

AMANAHRAYA ■ REIT

BUILDING ON TRUST

Interim
Report
2008



AMANAHRAYA

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Corporate Directory

MANAGER

AmanahRaya-JMF Asset Management Sdn. Bhd. (309646-H)
(Incorporated in Malaysia)

MANAGER'S REGISTERED OFFICE

Level 15, Wisma AmanahRaya
No.2, Jalan Ampang
50450 Kuala Lumpur.

PRINCIPAL PLACE OF BUSINESS

Level 7 & 8, Wisma AmanahRaya
No.2, Jalan Ampang
50450 Kuala Lumpur.
Tel : 03-26875200
Fax : 03-26875300

• BOARD OF DIRECTORS OF THE MANAGER

Independent Directors

Tan Sri Datuk (Dr) Arshad bin Ayub
(Chairman)

Datuk Mohamed Adnan bin Ali

Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii

Non-Independent Directors

Sharizad binti Juma'at
(appointed as Managing Director/Chief Executive
Officer on 24 June 2008)

Dato' Ahmad Rodzi bin Pawanteh

Datuk Mohamed Azahari bin Mohamed Kamil
(resigned as Managing Director and re-designated as
Non-Executive Director on 2 June 2008)

Tai Siong Choi
(retired as Executive Director on 30 June 2008)

Tuan Haji Rozan bin Mohd Sa'at

Dato' Dr. Mohd Irwan Serigar bin Abdullah

Alina binti Hashim
(Alternate Director to Dato' Ahmad Rodzi bin
Pawanteh)

• COMPANY SECRETARIES OF THE MANAGER

Zainul Abidin bin Haji Ahmad

Chu Kum Yoon (f)

See Siew Cheng (f)

• INVESTMENT COMMITTEE OF AMANAHRAYA REIT

Datuk Yahya bin Ya'acob
(Chairman)

Tengku Dato' Hasmuddin bin Tengku Othman

Dato' Mani Usilappan

Mahadzir bin Azizan

Tuan S. Elias bin Abd. Rahman Alhabshi
(appointed on 30 July 2008)

Sudirman bin Masduki
(resigned on 30 July 2008)

• AUDIT, RISK MANAGEMENT AND COMPLIANCE COMMITTEE

Datuk Mohamed Adnan bin Ali
(Chairman)

Dato' Ahmad Rodzi bin Pawanteh

Tuan Haji Rozan bin Mohd Sa'at

Alina binti Hashim
(Alternate Member to Dato' Ahmad Rodzi bin
Pawanteh)



Corporate Directory

• MANAGEMENT TEAM

Sharizad binti Juma'at
(Managing Director/Chief Executive Officer)

Tai Ai Ngoh
(General Manager, Finance and Operations)

Azlan bin Azizuddin
(General Manager, Marketing & Client Services)

Lee Wei Chung
(General Manager, Equity)

Meor Khairi bin Meor Bazid
(General Manager, Research)

Mohd Zamri bin Shariff
(General Manager, Managing Director's Office)

Abas bin Abd Jalil
(Head, Property Investment & REIT)

Rizal bin Abdullah
(Head, Compliance & Legal)

Zaffarin bin Hj Zanal
(Head, Risk Management)

Fakru Radzi bin Ab Ghani
(Manager, Property Investment)

• PROPERTY MANAGER

Malik & Kamaruzaman Property Management Sdn Bhd (721939-X)
3rd Floor, Wisma Yakin,
Jalan Melayu
50100 Kuala Lumpur

I.M. Global Property Consultants (001639648-V)
24-1, First Floor, Wisma IMG,
Jalan 1/76C, Desa Pandan,
55100 Kuala Lumpur

• REGISTRAR AND TRANSFER OFFICE

Symphony Share Registrars Sdn Bhd (378993-D)
Level 26, Menara Multi-Purpose
Capital Square, No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-27212222
Fax : 03-27212530/1

• TRUSTEE

CIMB Trustee Berhad (167913 M)
Level 5, Bangunan CIMB
Jalan Semantan, Damansara Heights
50490 Kuala Lumpur

• PRINCIPAL FINANCIERS OF THE FUND

Mayban Life Assurance Berhad (235175-H)
L15, Mayban Life Tower
Dataran Maybank, 1, Jalan Maarof
59000 Kuala Lumpur

Malaysia National Insurance Berhad (9557-T)
Level 26, Tower 1, MNI Twins
11, Jalan Pinang
50450 Kuala Lumpur

Affin Bank Berhad (25046-T)
17th Floor, Menara Affin,
80 Jalan Raja Chulan,
50200 Kuala Lumpur

• AUDITORS

BDO Binder (AF 0206)
12th Floor, Menara Uni.Asia
1008, Jalan Sultan Ismail
50250 Kuala Lumpur

• BURSA MALAYSIA STOCK CODE

ARREIT 5127

Property Portfolio

ABOUT AMANAHRAYA REIT

AMANAHRAYA REIT ("ARREIT") is currently the second largest real estate investment trust in Malaysia in terms of asset value with total investment properties at a book value of RM645.52 million. ARREIT has a well diverse portfolio encompassing hospitality, industrial, educational and commercial properties situated within strategic locations across the nation. As at 30 June 2008, the market capitalization of the REIT stood at RM414.29 million.

Property	Book Value	Appraised Value	% of Total Book Value
Holiday Villa Alor Setar	RM31,000,000	RM31,000,000	4.8%
Holiday Villa Langkawi	RM55,000,000	RM55,000,000	8.5%
Permanis Factory	RM23,550,000	RM24,000,000	3.7%
SEGi College, Subang Jaya	RM52,500,000	RM52,500,000	8.1%
Block A & B, South City Plaza	RM18,300,000	RM18,300,000	2.8%
Wisma AmanahRaya	RM68,000,000	RM70,000,000	10.5%
Wisma Amanah Raya Berhad	RM53,000,000	RM55,000,000	8.2%
Wisma UEP	RM35,500,000	RM36,000,000	5.5%
Tamadam Bonded Warehouse	RM28,500,000	RM29,500,000	4.4%
AIC Factory	RM19,200,000	RM20,000,000	3.0%
Silver Bird Factory	RM92,000,000	RM94,700,000	14.3%
Gurun Automotive Warehouse	RM23,970,000	RM24,000,000	3.7%
SEGi College, Kota Damansara	RM145,000,000	RM149,000,000	22.5%

The principal investment objective of ARREIT is to provide stable distributions per unit, with the potential for a sustainable long term growth in both distributions and Net Asset Value ("NAV") per unit.

ABOUT AMANAHRAYA-JMF ASSET MANAGEMENT SDN BHD ("ARJMF")

ARJMF is an asset management company with the combined expertise in Equity, Fixed Income, Real Estate Investment and Capital Market activities. As at 30 June 2008, the authorized and paid up share capital of ARJMF stood at RM5,000,000.00 and RM2,000,000.00 respectively. ARJMF currently manages several funds including ARREIT with total funds under management of approximately RM8.6 billion as at 30 June 2008.

The Manager's philosophy is to create and build its clients' investment by offering personalized and value-added fund management services in order to deliver consistent and superior returns while preserving capital and achieving the clients' investment objectives.



PropertyPortfolio

INVESTMENT HIGHLIGHTS OF THE AMANAHRAYA REIT PORTFOLIO

DIVERSIFIED PORTFOLIO

ARREIT's portfolio of 13 properties is well diversified, comprising office and industrial buildings, hotels, and institution of higher learning education buildings.

This spreads the sectoral risks across the property market as well as giving ARREIT more opportunities to acquire high-yielding assets.

LONG-TERM LEASE ARRANGEMENTS

With the exception of Wisma UEP and Wisma AmanahRaya, all ARREIT properties have leases of between nine (9) to fifteen (15) years. Rental increments for all the properties are pre-determined for the entire lease period with rental revision occurring every one to five years. These pre-determined increments provide a clear potential upside in terms of income distributions.

REPUTABLE LESSEES

Properties in ARREIT are occupied by reputable Lessees, mainly public listed companies, as their main business offices or operational facilities.

The strong profile of the Lessees reflects the quality of ARREIT's property portfolio. Through leases that allow Lessees to conduct their businesses in ARREIT properties for a long term period, close partnerships are established between the Lessor and Lessee for the benefit of both parties.

"TRIPLE NET" LEASE ARRANGEMENT

Most of the properties in ARREIT's portfolio are under a "triple net" lease arrangement whereby the Lessees are responsible for the operation and maintenance of the properties, including paying the quit rents, assessments and building insurance. This arrangement enables ARREIT to mitigate the risks of a potential increase in maintenance costs or statutory payments, thus protecting the income of ARREIT. To ensure that all the properties are well maintained and to preserve their value, the Manager and the Property Manager actively monitor both the Lessees' activities within the premises and the quality of their property maintenance.

HIGH SECURITY DEPOSIT

Most properties owned by ARREIT are backed by security deposits ranging from one (1) to three (3) years' rental. The high amount of the security deposits minimizes the risk of rental payment defaults.

For most of the industrial properties, restoration deposits are imposed on the tenants or Lessees to ensure that ARREIT has sufficient funds to remove the plant and machinery as well as restore the properties to tenable condition when the lease expires or in the event of a default.

TAX TRANSPARENCY

Based on Section 61A of the Income Tax Act 1967, ARREIT is exempted from Malaysian Income Tax for any given year of assessment provided that at least 90% of its taxable income is distributed to the unitholders.

Property Portfolio

Holiday Villa Alor Setar

Description :

A 4-star hotel comprising 155-rooms located within a 21-storey commercial complex.

Postal Address :

Lot 162 & 163, Jalan Tunku Ibrahim, 05000 Alor Setar, Kedah Darul Aman

Holiday Villa Langkawi

Description :

A 4-star resort hotel comprising 238-rooms.

Postal Address :

Lot 1698, Pantai Tengah, Mukim Kedawang, 07000 Langkawi, Kedah Darul Aman

Permanis Factory

Description :

An industrial property comprising a single storey warehouse.

Postal Address :

Lots 5 & 7, Jalan P/5 & Jalan P/6, Kawasan Perusahaan Seksyen 13, 43650 Bandar Baru Bangi, Selangor Darul Ehsan

SEGi College

Description :

A commercial property comprising a 12-storey purpose-built building with 3 level basement car park used as a college.

Postal Address :

SEGi College, Persiaran Kewajipan, USJ 1, 47600 Subang Jaya, Selangor Darul Ehsan

Block A & B, South City Plaza

Description :

A commercial property comprising of two blocks of 5 ½-storey office buildings known as (Block A & B) South City Plaza.

Postal Address :

South City Plaza, Persiaran Serdang Perdana, Taman Serdang Perdana, Section 1, 43300 Seri Kembangan, Selangor Darul Ehsan

Wisma AmanahRaya

Description :

A commercial property comprising 15-storey purpose-built office building with 2-level basement car park.

Postal Address :

Wisma AmanahRaya, No.2, Jalan Ampang, 50450 Kuala Lumpur

Wisma Amanah Raya Berhad

Description :

A commercial property comprising 5-storey purpose-built office buildings with 6 lower ground levels inclusive of 4-level car park and cafeteria facilities.

Postal Address :

No. 15, Jalan Sri Semantan 1, Off Jalan Semantan, Bukit Damansara, 50490 Kuala Lumpur



Property Portfolio

Wisma UEP

Description :

A commercial property comprising an 11-storey purpose-built office building with 3-level basement car park.

Postal Address :

Jalan USJ 10/1A, Pusat Perniagaan USJ 10,
47620 Subang Jaya, Selangor Darul Ehsan

Tamadam Bonded Warehouse

Description :

An industrial property comprising 12 units of single-storey warehouses.

Postal Address :

Tamadam 1, Lot No. 11614, Jalan Perlabuhan Utara,
North Klang Straits Industrial Area, 42000 Port Klang,
Selangor Darul Ehsan

AIC Factory

Description :

An industrial property comprising two industrial complex accommodating 3-storey office block annexed with a single storey factory and a single storey factory with a canteen.

Postal Address :

Wisma AIC, Lot 1 & 3, Persiaran Kemajuan,
Seksyen 16, 40200 Shah Alam, Selangor

Silver Bird Factory

Description :

An industrial property comprising a factory complex accommodating 2-storey office block annexed to a single storey factory together with a single storey canteen, archives, gallery, security houses and others.

Postal Address :

Silver Bird Complex, Lot 72, Persiaran Jubli Perak,
Seksyen 21, 40000 Shah Alam, Selangor Darul Ehsan

Gurun Automotive Warehouse

Description :

An industrial property comprising a single storey warehouse and a single storey office.

Postal Address :

NAZA Warehouse, Lot 61B, Kawasan Perindustrian
Gurun, 08800 Gurun, Kedah Darul Aman

SEGi College, Kota Damansara

Description :

An institutional complex comprising 7-storey administrative block and 5-storey academic building.

Postal Address :

SEGi College (Malaysia Main Campus),
No. 9, Jalan Teknologi, Taman Sains Selangor,
Kota Damansara PJU 5, 47810 Petaling Jaya,
Selangor Darul Ehsan

Managing Director's Statement



Dear Unitholders,

AmanahRaya Real Estate Investment Trust ("ARREIT"), has disclosed its financial performance report for the first half of 2008 which has shown further improvement and in fact, exceeded our expectations. The significant performance for the period ended 2007 as well as the first half of 2008, is mainly attributed to the additional injection of properties which were completed in December 2007 and value enhancement work involving the extension of Permanis Plant that increased the net lettable area of the property and its aggregate rental income. This enhanced the overall rental performance for the entire property portfolio of ARREIT.

In spite of the unfolding global credit crisis that caused many investors to be more cautious, there are still values to be discovered in Real Estate Investment Trusts ("REIT"), particularly for investors who appreciate the importance of a long term periodic sustainable income. ARREIT, through a difficult market, has been viewed as a defensive stock as its price movement has been marginally positive ever since it was listed in February 2007 reflecting the quality of its underlying assets thus producing sustainable and accretive cash flow.

For the year-to-date, ARREIT has outperformed the average Malaysian REITs price change which currently stands at -14.05%, by registering only -5.05%. This is far better as compared to the performance of the Kuala Lumpur Composite Index ("KLCI") which recorded -24.2%.

Based on the financial figures reported for the period under review, ARREIT demonstrated the ability to remain focused and on maintaining its expansion and return expectations, based on the following major parameters:

1. For the first six months of 2008, ARREIT reported net income before taxes amounting to RM15,431,689 or a growth of 255% compared with the corresponding period last year. The growth is mainly due to further improvement in operating profitability as well as the rising rental revenue originating from the injection of additional properties into ARREIT which was completed at the end of December 2007. Also from improvements made to the property, particularly Permanis Plant where rentals have increased from RM132,250 to RM157,250 per month. Gross



Managing Director's Statement

revenue of ARREIT increased during the first half of the year by RM14,950,264 or 191%.

2. ARREIT has started planning and working for its future injections of investment-grade properties with an objective of creating greater value whilst ensuring its yield accretion. This is also to take advantage of the softening property market regionally through opportunities in creating real value in the property purchase.
3. Notwithstanding the strong operating growth, direct and indirect costs are well under control. The risk areas involved in maintaining the properties under the portfolio are being continuously profiled and closely monitored by the Manager.
4. Most of the leases are on a triple net agreement which has resulted in a minimal property expenses incurred i.e. about 2.2% of the total rental income received for the financial period reported. This is below the industry rate of between 20% to 30%.

The performance of ARREIT for the first half of the year has increased confidence for the REIT to achieve if not exceed its financial projection for the full year of 2008. For the end of 2008 we are projecting an income of RM30,096,000 which is RM19,449,367 more than last year or 183% growth year on year.

A prudent capital management strategy is being enforced to ensure enhanced returns to unitholders, particularly during the rising interest rate environment. AmanahRaya-JMF Asset Management, as the Manager, is aggressively and continuously monitoring the capital structure of ARREIT for its effective growth strategy. We are on a constant look out for the most optimum alternative funding structure to ensure competitive rate of financing to optimise returns to the unitholders.

ARREIT Manager has developed an efficient and effective working relationship with the Lessees

to ensure uninterrupted and smooth collection of rental income and provide good support for the maintenance of all properties under its portfolio.

Looking ahead, a constant process of change for taking advantage of market opportunities and the business environment has been on the main agenda in taking ARREIT forward. As the Manager, we are constantly adapting our business models and structures to ensure that we stay relevant and more importantly, aligned to the development of the market needs whilst ensuring sustainable growth and earnings in the longer term.

One of the immediate plans is on the refurbishment of both Holiday Villa Langkawi and Alor Setar. The plan is to enhance the value of both properties whilst increasing the rental income for ARREIT.

On behalf of the Board and Management team of AmanahRaya-JMF Asset Management Sdn Bhd, we would like to extend our gratitude to all our stakeholders for the support of our earlier corporate exercise to raise capital for the second injection at the last Annual General Meeting held on 26 October 2007.

As the Manager of ARREIT, we are committed to improve our competitiveness in all areas including the sourcing and building of quality assets, effective capital structuring and yield accretion, hence paving the way to more success stories in the future. We foresee that there shall be no sign of a slow down in portfolio building via acquisitions as we are taking a long-term view in developing and positioning ARREIT in the market.

Sharizad Juma'at
15 August 2008

Manager's Report

The Directors of AmanahRaya-JMF Asset Management Sdn Bhd, the Manager of the AmanahRaya Real Estate Investment Trust ("ARREIT" or the "Trust"), have the pleasure in presenting to the unitholders of ARREIT the Interim Fund Report of ARREIT for the financial period ended 30 June 2008.

PRINCIPAL ACTIVITY

The Manager's principal activity is fund management and its related services, and is licensed to act as a fund manager under the Capital Markets and Services Act, 2007. ARREIT is one of the property portfolios currently managed by us. There have been no significant changes in the nature of our activities during the financial period under review.

HIGHLIGHTS

In the financial period ended 30 June 2008, ARREIT:

- Recorded a net income available for distribution totalling RM15,431,689
- Achieved a distribution per unit of 3.5758 sen

THE TRUST AND ITS INVESTMENT OBJECTIVE

ARREIT was established on 10 October 2006 pursuant to a trust deed ("**Deed**") dated the same between the Manager and CIMB Trustee Berhad ("**Trustee**") which classified it as a real estate property fund.

ARREIT was listed on the Bursa Malaysia Securities Berhad on 26 February 2007. The investment objective of ARREIT is to invest in a diverse portfolio of high-yielding properties with the potential for capital growth and strong recurring rental yields, hence generating an attractive level of return to its Unitholders. Long leases are locked for most properties, ranging between 6 to 15 years, backed with credible counter-party and substantial security deposits.

The Manager is dynamic and proactive with continuous efforts to enhance the existing portfolio by identifying and acquiring high-yielding properties that can consistently provide return to the Trust.



Manager's Report

BENCHMARK RELEVANT TO THE TRUST

Financial Period Ended
 30 June 2008

Management Expenses Ratio ("MER")	0.22%
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The calculation of the MER is based on the total expenses of ARREIT incurred, including Manager's fees, Trustee's fees, audit fees, tax agent's fees and administrative expenses, to the average net asset value of the Trust during the financial period calculated on a daily basis.

Since the basis of calculating MER may vary among real estate investment trusts, comparisons of MER of ARREIT with other real estate investment trusts may not be accurate.

REVIEW OF PERFORMANCE

As At 30 June 2008

Total Net Asset Value (RM)	403,478,611
Units in Circulations (units)	431,553,191
Net Asset Value per unit (RM)	0.9349
Market Value per unit (RM) as at 30 June 2008	0.9600
Highest Traded Price for the six months period (RM)	0.9900
Lowest Traded Price for the six months period (RM)	0.8500

RESULTS OF TRUST'S PERFORMANCE

RM
 Financial Period Ended
 30 June 2008

Total Gross Rental Income	22,768,862
Total Property Expenses	(502,367)
Net Rental Income	22,266,495
Interest Income	351,870
Total Non-Property Expenses	(7,186,676)
Earnings before taxation and net appreciation on fair value of investment properties	15,431,689
Net appreciation on fair value of investment properties	-
Earnings before Taxation	15,431,689
Taxation	NIL

Manager's Report

RESULTS OF TRUST'S PERFORMANCE CONT'D

	RM Financial Period Ended 30 June 2008
Earnings after Taxation	15,431,689
Earnings per Unit after Tax (sen)*	
- after manager fee	3.5758
- before manager fee	3.7188
Distribution per Unit (DPU) (sen)**	3.5758

* *Earnings per unit after tax are computed based on earnings after taxation over the number of units in circulation, i.e. 431,553,191 units during the financial period.*

** *The distribution per unit shown above will be the actual distribution to unitholders during the financial period.*

The Manager is pleased to report that, for the financial period ended 30 June 2008, revenue totalled RM23,120,732, comprising gross rental income of RM22,768,862 and interest income of RM351,870. The effective interest rate received for funds placed with licensed financial institutions was between 3.48% and 3.55% per annum. Higher post-tax earnings resulted mainly from the interest income, lower property manager fees paid and higher rental rates received for Wisma Amanah Raya Berhad following the renewal of the tenancy and revision of the rental rates.

As at 30 June 2008, ARREIT incurred total expenses of RM7,689,043, with only 6.5% being property expenses since almost all of our properties have triple-net arrangements whereby all property-related expenses are paid by the Lessees. The exceptions are Wisma Amanah Raya Berhad and Wisma UEP. During the financial period, the main expenditure was interest expenses totalling RM6,287,951.



Manager's Report

NET ASSET VALUE ("NAV")

Analysis of net asset value of the Trust for the period ended 30 June 2008 and 31 December 2007:

	As at 30 June 2008	As at 31 December 2007
Total net asset value ("NAV") (RM)		
- before provision for income distribution	418,910,304	411,252,938
- after provision for income distribution	403,478,611	404,967,451
Total net asset value ("NAV") (RM) per unit		
- before provision for income distribution	0.9707	0.9530
- after provision for income distribution	0.9349	0.9384

In compliance with the listing requirements, the weekly NAV of the Trust is submitted to Bursa Malaysia's website for public review.

RELATED PERFORMANCE INDICATORS AND BENCHMARKS

	As at 30 June 2008	As at 31 December 2007
Total return (%)*	5.10	5.84
Gearing ratio (%)**	37.46	37.90
Portfolio Turnover Ratio (times)***	-	1.78

* Total returns are calculated based on the actual gross income distribution and the net change in the weighted average market price for the period to date, over the weighted average market price of the REIT for the respective year.

** The gearing ratio is calculated based on total borrowings over total assets (total assets excluding RM42,470,975 (31.12.2007 – RM41,079,733), which is the total amount of rental and security deposits and its interests held on behalf of lessees, and RM81,251,198 in trade and other receivables of previous financial period which were to be disbursed to other payables).

*** The calculation of Portfolio Turnover Ratio ("PTR") is based on the average of total acquisitions and total disposals of investments in ARREIT for the period ended 30 June 2008 to the average net asset value during the period calculated on a daily basis.

Manager's Report

INVESTMENT STRATEGIES AND POLICIES

INVESTMENT STRATEGIES

During the financial period, the Manager continued to carry out the following investment strategies in order to achieve the business and investment objectives of ARREIT:

OPERATING STRATEGY

The operating strategy is mainly geared towards preserving and enhancing the value of the properties as well as achieving sustainable growth in rental income based on the following:

a. Actively monitor the maintenance and upkeep of the properties under lease

The Manager has been working closely with the Property Managers in order to monitor the maintenance and upkeep of the properties conducted by relevant lessee. Although the maintenance and upkeep of most of the properties are solely the responsibility of the Lessee, the constant monitoring is required to ensure the long term quality and the physical condition of the building is preserved. Periodical checks on each property is conducted once in every 3 months. The Property Managers will then identify property management issues and recommend the next course of action(s) to be undertaken by the Lessee / Manager.

b. Foster close relationships with Lessees and ensure the delivery of high quality services to them

The Manager fosters close relationships with the Lessees of the properties which result in both parties understanding each other's needs and requirements. This enables the Manager to consistently deliver prompt responses and tailored solutions to achieve high Lessee satisfaction.

c. Enhance property value

The Manager has worked closely with the Property Managers to constantly find ways to enhance the value of the properties via internal and external improvements. In determining appropriate improvements to be undertaken, the financial analyses and market studies will be conducted to ensure that any improvements made will increase the value of the properties.

d. Improve financial performance of the properties

In ensuring that ARREIT sustains its potential earnings, expiring tenancies are replaced without delay and that re-negotiated rental rates are locked-in at good rates with step-ups that will compensate for expected future rental rate increases. More importantly, marketing efforts is in place to ensure that ARREIT is able to replace outgoing lessees without disruption of income.

The above objectives are achieved by:

- Commencing timely negotiations with Lessees tenants whose leases are about to expire
- Adopting marketing strategies that emphasize the properties' competitive strengths to raise public awareness and maximize Lessee interest
- Pursuing leads from real estate agents and other referrals



Manager's Report

- Offering the Lessees competitively priced rental rates with pre-determined increases that will sufficiently compensate the ARREIT over the long term
- Ensuring that the Lessees of the properties possess good credit ratings and are able to make rental payments as and when they fall due in order to ensure that the cashflow of ARREIT is well managed

ACQUISITION STRATEGY

Prior to investment proposals being presented to the Investment Committee for endorsement, the Manager assesses the appeal of the property based on a rigorous prescribed process.

All potential acquisitions undergo a desktop evaluation using pre-determined acquisition criteria consistent with ARREIT's investment objectives. A summary of these criteria is as follows:

a. Location

The location of the potential property is evaluated with particular reference to its connectivity to major roads and highways, populated commercial districts and residential areas as well as availability of public transportation.

b. Price and Yield

All investment proposals are subject to vigorous scrutiny based on our investment criteria which take into account the price and yield of the potential acquisition. Consideration is also given to the tenure the expected future economic environment and the market demand for short and long term leases. The analysis focuses on ensuring that the terms of the acquisitions allow the current value of the portfolio to be at least maintained while enhancing the accretion and/or the overall quality of the portfolio. For most property acquisitions, the purchase prices are below market value (see the Property Portfolio section), thus delivering an immediate appreciation in value upon completion of the transaction.

c. Building Condition

The condition of the property is evaluated mostly via physical inspections and checks. These focus on, among others, the building's age and size, interior and exterior condition, defects (particularly hidden defects), mechanical and electrical equipment, civil and structural condition as well as the condition of the security, fire and any other protection systems, and compliance with local rules and regulations. Engineering due diligence exercises examining the condition of the mechanical and electrical equipment as well as the structural condition are conducted by the Manager's appointed engineers.

d. Diversity of Portfolio

It is planned to further increase the geographical and sectoral diversity of the ARREIT property portfolio in order to cushion the impact of any adverse development in a particular sector or region and provide a reliable flow of income to ARREIT. The potential acquisition of properties from various segments will therefore be carefully evaluated. The Manager is well aware of property market conditions and will capitalise on the rising rental and capital values of high performing sectors.

After applying the above criteria and conducting the necessary analysis, studies, inspections and checks, the recommendation is forwarded to the Independent Investment Committee of ARREIT for further evaluation and approval.

Manager's Report

CAPITAL MANAGEMENT STRATEGIES

To optimise returns to unitholders, we plan to finance future property acquisitions and enhancements by means of a balance of new units and loans.

The strategies employed to achieve this are:

- a. Sourcing the most favourable terms of funding while maintaining a comfortable level of loan service capability
- b. Diversifying our sources of funding
- c. Managing cashflows by matching inflows from lessees with outflows arising from financial obligations
- d. Managing our interest rate exposure

In addition to the above, the Manager will also comply with the provisions of the Deed and all applicable rules and guidelines prescribed by the SC relating to the financing of ARREIT. As at 31 December 2007, ARREIT had achieved a debt level of 37.90% of the total asset level.

INVESTMENT POLICIES

The Manager will continue to comply with the Deed, the SC's Guidelines on Real Estate Investment Trusts and other applicable guidelines imposed by the SC and other relevant bodies, including:

- a. Only making investments permitted by the SC and other relevant bodies
- b. Ensuring that the investment portfolio requirements and limits imposed by the Deed and the SC's Guidelines on Real Estate Investment Trusts are adhered to

The Manager will also ensure that ARREIT will not be involved in:

- a. Extending loans and credit facilities to any party
- b. Entering into forward purchases or forward sales in any currencies or any foreign contract
- c. Property development unless the development has met the criteria imposed by the SC's Guidelines on Real Estate Investment Trusts.



Manager's Report

COMPOSITION OF INVESTMENT PORTFOLIO

As at balance sheet, ARREIT's composition of investment properties is as below:

Property	Book Value	%
REAL ESTATE		
Hospitality (Hotel)		
Holiday Villa Alor Setar	RM31,000,000	4.6%
Holiday Villa Langkawi	RM55,000,000	8.2%
Education		
SEGi College, Subang Jaya	RM52,500,000	7.8%
SEGi College, Kota Damansara	RM145,000,000	21.6%
Commercial (Office)		
Block A & B, South City Plaza	RM18,300,000	2.7%
Wisma AmanahRaya	RM68,000,000	10.1%
Wisma Amanah Raya Berhad	RM53,000,000	7.9%
Wisma UEP	RM35,500,000	5.3%
Industrial		
Permanis Factory	RM23,550,000	3.5%
Tamadam Bonded Warehouse	RM28,500,000	4.3%
AIC Factory	RM19,200,000	2.9%
Silver Bird Factory	RM92,000,000	13.7%
Gurun Automotive Warehouse	RM23,970,000	3.6%
	RM645,520,000	96.2%
Others		
Deposits placed with Licensed Financial Institutions	RM25,141,154	3.8%
Total	RM670,661,154	100%

Manager's Report

The details of real estate owned by the Trust as at the balance sheet date are as follow:

1. **Holiday Villa Alor Setar**

Address/Location	Lot 162 & 163, Jalan Tunku Ibrahim, 05000 Alor Setar, Kedah Darul Aman.
Title details	Geran 7040 and H.S.(D) 1100/85, Section 5, Town of Alor Setar, District of Kota Setar, Kedah Darul Aman.
Property type	Hotel.
Description	A commercial property comprising a 4-star hotel with 155-rooms in Alor Setar and is located within a 21-storey commercial complex with sub-basement level known as City Plaza.
Age of property	Approximately 11 years.
Tenure	Freehold for Geran 7040 and a 99-year leasehold for H.S.(D) 1100/85 expiring on 23 March 2084.
Unexpired lease period	Approximately 76 years.
Lease period	10 years – commenced on 23 June 2006.
Gross Floor Area	150,000 sq.ft.
Net lettable area	Not applicable.
Existing use	Hotel and commercial complex.
Parking spaces	44 bays.
Date of acquisition	26 February 2007.
Valuation	RM31,000,000.00
Cost of acquisition	RM31,000,000.00
Master Lessee	Alor Setar Holiday Villa Sdn Bhd.
Occupancy rates	100%
Net rental	RM173,083.33 per month.



Manager's Report

2 Holiday Villa Langkawi

Address/Location	Lot 1698, Pantai Tengah, Mukim Kedawang, 07000 Langkawi, Kedah Darul Aman.
Title details	Lot No. P.T. 344, P.T. 107 & P.T. 108, Town of Padang Mat Sirat, District of Langkawi, Kedah Darul Aman.
Property type	Resort hotel.
Description	A 4-star resort hotel with 238-rooms located in Pantai Tengah, Langkawi.
Age of property	Approximately 15½ years.
Tenure	Freehold.
Unexpired lease period	Not Applicable.
Lease period	10 years – commenced on 13 July 2006.
Gross Floor Area	183,190 sq.ft.
Net lettable area	Not Applicable.
Existing use	Hotel.
Parking spaces	55 bays.
Valuation	RM55,000,000.00
Cost of acquisition	RM55,000,000.00
Date of acquisition	26 February 2007.
Master Lessee	Langkawi Holiday Villa Sdn Bhd.
Occupancy rates	100%
Net rental	RM307,083.33 per month.

Manager's Report

3. Permanis Factory

Address/Location	Lots 5 & 7, Jalan P/6 and P/7, Kawasan Perusahaan Seksyen 13, Bandar Baru Bangi, Selangor Darul Ehsan.
Title details	H.S. (M) 13244A & H.S.(M) 13245A, P.T.20104 & P.T.20105 within Section 13, Bandar Baru Bangi, Mukim of Kajang, District of Hulu Langat, State of Selangor Darul Ehsan.
Property type	Industrial warehouse.
Description	A single storey warehouse industrial property located within Kawasan Perusahaan Seksyen 13, Bandar Baru Bangi.
Age of property	Approximately 20 ¹ / ₄ years.
Tenure	Leasehold for 99 years expiring on 9 February 2089.
Unexpired lease period	Approximately 81 years.
Lease period	10 years – commenced on 31 May 2006.
Gross Floor Area	202,233 sq.ft.
Net lettable area	Not Applicable.
Existing use	Factory.
Parking spaces	Available within the compound of the property.
Date of acquisition	26 February 2007.
Valuation	RM24,000,000.00
Cost of acquisition	RM23,550,000.00
Master Lessee	C.I. Holdings Berhad.
Occupancy rates	100%
Net rental	RM157,250.00 per month.



Manager's Report

4. SEGi College, Subang Jaya

Address/Location	SEGi College, Persiaran Kewajipan USJ 1, 47600 Subang Jaya, Selangor Darul Ehsan.
Title details	Geran 43527, Lot No. 13, Pekan Subang Jaya, District of Petaling, State of Selangor Darul Ehsan.
Property type	Institution building.
Description	12-storey commercial building with 3 Level Basement Carpark used as Higher Learning Institution.
Age of property	Approximately 2½ years.
Tenure	Freehold.
Unexpired lease period	Not Applicable.
Lease period	15 years – commenced on 22 May 2006.
Gross Floor Area	280,575 sq.ft.
Net lettable area	131,387 sq.ft.
Existing use	Higher Learning Institution and training centre.
Parking spaces	206 bays.
Date of acquisition	26 February 2007.
Valuation	RM52,500,000.00
Cost of acquisition	RM52,500,000.00
Master Lessee	SEG International Bhd.
Occupancy rates	100%
Net rental	RM261,625.00 per month.
Easement	ARREIT has purchased the property subject to an easement granted on the land by a Deed of Easement dated 20 December 2001 entered into between Wismuda Sdn Bhd, Warisan Megah Sdn Bhd, Integrated Logistics Berhad and Heitech Padu Berhad.

Manager's Report

5. Block A & B, South City Plaza

Address/Location	Block A & B, South City Plaza, Persiaran Serdang Perdana, Taman Sedang Perdana, Section 1, 43300 Seri Kembangan, Selangor Darul Ehsan.
Title details	Developed on land held under Master Title Pajakan Negeri 7393, Lot 1, Pekan Serdang, District of Petaling, Selangor (previously known as H.S.(D) 91640, P.T. 32218), Mukim and District of Petaling, State of Selangor Darul Ehsan.
Property type	Commercial (office).
Description	Two (2) blocks (Block A and Block B) of 5 ½-storey office buildings within a development known as South City Plaza.
Age of property	Approximately 3¼ years.
Unexpired lease period	Approximately 85 years.
Lease period	10 years – commenced on 21 August 2006.
Gross Floor Area	72,505 sq.ft.
Net lettable area	66,606 sq.ft.
Existing use	Block A is used as an institution of higher learning and Block B is used as an office block.
Parking spaces	The property does not have any car parks but shares the usage of 1,766 parking bays with the developer and owner of the individual units within South City development.
Date of acquisition	26 February 2007.
Valuation	RM18,300,000.00
Cost of acquisition	RM18,300,000.00
Master Lessee	SEG International Bhd.
Occupancy rates	100%
Net rental	RM100,500.00 per month.



Manager's Report

6. Wisma AmanahRaya

Address/Location	Wisma AmanahRaya, No. 2, Jalan Ampang, 50450 Kuala Lumpur.
Title details	Pajakan Negeri (WP) 25414, Lot No. 21, and Pajakan Negeri (WP) 25415, Lot No. 22, Section 32, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur.
Property type	Commercial (office).
Description	Commercial property comprising a 15-storey purpose built office building with 2 basement levels.
Age of property	Approximately 41 years.
Tenure	Leasehold Interest for 99 years expiring on 10 June 2065.
Unexpired lease period	Approximately 57 years.
Lease period	6 years – commenced on 26th October 2006.
Gross Floor Area	235,000 sq.ft.
Net lettable area	166,902 sq.ft.
Existing use	Office Building.
Parking spaces	59 Parking Bays.
Date of acquisition	26 February 2007.
Valuation	RM70,000,000.00
Cost of acquisition	RM68,000,000.00
Master Lessee	Amanah Raya Berhad.
Occupancy rates	100%
Net rental	RM450,635.40 per month.

Manager's Report

7. Wisma Amanah Raya Berhad

Address/Location	Wisma Amanah Raya Berhad, No. 15, Jalan Sri Semantan 1, Damansara Heights, 50490 Kuala Lumpur.
Title details	Title Nos. H.S.(D) 83465 and 79671, P.T.Nos 6 and 7, Mukim and District of Kuala Lumpur.
Property type	Commercial (office).
Description	Commercial property comprising 5-storey purpose built office buildings with 6 lower ground levels inclusive 4-level car park and cafeteria facilities.
Age of property	Approximately 9 years.
Tenure	Leasehold for 99 years expiring on 21 September 2072 & 29 April 2072 respectively.
Unexpired lease period	Approximately 65 years.
Lease period	9 years – commenced on 1st November 2005.
Gross Floor Area	170,000 sq.ft.
Net lettable area	125,227 sq.ft.
Existing use	Office.
Parking spaces	261 parking bays.
Date of acquisition	26 February 2007.
Valuation	RM55,000,000.00
Cost of acquisition	RM53,000,000.00
Master Lessee	CIMB Investment Bank Berhad.
Occupancy rates	100%
Rental received	RM298,432.71 per month.



Manager's Report

8. Wisma UEP

Address/Location	Wisma UEP, Jalan USJ10/1A, Pusat Perniagaan USJ 10, 47620 Subang Jaya, Selangor Darul Ehsan.
Title details	Title Nos. H.S.(D) 52531, P.T. 11303, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan.
Property type	Commercial (office).
Description	Commercial property comprising an 11-storey office building with 3 levels of basement car park.
Age of property	Approximately 11 $\frac{1}{3}$ years.
Tenure	Freehold.
Unexpired lease period	Not Applicable.
Lease period	6 years – commenced on 1st January 2004.
Gross Floor Area	198,499 sq.ft.
Net lettable area	90,541 sq.ft.
Existing use	Office.
Parking spaces	178 Parking Bays.
Date of acquisition	26 February 2007.
Valuation	RM36,000,000.00
Cost of acquisition	RM35,500,000.00
Master Tenant	Sime UEP Properties Bhd.
Occupancy rates	100%
Rental received	RM175,000.00 per month.

Manager's Report

9. Tamadam Bonded Warehouse

Address/Location	Tamadam 1, Lot No. 11614, Jalan Perlabuhan Utara, North Klang Straits Industrial Area, 42000 Port Klang, Selangor Darul Ehsan.
Title details	Lot No. 11614 held under PN4564 and Lot No. PT 21596 held under HSM19795, all situated in Mukim and District of Klang, State of Selangor Darul Ehsan.
Property type	Industrial warehouse.
Description	Warehouse Complex comprising 12 units of single-storey warehouses and 2 units of guard house.
Age of property	Approximately 30 years.
Tenure	Lot 11614 – Leasehold for 60 years expiring on 11 December 2067. Lot No. PT 21596 – Leasehold for 99 years expiring on 10 May 2089.
Unexpired lease period	Lot 11614 – unexpired period of 60 years. Lot No. PT 21596 – unexpired period of 82 years.
Lease period	10 years – commenced on 1st January 2007.
Built Up Area	237,033 sq.ft.
Existing use	Industrial Warehouse.
Parking spaces	Available within the compound of the property.
Date of acquisition	28 December 2007.
Valuation	RM29,500,000.00
Cost of acquisition	RM28,500,000.00
Master Lessee	Tamadam Bonded Warehouse Berhad.
Occupancy rates	100%
Net rental	RM172,050.00 per month.



Manager's Report

10. AIC Factory

Address/Location	Wisma AIC, Lot 1 & 3, Persiaran Kemajuan, Seksyen 16, 40200 Shah Alam, Selangor Darul Ehsan.
Title details	Lot No. PT 611 held under HSD No. 97328 and Lot No PT 612 held under HSD No. 97329, both situated in Town of Shah Alam, District of Petaling, State of Selangor Darul Ehsan.
Property type	Industrial factory.
Description	Two Industrial complex comprising 3-storey office block annexed with a single storey factory and single storey factory with canteen and a guard house.
Age of property	Between 5 to 13 years.
Tenure	Leasehold for 99 years.
Unexpired lease period	86 years expiring 20 February 2094.
Lease period	10 years – commenced on 13 September 2006.
Built Up Area	159,708 sq.ft.
Existing use	Manufacturing of Motor Vehicles Spare part and flat screen TV.
Parking spaces	Available within the compound of the property.
Date of acquisition	28 December 2007.
Valuation	RM20,000,000.00
Cost of acquisition	RM19,200,000.00
Master Lessee	AIC Corporation Berhad.
Occupancy rates	100%
Net rental	RM110,833.33 per month.

Manager's Report

11. Silver Bird Factory

Address/Location	Silver Bird Complex, Lot 72, Persiaran Jubli Perak, Seksyen 21, 40000 Shah Alam, Selangor Darul Ehsan.
Title details	Lot No. PT 93, held under HSD No. 232293, Pekan Baru Hicom (formerly Mukim of Damansara), District of Petaling, State of Selangor Darul Ehsan.
Property type	Industrial complex.
Description	A factory complex comprising a 2-storey office block annexed to a single storey factory together with single storey canteen, archives, gallery, security houses and others.
Age of property	Approximately 2 years.
Tenure	Freehold.
Unexpired lease period	Not Applicable.
Lease period	10 years – commenced on 11th October 2006.
Built Up Area	279,010 sq.ft.
Existing use	Food manufacturing.
Parking spaces	Available within the compound of the property.
Date of acquisition	28 December 2007.
Valuation	RM94,700,000.00
Cost of acquisition	RM92,000,000.00
Master Lessee	Silver Bird Group Berhad.
Occupancy rates	100%
Net rental	RM570,000.00 per month.



Manager's Report

12. Gurun Automotive Warehouse

Address/Location	NAZA Warehouse, Lot 61B, Kawasan Perindustrian Gurun, 08800 Gurun, Kedah Darul Aman.
Title details	Lot No. 61B (Part of Lot No. PT 6736), Town of Gurun, District of Kuala Muda, State of Kedah Darul Aman.
Property type	Industrial warehouse.
Description	An industrial building comprising a single-storey warehouse and single storey office building.
Age of property	Approximately 1 ¹ / ₄ years.
Tenure	A 99-year leasehold interest and will be granted a sub-lease of approximately 60 years by KSDC.
Unexpired lease period	97 years.
Lease period	10 years – commenced on 28th December 2007.
Net Lettable Area	214,450 sq.ft.
Existing use	Industrial.
Parking spaces	Available within the compound of the property.
Date of acquisition	28 December 2007.
Valuation	RM24,000,000.00
Cost of acquisition	RM23,970,000.00
Master Lessee	Teras Globalmas Sdn Bhd.
Occupancy rates	100%
Net rental	RM159,800.00 per month.

Manager's Report

13. SEGi College, Kota Damansara

Address/Location	SEGi College (Malaysia Main Campus), No. 9, Jalan Teknologi, Taman Sains Selangor, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan.
Title details	Developer's Lot No. 9, Mukim Sungai Buloh, District of Petaling, State of Selangor Darul Ehsan.
Property type	Commercial.
Description	An institutional complex comprising of 7-storey administrative block and 5-storeys academic block.
Age of property	Approximately 1 $\frac{1}{3}$ years.
Tenure	Leasehold for 99 years.
Unexpired lease period	Approximately 99 years.
Lease period	10 years – commenced on 28th December 2007.
Gross Lettable Area	337,710 sq.ft.
Net Lettable Area	211,194 sq.ft.
Existing use	Campus for a Higher Learning Institution.
Parking spaces	334 car parking and 808 motorcycle parking.
Date of acquisition	28 December 2007.
Valuation	RM149,000,000.00
Cost of acquisition	RM145,000,000.00
Master Lessee	SEG International Bhd.
Occupancy rates	100%
Net rental	RM870,000.00 per month.



Manager's Report

REVIEW OF PROPERTY MARKET

OFFICE SECTOR

In 2007, the office market maintained a positive growth trend with average occupancy rate increasing to 85% from 84.7% in year 2006. Take up for office spaces for the year also increased by 29% from 227,051 square metres. Kuala Lumpur and Selangor are the two biggest office space providers but both states recorded an average occupancy of less than the national average occupancy which is at 83.2% and 84.3% respectively. Nevertheless, both states have recorded growth in occupancy from the previous year which recorded at 81.8% and 83.9% respectively. Office spaces in Putrajaya recorded the highest with 98.8% occupancy.

Supply had also increased for the year with total spaces increased to 14.78 million sq. m. compared to 14.50 million sq.m. in year 2006. This is contributed by newly 22 office buildings completed within the year offering 286,427 sq.m.

There were 26 transactions of purpose-built office buildings for the year worth of RM1.08 billion with 10 transactions from Kuala Lumpur, followed by Selangor and Pulau Pinang at 4 transactions each.

Generally, rentals of office spaces were stable with increases mainly in Kuala Lumpur city centre and selected suburbans. In Kuala Lumpur, rentals have increased from 3.2% to 16.7% with those spaces in the Golden Triangle recording the largest increase. Other suburban areas which have recorded a growth in both capital and rental values are KL Sentral, Damansara Heights and selected sections of Petaling Jaya.

The office property market for the first half of 2008, is still positive with two office buildings transacted at a premium price. The two buildings were Menara YNH, Jalan Sultan Ismail and Office Tower 2, Capital Square, Jalan Munshi Abdullah which were transacted at RM1,230 per sq. ft and RM734 per. sq. ft. respectively. This demonstrates that investors are still upbeat of the office market in Kuala Lumpur even though the prices that they have purchased is a record high at that point of time. They are confident that the office market is on the rise due to the lack of quality office spaces in the market and are relatively cheap compared to other established cities in South- East Asia. Investors particularly from Middle-East, Singapore and Koreans are those showing great appetite for office building development. Furthermore, with construction materials having increased by at least 30% since the hike in the fuel price, prices of newly built office building is expected to increase.

INDUSTRIAL SECTOR

There were no significant movement for the industrial sub-sector as both the volume and value of transactions contributes 2.6% and 9.2% respectively to the overall property market.

Industrial overhang has decreased as most of the states registered increases in number of transactions excluding Kuala Lumpur, Labuan, Melaka, Kedah and Perlis. Selangor registered the most transactions making up 39.1% of the market share, followed by Johor, and Perak.

Generally, prices of detached factories in Selangor remained stable for the year 2007. For detached factories / or factory complex worth more than RM1 million, District Petaling contributed about 41% of the total market share, followed by District of Klang (21%), Gombak (11%) and Hulu Langat (7.5%).

Manager's Report

In year 2007, detached / factory complex properties located in Selangor has shown positive growth in both the value and volume of transactions by showing an increase of about 6.5% and 26.2% respectively.

In the state of Kedah, Mukim of Kulim & Kuala Muda recorded the most transactions of detached factories which accounted for about 67% of the total market share of industrial properties above RM1 million. This should be good for ARREIT's Gurun warehouse which is located within Kuala Muda as there would be potential for growth in terms of rental and capital values for industrial properties in the locality.

The overall manufacturing production which has grown by 7.5% in year 2007 has contributed to the slight growth in the industrial sub-sector market. For the first quarter of 2008, the manufacturing sector continue to expand by 6.9% which was attributable to the double digit growth production in the motor vehicles industry.

Prior to the increase of fuel prices, there has been a drop of completion, start and building plans approvals for industrial property from the last quarter of 2007 with the political uncertainty and rise in inflation, there shall be a slowing down period for industrial sub-sector as well as the general property market. Nevertheless, ARREIT's industrial properties, are well located within established industrial areas which should give a prospect of appreciation in capital values or at least sustain the valuation prices.

HOTEL SECTOR

Visit Malaysia Year 2007 campaign surpassed the target of 20.1 million tourist arrivals with a record of 20.97 million. This has resulted in RM46.07 billion in foreign exchange earnings for the country which also exceeds the RM44.5 billion target. The table below shows the growth trend in number of tourist arrivals and earnings made for the last 5 year;

Year	Tourist Arrivals and Receipts to Malaysia	
	Arrivals	Receipts
2003	10.58 million	21,291.1 million
2004	15.70 million	29,651.4 million
2005	16.43 million	31,954.1 million
2006	17.55 million	36,271.7 million
2007	20.97 million	46,070.0 million

Source: Tourism Malaysia

Due to the overwhelming response, the government has extended the campaign the Visit Malaysia Year until August 2008 with a tag line of "Celebrating 50 years of Nationhood- One Golden Celebration". With the extension, the government expect to achieve a target of 22.5 million tourists in year 2008 and to achieve 24.6 million tourist by 2010.

The year also showed an increase in average occupancy for hotels nationwide from 59.9% in year 2006 to 62.5%. Average occupancy for Kedah stands at 68.6% being ranked 4th highest occupancy rates among all states. Holiday Villa Langkawi has performed tremendously well with an average occupancy rate of 72.7% surpassing the national's and state's average.



Manager's Report

However, for Holiday Villa Alor Setar the rate only recorded at 60%. In order to make the hotels more competitive, Holiday Villa has outlined strategy to enhance the facilities of their hotels and increase their hotel chain. They have identified several strategic locations (other than State of Kedah) to set up their hotels of which construction is expected to commence within the near future.

EDUCATION SECTOR

The government will continue to focus on education as an integral part of its development plans. RM13.5 billion will be allocated to improve school infrastructure, provide more Information and Communication Technologies (ICT) facilities and to encourage more experienced teachers to serve in rural areas.

With a lack of places in the Public Higher Learning Institution, there are substantial number of Private Higher Learning Institution in the market which are shown in the table below;

IPTS	List of Private Institution (IPTS) 2007					
	Year					
	2002	2003	2004	2005	2006	2007
IPTS (University)	11	11	11	10	12	18
IPTS (University College)	1	5	10	11	15	15
IPJJ (University)	-	-	-	1	1	-
IPTS (University-Branch Campus Foreign University)	3	3	11	11	14	15
IPTS (Normall)	518	519	533	532	482	488
Total	533	538	565	565	524	536

Source: Ministry of Higher Education Malaysia

The education sector looks promising with the government intending to make Malaysia the preferred education hub by 2010. The Ministry of Finance is working closely with private higher learning institutions to provide skills-based training as the Ministry is short of training centres and qualified human resources.

There are several learning institutions expanding their existing campuses to accommodate a bigger student population. This shows the sector has good prospects and regardless of economic condition, education will always be an integral part of the development of the nation in becoming a developed nation by 2020.

As for SEGi College, they have a total of five campuses nationwide located at Kota Damansara, Kuala Lumpur, Subang USJ, Penang and Kuching. They have a total of 16,000 students studying in these campuses. Since the opening of SEGi's signature Kota Damansara campus in January, there are already 2,200 students enrolled with a target of 4,500 students by year end. The college has attracted foreign students mainly from China, Indonesia, African continents and Middle East. The latest news on SEGi is that they recently obtained a University College status with more emphasis in producing graduates in health industry related courses.

Manager's Report

DISTRIBUTION OF INCOME

The Board of Directors of the Manager declared and paid the third interim income distribution for 2007 of 0.2563 sen per unit totalling RM1,106,071 in respect of period from 1 December 2007 to 31 December 2007. With this final income distribution, ARREIT had distributed 100% of the total earnings for the financial period ended 31 December 2007 and this distribution was approved by CIMB Trustee Berhad on 14 January 2008.

On 15 July 2008, the Board of Directors of the Manager announced the first interim income distribution for 2008 amounting to RM15,431,479, representing 3.5758 sen per unit for the period from 1 January 2008 to 30 June 2008. The entitlement date for this income distribution was 31 July 2008. CIMB Trustees Berhad had approved the income distribution on 15 July 2008 and payment shall be made on 29 August 2009.

The effect of the provision for income distribution in terms of net asset value per unit as at 30 June 2008 is as follows:

	Before provision RM	After provision RM
Net asset value per unit	0.9707	0.9349

SUMMARY OF DISTRIBUTION SINCE LISTING

	DPU/unit
First Interim Income Distribution in 2007	2.3700 sen
Second Interim Income Distribution in 2007	2.8149 sen
Third Interim Income Distribution in 2007	0.2563 sen
Proposed First Interim Income Distribution in 2008	3.5758 sen

BREAKDOWN OF UNITHOLDINGS

The analysis of unitholdings of ARREIT as at 30 June 2008:

Unit Class	No. of unitholders	%	No. of unitholding	%
5,000 and below	827	72.20	1,704,900	0.40
5,001 – 10,000	117	10.21	1,003,300	0.23
10,001 – 50,000	116	10.12	3,027,000	0.70
50,001 – 500,000	57	4.97	10,053,700	2.33
500,001 and above	29	2.53	415,764,291	96.34
	1,146	100	431,553,191	100

There is no exercise to split units being carried out during the financial period.



Manager's Report

DIRECTORS

Directors who have served since commencement are:

INDEPENDENT NON-EXECUTIVE DIRECTORS

Director	Alternate Director
Tan Sri Datuk (Dr) Arshad bin Ayub (Chairman)	-
Datuk Mohamed Adnan bin Ali	-
Dato' Haji Ahmad Kamal bin Abdullah Al-Yafii	-

NON-INDEPENDENT DIRECTORS

Director	Alternate Director
Dato' Ahmad Rodzi bin Pawanteh	Alina binti Hashim
Sharizad binti Juma'at <i>(Appointed as Managing Director/Chief Executive Office on 24 June 2008)</i>	-
Datuk Mohamed Azahari bin Mohamed Kamil <i>(Resigned as Managing Director & re-designated as Non-Executive Director on 2 June 2008)</i>	-
Tai Siong Choi (Executive Director) <i>(Retired on 30 June 2008)</i>	-
Tuan Haji Rozan bin Mohd Sa'at	-
Dato' Dr. Mohd Irwan Serigar bin Abdullah	-

Manager's Report

DIRECTORS' BENEFIT

During the financial period ended 30 June 2008, no arrangement subsisted to which AmanahRaya-JMF Asset Management Sdn Bhd is a party, with the object/(s) of enabling the Directors of the Manager to acquire benefits by means of the acquisition of units in ARREIT or any other body corporate.

For the financial period ended 30 June 2008, no Director of the Manager has received or become entitled to receive any benefit by reason of a contract made by AmanahRaya-JMF Asset Management Sdn Bhd for ARREIT, or a related corporation with the Director of the Manager or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the notes to the financial statements.

Save as disclosed above, Directors of the Manager who held office at the end of the financial period under review did not have any interest in the units of ARREIT.

MANAGER'S REMUNERATION

Pursuant to the Deed dated 10 October 2006, the Manager is entitled to receive from the Trust:

- i. A base fee (exclusive of GST, if any) of up to a maximum of 1.0% per annum of the net asset value of ARREIT calculated on daily basis and payable to the Manager in monthly arrears.
- ii. Any increase in the maximum permitted level of the Manager's fee by way of approval from Trustee and Unitholders through a resolution of not less than 2/3 of all Unitholders passed at the Unitholders's meeting.

For the financial period ended 30 June 2008, the Manager's fee was RM616,734 and the rate of management fee is at 0.3% per annum.

As per the Deed, other expenses directly related and necessary for the business and operation of the trust are reimbursable to the manager.

SOFT COMMISSION

During the financial period under review, the Manager did not receive any soft commission from its broker or any parties by virtue of transactions conducted by the Trust.



Manager's Report

RESERVES AND PROVISIONS

There were no material transfers to and from reserves or provisions during the financial period ended 30 June 2008 other than those disclosed in the Statement of Changes in Net Asset Value.

INFORMATION ON THE FINANCIAL STATEMENTS

In arriving at the financial statements of ARREIT the Manager took reasonable steps:

- a. To ascertain that proper action has been taken in relation to the writing off of bad debts and making of allowance for doubtful debts and satisfied themselves that all known bad debts have been written off and that adequate allowance has been made for doubtful debts; and
- b. To ensure that any current assets which were unlikely to realise their values in the accounting records of ARREIT in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Manager is not aware of any circumstances:

- a. Which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of ARREIT inadequate to any substantial extent; or
- b. Which would render the values attributed to current assets in the financial statements of ARREIT misleading; or
- c. Which have arisen which render adherence to the existing method of valuation of assets or liabilities of ARREIT misleading or inappropriate.

At the date of this report, there does not exist:

- a. Any charge on the assets of ARREIT which has arisen since the end of the financial period which secures the liability of any other person, except as disclosed in Note 7 to the financial statements; or
- b. Any contingent liability of ARREIT which has arisen since the end of the financial period.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial period of which, in the opinion of the Directors of AmanahRaya-JMF Asset Management Sdn Bhd, will affect the ability of ARREIT to meet its obligations as and when they fall due.

Manager's Report

OTHER STATUTORY INFORMATION

The Directors of AmanahRaya-JMF Asset Management Sdn Bhd state that:

At the date of this report, they are not aware of any circumstances not otherwise dealt with in this report or the financial statements of ARREIT which would render any amount stated in the financial statements misleading.

In their opinion,

- a. the results of the operations of ARREIT during the period under review were not substantially affected by any item, transaction or event of material and unusual nature; and
- b. there has not arisen in the interval between the end of the period under review and the date of this report, any item, transaction or event of material and unusual nature likely to affect substantially the results of the operations of ARREIT for the financial period in which this report is made.

Signed on behalf of the Board of
AmanahRaya-JMF Asset Management Sdn Bhd
In accordance with the resolution of Directors



Sharizad Juma'at

Dated: 15 August 2008
Kuala Lumpur

financial statements

For the six-month period ended 30 June 2008

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Financial Statements

STATEMENT BY DIRECTORS OF THE MANAGER

In the opinion of the Directors, the financial statements set out on pages 43 to 70 have been drawn up in accordance with the provisions of the Trust Deed dated 10 October 2006 and the Supplemental Trust Deed dated 4 January 2007, the Securities Commission's Guidelines on Real Estate Investment Trusts, applicable Securities Laws and applicable approved Financial Reporting Standards in Malaysia, so as to give a true and fair view of the state of affairs of AmanahRaya Real Estate Investment Trust as at 30 June 2008 and the results of its operations and cash flows for the financial period from 1 January 2008 to 30 June 2008.

Signed on behalf of the Manager,
AmanahRaya-JMF Asset Management Sdn. Bhd.
In accordance with a resolution of the Directors of the Manager



Tan Sri Datuk (Dr) Arshad Ayub



Sharizad Juma'at

Kuala Lumpur
Date: 15 August 2008



Financial Statements

STATUTORY DECLARATION

I, TAI AI NGOH, being the officer of the Manager, AmanahRaya-JMF Asset Management Sdn. Bhd., primarily responsible for the financial management of AmanahRaya Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 43 to 70, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur in the Federal Territory on 15 August 2008

Tai Ai Ngoh

Before me,

Commissioner for Oaths



Amanah Raya Berhad
Level 12, 77, Jalan AmanahRaya
50450 Kuala Lumpur
Tel: 603-2033-1111

Financial Statements

REPORT OF THE TRUSTEE TO THE UNITHOLDERS OF AMANAHRAYA REAL ESTATE INVESTMENT TRUST (ESTABLISHED IN MALAYSIA)

We, CIMB Trustee Berhad, have acted as Trustee of AmanahRaya Real Estate Investment Trust ("ARREIT" or "Trust") for the financial period ended 30 June 2008. In our opinion and to the best of our knowledge, AmanahRaya-JMF Asset Management Sdn. Bhd. ("the Manager") has managed AmanahRaya Real Estate Investment Trust in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Trust Deed dated 10 October 2006 and the Supplemental Trust Deed dated 4 January 2007, other applicable provisions of the Trust Deed, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws during the financial period then ended.

We have also ensured that the procedures and processes employed by the Manager to value the units of ARREIT are adequate and that such valuation is carried out in accordance with the Trust Deed, Supplemental Trust Deed and other regulatory requirements; and

During this six months period, the distribution of 3.5758 sen per unit (gross) has been declared to the unitholders of the Fund. We are of the view that the distribution is consistent with the objective of the Fund.

**For and on behalf of the Trustee,
CIMB TRUSTEE BERHAD (Company No. 167913 M)**



KHOO LENG KEE
Chief Operating Officer
Kuala Lumpur, Malaysia

Date: 15 August 2008



Financial Statements

BALANCE SHEET AS AT 30 JUNE 2008 (UNAUDITED)

	Note	As at 30.6.2008 RM	Audited As at 31.12.2007 RM
ASSETS			
Non-current assets			
Investment properties	4	649,520,000	645,520,000
		649,520,000	645,520,000
Current assets			
Trade and other receivables	5	346,240	85,613,677
Money market placement	6	42,470,975	41,079,733
Deposits placed with licensed financial institutions	7	25,141,154	17,310,494
Cash and bank balances		320,201	360,364
		68,278,570	144,364,268
TOTAL ASSETS		717,798,570	789,884,268
LIABILITIES			
Non-current liabilities			
Borrowings	8	253,000,000	253,000,000
		253,000,000	253,000,000
Current liabilities			
Trade and other payables	9	45,888,266	125,631,330
Provision for income distribution	10	15,431,693	6,285,487
		61,319,959	131,916,817
TOTAL LIABILITIES		314,319,959	384,916,817
NET ASSET VALUE ("NAV")		403,478,611	404,967,451
FINANCED BY:			
UNITHOLDERS' FUND			
Unitholders' capital	11	403,478,265	404,967,105
Undistributed income		346	346
Total unitholders' fund		403,478,611	404,967,451
NUMBER OF UNITS IN CIRCULATIONS (UNIT)		431,553,191	431,553,191
NAV PER UNIT (RM)			
- before provision for income distribution		0.9707	0.9530
- after provision for income distribution		0.9349	0.9384

The accompanying notes form an integral part of the financial statements.

Financial Statements

INCOME STATEMENT

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2008 (UNAUDITED)

	Note	1.1.2008 TO 30.6.2008 RM	26.2.2007 TO 30.6.2007 RM
Gross revenue	12	22,768,862	7,818,598
Property expenses	13	(502,367)	(370,933)
Net rental income		22,266,495	7,447,665
Interest income		351,870	142,931
Total income		22,618,365	7,590,596
Trust expenses			
Manager's fee	1(b)	(616,734)	(181,224)
Trustee's fee	1(c)	(82,231)	(24,163)
Administrative expense		(199,760)	(47,583)
Interest expenses		(6,287,951)	(2,996,369)
Total trust expenses		(7,186,676)	(3,249,339)
Income before taxation		15,431,689	4,341,257
Tax expense	14	-	-
Income after taxation		5,431,689	4,341,257
Provision for income distribution	15	(15,431,689)	(4,341,257)
Net income retained		-	-
Net income for the period is made up as follows:			
Realised		15,431,689	4,341,257
Unrealised		-	-
Net income for the period		15,431,689	4,341,257
Earnings per unit (sen)	16		
- before manager fee		3.72	2.46
- after manager fee		3.58	2.36
Net income distribution			
		Sen per unit	RM
- Proposed first interim income distribution payable on 29 August 2008 (Gross)		3.5758	15,431,479

The accompanying notes form an integral part of the financial statements.



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STATEMENTS OF CHANGES IN NET ASSET VALUE FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2008 (UNAUDITED)

(a) From 26 February 2007 to 30 June 2007 (Unaudited)

	Unitholder's Capital RM	Distributable Undistributed Income RM	Distributable Provision for Income Distribution RM	Total RM
At 26 February 2007	-	-	-	-
Operation for the financial period ended 30 June 2007				
Net income	-	4,341,257	-	4,341,257
<i>Increase in net assets resulting from operations</i>	-	4,341,257	-	4,341,257
Unitholders' transactions				
Proceeds from initial public offering	180,274,060	-	-	180,274,060
Distribution to unitholders - Provision	-	-	(4,341,257)	(4,341,257)
Listing expenses (Note 17)	(6,091,000)	-	-	(6,091,000)
<i>Increase in net assets resulting from unitholders' transactions</i>	174,183,060	-	(4,341,257)	169,841,803
At 30 June 2007	174,183,060	4,341,257	(4,341,257)	174,183,060

Financial Statements

STATEMENTS OF CHANGES IN NET ASSET VALUE FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2008 (UNAUDITED)

(b) From 1 January 2008 to 30 June 2008 (Unaudited)

	Unitholder's Capital RM	Distributable Undistributed Income RM	Distributable Provision for Income Distribution RM	Total RM
At 1 January 2008	404,967,105	346	-	404,967,451
Operation for the financial period ended 30 June 2008				
Net income	-	15,431,689	-	15,431,689
<i>Increase in net assets resulting from operations</i>	-	15,431,689	-	15,431,689
Unitholders' transactions				
Distribution to unitholders - Provision (Note 10)	-	(15,431,689)	-	(15,431,689)
Listing expenses (Note 17)	(1,488,840)	-	-	(1,488,840)
<i>Increase in net assets resulting from unitholders' transactions</i>	(1,488,840)	(15,431,689)	-	(16,920,529)
At 30 June 2008	403,478,265	346	-	403,478,611
	(Note 11)			



Financial Statements

CASH FLOW STATEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2008 (UNAUDITED)

	1.1.2008 TO 30.6.2008 RM	26.2.2007 TO 30.6.2007 RM
Cash flows from operating activities		
Income before taxation	15,431,689	4,341,257
Adjustment for:-		
Interest expense	6,287,951	2,996,369
Interest income	(351,870)	(142,931)
Operating income before working capital changes	<u>21,367,770</u>	<u>7,194,695</u>
Changes in working capital:-		
Decrease/(Increase) in trade and other receivables	85,267,437	(227,149)
Increase in money placement	(1,391,242)	(14,888,467)
(Decrease)/Increase in trade and other payables	(79,743,064)	16,125,550
Net cash from operating activities	<u>25,500,901</u>	<u>8,204,629</u>
Cash flows from investing activities		
Interest received	351,870	142,931
Purchase of investment properties	(4,000,000)	(336,850,000)
Net cash used in investing activities	<u>(3,648,130)</u>	<u>(336,707,069)</u>
Cash flows from financing activities		
Distribution paid to unitholders	(6,285,483)	-
Listing expenses	(1,488,840)	(6,091,000)
Proceeds from borrowings	-	168,000,000
Interest paid	(6,287,951)	(2,899,726)
Net cash (used in)/from financing activities	<u>(14,062,274)</u>	<u>159,009,274</u>
Net increase in cash and cash equivalents	7,790,497	(169,493,166)
Cash and cash equivalents at beginning of period/ date of commencement	17,670,858	180,274,060
Cash and cash equivalents at end of period	<u>25,461,355</u>	<u>10,780,894</u>
Cash and cash equivalents		
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:-		
Cash and bank balances	320,201	176,131
Deposits placed with licensed financial institutions	25,141,154	10,604,763
	<u>25,461,355</u>	<u>10,780,894</u>

The accompanying notes form an integral part of the financial statements.

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

AmanahRaya Real Estate Investment Trust ("ARREIT" or "Trust") is a Malaysian-domiciled real estate investment trust constituted pursuant to the Trust Deed dated 10 October 2006 and the Supplemental Trust Deed dated 4 January 2007 (collectively referred to as "the Deed") between AmanahRaya-JMF Asset Management Sdn. Bhd. (the "Manager") and CIMB Trustee Berhad (the "Trustee"). The Deed is regulated by the Capital Markets and Services Act 2007, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings. ARREIT will continue its operations until such time as determined by the Trustee and the Manager as provided under the provision of Clause 26 of the Trust Deed dated 10 October 2006.

ARREIT was listed on the Main Board of Bursa Malaysia Securities Berhad on 26 February 2007.

ARREIT is principally engaged in investment of a diverse portfolio of properties with the objective of achieving an attractive level of return from rental income and for long-term capital growth. There has been no significant change in the nature of this activity during the financial period.

The registered office of the Manager is located at Level 15, Wisma AmanahRaya, No. 2, Jalan Ampang, 50450 Kuala Lumpur. The principal place business of the Manager is located at Level 7 & 8, Wisma AmanahRaya, No. 2, Jalan Ampang, 50450 Kuala Lumpur.

ARREIT has entered into several service agreements in relation to the management of ARREIT and its property operations. The fee structure of these services is as follows:

(a) Property management fees

The Property Managers, Malik & Kamaruzaman Property Management and IM Global Property Consultants, are entitled to property management fees in respect of the management of the investment properties owned by ARREIT as provided in the Deed. All investment properties currently held by ARREIT are fully maintained by the lessees/tenants. Therefore, a fixed sum of property manager fees ranging from RM1,450 to RM2,500 for each property has been agreed upon and payable to both the Property Managers. The property management fees are payable monthly in arrears.

(b) Manager's fees

Pursuant to the Trust Deed, the Manager is entitled to receive a fee of up to a maximum of 1.00% per annum of the Net Asset Value of ARREIT. The Manager's fee is payable in arrears, calculated and accrued daily. However, the Manager has only been charging at the rate of 0.3% (30.6.2007 - 0.3%) per annum of the Net Asset Value pursuant to Initial Public Offering's Prospectus dated 26 January 2007. The Manager's fees for six (6) months ended 30 June 2008 amounting to RM616,734 (12.6.2007 - RM181,224).



Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. GENERAL *cont'd*

(c) Trustee's fees

Pursuant to the Trust Deed, the Trustee is entitled to receive a fee of up to a maximum of 0.1% per annum of the Net Asset Value of the Trust. The Trustee's fee is payable in arrears, calculated and accrued daily. However, the Trustee has only been charging at the rate of 0.04% (30.6.2007 - 0.04%) per annum of the Net Asset Value pursuant to Initial Public Offering's Prospectus dated 26 January 2007. The Trustee's fees for the six (6) months ended 30 June 2008 amounted to RM82,231 (30.6.2007 - RM24,163).

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of ARREIT have been prepared in accordance with the provisions of the Deed, the Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws, applicable approved Financial Reporting Standards ("FRS") and accounting principles generally accepted in Malaysia.

(b) Basis of measurement

The financial statements of the Trust have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia, which is the Trust's functional currency.

(d) Revised FRS adopted

The Trust adopted the following revised FRS which are effective for annual periods beginning on or after 1 July 2007:

FRS 107 Cash Flow Statements

FRS 111 Construction Contracts

FRS 112 Income Taxes

FRS 118 Revenue

FRS 120 Accounting for Government Grants and Disclosure of Government Assistance

FRS 134 Interim Financial Reporting

FRS 137 Provisions, Contingent Liabilities and Contingent Assets

These amendments align the MASB's FRS with the equivalent International Accounting Standards ('IAS'), both in terms of form and content. The adoption of these standards will only impact the form and content of disclosures presented in the financial statements. Whereas, FRS 111 and FRS 120 are not relevant to the Trust's operations.

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION *cont'd*

(e) New FRS not adopted

The Trust has not adopted FRS 139 Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 which effective date is deferred to a date to be announced by the MASB. FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS139, the impact of applying FRS 139 on its financial statements upon first adoption of the standard as required by paragraph 30(b) of FRS 108 is not disclosed.

(f) Use of estimates and judgments

The preparation of financial statements requires the Directors of the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Although these estimates and assumptions are based on the Manager's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

Revisions to accounting estimates are recognised in the period which the estimate is revised and in any future periods affected.

The estimates and underlying assumptions are assessed on an ongoing basis.

(i) Judgment made in applying the accounting policies

Judgments have been made by the Directors of the Manager in applying the Trust's accounting policies. Amongst others, the classification of the sale and leaseback transactions entered into in respect of investment properties recorded in Note 4 may have significant effect on the amounts recognised in the financial statements. Judgment is required to be made in classification of the said transactions. These leases have been classified as the Trust's investment properties by the Trust as the lessee has transferred substantially all the risks and rewards incidental to ownership to the Trust and the lessee has an option to buyback the properties upon the expiry of the lease period, at purchase price equivalent to the prevailing market value of the properties at that time.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently to the period presented in these financial statements:



Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Investment properties

Investment properties consist of freehold land, leasehold land and buildings held for investment potential and rental income.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year which they are arised.

Investment properties are de-recognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

(b) Financial instruments

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instrument classified as equity are charged directly to equity. Financial instruments are offset when the Trust has legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Receivables

Trade and other receivables are initially recognised at cost when the contractual right to receive cash or another financial asset from another entity is established.

(ii) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and deposits placed with licensed financial institutions which are subject to insignificant risk of changes in value.

(iii) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(iv) Borrowings

Borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Income tax

Income tax on profit or loss for the financial period comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of taxable profit for the financial period, and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and their related tax bases. Temporary differences are not recognised for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unabsorbed tax losses and unutilised capital allowances can be utilised.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

(d) Provisions and contingent liabilities

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

Provision for income distribution is recognised when any distribution is declared, determined or publicly recommended by the Directors of the Manager and approved by the Trustee but not distributed at the balance sheet date.

A contingent liability is disclosed, unless the possibility that an outflow of resources embodying economic benefits is remote except for cases where the amount involved is material and the Directors of the Manager are of the opinion that disclosure is appropriate.

(e) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured.

(i) Rental income

Rental income is recognised in the income statement as they accrue over the period of the rental.

(ii) Car park rental income

The car park rental income is recognised on accrual basis.



Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(iii) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the assets.

(f) Expenses

(i) Property expenses

Property expenses consist of property management fees, quit rents, assessment, and other outgoings in relation to investment properties where such expenses are the responsibilities of the Trust. Property management fees are recognised on an accrual basis.

(ii) Interest expense

All borrowing costs are recognised in the income statements using the effective interest method, in the period in which they are incurred.

(iii) Establishment and issue expenses

Establishment expenses represent expenses incurred in establishing and listing the Trust and issue expenses relate to expenses incurred in the issuance and placement of additional units in the Trust. These expenses are deducted directly against unitholders' capital.

(iv) Manager's and Trustee's fees

The Manager's and Trustee's fees are recognised on an accrual basis.



Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. INVESTMENT PROPERTIES *cont'd*

DESCRIPTION OF PROPERTY	TENURE OF LAND	TERM OF LEASE YEAR	REMAINING TERM OF LEASE YEAR	LOCATION	EXISTING USE	OCCUPANCY RATES AS AT 30.6.2008 %	LATEST VALUATION PLUS ENHANCEMENT AS AT 30.6.2008 RM	ACQUISITION COST AS AT 30.6.2008 RM	% OF VALUATION TO NET ASSET VALUE AS AT 30.6.2008
Gurun Automotive Warehouse (8)	Leasehold	99 years	expiring 2104	Gurun, Kedah	Industrial warehouse	100	24,000,000	23,970,000	5.95
Tamadam Bonded Warehouse (6)	Lot 1164 Leasehold	99 years	expiring 2067	Port Klang	Bonded warehouse	100	29,500,000	28,500,000	7.31
As at 30 June 2008							663,000,000	645,520,000	

- (1) The properties were valued on 16 December 2005 by Colliers, Jordan Lee & Jaafar Sdn. Bhd., an independent firm of professional valuers using the discounted cash flow and comparison methods of valuation.
- (2) The properties were valued on 15 November 2005 by Colliers, Jordan Lee & Jaafar Sdn. Bhd., an independent firm of professional valuers using the investment and comparison methods of valuation.
- (3) The properties were valued on 2 December 2005 by Colliers, Jordan Lee & Jaafar Sdn. Bhd., an independent firm of professional valuers using the investment and comparison methods of valuation.
- (4) The properties were valued on 15 November 2005 by Colliers, Jordan Lee & Jaafar Sdn. Bhd., an independent firm of professional valuers using the investment and comparison methods of valuation.
- (5) The properties were valued on 1 December 2005 by Colliers, Jordan Lee & Jaafar Sdn. Bhd., an independent firm of professional valuers using the cost and investment methods of valuation.
- (6) The properties were valued on 12 April 2007 by Azmi & Co Sdn. Bhd., an independent firm of professional valuers using the cost and investment methods of valuation.
- (7) The properties were valued on 3 April 2007 by Azmi & Co Sdn. Bhd., an independent firm of professional valuers using the cost and investment methods of valuation.
- (8) The properties were valued on 10 April 2007 by Azmi & Co Sdn. Bhd., an independent firm of professional valuers using the cost and investment methods of valuation.

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. INVESTMENT PROPERTIES *cont'd*

DESCRIPTION OF PROPERTY	TENURE OF LAND	TERM OF LEASE YEAR	REMAINING TERM OF LEASE YEAR	LOCATION	EXISTING USE	OCCUPANCY RATES AS AT 31.12.2007 %	LATEST VALUATION PLUS ENHANCEMENT AS AT 31.12.2007 RM	ACQUISITION COST AS AT 31.12.2007 RM	% OF VALUATION TO NET ASSET VALUE AS AT 31.12.2007
Holiday Villa Alor Setar (1)	Freehold Leasehold	N/A 99 years	N/A expiring 2084	Alor Setar	Hotel	100	31,000,000	31,000,000	7.65
Holiday Villa Langkawi (1)	Freehold	N/A	N/A	Pulau Langkawi	Hotel	100	55,000,000	55,000,000	13.58
SEGI College (2)	Freehold	N/A	N/A	Subang Jaya	College	100	52,500,000	52,500,000	12.96
Block A & B, South City Plaza (3)	Leasehold	99 years	expiring 2093	Subang Jaya	Office (Block A) College (Block B)	100	18,300,000	18,300,000	4.53
Wisma AmanahRaya (4)	Leasehold	99 years	expiring 2065	Kuala Lumpur	Office	100	70,000,000	68,000,000	17.28
Wisma Amanah Raya Berhad (4)	Leasehold	99 years	expiring 2072	Kuala Lumpur	Office	100	55,000,000	53,000,000	13.58
Wisma UEP (4)	Freehold	N/A	N/A	Subang Jaya	Office	100	36,000,000	35,500,000	8.89
Permanis Factory (5)	Leasehold	99 years	expiring 2089	Bdr Baru Bangi	Industrial warehouse	100	24,000,000	23,550,000	5.93
Silverbird Factory (6)	Freehold	N/A	N/A	Shah Alam	Industrial warehouse	100	94,700,000	92,000,000	23.38
AIC Factory (6)	Leasehold	99 years	expiring 2094	Shah Alam	Industrial warehouse	100	20,000,000	19,200,000	4.94
SEGI Campus College (7)	Leasehold	99 years	expiring 2106	Kota Damansara	College/ Campus	100	149,000,000	145,000,000	36.79
Gurun Automotive Warehouse (8)	Leasehold	99 years	expiring 2104	Gurun, Kedah	Industrial warehouse	100	24,000,000	23,970,000	5.93
Tamadam Bonded Warehouse (6)	Lot 1164 Leasehold	99 years	expiring 2067	Port Klang	Bonded warehouse	100	29,500,000	28,500,000	7.28
As at 31 December 2007							659,000,000	645,520,000	



Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. INVESTMENT PROPERTIES *cont'd*

- (1) The properties were valued on 16 December 2005 by Colliers, Jordan Lee & Jaafar Sdn. Bhd., an independent firm of professional valuers using the discounted cash flow and comparison methods of valuation.
- (2) The properties were valued on 15 November 2005 by Colliers, Jordan Lee & Jaafar Sdn. Bhd., an independent firm of professional valuers using the investment and comparison methods of valuation.
- (3) The properties were valued on 2 December 2005 by Colliers, Jordan Lee & Jaafar Sdn. Bhd., an independent firm of professional valuers using the investment and comparison methods of valuation.
- (4) The properties were valued on 15 November 2005 by Colliers, Jordan Lee & Jaafar Sdn. Bhd., an independent firm of professional valuers using the investment and comparison methods of valuation.
- (5) The properties were valued on 1 December 2005 by Colliers, Jordan Lee & Jaafar Sdn. Bhd., an independent firm of professional valuers using the cost and investment methods of valuation.
- (6) The properties were valued on 12 April 2007 by Azmi & Co Sdn. Bhd., an independent firm of professional valuers using the cost and investment methods of valuation.
- (7) The properties were valued on 3 April 2007 by Azmi & Co Sdn. Bhd., an independent firm of professional valuers using the cost and investment methods of valuation.
- (8) The properties were valued on 10 April 2007 by Azmi & Co Sdn. Bhd., an independent firm of professional valuers using the cost and investment methods of valuation.

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. INVESTMENT PROPERTIES *cont'd*

The title deed of a property is pending transfer to the name of the Trustee or issuance by the relevant authority.

Certain properties are charged to financial institutions for banking facilities granted to ARREIT.

All investment properties are leased / rented to third parties except for Wisma AmanahRaya which is leased to the holding company of the Manager.

Investment properties lease out with different tenor of leases ranging between 6 to 15 years. Twelve of the properties contain an initial non-cancellable period of 3 years to 15 years (Note 22). Subsequent renewals are negotiated with the lessees. No contingent rents are charged.

The fair value of the investment properties as at 30 June 2008, were derived from the Directors' assessment based on indicative value obtained from latest valuation conducted by independent professional valuers.

5. TRADE AND OTHER RECEIVABLES

	30.6.2008 RM	Audited 31.12.2007 RM
Trade receivables	176,910	461,562
Other receivables, deposits and prepayments	169,330	85,152,115
	<hr/>	<hr/>
	346,240	85,613,677
	<hr/>	<hr/>

Trade receivables represent unpaid rental income.

Included in other receivables in previous financial period was an amount of RM85,000,000 representing the additional facility drawdown during the financial period but held in trust in the stakeholders account. An amount of RM81,251,198 has been disbursed on 3 January 2008 to vendor being final payment for balance of purchase price of SEGI Campus College, Kota Damansara. The remaining balance amounting to RM3,748,802 is for the purpose of capital expenditure of the properties which will increase the net lettable area and the rental income.

Trade receivables are non-interest bearing and the normal trade credit terms granted by the Trust range from 7 days to 30 days (31.12.2007 - 7 days to 30 days).



Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. MONEY MARKET PLACEMENT

	30.6.2008 RM	Audited 31.12.2007 RM
Security deposits placed with ITA-ARB	41,703,285	40,325,454
Security deposits placed with licensed financial institution	767,690	754,279
	<u>42,470,975</u>	<u>41,079,733</u>

Money market placement consists of security deposits received from Lessees together with the accumulated interest which are placed into the Institutional Trust Account of Amanah Raya Berhad ("ITA-ARB") and licensed financial institutions with interest rates ranging from 3.5% to 5.5% (31.12.2007 - 3.5% to 5.5%) per annum (Note 9).

In accordance to the lease agreements, Lessees will be entitled to the interest earned from money market placement. The Trust has the right to deduct from the money market placement in the event of default or arrears in rental payment within stipulated period in the lease agreement from the date of rental payment due or whereby any early termination occurred by the Lessees.

7. DEPOSITS PLACED WITH LICENSED FINANCIAL INSTITUTIONS

The deposits were placed with licensed financial institutions at interest rates ranging from 3.48% to 3.55% (31.12.2007 - 3.00% to 3.52%).

The maturities of the deposits of the Trust range from 1 day to 30 days (31.12.2007 - 2 day to 25 days).

8. BORROWINGS

	30.6.2008 RM	Audited 31.12.2007 RM
Non-current:		
Term loan-secured	<u>253,000,000</u>	<u>253,000,000</u>

The term loan facilities have tenures of four (4) years and shall be repayable in one lump sum on 28 February 2011. The term loans bear fixed interest ranging from 4.50% to 5.25% per annum. The proceeds from the term loan are mainly used for the purpose of financing the acquisition of the properties as disclosed in Note 4 to the financial statements.

The term loans are secured by way of legal charge on certain properties of the Trust.

The term loan interests are payable on monthly basis.

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. TRADE AND OTHER PAYABLES

	30.6.2008 RM	Audited 31.12.2007 RM
Trade payables (Note a)	2,191,190	125,926
Other payables and accrued expenses (Note b)	2,875,267	83,760,391
Rental deposits (Note c)	40,821,809	41,745,013
	<hr/> 45,888,266	<hr/> 125,631,330

- a. Included in trade payables are amount due to the Manager and the Trustee amounting to RM117,728 (31.12.2007 - RM61,549).
- b. Included in the other payables and accrued expenses in previous financial period was an amount due to vendor of RM81,251,198 for the purchase of SEGI Campus College at Kota Damansara which had been fully settled on 3 January 2008.
- c. Included in rental deposits are security deposits of RM40,250,761 (31.12.2007 - RM40,205,122) received from Lessees which are placed with financial institutions and AmanahRaya Berhad-Institutional Trust Account as disclosed in Note 6 to the financial statements.

10. PROVISION FOR INCOME DISTRIBUTION

	30.6.2008 RM	Audited 31.12.2007 RM
At 1 January 2008/26 February 2007	6,285,487	-
Provision made during the financial period	15,431,689	10,646,287
Distribution paid during the financial period	(6,285,483)	(4,360,800)
	<hr/> 15,431,693	<hr/> 6,285,487

During the financial period ended 30 June 2008, the Manager proposed a first interim income distribution of 3.5758 sen per unit totalling RM15,431,479 payable on 29 August 2008.



Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. UNITHOLDERS' CAPITAL

	30.6.2008 Number of units	Audited 31.12.2007 Number of units
Authorised:		
At 1 January 2008/26 February 2007	431,553,191	184,000,000
Created during the financial period	-	247,553,191
	<hr/>	<hr/>
At 30 June 2008/31 December 2007	431,553,191	431,553,191
	<hr/>	<hr/>
	30.6.2008 RM	Audited 31.12.2007 RM
Issued and fully paid:		
At 1 January 2008/26 February 2007	404,967,105	-
Issue of new units:		
128,801,000 units of RM1.00 each for purchase of properties	-	128,801,000
45,999,000 units of RM0.94 each	-	43,239,060
9,200,000 units of RM0.895 each	-	8,234,000
Listing expenses (Note 17)	-	(6,091,000)
Additional issuance and placement of units:		
148,617,021 units of RM0.94 each for purchase of properties	-	139,700,000
98,936,170 units of RM0.94 each	-	93,000,000
Listing expenses (Note 17)	(1,488,840)	(1,915,955)
	<hr/>	<hr/>
At 30 June 2008/31 December 2007	403,478,265	404,967,105
	<hr/>	<hr/>

As at 30 June 2008, the Manager, Directors of the Manager and related parties did not hold any units in ARREIT. However, parties related to the holding company of the Manager held units in ARREIT are as follows:

Name	Direct	Number of Units Held		%
		%	Indirect	
Kumpulan Wang Bersama	236,350,291	54.77	-	-
ARSM Trust Fund	2,032,600	0.47	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	238,382,891	55.24	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. GROSS REVENUE

	1.1.2008 TO 30.6.2008 RM	26.2.2007 TO 30.6.2007 RM
Rental income	22,613,036	7,716,433
Car park income	155,826	102,165
	<hr/> 22,768,862	<hr/> 7,818,598

13. PROPERTY EXPENSES

	1.1.2008 TO 30.6.2008 RM	26.2.2007 TO 30.6.2007 RM
Assessment and quit rent	174,853	120,026
Service contracts and maintenance	195,890	183,558
Property management fees	114,200	56,000
Insurance	12,414	8,549
Others	5,010	2,800
	<hr/> 502,367	<hr/> 370,933

14. TAX EXPENSE

The Trust provided approximately 100% of the distributable income to unitholders, which is exempted from tax pursuant to section 61A(1) of Income tax Act 1967 under the Finance Act 2006. Thus the Trust has not provided any tax expense during the financial period.

A reconciliation between the applicable income tax expense and effective income tax expense of the Trust is as follows:



Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. TAX EXPENSE *cont'd*

	1.1.2008 TO 30.6.2008 RM	26.2.2007 TO 30.6.2007 RM
Income before taxation	15,431,689	4,341,257
Taxation at Malaysian Statutory tax rate at 26% (30.6.2007 - 27%)	4,012,239	1,172,139
Non-deductible expense	73,318	6,524
Effect of interest income not subject to tax	(91,486)	(38,591)
Effect of income distribution exempted from tax	(3,994,071)	(1,140,072)
Tax expenses	-	-

15. DISTRIBUTION TO UNITHOLDERS

	1.1.2008 TO 30.6.2008 RM	26.2.2007 TO 30.6.2007 RM
Gross rental income	22,768,862	7,818,598
Interest income - tax exempted	351,870	142,931
Expenses	23,120,732 (7,689,043)	7,961,529 (3,620,272)
Provision for income distribution	15,431,689	4,341,257
Gross provision for distribution per unit (sen)	3.58	2.36
Net provision for distribution per unit (sen)	3.58	2.36

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. DISTRIBUTION TO UNITHOLDERS *cont'd*

The total actual distribution paid and payable in respect of income earned during the financial period are as follows:

	1.1.2008 TO 30.6.2008 RM	26.2.2007 TO 30.6.2007 RM
- First interim distribution of 2.3700 sen paid on 16 October 2007	-	4,360,800
- Proposed first interim income distribution of 3.5758 sen payable on 29 August 2008	15,431,479	-
	15,431,479	4,360,800

Withholding tax will be deducted for distributions made to the following types of unitholders:

Resident corporate	-	tax at prevailing rate
Resident non-corporate	-	withholding tax 15%
Non-resident individual	-	withholding tax 15%
Non-resident corporate	-	withholding tax 26%
Non-resident institutional	-	withholding tax 20%

16. EARNINGS PER UNIT

- i. The earnings per unit before Manager's fee of 3.72 sen (30.6.2007 - 2.46 sen) is calculated based on the net income after taxation of RM16,048,423 (30.6.2007 - RM4,522,481) for the financial period to the number of units in circulation during the financial period of 431,553,191 (30.6.2007 - 184,000,000) units.
- ii. The earnings per unit after Manager's fee of 3.58 sen (30.6.2007 - 2.36 sen) is calculated based on the net income after taxation of RM15,431,689 (30.6.2007 - RM4,341,257) for the financial period to the number of units in circulation during the financial period of 431,553,191 (30.6.2007 - 184,000,000) units.



Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. LISTING EXPENSES

	1.1.2008 TO 30.6.2008 RM	26.2.2007 TO 30.6.2007 RM
Brokerage and commissions	1,431,600	3,478,384
Professional fees	55,560	1,287,189
Miscellaneous expenses	1,680	1,325,427
	<hr/> 1,488,840	<hr/> 6,091,000

18. PORTFOLIO TURNOVER RATIO

	1.1.2008 TO 30.6.2008 (times)	26.2.2007 TO 30.6.2007 (times)
Portfolio turnover ratio ("PTR")	<hr/> -	<hr/> 1.91

The calculation of Portfolio Turnover Ratio ("PTR") is based on the average of total acquisitions and total disposals of investment in ARREIT for the period ended 30 June 2008 to the average net asset value during the period calculated on a daily basis.

Since the basis of calculating PTR may vary among real estate investment trusts, comparison of PTR of ARREIT with other real estate investment trusts may not be an accurate comparison.

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. MANAGEMENT EXPENSE RATIO

	1.1.2008 TO 30.6.2008 %	26.2.2007 TO 30.6.2007 %
Management expense ratio ("MER")	0.22	0.14

The calculation of the MER is based on the total fees of ARREIT incurred, including Manager's fees, Trustee fees, audit fees, tax agent's fees and administrative expenses, to the average net asset value of the Trust during the financial period calculated on a daily basis.

Since the basis of calculating MER may vary among real estate investment trusts, comparison of MER of ARREIT with other real estate investment trusts may not be an accurate comparison.

20. TRANSACTIONS WITH COMPANY RELATED TO THE MANAGER

	1.1.2008 TO 30.6.2008 RM	26.2.2007 TO 30.6.2007 RM
Acquisition cost of properties paid to holding company of the Manager	-	336,850,000
Issuance of units to holding company of the Manager	-	128,800,000
Rental received and receivable from holding company of the Manager	2,703,812	1,850,824
Security deposits from Lessees placed with holding company of the Manager	1,377,830	14,151,072



Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. CONTINGENT ASSETS

Since the inception of the ARREIT, the Manager has received rental deposits from tenants by way of bank guarantee letter which are contracted to but not recognised for in the financial statements as follows:

Tenants	Property	Amount RM	Remarks
SEG International Berhad	SEGi College, Subang Jaya	9,148,500	Equivalent to three (3) years rental
	SEGi Campus College, Kota Damansara	20,880,000	Equivalent to two (2) years rental
	Block A & B, South City Plaza	2,412,000	Equivalent to two (2) years rental
Silver Bird Group Berhad	Silver Bird Factory/ Industrial Complex	7,296,000	Equivalent to one (1) year rental
TOTAL		39,736,500	

The bank guarantees are unconditional, irrevocable and guaranteed to be paid to ARREIT in the event of default of the lease agreement by the Lessees.

22. OPERATING LEASES

Leases whereby ARREIT is the Lessor

The Trust leases out its investment properties with different tenure of leases (Note 4). The future minimum lease payments under non-cancellable leases are as follows:

	1.1.2008 TO 30.6.2008 RM	Audited 26.2.2007 TO 30.6.2007 RM
Not later than one year	41,213,289	42,644,953
Between two to five years	168,881,167	169,989,554
Later than five years	168,556,868	187,663,797
	378,651,324	400,298,304

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. SEGMENTAL REPORTING

As the principal activity of ARREIT is to invest in properties with the primary objective to derive rental income, there are no risk and returns distinguishable between business and geographical segments. No segmental reporting is thus presented.

24. FINANCIAL INSTRUMENTS & RISK MANAGEMENT

Financial risks management objectives and policies

Exposure to credit, interest rate and liquidity risk arises in the normal course of ARREIT's business. ARREIT has written risk management policies and guidelines which sets out its overall business strategies and its general risk management philosophy.

Credit risk

At balance sheet date, there were no significant concentrations of credit risk. The Trust is exposed to credit risk mainly from receivables. The Trust extends credit to its tenants based upon established credit evaluation and credit control and monitoring guidelines. The maximum exposure to credit risk is represented by the carrying amount of financial assets.

Interest rate risk

Trust's exposure to fluctuation in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Trust on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. Interest rate exposure which arises from borrowing is managed through the use of fixed rate debt with long term tenure. The Trust seeks to invest cash assets safely and profitably with placement of such assets with creditworthy licensed banks and financial institutions.

Liquidity risk

The Manager monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to finance the Trust's operations and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the Securities Commission's Guidelines on Real Estate Investment Trusts concerning limits on total borrowings.

Effective interest rates and re-pricing analysis

In respect of interest-earning financial assets and interest-bearing liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature:



Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. FINANCIAL INSTRUMENTS & RISK MANAGEMENT *cont'd*

	EFFECTIVE INTEREST RATE %	TOTAL RM	30.6.2008		
			WITHIN 1 YEAR RM	2 - 5 YEARS RM	AFTER 5 YEARS RM
Financial assets					
Deposits placed with licensed financial institutions	3.48-3.55	25,141,154	25,141,154	-	-
Financial liabilities					
Long-term borrowings (first injection)	5.67	168,000,000	-	168,000,000	-
Long-term borrowings (second injection)	5.21	85,000,000	-	85,000,000	-
31.12.2007					
	EFFECTIVE INTEREST RATE %	TOTAL RM	WITHIN 1 YEAR RM	2 - 5 YEARS RM	AFTER 5 YEARS RM
Financial assets					
Deposits placed with licensed financial institutions	3.00-3.52	17,310,494	17,310,494	-	-
Financial liabilities					
Long-term borrowings (first injection)	5.30	168,000,000	-	168,000,000	-
Long-term borrowings (second injection)	3.89	85,000,000	-	85,000,000	-

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. FINANCIAL INSTRUMENTS & RISK MANAGEMENT cont'd

Fair value of recognised financial instruments

The carrying amounts of the financial assets and liabilities of the Trust are approximate to their fair values due to the relatively short-term nature of these financial instruments except as set out below:

	30.6.2008 Carrying amount RM	30.6.2008 Fair value RM
Term loan	253,000,000	236,267,144

	31.12.2007 Carrying amount RM	31.12.2007 Fair value RM
Term loan	253,000,000	227,412,829

Fair value is determined using estimated future cash flows discounted using market related rate for a similar instrument at the balance sheet date. The interest rate used to discount the estimated cash flow is 7% (31.12.2007 - 7%).

Unitholders' Statistics

DISTRIBUTION OF UNITHOLDER AS AT 30 JUNE 2008

Unit Class	No. of unitholders	%	No. of unitholding	%
Less than 100	2	0.2	100	0.0
100 – 1,000	391	34.1	366,500	0.1
1,001 – 10,000	551	48.1	2,341,600	0.5
10,001 – 100,000	142	12.4	5,283,300	1.2
100,001 and above	60	5.2	423,561,691	98.2
	1,146	100	431,553,191	100

CLASSIFICATION OF UNITHOLDERS AS AT 30 JUNE 2008

Category of Unitholder	No. of Holders			No. of Securities Hold		
	Bumiputra	Malaysian Non- Bumiputra	Foreign	Bumiputra	Malaysian Non- Bumiputra	Foreign
1. Individual	239	730	7	1,909,400	5,841,400	122,000
2. Body Corporate						
a. Banks/finance companies	0	3	0	0	1,102,000	0
b. Investments trust/ foundation/ charities	0	0	0	0	0	0
c. Other types of companies	3	18	0	5,502,000	31,298,000	0
3. Government agencies/ Institutions	0	0	0	0	0	0
4. Nominees	81	33	32	243,997,591	21,153,700	120,627,100
	323	784	39	251,408,991	59,395,100	120,749,100

Unitholders' Statistics

THIRTY LARGEST UNITHOLDERS AS AT 30 JUNE 2008

Unitholders	No. of Unit	Percentage
1 Amanah Raya Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Bersama	236,350,291	54.77%
2 Cartaban Nominees (Asing) Sdn Bhd - Royal Bank of Scotland Plc	38,295,000	8.87%
3 HSBC Nominees (Asing) Sdn Bhd - ABN AMRO Bank N.V. (SG Proprietary)	35,510,600	8.23%
4 Kurnia Insurans (Malaysia) Berhad	21,000,000	4.87%
5 Cartaban Nominees (Asing) Sdn Bhd - State Street Munich Fund 0173 for Global Investment House Company	17,000,000	3.94%
6 Citigroup Nominees (Asing) Sdn Bhd - CB Spore GW for NTUC Income Insurance Co-Operative Ltd (LIFEPAR)	9,000,000	2.09%
7 Cartaban Nominees (Tempatan) Sdn Bhd - PETRONAS for PETRONAS Retirement Benefit Scheme	7,734,100	1.79%
8 MCIS Zurich Insurance Berhad	7,270,000	1.68%
9 DB (Malaysia) Nominee (Asing) Sdn Bhd - Deutsche Bank AG London	6,087,900	1.41%
10 Citigroup Nominees (Tempatan) Sdn Bhd - Exempt an for American International Assurance Berhad	5,440,000	1.26%
11 Koperasi Permodalan Felda Berhad	5,000,000	1.16%
12 Citigroup Nominees (Asing) Sdn Bhd - CB GW Spore for American International Assurance Co Ltd (SLF PAR)	5,000,000	1.16%
13 Cartaban Nominees (Tempatan) Sdn Bhd - PETRONAS for Petroliam Research Fund	3,500,000	0.81%
14 Maybank Securities Nominees (Asing) Sdn Bhd - PT. Perdana Gapuraprima TBK	3,500,000	0.81%
15 Cartaban Nominees (Tempatan) Sdn Bhd - Petroliam Nasional Berhad (Trading PF)	3,000,000	0.70%



Unitholders' Statistics

THIRTY LARGEST UNITHOLDERS AS AT 30 JUNE 2008 cont'd

Unitholders	No. of Unit	Percentage
16 Amanah Raya Nominees (Tempatan) Sdn Bhd - for ARSM Trust Fund	2,032,600	0.47%
17 Citigroup Nominees (Asing) Sdn Bhd - CBSGP GW for AIG International Funds-Singapore Bond Fund	1,200,000	0.28%
18 Citigroup Nominees (Asing) Sdn Bhd - CB Spore GW for AIA Regional Fixed Income Fund	1,100,000	0.25%
19 Citigroup Nominees (Asing) Sdn Bhd - CBHK PBGHK for Stable Investment Corporation	1,063,800	0.25%
20 Johari Bin Mat	1,000,000	0.23%
21 Citigroup Nominees (Asing) Sdn Bhd - CB SGP for AIG International Funds-Acorns of Asia Balanced Fund	1,000,000	0.23%
22 SEG Equity Sdn Bhd	1,000,000	0.23%
23 CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Ahmad Bin Muhamed (PB)	1,000,000	0.23%
24 OSK Investment Bank Berhad - CLR (G) for Assar Asset Management Sdn Bhd	1,000,000	0.23%
25 State Insurance Brokers Sdn Bhd	1,000,000	0.23%
26 Citigroup Nominees (Tempatan) Sdn Bhd - Exempt an for AIG General Insurance (Malaysia) Berhad	1,000,000	0.23%
27 Citigroup Nominees (Asing) Sdn Bhd - CB GW Spore for American International Assurance Co Ltd (AIA Growth FD)	700,000	0.16%
28 Antara Holiday Villas Sdn Bhd	500,000	0.12%
29 Maybank Nominees (Tempatan) Sdn Bhd - AmanahRaya-JMF Asset Management Sdn Bhd for Syed Zaid Bin Syed Jaafar Albar	500,000	0.12%
30 Modern Progress Sdn Bhd	500,000	0.12%
	418,284,291	96.93%

Notes

Notes

Notes

REIT Manager:
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