each transaction.

Recent Transaction Evidence - Real Estate Funds and Asset Management[1]										
Date	**Target**	**Transaction**	**Management (FM/AM/DM[2])**	**Property Category**	**Consideration[3] ($ millions)**	**AUM[4] ($ millions)**	**Consideration/ AUM**	**EBIT Multiple[5] (times) historical**	**EBIT Multiple[5] (times) forecast**	**Multiple of Net Savings (times)**
May 2010	Trinity Funds Management Limited[1]	Acquisition of 50% by Clarence Property Corporation	FM,AM	Diversified	10.0	700	1.4%	4.6	na	
Feb 2010	Real estate management platform for Macquarie Group	Acquisition by Charter Hall Group	FM,AM,DM	Diversified	108.0	7,186	1.5%	4.3[14]	7.7	
Internalisation										
Oct 2013	Funds management business of GDI Property Group	Internalisation by GDI Property Group prior to IPO	FM,AM,DM	Office	27.3[15]	742	3.7%[16]	5.3[17]	na	na
Internalisation and acquisition of rights to independent funds										
Nov 2014	Citrus Investment Services Pty Ltd	Internalisation by Arena REIT	FM,AM	Childcare, Healthcare	11.5	384	3.0	na	na	10.5
Dec 2013	CFSGAM's property management platform	Internalisation by CFS Retail Property Trust Group	FM,AM,DM	Retail	460.0[18]	13,900	3.3%	na	11.4[19]	9.5
Dec 2013	Westfield Australia and New Zealand real estate platform	Acquisition by Westfield Retail Trust which formed Scentre Group	FM,AM,DM	Retail	2,656-3,301	37,900	7-8.7%	7.8-9.7[19]	8.2-10.2[19]	na
				Retail	3,000-3,500[20]	37,900	7.9-9.2%	8.8-10.3[19]	9.2-10.8[19]	na
Aug 2011	Centro Properties Group's services business[1]	Internalisation by Centro Retail Australia	FM,AM,DM	Retail	240.0	6,975	3.4%	6.0	6.8[21]	na
Funds Management										
Third Party Acquisitions										
Nov 2011	Orchard Capital Investments Limited[1]	Acquisition by Morgan Stanley's Real Estate Fund VII Global	FM	Diversified	13.0	1,200	1.1	na	na	
Aug 2011	Investa Funds Management Limited	Acquisition by Australian Unity Property Limited	FM	Office, Industrial	13.9	430	3.2%	6.4	na	

14 Historical EBIT for Macquarie Group's real estate management platform included substantial income from other property services (leasing, development management, acquisition services and disposal services) which were curtailed in the forecast year.

15 Includes an $8.8 million disposal fee.

16 Based on AUM at 30 September 2013. Consideration represents 2.9% of forecast pro forma AUM at 30 June 2014.

17 Fee income varies widely from year to year depending on activity levels. Therefore, calculation utilises average EBIT (excluding performance fees) for FY11-FY13.

18 The acquisition of CFSGAM's property management platform involved both the internalisation of management rights to ASX listed CFX and the acquisition of Commonwealth Bank of Australia's retail property funds management platform. It should be noted that CFSGAM's earnings included:

- a substantial element of funds management income that was arguably less secure (as the responsible entity could be removed by a simple majority vote by securityholders); and
- payment of the accrued balance of performance management fees (at the maximum level allowed per annum) which is an income stream with a limited life and some uncertainty.

Therefore, the underlying multiples attributable to CFSGAM's real estate management income are higher than the average multiple of 9.8 times net savings.

19 Calculated using "economic EBIT" which includes income from internally owned assets. It is a better reflection of the "true" earnings of the operating platform.

20 The acquisition of Westfield ANZ's real estate platform by Westfield Retail Trust was one component of a wider restructuring transaction and not a separate transaction for which a definitive value can be assessed. The transaction metrics inferred by the restructuring transaction vary depending on how the consideration for that transaction is valued and how much of it is attributed to the platform. There are two ways of assessing the consideration range for the Westfield ANZ real estate platform:

- by reference to value attributed by the independent expert for Westfield Group to the consideration received for Westfield ANZ (i.e. securities in Scentre Group) ($8.0-8.7 billion based on a price range of $3.15-3.40 per security) less the value attributed to Westfield ANZ's investment property portfolio, other operating assets and liabilities and corporate overheads (i.e. $2,656-3,301 million); and
- by reference to the values attributed to the platform by the independent experts for Westfield Retail Trust ($3,200-3,400 million, after adjusting to exclude the value attributed to corporate overheads) and for Westfield Group ($3,000-3,500 million) (i.e. $3,000-3,500 million).

However, it should be noted that:

- on neither basis do the values incorporate a premium for control; and
- average project income (i.e. development management activities) represented around 55% of total revenue implying that lower multiples may be appropriate.

21 Excludes performance fees and other non recurring items.

Recent Transaction Evidence - Real Estate Funds and Asset Management[1]										
Date	Target	Transaction	Management (FM/AM/DM[2])	Property Category	Consideration[3] ($ millions)	AUM[4] ($ millions)	Consideration/ AUM	EBIT Multiple[5] (times) historical	EBIT Multiple[5] (times) forecast	Multiple of Net Savings (times)
Jul 2011	Trinity Funds Management Limited[1]	Acquisition by LaSalle Investment Management	FM	Diversified	9.3	650	1.4%	3.3	na	
Mar 11	Management rights for ING Office Fund	Acquisition by Investa Listed Funds Management Limited	FM	Office	24.6	2,056	1.2%	3.7	3.8	
Sep 2010	Westpac Funds Management Limited	Acquisition by Australian Unity Property Limited	FM	Diversified	10.0	354	1.3%	na	6.1	
Apr 2010	Management rights for Westpac Office Trust	Acquisition by Mirvac Group	FM	Office	15.0	1,154	1.3%	na	na	
Apr 2010	Mirvac PFA Limited	Acquisition by Australia Property Growth Fund	FM	Diversified	14.0	547	1.9%	3.3	2.9	
Apr 2010	Macquarie DDR Management LLC[1]	Acquisition of 50% by EPN EP, LLC as part of recapitalisation	FM	Retail	6.9	1,629	0.4%	na	na	
May 2009	MacarthurCook Limited	Acquisition of remaining 71.7% by AIMS Financial Group Pty Ltd	FM	Industrial, Mortgages	11.6	1,302	1.5%	6.6	na	
Internalisation										
Jun 2009	Macquarie Leisure Management Limited	Internalisation by Macquarie Leisure Trust	FM	Leisure	15.9	623	2.6%	8.2[22]	na	15.9
May 2009	Management rights for Orchard Industrial Property Fund[1]	Internalisation of 50.1% by Growthpoint Properties as part of recapitalisation	FM	Industrial	6.0	750	0.8%	na	5.0[23]	5.0

Source: Grant Samuel analysis[24]

When considering these multiples it is important to have regard to the following matters:

- the financial information in a number of transactions is limited and does not allow detailed analysis to be undertaken;
- transactions involving distressed situations occurred at lower earnings multiples; and
- the multiples for transactions which do not reflect distressed situations are in a wide range of 3-10 times historical EBIT, 3-12 times forecast EBIT and 10-16 times net savings. Several factors influence multiples for real estate management companies and the implied multiples for each transaction reflect a unique combination of these factors. Multiples are typically higher for:
  - transactions involving larger funds management businesses, relative to those involving relatively small businesses or management of single funds as a result of economies of scale;
  - real estate asset management businesses requiring specialised knowledge (such as the retail sector relative to the office sector), as margins are typically higher for these businesses;
  - transactions involving internalisation and internalisation and acquisition of rights to independent funds relative to those for third party transactions, however, this may be because the internalisation transactions are generally larger than the third party transactions;
  - internalisation transactions with a higher degree of management entrenchment. For example, where:
    - the management contract is long term and only cancellable in unusual or unlikely circumstances (e.g. insolvency of the manager);
    - provisions are embedded in loan agreements or ownership agreements that are triggered if the incumbent manager is replaced and result in a substantial cost or loss to the entity;

22 Although Macquarie Leisure Trust Group had limited entrenchment issues and the incumbent manager only held a 5.8% interest, it had strong performance with a nil carry forward performance deficit and multiple is relatively high (8.2 times historical EBIT).

23 Forecast EBIT is sourced from the independent expert report prepared for the Orchard Industrial Property Fund transaction and based on forecast management fee savings (i.e. does not appear to include expenses). Consequently, the EBIT multiple may be understated.

24 Grant Samuel analysis based on data obtained from IRESS, S&P Capital IQ, company announcements, transaction documentation and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each transaction depends on analyst coverage, availability and corporate activity.

- the incumbent manager has a substantial interest in the fund, allowing it to potentially block a vote to remove them as responsible entity; and
- there has been strong performance by the manager and there is a likelihood of paying a performance fee in future; and

- real estate platforms with a higher proportion of earnings derived from property management services (relative to development management activities)[25]; and

The prices paid in these transactions also reflect a wide range of AUM (0.4-13.3%) but are generally in the range of 1-3% of AUM.

[25] Real estate platforms typically comprise revenue generated from three activities (funds management, property management (including leasing fees) and development management). Typically, property management earnings would warrant multiples consistent with property capitalisation rates as they represent a portion of the property's earnings. In comparison, development management earnings are more lumpy, less predictable and dependent on development opportunities and therefore warrant a lower multiple. The multiple for funds management earnings is dependent on the circumstances including the level of entrenchment and term of appointment. Consequently, the appropriate multiple for a real estate management platform will depend on the mix of services provided and the underlying fundamentals of the business activity.

9. Taxation Letter

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1 August 2017

The Boards of Directors of
Astro Japan Property Management Limited
(in its capacity as Responsible Entity of
Astro Japan Property Trust) and Astro
Japan Property Group Limited
Suite 4, Level 10, 56 Pitt Street
Sydney NSW 2000

Dear Directors

Astro Japan Property Group (the Astro Group)
Independent Taxation Report

This letter has been prepared for inclusion in a combined Notice of Meeting and Explanatory Memorandum issued by Astro Japan Property Management Limited (in its capacity as Responsible Entity of Astro Japan Property Trust) (**the Trust**) and Astro Japan Property Group Limited (**AJCo**), together the Astro Group, dated 1 August 2017.

The information below is based on the Australian income tax and GST law in force and the practice of the Australian Taxation Office (**ATO**) applicable as at the date of this letter.

The taxation information below is intended to be a guide only. Securityholders should seek and obtain their own taxation advice. The information applies to Securityholders who are Australian resident individuals who hold their Astro Group securities on capital account such that they are subject to capital gains tax (**CGT**).

Unless defined otherwise, capitalised terms used in this letter take on the same meaning as that set out in the Glossary contained in the Explanatory Memorandum.

1 General considerations

Each Astro Group stapled security is made up of one Unit in the Trust and one Share in AJCo. Although Astro Group stapled securities trade on the ASX as one investment, for tax purposes the Trust and AJCo are treated as separate entities and the holding of Units in the Trust and Shares in AJCo are treated as separate assets.

Securityholders will need to identify the CGT cost base of each Unit and Share as any tax consequences must be worked out separately for each asset held. Commentary concerning the need to apportion the cost of an Astro Group stapled security is located on the Astro Group website in the Investor Information section under the heading General Taxation Information.

2 If the Proposal does not proceed

If the Proposal does not proceed then you will continue to hold your Astro Group stapled securities, and no taxing event or disposal should occur as a result of the Proposal not proceeding.

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3 Impact on Units in the Trust where the Proposal is approved

Where the Proposal proceeds, the Trust will dispose of its TK Interests. The Trust will be required to calculate whether that disposal will result in a gain or loss for CGT purposes. If a CGT gain arises, that gain will be included in the net income of the Trust for tax purposes. Where a CGT loss arises, that loss can offset other capital gains recognised by the Trust. If there are insufficient capital gains for the CGT losses to offset, the excess CGT losses will not be available to Securityholders. Rather, those excess CGT losses are trapped in the Trust.

A component of the Distribution of Sale Proceeds will be paid with respect to each Unit as recorded on the register on the Distribution Record Date. The taxation treatment of the Distribution of Sale Proceeds will depend on its components. To the extent that the Distribution of Sale Proceeds represents an amount of net income of the Trust for tax purposes, the Securityholder will be required to include that amount in their assessable income for the year ending 30 June 2018. To the extent that a net capital gain is included in the net income component of the Distribution of Sale Proceeds, the Securityholder will be required to take that net capital gain into account in calculating their own net CGT gain or net CGT loss for the year ending 30 June 2018. Where the distributed capital gain includes a discounted capital gain component, the Securityholder is required to gross up that gain for the discount claimed by the Trust (ie 50%). The grossed up capital gain is then included in the Securityholder's net capital gain calculation. The Securityholder may be entitled in their own right to a 50% CGT discount as a resident individual taxpayer.

The balance of the Distribution of Sale Proceeds may include a CGT concession component and a tax deferred component. The CGT concession component represents the CGT discount claimed by the Trust in respect of capital gains. The CGT concession component is not assessable when received by a Securityholder and does not result in a cost base adjustment for the Units held by the Securityholder. The tax deferred component is not assessable when received by the Securityholder but gives rise to a CGT Event E4. Where the tax deferred amount is less than the Securityholder's cost base in their Unit no immediate CGT gain arises, but rather the cost base in the Unit is reduced by that amount. Should the tax deferred amount exceed the cost base in the Unit the cost base is reduced to nil, and the excess is treated as a CGT gain under CGT Event E4. Any such CGT gain arises in the year ending 30 June 2018. Where the Securityholder has held their Units for 12 months or more, they may be entitled in their own right to a 50% CGT discount as a resident individual taxpayer.

A tax statement will be issued setting out details of the taxable, net capital gain, CGT concession and tax deferred components of the Distribution of Sale Proceeds paid by the Trust.

Once the Distribution of Sale Proceeds has been paid, the Trust will be wound up. An amount of funds is to be retained in the Trust to meet outstanding liabilities, audit and winding up costs. It is anticipated that the Trust will make a further distribution and that the wind up distribution will be a tax deferred amount. The same CGT Event E4 treatment will apply to any wind up distribution, reducing any remaining cost base in the Unit with any excess giving rise to a CGT gain under CGT Event E4 in the year the amount is received. A 50% CGT discount may be available to the Securityholder with respect to any such gain.

If there is any remaining cost base in the Unit at the time the winding up is completed and the Unit is cancelled, then a CGT loss equal to the then reduced cost base should arise at that time.

4 Impact on Shares in AJCo where the Proposal is approved

Where the Proposal proceeds, AJCo will dispose of its interest in the Spring TK Agreement and certain other assets. AJCo will be required to calculate whether those disposals will result in a gain or loss for CGT purposes. If a net CGT gain arises, that gain will be included in the taxable income of AJCo. Where a CGT loss arises, that loss can offset other capital gains recognised by AJCo. If there are insufficient capital gains for the

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CGT losses to offset, the excess CGT losses will not be available to Securityholders. Rather, those excess CGT losses are trapped in AJCo.

A component of the Distribution of Sale Proceeds will be paid with respect to each Share as recorded on the register on the Distribution Record Date. This distribution is expected to be a return of capital amount that is not assessable but rather gives rise to a CGT Event G1. Where the capital amount is less than the Securityholder's cost base in their Share no immediate CGT gain arises, but rather the cost base in the Share is reduced by that amount. Should the capital amount exceed the cost base in the Share the cost base is reduced to nil, and the excess is treated as a CGT gain under CGT Event G1. Any such CGT gain arises in the year ending 30 June 2018. Where the Securityholder has held their Shares for 12 months or more, they may be entitled in their own right to a 50% CGT discount as a resident individual taxpayer.

In the unlikely event that some part of the distribution paid by AJCo is treated as a dividend for taxation purposes, that amount together with any franking credit attached to the dividend, is to be included in the assessable income of the Securityholder for the year ending 30 June 2018. Generally, a tax offset should be available for the franking credit amount, subject to meeting the "holding period" rule requirements. Where any amount paid by AJCo is treated as a dividend for taxation purposes, a Distribution Statement will be provided at the time of the payment setting out details of the unfranked, franked and franking credit amounts.

Once the Distribution of Sale Proceeds has been paid, AJCo will be wound up. An amount of funds is to be retained in AJCo to meet outstanding liabilities, audit and winding up costs. It is anticipated that AJCo will make a further distribution and that the wind up distribution will be a capital amount. The same CGT Event G1 treatment will apply to any wind up distribution paid by AJCo, reducing any remaining cost base in the Share with any excess giving rise to a CGT gain under CGT Event G1 in the year the amount is received. A 50% CGT discount may be available to the Securityholder with respect to any such gain.

If there is any remaining cost base in the Share at the time the winding up is completed and the Share is cancelled or AJCo is deregistered, then a CGT loss equal to the then reduced cost base should arise at that time.

5 Tax File Numbers

Securityholders who have not quoted their Tax File Number (**TFN**), or claimed an exemption, may have an amount deducted from the Distribution of Sale Proceeds at the highest marginal tax rate plus Medicare Levy (currently 47%).

6 GST

The disposal of Astro Group stapled securities through the winding up of the Trust and AJCo is not subject to GST.

Yours faithfully

M Makas

Manuel Makas
Director
Greenwoods & Herbert Smith Freehills Pty Limited

10. Glossary

In this Explanatory Memorandum, and in the Notice, the following expressions have the meanings set out below unless stated otherwise or the context otherwise requires:

$	Australian Dollars.
ABN	Australian Business Number.
AEST	Australian Eastern Standard Time.
Affiliates	Of any person means any other person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such person; and **control** (including the terms controlling, controlled by and under common control with) means the possession, direct or indirect, of the power to direct or cause the direction of the management, policies or activities of a person, whether through the ownership of securities, by contract or agency or otherwise.
AFSL	Australian Financial Services Licence.
AJCo	Astro Japan Property Group Limited (ACN 135 381 663).
AJCo Constitution	The constitution of AJCo.
AJCo Register	The register of Members maintained by the Registry.
AJCo Resolutions	The resolutions numbered 3 and 4 proposed to be put to Members as set out in section 3.
ARSN	Australian Registered Scheme Number.
ASIC	Australian Securities and Investments Commission.
Astro Group	The stapled group comprising AJCo and the RE (as responsible entity of the Trust).
ASX	ASX Limited or the market operated by it as the context requires.
ASX Announcement	The announcement of the Proposal to ASX referred to in section 1.
ASX Listing Rules	The listing rules of ASX as amended or replaced from time to time, except as waived or modified by ASX.
ATO	Australian Taxation Office.
The Blackstone Group	The Blackstone Group L.P.
Blackstone	Jetsons Holding II Pte. Ltd.
Blackstone Information	The information referable to Blackstone as defined in the Important Notice.
Blackstone/Spring Information	The information concerning the financial arrangements agreed between Blackstone and Spring and their respective associates (including Mr Eric Lucas) as defined in the Important Notice.
Board	The boards of each of AJCo and the RE.
Business Day	A day that is not a Saturday, Sunday or public holiday in Sydney, Australia.
Capital Reduction	Has the meaning given in section 5.1.5.
Chair	Mr Allan McDonald or, failing him, Mr Doug Clemson, who will act as the chair of the Meeting or any replacement appointed by the RE to chair the Meeting.
Competing Proposal	Any proposal, offer or expression of interest that would if completed substantially in accordance with its terms, result in any person or persons other than Blackstone (or one or more of its Affiliates) acquiring: 1 all or a substantial part or material part of the TK Interests; 2 all or a substantial part or material part of the assets held by the TK Operators; 3 an interest in 20% or more by value of the business or property or assets of Astro Group and its subsidiaries; or 4 a relevant interest in more than 20% of the Securities of Astro Group, including by way of takeover bid, informal trust scheme, company scheme, capital or income distribution, sale of assets, sale of units or shares or joint venture.

10. Glossary
continued

Conditions	Each of the conditions set out in clause 3.1 of the Implementation Deed and described in section 7.5 of this Explanatory Memorandum.
Corporations Act	*Corporations Act 2001* (Cth).
Directors	The directors of each of AJCo and the RE.
Distribution Date	4 Business Days after the Implementation Date.
Distribution of Sale Proceeds	The distribution to Securityholders of the Sale Proceeds as described in section 5.
Distribution Record Date	7:00 pm (AEST) on the day which is 5 Business Days after the Meeting Date.
End Date	Four months after the date of the Implementation Deed, or such other date as agreed between the parties to the Implementation Deed.
Explanatory Memorandum	This document, which forms part of the Notice of Meeting issued by the RE and dated 1 August 2017.
Final Distribution	The final distribution to Securityholders (payable in one or more tranches) as described in section 5.1.6.
Financier	Each financier of the trust beneficial interests in trust, the trustee of which owns Japanese real estate interests, held by the TK Operators under the terms of their respective TK Agreements.
Government Agency	Any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government, whether foreign or Australian.
Immediately Available Funds	Cash, bank cheque or telegraphic or other electronic means of transfer of cleared funds into a bank account nominated in writing in advance by the payee.
Implementation Date	The later of: 1 14 Business Days after the Meeting date; and 2 14 Business Days after the satisfaction or waiver of the Conditions in clause 3.1 of the Implementation Deed other than clauses 3.1(e), 3.1(f), 3.1(g), 3.1(h) and 3.1(k), being the conditions summarised in paragraphs (d), (e), (f), (g) and (j) of section 7.5 of this Explanatory Memorandum.
Implementation Deed	The implementation deed between Astro Group, Spring, TK Operators and Blackstone dated 1 August 2017.
Independent Expert	Grant Samuel & Associates Pty Limited (ACN 050 036 372).
Independent Expert Report	The report prepared by the Independent Expert set out in section 8 of this Explanatory Memorandum.
Material Adverse Change	An event, change or condition which has, or could reasonably be expected to have, either individually or in aggregate with other events, changes and conditions: 1. an adverse financial effect of $30 million or more on the value of the TK Interests, 2. in the case of any (a) damage or destruction, or (b) condemnation or taking by a Government Agency, with respect to any of the real estate underlying the assets held by the TK Operators, a loss of $40 million or more on the value of such real estate (notwithstanding any recovery from insurance or compensation paid by any Government Agency), other than: 3. mark to market movements relating to investment properties and financial derivatives (including those reflected in the Trust's share of net profit or loss on investments accounted for using the equity method); or

	4. events, changes and conditions publicly announced by Astro Group to ASX or otherwise disclosed to Blackstone or its representatives during due diligence, in each case prior to the date of this deed, by Astro Group, Spring or the TK Operators, in each case where the relevant disclosure is not, incomplete, incorrect, or misleading.
Material Disposal	Except as contemplated to give effect to the Proposal, the RE disposes or offers or agrees to dispose of any of its TK Interests or any TK Operator disposes or offers or agrees to dispose of any entities or real estate assets (or interests in any entity, business or real estate asset).
Meeting	The meeting of Securityholders to be held on 13 September 2017, or such other date as agreed between the parties to the Implementation Deed.
Meeting Date	The date on which the Meeting is held.
Meeting Record Date	7:00 pm (AEST) on 11 September 2017, or such other date as agreed between the parties to the Implementation Deed.
Member	The registered holder of a Share.
non-associated Securityholders	All Securityholders other than Securityholders who are excluded from voting on the Resolutions.
Notice or Notice of Meeting	The Notice of Meeting dated 1 August 2017 included as Appendix 1 and includes this Explanatory Memorandum.
NTA	Net tangible assets.
Proposal	The proposed transaction as described in this Explanatory Memorandum pursuant to which Blackstone would acquire the Trust's TK Interests.
Proxy Form	The proxy form included with this Notice of Meeting.
RE	Astro Japan Property Management Limited as responsible entity for the Trust.
Registry	Link Market Services Limited (ACN 083 214 537) as the registry for AJCo and the Trust.
Resolutions	The AJCo Resolutions and the Trust Resolutions.
Sale Proceeds	The consideration to be paid by Blackstone for the TK Interests under the TK Transfer Agreement.
Security	A unit in the Trust, stapled to a share in AJCo.
Securityholder	A person registered as the holder of a Security including any persons jointly registered.
Share	A share issued in AJCo as provided in the AJCo Constitution.
Spring	Spring Investment Co., Ltd.
Spring Group	Spring Holdco and any of its Affiliates.
Spring Holdco	Spring Holdings International Limited.
Spring/TKO Information	The information referable to Spring or the relevant TK Operator as applicable as defined in the Important Notice.
Spring TK Agreement	The tokumei kumiai agreement entered into between AJCo and Spring.

10. Glossary
continued

Superior Proposal	A bona fide Competing Proposal received by Astro Group that the Board determines, acting in good faith and in order to satisfy what the Board considers to be its fiduciary or statutory duties (after having taken written legal advice from its external legal adviser and written advice from its external financial adviser): 1 is, in the Board's view (acting reasonably), reasonably likely to be completed in accordance with its terms, taking into account all aspects of the Competing Proposal, including financial, regulatory, conditionality, and the ability of the proposing party to consummate the transactions contemplated by the Competing Proposal after taking into account a qualitative assessment of the identity, expertise, experience, reputation and financial standing of that proposing party; and 2 would, if completed substantially in accordance with its terms, be more favourable to the Securityholders than the Proposal, taking into account all the terms and conditions of the Competing Proposal including firstly, consideration and secondly, conditionality, funding, certainty and timing.
TK Agreements	The tokumei kumiai agreements entered into between the RE (as responsible entity of the Trust) and each of the TK Operators.
TK Interests	The RE's right, title and interest in the TK Agreements.
TK Operators	Arabesque S Godo Kaisya, JPT August Co., Ltd., JPT Co., Ltd., JPT Corporate Co., Ltd., JPT Direct Co., Ltd., JPT Newton Co., Ltd., JPT Omega Co., Ltd., JPT Scarlett Co, Ltd., FKD&S Co., Ltd., KTS&S Co., Ltd. and WBF&S Co., Ltd.
TK Transfer Agreement	The transfer agreement for the TK Interests between Astro Japan Property Management Limited (as responsible entity of the Trust), Blackstone, Spring and the TK Operators dated 1 August 2017.
Transaction Steps	The steps to be performed by the parties to the Implementation Deed as set out in Annexure 1 of the Implementation Deed.
Trust	Astro Japan Property Trust (ARSN 112 799 854).
Trust Constitution	The constitution of the Trust.
Trust Register	The register of Unitholders maintained by the Registry.
Trust Resolutions	The resolutions numbered 1 and 2 proposed to be put to Unitholders as set out in section 3.
Unit	An undivided share in the beneficial interest in the Trust as provided in the Trust Constitution.
Unitholder	The registered holder of a Unit.
VWAP	Volume weighted average price.

11. Corporate Directory

COMPANY
Astro Japan Property Group Limited (ACN 135 381 663)

RESPONSIBLE ENTITY
Astro Japan Property Management Limited (ACN 111 874 563, AFSL No. 283142)
Suite 4, Level 10
56 Pitt Street
Sydney NSW 2000
Telephone: +61 2 8987 3900
Facsimile: +61 2 8987 3999

DIRECTORS
Allan McDonald
John Pettigrew
Douglas Clemson
Kathryn McCann

COMPANY SECRETARY
John Pettigrew

REGISTERED OFFICE
Suite 4, Level 10
56 Pitt Street
Sydney NSW 2000

REGISTRY
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Fax: +61 2 9287 0309

Mailing address:

Astro Japan Property Group
C/– Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

STOCK EXCHANGE
The Astro Group is listed on the Australian Securities Exchange (ASX Code: AJA)
The Home Exchange is Sydney

Appendix 1 – Notice of Meeting

Notice Of Meeting

Notice is given that a combined meeting of stapled Securityholders of Astro Japan Property Group Limited (ACN 135 381 663) (**AJCo**) and Astro Japan Property Trust (ARSN 112 799 854) (**Trust**) will be held at:

Place:

Sofitel Sydney Wentworth, Hobart Room, Ground Floor, 61-101 Phillip Street, Sydney NSW

Date:

13 September 2017

Time:

Registration at 10:00am (AEST)
Meeting commencing at 11:00am (AEST)

(Meeting).

The directors of AJCo (in accordance with the AJCo Constitution) and Astro Japan Property Management Limited as responsible entity of the Trust (**RE**) (in accordance with section 252S of the Corporations Act), have appointed Mr Allan McDonald, or failing him, Mr Doug Clemson to act as Chair.

The accompanying Explanatory Memorandum forms part of this Notice and should be read in conjunction with it. Unless otherwise defined, this Notice and terms used in this Notice have the same meaning as set out in the Glossary in section 10 of this Explanatory Memorandum.

Business of the Meeting

The business of the Meeting will consist of the following:

Resolution 1: Trust Resolution – Approval of sale of TK Interests in accordance with ASX Listing Rule 11.2

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 11.2 and for all other purposes, subject to satisfaction or waiver of the Conditions (as defined in the Explanatory Memorandum accompanying this resolution), the disposal of Astro Japan Property Trust's (**Trust**) TK Interests (as defined in the Explanatory Memorandum accompanying this resolution) to Jetsons Holding II Pte. Ltd. and the subsequent winding up of the Trust in accordance with the Trust's Constitution and the Corporations Act 2001 (Cth), as described in the Explanatory Memorandum accompanying this resolution are approved."*

The above resolution requires approval by more than 50% of votes cast by Unitholders entitled to vote on the resolutions.

Resolution 2: Trust Resolution – Approval of sale of TK Interests in accordance with ASX Listing Rule 10.1

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 10.1, subject to satisfaction or waiver of the Conditions (as defined in the Explanatory Memorandum accompanying this resolution), the disposal of Astro Japan Property Trust's TK Interests (as defined in the Explanatory Memorandum accompanying this resolution) to Jetsons Holding II Pte. Ltd., as described in the Explanatory Memorandum accompanying this resolution is approved."

The above resolution requires approval by more than 50% of votes cast by Unitholders entitled to vote on the resolutions.

Appendix 1 – Notice of Meeting
continued

Resolution 3: AJCo Resolution – Approval of Proposal

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, for all purposes, subject to satisfaction or waiver of the Conditions (as defined in the Explanatory Memorandum accompanying this resolution), the Proposal, as described in the Explanatory Memorandum accompanying this resolution, is approved."

The above resolution requires approval by more than 50% of votes cast by Members entitled to vote on the resolutions.

Resolution 4: AJCo Resolution – Approval of Capital Reduction

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"That for the purposes of sections 256B and 256C(1) of the Corporations Act 2001 (Cth) and all other purposes, subject to satisfaction or waiver of the Conditions (as defined in the Explanatory Memorandum accompanying this resolution), approval is given for:

(a) the issued share capital of Astro Japan Property Group Limited (ACN 135 381 663) (AJCo) to be reduced by A$20,678,857.46; and

(b) such reduction be given effect by returning on the Distribution Date (as defined in the Explanatory Memorandum accompanying this resolution) to each Member of AJCo who is registered as a holder of ordinary shares in AJCo on the Distribution Record Date (as defined in the Explanatory Memorandum accompanying this resolution), A$0.3409 of capital per fully paid ordinary share held by the Member on the Distribution Record Date."

The above resolution requires approval by more than 50% of votes cast by Members entitled to vote on the resolutions.

If the Resolutions are passed and the Proposal implemented, Astro Group intends to seek its immediate removal from the official list of ASX in accordance with the key dates set out in section 2.1 of the Explanatory Memorandum.

The Independent Expert has concluded that in its opinion the Proposal described in this Notice of Meeting is fair and reasonable to the non-associated Securityholders, in the absence of a superior proposal.

Proxy Voting

A Securityholder who is entitled to attend and vote at the Meeting may appoint a proxy using the enclosed Proxy Form to attend and vote on their behalf. A proxy may but need not be a Securityholder and may be an individual or body corporate.

A Securityholder who is entitled to cast two or more votes may appoint up to two proxies and may specify the proportion or number of votes the proxy is appointed to exercise. If a Securityholder appoints two proxies but does not specify a proportion or number, each proxy may exercise half of the votes.

If the Chair is your proxy and you do not specifically direct how your proxy is to vote on the Resolutions, you will be taken to have directed the Chair to vote in favour of the Resolutions and the Chair will exercise your votes in favour of the Resolutions.

You can lodge your Proxy Form by:

- mailing it to:
  Astro Japan Property Group
  C/– Link Market Services Limited
  Locked Bag A14
  Sydney South NSW 1235
  Australia;
- delivering it by hand during business hours (Monday to Friday, 9:00 am – 5:00 pm (AEST)) to:
  Link Market Services Limited
  Level 12
  680 George Street
  Sydney NSW 2000;
- lodging it online at:
  www.linkmarketservices.com.au; or
- faxing it to:
  +61 2 9287 0309.

To ensure the appointment of a proxy is effective, you must ensure that your Proxy Form (as well as any attorney under which it is signed) is received by **no later than 11:00 am** (**AEST**) **on 11 September 2017**. Proxy Forms received after this time will be disregarded for the purpose of the Meeting.

Corporate Securityholders

Corporate Securityholders who wish to appoint an individual as a representative to attend the Meeting on their behalf must provide that person with a properly executed letter or other document confirming that they are authorised to act as the company's representative. A form can be obtained from Link Market Services Limited for this purpose.

Voting at the Meeting

Voting will be conducted by poll on all resolutions.

On a poll, a Unitholder (or their nominated proxy, attorney or representative) has one vote for each dollar of the value of the total interests the Unitholder has in the Trust.

On a poll, a Member (or their nominated proxy, attorney or representative) has one vote for each share the Member has in AJCo.

In accordance with section 253F of the Corporations Act, the value of a Unitholder's total interest in the Trust will be calculated by reference to the last sale price of Securities in Astro Group on the ASX on 12 September 2017.

Conduct of voting

The Resolutions will be passed as ordinary resolutions of each of the Trust and AJCo (as applicable). An ordinary resolution will be passed if it is approved by more than 50% of the votes cast of those Securityholders present and entitled to vote (including by proxy) at the Meeting.

In relation to the AJCo Resolutions, clause 6.7(b) of the AJCo Constitution provides that if the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote, in addition to any deliberative vote. The Chair will exercise any casting vote in favour of the AJCo Resolutions.

Appendix 1 – Notice of Meeting
continued

Voting Exclusions

Under ASX Listing Rule 14.1.1, the RE will disregard any votes cast on each Resolution by a person who might obtain a benefit (other than a benefit solely in the capacity of a holder of Securities) if the Resolutions are passed or a party to the Proposal, an associate of that person or a person which in ASX's opinion should be disregarded.

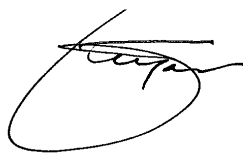
Section 253E of the Corporations Act provides that a responsible entity of a managed investment scheme and its associates are not entitled to vote their interest on any resolutions if they have an interest in the resolution other than as a member, unless the vote is cast as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form.

As a consequence of the above voting exclusions, the RE has determined that each party to the transaction (including Spring Group and its associates, including Mr Lucas) will be excluded from voting on Resolutions 1, 2 and 3 unless that vote:

- is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

By order of the Boards of Astro Japan Property Group Limited and Astro Japan Property Management Limited (as responsible entity of the Astro Japan Property Trust).

Dated: 1 August 2017



John Pettigrew
Company Secretary

Astro Japan Property Group Limited (ABN 25 135 381 663)
Astro Japan Property Management Limited (ABN 94 111 874 563; AFSL 283142) as responsible entity of Astro Japan Property Trust (ARSN 112 799 854)

Astro Japan Property Group
Astro Japan Property Group Limited ABN 25 135 381 663
Astro Japan Property Management Limited ABN 94 111 874 563 AFSL 283142
as responsible entity of the Astro Japan Property Trust ARSN 112 799 854

LODGE YOUR PROXY FORM

ONLINE
www.linkmarketservices.com.au

BY MAIL
Astro Japan Property Group
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: +61 1800 881 098 (free call within Australia)

X99999999999

PROXY FORM

I/We being a securityholder(s) of Astro Japan Property Group (**Group**) and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐ **the Chairman of the Meeting (mark box)**

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the combined General Meeting of Astro Japan Property Group Limited (**Company**) and Astro Japan Property Trust (**Trust**) to be held at **11:00am (AEST) on Wednesday, 13 September 2017 at Sofitel Sydney Wentworth, Hobart Room, Ground Floor, 61-101 Phillip Street, Sydney NSW** (the **Meeting**) and at any postponement or adjournment of the Meeting.

Direction to Chairman of the Meeting: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman of the Meeting becomes my/our proxy by default) in relation to Resolutions 1, 2, 3 or 4 but I/we have not marked the box(es) opposite the relevant resolution(s) in Step 2 below, I/we hereby direct the Chairman of the Meeting to vote my/our proxy in favour of the relevant resolution(s), even though the Chairman of the Meeting may have an interest in the resolution(s) other than as a securityholder.

STEP 2

PROXY VOTING DIRECTIONS

Proxies will only be valid and accepted if they are signed and received no later than 48 hours before the Meeting.
Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions	For	Against	Abstain*
1 Trust Resolution – Approval of sale of TK Interests in accordance with ASX Listing Rule 11.2			
2 Trust Resolution – Approval of sale of TK Interests in accordance with ASX Listing Rule 10.1			
3 Company Resolution – Approval of Proposal			
4 Company Resolution – Approval of Capital Reduction			

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll. Unless defined in the Proxy form, capitalised terms in this Proxy form have the same meaning given to them in the Notice of Meeting and accompanying Explanatory Memorandum.

STEP 3

SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Securityholder 1 (Individual)	Joint Securityholder 2 (Individual)	Joint Securityholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

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HOW TO COMPLETE THIS SECURITYHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Group's security register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a securityholder of the Group. If you leave this section blank, or your named proxy does not attend the Meeting or does not vote on a poll in accordance with your instructions, the Chairman of the Meeting will be your proxy.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses, subject to any voting restrictions that apply to the proxy. If you mark more than one box on an item your vote on that item will be invalid.

PROXY VOTING BY CHAIRMAN OF THE MEETING

If you appoint the Chairman of the Meeting as your proxy (or the Chairman of the Meeting becomes your proxy by default) and you do not mark a box next to one or more of Resolutions 1, 2, 3 or 4 in Step 2 of this form, you are directing the Chairman of the Meeting to vote your proxy in favour of the relevant resolution(s).

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Group's security registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the securityholder must sign.

Joint Holding: where the holding is in more than one name, either securityholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Group's security registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (AEST) on Monday, 11 September 2017,** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your Proxy Form. To use the online lodgement facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

BY MAIL

Astro Japan Property Group
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX

+61 2 9287 0309

BY HAND

delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.