

Unit Pricing Policy
Babcock & Brown Japan Property Management Limited
ABN 94 111 874 563
AFSL number 283142

Introduction

This policy is established in compliance with section 601GAB as amended by ASIC class order 05/1236 and was set on 1 May 2007.

What is this document about?

This document explains the policies we use in setting the unit prices for Astro Japan Property Trust (the **Trust**). Our policies may change from time to time. We will make sure that you can access our latest policy.

How do we price our funds?

We price the Trust in accordance with its constitution and as described in the PDSs. Generally, new units will be issued at a discount to the price at which existing units are traded on ASX.

Our unit pricing policies

When will we issue new units?

We will generally issue new units in one of the following ways:

- by making a private “placement” of new units to institutional investors;
- by making a pro-rata offer of new units to all existing unitholders (for example an offer of 1 new unit for every 4 units you hold)
- by making a general offer of new units to the public; or
- as part of a distribution reinvestment plan or unit purchase plan.

What price will new units be issued at?

New units will usually be issued at a discount to the ASX “market price” of existing units. We will always set the minimum discount to the market price which we believe will enable sufficient units to be issued to accomplish the objective of the offer.

“Market price” will usually be the volume weighted average trading price of units on ASX over a certain period (usually 10 days).

However, in certain circumstances the ASX trading price will not be our point of reference for determining “market price”. In particular:

- where new units are to be issued pursuant to a placement to institutional investors, the “market price” will usually be set by a “bookbuild” process (see below). If we make a public offer of new units at the same time as this institutional placement, the bookbuild price will usually also be the market price for this public offer (provided that we receive written confirmation that the bookbuild was conducted in accordance with normal market practice for bookbuilds).

- if we think that the “market price” which would otherwise apply is not a fair representation of the market value of units at the relevant time, we will use an independent adviser who has the necessary qualifications and market experience to set a fair market price (see below).

What is a bookbuild?

A bookbuild is a process under which institutional investors intending to buy new units submit to a “bookbuild operator” (usually a merchant bank) an indicative price at which they would be willing to acquire units. Based on these bids, the bookbuild operator and Babcock & Brown Japan Property Management Limited, the responsible entity of the Fund, determine which investors will be issued with units and at what price.

It is similar to an auction of new units except that price is not the only thing we will take into account in deciding who new units will be issued to. The rules we will apply are:

- units should be allocated to investors so as to maximise the issue price of units issued pursuant to the bookbuild;
- units should be allocated to investors so as to minimise concentration of unit holdings in the hands of one or a small number of investors; and
- where these rules conflict, we will resolve the conflict in the best interests of members of the Fund as a whole.

When will we use an approved valuer to set the “market price”?

We will only use an approved valuer to set the market price of units if we reasonably believe that the ASX “market price” (see above) is not a true indication of the fair market value of a unit. This could occur if, for example, we believe that the volume weighted average price of a unit on ASX was determined by reference to one or more unusual (e.g. not on arm’s length) trades.

In determining the market price, the adviser selects a price which it believes will enable sufficient units to be issued to accomplish the objectives of the offer, the purpose and size of the offer, the circumstances in which the offer will be made and the interests of existing unitholders.

Reasonableness of our unit pricing policies

In setting the price for an issue of new units, our aim is to achieve the maximum price which will enable sufficient units to be issued to achieve the objective of the offer. For example, if the objective of the offer is to fund the acquisition of a new asset, we will aim to achieve the highest price per unit possible while ensuring that sufficient acceptances are obtained to raise the funds needed to acquire the asset.

In our view, this approach is consistent with usual commercial practice for listed property trusts and is reasonable for our funds.

Documentation of exercises of discretion

On each occasion on which we set the issue price of new units, we will prepare and retain a document showing how the price was determined and, if such determination involved an exercise of our discretion or the discretion of an adviser, how that discretion was exercised.