

AMANAHRAYA REAL ESTATE INVESTMENT TRUST (“ARREIT” OR “FUND”)

- (I) **PROPOSED ACQUISITIONS BY CIMB TRUSTEE BERHAD, ON BEHALF OF ARREIT, OF 3 PARCELS OF LEASEHOLD LAND LOCATED IN DISTRICT OF PETALING, SELANGOR DARUL EHSAN TOGETHER WITH THE BUILDINGS ERECTED THEREON FOR A TOTAL PURCHASE CONSIDERATION OF RM270,000,000 SUBJECT TO THE TERMS AND CONDITIONS OF THE SALE AND PURCHASE AGREEMENT; AND**
- (II) **PROPOSED INCREASE IN THE EXISTING APPROVED FUND SIZE OF ARREIT FROM 573,219,858 UNITS IN ARREIT (“UNITS”) TO UP TO A MAXIMUM OF 695,947,131 UNITS**

1. INTRODUCTION

1.1 On behalf of the Board of Directors of AmanahRaya-REIT Managers Sdn Bhd (“**Board**”), the management company of ARREIT (“**Manager**”), Maybank Investment Bank Berhad (“**Maybank IB**”), wishes to announce that on 2 September 2010, CIMB Trustee Berhad, the trustee of ARREIT (“**Trustee**”), entered into a conditional sale and purchase agreement (“**Conditional SPA**”) with Perbadanan Kemajuan Negeri Selangor (“**PKNS**”) to acquire the following properties:

- (i) a parcel of land held under HSD 22375, Lot No. PT 2, Bandar Shah Alam, District of Petaling, State of Selangor Darul Ehsan together with the building erected thereon (“**Kompleks PKNS**”);
- (ii) a parcel of land held under HSD 223854, Lot No. PT 44 (formerly known as PT 28 and PT 29), Section 14, Bandar Shah Alam, District of Petaling, State of Selangor Darul Ehsan together with the building erected thereon (“**SACC Mall**”); and
- (iii) a parcel of land held under PN 54772, Lot No. 201, Section 7, Town of Petaling Jaya, District of Petaling, State of Selangor Darul Ehsan together with the building erected thereon (“**Menara PKNS**”),

for a total purchase consideration of RM270,000,000 (which may be subject to revision in the manner as set out in Section 2.4 below) to be satisfied partly in cash of RM162,000,000 and partly by the issuance of 122,727,273 new Units at an issue price of RM0.88 per Unit (“**Proposed Acquisitions**”)

(Kompleks PKNS, SACC Mall and Menara PKNS are collectively referred to as “**Properties**”).

1.2 On the same date, the Trustee also entered into 3 separate lease agreements with PKNS whereby the Trustee agreed to lease each of the Properties to PKNS for a term of 12 years commencing from the completion date of the Proposed Acquisitions (“**Lease Agreements**”) at an agreed step-up rental in every 3 years.

1.3 In addition, Maybank IB wishes to announce that the Manager also proposes to undertake an increase in the existing approved fund size of ARREIT from 573,219,858 Units to up to a maximum of 695,947,131 Units (“**Proposed Increase In Fund Size**”)

(The Proposed Acquisitions and Proposed Increase In Fund Size are collectively referred to as “**Proposals**”).

2. DETAILS OF THE PROPOSED ACQUISITIONS

The Proposed Acquisitions involve the acquisition by the Trustee, on behalf of the Fund, of the Properties from PKNS for a total purchase consideration of RM270,000,000 (which may be subject to revision in the manner as set out in Section 2.4 below) (“**Purchase Consideration**”) to be satisfied partly in cash of RM162,000,000 and partly by the issuance of 122,727,273 new Units at an issue price of RM0.88 per Unit (“**Consideration Units**”).

2.1 Information on the Properties

2.1.1 Kompleks PKNS

Kompleks PKNS is a 4-storey retail/office complex with a basement level carpark with gross floor area of about 76,276.54 square metres (equivalent to about 821,033 square feet). The floor levels within Kompleks PKNS have the following usage:

Level	Usage
Ground floor	Retail lots and Mechanical and Electrical (“ M&E ”) rooms
1 st floor	Retail lots and M&E rooms
2 nd floor and 3 rd floor	Office lots and M&E rooms
Rooftop	Stalls and a multi-purpose hall

Other pertinent information on Kompleks PKNS are as follows:

Postal address	: Kompleks PKNS, Persiaran Tasik, 40505 Shah Alam, Selangor Darul Ehsan
Land title details	: HSD 22375, Lot No. PT 2, Bandar Shah Alam, District of Petaling, State of Selangor Darul Ehsan
Tenure	: Leasehold for 99 years, expiring on 12 January 2086 (i.e. having an unexpired leasehold term of about 76 years)
Provisional land area	: About 30,244.18 square metres (equivalent to about 7.47 acres)
Registered owner	: PKNS
Approximate age of building	: About 30 years old
Gross floor area	: About 76,276.54 square metres (equivalent to about 821,033 square feet)
Net lettable area	: About 46,726.37 square metres (equivalent to about 502,958 square feet)
Category of land use	: Building
Property use	: Retail/Office complex
Date/Cost of investment	: June 1976/RM70,137,533 (including enhancements and expansion)
Net book value	: RM39,382,069 based on the audited consolidated financial statements of PKNS for the financial year ended 31 December 2009

Encumbrances	: Nil
Restriction in interest	: The land cannot be transferred, leased or charged except with the consent from the state authority
Occupancy rate	: 100% and 94% for retail lots and office lots respectively, as at 31 March 2010
Tenancy description	: As at 31 March 2010, Kompleks PKNS houses various types of small retail traders and office tenants. Its retail tenants comprise mostly fashion apparel stores (22%), followed by departmental stores (19%), and food and beverage outlets (11%).

As at 31 March 2010, there are 142 tenants and 9 movable kiosks on the ground floor whilst on the first floor, there are 155 retail tenants. Existing retail tenants include banking services, fast food outlets, fashion apparel and footwears, beauty and wellness outlets, departmental stores, wedding accessories, boutiques, tailors, a pharmacy, etc.

Its main retail tenants comprise local banks, i.e. Bank Simpanan Nasional, Affin Bank, Bank Muamalat and Bank Islam, and 2 fast food outlets, i.e. KFC Holdings and McDonalds. Another prominent tenant is Lembaga Tabung Haji. The rest of the tenants are mainly local retailers, namely, Guardian Pharmacy, S.J. Sri Kota, BATA (M) Bhd and Marwillis Publisher. Most tenancies for retail traders have been agreed for a 2-year term whilst tenancies for banks are mostly secured for 3-year lease.

Its office tenants comprise government agencies and private agencies. The main tenants are the Selangor Immigration Department and PKNS. Other government agencies include Biro Tatanegara Negeri Selangor, KEMAS Negeri Selangor, RELA Negeri Selangor, Jemaah Nazir Sekolah Negeri Selangor and Jabatan Akauntan Negara. Other tenants are a combination of various sectors, namely, solicitors' offices, insurance agents, estate agents, tuition centre, commissioner of oath and travel agents.

The existing retail space rentals within Kompleks PKNS range between RM2.00 and RM3.50 per square foot per month.

The existing office rental within Kompleks PKNS is RM1.70 per square foot per month.

2.1.2 SACC Mall

SACC Mall is a 5-storey retail complex with a basement level with a gross floor area of about 51,231.28 square metres (equivalent to about 551,448 square feet). The floor levels within SACC Mall have the following usage:

<u>Level</u>	<u>Usage</u>
Basement	Car park bays, retail lots and M&E rooms
Ground to 3 rd floor	Retail lots and M&E rooms
4 th floor	Surau and car park bays
Rooftop	Car park bays

Other pertinent information on the SACC Mall are as follows:

Postal address	: SACC Mall, Jalan Perbadanan 14/9, Pusat Bandar Shah Alam, 40000 Shah Alam, Selangor Darul Ehsan
Land title details	: HSD 223854, Lot No. PT 44 (formerly known as PT 28 and PT 29), Section 14, Bandar Shah Alam, District of Petaling, State of Selangor Darul Ehsan
Tenure	: Leasehold for 99 years, expiring on 4 October 2104 (i.e. having an unexpired leasehold term of about 94 years)
Provisional land area	: About 23,066.75 square metres (equivalent to about 5.70 acres)
Registered owner	: PKNS
Approximate age of building	: About 5 years old
Gross floor area	: About 51,231.28 square metres (equivalent to about 551,448 square feet)
Net lettable area	: About 17,203.60 square metres (equivalent to about 185,178 square feet)
Category of land use	: Building
Property use	: Retail complex
Date/Cost of investment	: 24 June 2005/RM97,057,302 (including enhancements and expansion)
Net book value	: RM89,156,727 based on the audited consolidated financial statements of PKNS for the financial year ended 31 December 2009
Encumbrances	: Nil
Restriction in interest	: The land cannot be transferred, leased or charged except with the consent from the state authority
Occupancy rate	: 96% as at 23 February 2010

Tenancy description : As at 31 March 2010, SACC Mall houses 1 anchor tenant, 1 mini anchor tenant and various types of specialty stores. As at 23 February 2010, there are 111 tenants and 13 pushcarts. Its retail tenants comprise mostly fashion apparel stores (21.3%), followed by services (19.3%) and departmental stores (13.9%). Most tenancies have been agreed for a 2-year to 3-year term.

Its tenant mix comprise well known international and local brand outlets such as Pizza Hut, Secret Recipe, British India, Big Apple's, Gulati's, Bonia, Nando's Chicken, SenQ, Thomas & Guys, MPH, Giant Supermarket, Padini, Lovely Lace and Bodyshop.

The existing retail space rentals within the SACC Mall are RM0.70 per square foot per month for anchor tenant, and range between RM2.00 and RM20.34 per square foot per month. The rentals depend on the floor area and location of the retail lots.

2.1.3 Menara PKNS

Menara PKNS is a 20-storey purpose-built free standing office building (inclusive of 2 mezzanine floors) together with a basement car park. The building has a gross floor area of about 58,313.25 square metres (equivalent to about 627,678 square feet). The floor levels within Menara PKNS have the following usage:

<u>Level</u>	<u>Usage</u>
Basement	Car park bays
Ground floor	Retail space and a banking hall
Mezzanine to 7 th floor	Office space and car park area
8 th floor	Office space, hawkker centre, hall, surau and kitchen
9 th floor to 14 th floor, 16 th floor and 17 th floor	Office space
15 th floor	Office space, conference room, VIP room, pantry, store and gymnasium
Rooftop	Equipment rooms

Other pertinent information on Menara PKNS are as follows:

Postal address : Menara PKNS, No. 17, Jalan Yong Shook Lin, 46505 Petaling Jaya, Selangor Darul Ehsan

Land title details : PN 54772, Lot No. 201, Section 7, Town of Petaling Jaya, District of Petaling, State of Selangor Darul Ehsan

Tenure : Leasehold for 99 years, expiring on 17 July 2107 (i.e. having an unexpired leasehold term of about 97 years)

Surveyed land area : About 6,795 square metres (equivalent to about 73,141 square feet)

Registered owner : PKNS

Approximate age of building : About 14 years old

Gross floor area	: About 58,313.25 square metres (equivalent to about 627,678 square feet)
Net lettable area	: About 22,697.72 square metres (equivalent to about 244,316 square feet)
Category of land use	: Building
Property use	: Office building
Date/Cost of investment	: 2 January 1996/RM89,900,364 (including enhancements and expansion)
Net book value	: RM61,558,410 based on the audited consolidated financial statements of PKNS for the financial year ended 31 December 2009
Encumbrances	: Nil
Restriction in interest	: The land cannot be transferred, leased or charged except with the consent from the state authority
Occupancy rate	: 95% as at 31 March 2010
Tenancy description	: The types of tenants within Menara PKNS comprise mostly government agencies (69%), followed by multinational corporations (28%) and private companies (3%). Some of the tenants are Emerson Electric Sdn Bhd, Suruhanjaya Tenaga, Celcom (M) Bhd, TNT Worldwide, Nikon (M) Sdn Bhd, Kementerian Penerangan Malaysia and Lembaga Akreditasi Negara. The recent lettings within Menara PKNS range between RM3.30 and RM3.75 per square foot per month for the upper floors and RM3.75 per square foot per month for the mezzanine floor.

2.2 Salient terms of the Conditional SPA

The salient terms of the Conditional SPA are as follows:

- (i) The completion of the Proposed Acquisitions are conditional upon the following conditions precedent being fulfilled within 6 months from the date of the Conditional SPA or such other extended period as may be mutually agreed between the Trustee and PKNS:
 - (a) the approvals as set out in Section 9 below;
 - (b) the legal due diligence exercise in respect of the Proposed Acquisitions and structural due diligence exercise in respect of the Properties, being completed to the satisfaction of the Trustee and the due diligence report having been submitted to the Trustee within 14 days from the date of the Conditional SPA unless otherwise mutually extended by the Trustee and PKNS;

- (c) the execution of an agreement for the 'triple-net' lease for a period of 12 years to be entered into between PKNS as lessee and the Trustee as lessor, in respect of the Properties in accordance with the provisions of the Conditional SPA. The Lease Agreements were executed between the Trustee and PKNS on 2 September 2010;
 - (d) an irrevocable and unconditional written undertaking from PKNS to the Trustee, to refund all monies paid including all or any part of the Purchase Consideration paid to PKNS in accordance with the terms of the Conditional SPA in the event the title and/or the memorandum of transfer in respect of the Properties in favour of the Trustee cannot be effected or is invalid for any reason whatsoever;
 - (e) a written confirmation and undertaking from the Trustee's financier addressed to PKNS, undertaking to release the loan granted to the Trustee to part finance the Purchase Consideration to PKNS or its nominees towards part settlement of the Purchase Consideration on the date the Consideration Units are issued to PKNS ("**Completion Date**"); and
 - (f) all such other consents and regulatory and/or governmental approvals required to be obtained by PKNS and/or the Trustee in order to effect the completion of the sale by PKNS and purchase by the Trustee of the Properties, being obtained;
- (ii) PKNS undertakes that it shall, either before or after the Conditional SPA becomes unconditional, commence rectification and/or improvement works on the Properties as stipulated in the structural due diligence report of the Properties in accordance with the Conditional SPA. The said works shall be completed by PKNS within 3 months from the date of the finalisation of the specifications and costs in respect of the rectification and/or improvement works on the Properties to be mutually agreed upon in writing between the Trustee and PKNS (within 14 days from the date of the structural due diligence report), notwithstanding the Completion Date;
 - (iii) The Properties shall be sold free from all interests, liens, charges and security interest and with possession and together with the benefit of the rights, title and interest to the Properties but subject to the conditions and restrictions-in-interest, expressed or implied, and category of land use in the document of title to the Properties, subject to the terms and conditions contained in the Conditional SPA;
 - (iv) In the event of compulsory acquisition of the Properties under the Land Acquisition Act, 1960 at any time after the date of the Conditional SPA and before the Completion Date, the Trustee shall be entitled at its discretion to either continue with the Proposed Acquisitions less the acquired or gazetted portions, in which the Purchase Consideration shall be proportionally adjusted, or alternatively to terminate the Conditional SPA whereupon all monies paid including all or any part of the Purchase Consideration paid to PKNS shall be refunded to ARREIT. In the event the Trustee decides to complete the Proposed Acquisitions, PKNS shall be entitled to any compensation of other monies paid by the government or other relevant authority for the acquired portion of the Properties which is excluded from the Proposed Acquisitions;

- (v) In the event of compulsory acquisition of the Properties under the Land Acquisition Act, 1960 at any time after the Completion Date, such compulsory acquisition shall not nullify or invalidate the sale by PKNS and purchase by the Trustee of the Properties and it shall not be a ground for any adjustment to the Purchase Consideration. Subject to the Trustee having satisfied the Purchase Consideration in full and complying with the terms of the Conditional SPA, the Trustee shall be entitled to receive all compensation monies paid by the government or other relevant authority;
- (vi) Save in the case of an internal restructuring and/or property transfer between PKNS and its related corporations, PKNS agrees and undertakes to the Trustee that if PKNS or any of its wholly-owned subsidiaries shall at any time intend to dispose of any of the real estate belonging to PKNS or any of its wholly-owned subsidiaries ("**Other Properties**"), the Trustee or ARREIT shall be given the first right of refusal to purchase the Other Properties by way of a written notice from PKNS to the Trustee or ARREIT offering to sell the Other Properties to the Trustee or ARREIT on such terms and at such price as the parties may mutually agree upon and in accordance with the Guidelines on Real Estate Investment Trusts issued by the Securities Commission ("**SC**") ("**REIT Guidelines**") and relevant laws and regulations. The Trustee or ARREIT shall reply within 30 days from the date of the written notice;
- (vii) The Trustee and/or ARREIT agrees and undertakes to PKNS that if the Trustee and/or ARREIT shall at any time intend to sell any or all the Properties, PKNS shall be given the first right of refusal to purchase any or all the Properties by way of a written notice from the Trustee or ARREIT to PKNS offering to sell any or all the Properties to PKNS on such terms and at the prevailing market value and in accordance with the REIT Guidelines and relevant laws and regulations. PKNS shall reply within 30 days from the date of the written notice;
- (viii) In the event the Trustee has not been registered as the proprietor of the Properties by the Completion Date, PKNS shall grant the Trustee with a power of attorney to do all that is necessary to enable the Trustee to deal with the Properties as the rightful owner of the Properties; and
- (ix) On the Completion Date, PKNS will be deemed to have granted to the Trustee all of PKNS' rights, title, interest and benefit in and to the Properties and in relation to the insurance contracts for the Properties.

2.3 Salient terms of the Lease Agreements

The salient terms of the Lease Agreements are as follows:

- (i) In consideration of the Trustee agreeing to enter into the Conditional SPA for the Proposed Acquisitions and PKNS agreeing to pay rental for the lease of each of the Properties and other monies payable to the Trustee under the Lease Agreements, the Trustee agrees to grant and PKNS agrees to accept the lease of each of the Properties for a term of 12 years ("**Lease Term**") commencing from the Completion Date subject to the terms and conditions of the Lease Agreements ("**Commencement Date**");
- (ii) The monthly rental of each of the Properties ("**Rent**"), payable in advance on or before the 7th day of every calendar month during the Lease Term, are set out in **Table 1**;

- (iii) PKNS agrees that it shall be fully responsible, at its own costs and expense, for the general and total maintenance of each of the Properties (save for major capital expenditure works where the costs will be borne by the Trustee and PKNS in accordance with the Lease Agreement) and the facilities enjoyed and available in each of the Properties, in particular without limitation to the generality of the foregoing, all those duties and obligations set out in the Lease Agreements. PKNS further agrees that it shall fully indemnify and save harmless the Trustee for all actions, demands, claims, liabilities, losses, damages and expenses or proceedings suffered or incurred by the Trustee as a result of PKNS' breach of or non-compliance with any of such duties and obligations;
- (iv) PKNS shall, upon the execution of the Lease Agreements, procure and maintain unconditional and irrevocable bank guarantees in favour of the Trustee issued by a bank or a reputable financial institution:
 - (a) for a sum of RM7,120,000, RM7,200,000 and RM7,280,000 for Kompleks PKNS, SACC Mall and Menara PKNS respectively, reflecting 1 year's average Rent ("**Bank Guarantees**") by way of a security deposit, as security for the due observance and performance by PKNS of the terms and conditions of the Lease Agreements; and
 - (b) for a sum of RM450,000 for each of the Properties by way of cash, as security for the due payment of utilities charges in respect of the Properties during the Lease Term.

The Bank Guarantees shall remain valid for the entire Lease Term;

- (v) Save in the case of an internal restructuring and/or property transfer between PKNS and its related corporations, PKNS agrees and undertakes to the Trustee that if PKNS or any of its wholly-owned subsidiaries shall at any time intend to dispose of any of the Other Properties, the Trustee or ARREIT shall be given the first right of refusal to purchase the Other Properties by way of a written notice from PKNS to the Trustee or ARREIT offering to sell the Other Properties to the Trustee or ARREIT on such terms and at such price as the parties may mutually agree upon and in accordance with the REIT Guidelines and relevant laws and regulations. The Trustee or ARREIT shall reply within 30 days from the date of the written notice;
- (vi) The Trustee and/or ARREIT agrees and undertakes to PKNS that if the Trustee and/or ARREIT shall at any time intend to sell any or all the Properties, PKNS shall be given the first right of refusal to purchase any or all the Properties by way of a written notice from the Trustee or ARREIT to PKNS offering to sell any or all the Properties to PKNS on such terms and at the prevailing market value and in accordance with the REIT Guidelines and relevant laws and regulations. PKNS shall reply within 30 days from the date of the written notice; and
- (vii) The Trustee and PKNS agree that a property management committee shall be formed by the Trustee and PKNS, within 30 business days upon the Commencement Date for the purposes of upkeep and maintenance of each of the Properties.

2.4 Basis of arriving at the Purchase Consideration

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis at the market value of the Properties of RM270,000,000 as appraised by Rahim & Co Chartered Surveyors Sdn Bhd (“**Rahim & Co**”) (being the independent registered valuer appointed by the Manager, on behalf of the Fund). Rahim & Co has, in its valuation report dated 2 August 2010, assessed the market value of Kompleks PKNS, SACC Mall and Menara PKNS at RM89,000,000, RM90,000,000 and RM91,000,000 respectively, using the investment method and comparison method.

If the SC varies the value of any or all the Properties, the total purchase consideration of RM270,000,000 will be revised accordingly so that the total purchase consideration in respect of any or all the Properties shall not be more than 110% of the value assessed by the SC and in accordance with the REIT Guidelines. In such an event, the number of Consideration Units to be issued and the cash consideration, will be adjusted accordingly.

2.5 Satisfaction of the Purchase Consideration

ARREIT will satisfy the purchase consideration of RM270,000,000 (which may be subject to revision in the manner as set out in Section 2.4 above) by the Completion Date, in the following manner:

- (i) A sum of RM108,000,000, representing 40% of the Purchase Consideration, shall be satisfied by the issuance of 122,727,273 new Units at an issue price of RM0.88 per Unit to PKNS, in the following proportion:
 - (a) 40,454,546 Consideration Units in respect of Kompleks PKNS;
 - (b) 40,909,091 Consideration Units in respect of the SACC Mall; and
 - (c) 41,363,636 Consideration Units in respect of Menara PKNS.

The Consideration Units will be issued within 7 days from the date on which the last of the conditions precedent set out in the Conditional SPA is fulfilled (“**Unconditional Date**”).

- (ii) A sum of RM162,000,000, representing 60% of the Purchase Consideration, shall be paid in cash to PKNS in the following proportion:
 - (a) RM53,400,000 in respect of Kompleks PKNS;
 - (b) RM54,000,000 in respect of the SACC Mall; and
 - (c) RM54,600,000 in respect of Menara PKNS.

ARREIT will satisfy the cash consideration on the Completion Date.

2.6 Basis of arriving at the issue price of the Consideration Units

The issue price of RM0.88 per Consideration Unit to be issued was determined based on the 5-day volume weighted average market price of the Units up to and including 1 September 2010 (being the last trading day immediately prior to the execution of the Conditional SPA) of RM0.88 per Unit. The issue price was arrived at after taking into consideration, among others, the prevailing market conditions and market price of the Units.

2.7 Ranking of the Consideration Units

The Consideration Units to be issued shall, upon allotment and issue, rank equal in all respects with the existing Units except that the Consideration Units will not be entitled to any distributable income, right, benefit, entitlement and/or any other distributions that may be declared prior to the date of allotment of the Consideration Units. An application will be made to Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for the Consideration Units on the Main Market of Bursa Securities.

2.8 Source of funding

ARREIT intends to fund the portion of the Purchase Consideration to be satisfied in cash, entirely through borrowings.

2.9 Liabilities to be assumed

Other than the Purchase Consideration, ARREIT will not be assuming any liability (including contingent liabilities and guarantees) under the Proposed Acquisitions.

2.10 Additional financial commitment

The Fund does not need to incur any additional financial commitment to put the Properties on-stream.

3. DETAILS OF THE PROPOSED INCREASE IN FUND SIZE

In order to accommodate the issuance of the Consideration Units to partly satisfy the Purchase Consideration, the Manager is proposing to increase the existing fund size of ARREIT from 573,219,858 Units to up to a maximum of 695,947,131 Units.

4. INFORMATION ON PKNS

PKNS is an agency of the State of Selangor established primarily to promote, stimulate, facilitate and undertake the development of residential, commercial and industrial areas in Selangor. PKNS was incorporated on 1 August 1964 under the Selangor State Enactment No. 4, 1964.

As one of the oldest state development corporations, PKNS concentrates on developing affordable housing, mainly for the lower-to-medium income group. Over the years, PKNS has spearheaded numerous growth areas in the State of Selangor. PKNS is involved in a wide range of businesses through its subsidiaries and associated companies, which include hotel operations, construction, toll concessions and wholesale businesses. PKNS is also involved in waste management through Worldwide Holdings Berhad.

As at 31 August 2010, the Directors of PKNS are YAB Tan Sri Dato' Seri Abdul Khalid bin Ibrahim, YB Dato' Ramli bin Mahmud, YB Dato' Mohd Arif bin Ab Rahman, YB Tuan Ir Iskandar bin Abdul Samad, YB Puan Teresa Kok Suh Sim, YB Tuan Mohamad Azmin bin Ali, Y Bhg Datuk Zalekha binti Hassan, Y Bhg Dato' Fauziah binti Yaacob and Y Bhg Encik Razali bin Che Mat.

5. CONDITIONALITY

The Proposed Acquisitions and the Proposed Increase In Fund Size are inter-conditional.

6. RATIONALE FOR THE PROPOSALS

6.1 Proposed Acquisitions

The Proposed Acquisitions are in line with the Manager's investment objectives to provide the unitholders of ARREIT ("Unitholders") with stable income distribution by acquiring high quality, earnings accretive properties with strong recurring rental income. The Proposed Acquisitions are expected to be accretive to ARREIT's distributable income due to additional rental income as well as the step-up rentals to be recognised from the Properties in the future.

Furthermore, the Proposed Acquisitions will enable ARREIT to diversify and enlarge its portfolio of properties and is expected to benefit the Fund in the long-term as a result of economies of scale. The rental income earned from the Properties following the Proposed Acquisitions would increase the total rental income of ARREIT, which would reduce the impact to ARREIT in the event of any void arising from the expiry of the tenancy for any of its existing properties.

6.2 Proposed Increase In Fund Size

The Proposed Increase In Fund Size is to accommodate the issuance of the Consideration Units under the Proposed Acquisitions.

7. PROSPECTS AND RISK FACTORS

7.1 Prospects

7.1.1 Kompleks PKNS and SACC Mall

Kompleks PKNS and SACC Mall are located within the main commercial hub of Shah Alam and being the capital city of the state of Selangor Darul Ehsan, Shah Alam houses various office buildings, hotels and retail complexes.

Anggerik Mall retail complex is located to the immediate east of Kompleks PKNS and SACC Mall. A convention centre known as Shah Alam Convention Centre, is located to the immediate south. Located to the north are Bank Negara Malaysia complex, the Quality Hotel, Plaza Perangsang, Menara MRCB, Plaza Alam Sentral, Bangunan Darul Ehsan and the Selbourne Square.

Wisma MBSA, Wisma PKPS, Bangunan UMNO Selangor, the Grand Bluewave Hotel, the Sultan Alam Shah museum, Raja Tun Uda state library and Maybank, Affin Bank and Bank Islam buildings are located to the north-east of Kompleks PKNS and SACC Mall.

3 recreational parks known as Permai Recreational Park, Indah Recreational Park and Raja Lumu Recreational Park are located to the east and north of Kompleks PKNS and SACC Mall. Located in Permai Recreational Park is a mini water theme park known as the Wet World Shah Alam.

Other prominent buildings located within the locality include Pusat Piawai Malaysia (SIRIM), the Shah Alam General Post Office, Bangunan Sultan Abdul Aziz Shah, Masjid Sultan Salahuddin Abdul Aziz Shah, Lembaga Zakat Selangor building and the University Teknologi MARA (UiTM) main campus.

Residential properties, which are located in the neighbourhood, are in Section 2, Section 3, Section 4 and Section 11, Shah Alam and comprise 1-storey and 2-storey terraced houses, detached houses and blocks of low-rise flats.

Other prominent properties located in a larger neighbourhood include Istana Bukit Kayangan, Carlton Holiday Hotel & Suites, Tesco hypermarket, Tesco-EXTRA Hypermarket, Darul Ehsan Aquatic Centre, Intekma Hotel & Convention Centre, De Palma Hotel Shah Alam, Plaza Shah Alam (formerly known as Shah Alam Mall), Plaza Masalam, Shah Alam Concorde Hotel, the Shah Alam stadium and the Giant Hypermarket.

(Source: Valuation report dated 2 August 2010 prepared by Rahim & Co)

7.1.2 Menara PKNS

The immediate surrounding comprises mainly hotels, office buildings and government agencies. Prominent properties located in close proximity include Menara MBPJ, Pejabat Pendaftaran Negara, Bangunan Persekutuan, Jabatan Kimia Negara, the Magistrate Court, the National Archive, the Malaysia Meteorological Department, PJ Hilton Hotel, Singgahsana Hotel, Menara Choy Fook On, a post office, a newly completed purpose-built office called PJ8 and another almost completed office building to be known as PJ Exchange.

Located to the north of Petaling Jaya New Town is Section 52 of Petaling Jaya, which comprises mainly commercial properties too. Prominent properties located therein include the Crystal Crown Hotel, Filem Negara Malaysia, Persatuan Kanak-kanak Spastik Selangor, Bangunan Sultan Salahuddin Abdul Aziz, Armada Hotel, Hospital Mata Tun Hussein Onn, The Istara Serviced Apartment, Kompleks Sukan Astaka and Wisma KKAUM.

Situated to the west, east and south are mainly residential developments, which comprises mainly 1 to 2-storey terraced houses, 1 to 2-storey detached and semi-detached houses.

Further away is the light industrial area in Section 51A, which is currently being redeveloped or refurbished to be used as commercial premises. The said buildings include, Naza Auto Mall, Menara Axis, Crystal Plaza and the PJ City.

(Source: Valuation report dated 2 August 2010 prepared by Rahim & Co)

Given that the Properties will be leased to PKNS for the Lease Term and in view of the step-up rentals which are to be recognised from the Properties in the future, the Board believes that the Proposed Acquisitions will contribute positively to the future performance of the Fund.

7.2 Risk factors

Some of the risk factors (which may not be exhaustive) pertaining to the Proposed Acquisitions are as follows:

- (i) Gross rental income and the value of the Properties may be affected by a number of factors such as vacancies following the expiry or termination of leases, ability to collect Rent on a timely basis, etc.;
- (ii) The Properties may be under-insured;

- (iii) Compulsory acquisition by the Malaysian Government;
- (iv) The sale price for the Properties may be less than the current valuation or the Purchase Consideration paid by ARREIT; and
- (v) Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow.

8. EFFECTS OF THE PROPOSALS

The Proposed Acquisitions which will lead to the Proposed Increase In Fund Size is expected to have effects on the following:

8.1 Unitholders' capital

The proforma effects of the Proposed Acquisitions on the Unitholders' capital are set out in **Table 2**.

8.2 Distributable income

The Manager has declared and paid an income distribution of 7.155 sen per Unit for the financial year ended 31 December 2009 (equivalent to 100% of ARREIT's earnings before tax). Barring unforeseen circumstances, the Manager intends to distribute at least 95% of the distributable income of ARREIT for the financial year ending 31 December 2010.

The Proposed Acquisitions are not expected to have any material effect on ARREIT's distributable policy as determined by the Board. The decision to declare and pay distributable income in the future would depend on the financial performance and cash flow position of ARREIT, and prevailing economic conditions.

8.3 Substantial Unitholders' unitholdings

The proforma effects of the Proposed Acquisitions on the substantial Unitholders' direct unitholdings in ARREIT are set out in **Table 3**.

8.4 Earnings per Unit

The Manager expects to complete the Proposed Acquisitions by the fourth quarter of 2010. As such the Proposed Acquisitions is not expected to have a material effect on ARREIT's earnings for the financial year ending 31 December 2010. Nevertheless, any dilution as a result of the increase in the number of Units in issue under the Proposed Acquisitions is expected to be offset by improved earnings of the Fund attributable to the Proposed Acquisitions.

Moving forward, the effect of the Proposed Acquisitions on the earnings of the Fund will depend on the rental income generated from the Properties and the finance cost arising from the bank borrowings incurred to partly satisfy the Purchase Consideration.

8.5 Net asset value per Unit and gearing

The proforma effects of the Proposed Acquisitions on the net asset value per Unit and gearing of ARREIT based on the audited financial statements of ARREIT as at 31 December 2009 are set out in **Table 4**.

9. APPROVALS REQUIRED

The Proposals are subject to approvals and consents being obtained from, among others, the following:

- (i) CIMB Trustee Berhad, being the Trustee of the Fund, which was obtained on 1 September 2010;
- (ii) the SC for the following:
 - (a) the issuance of up to 122,727,273 new Units to partly satisfy the Purchase Consideration;
 - (b) the listing of and quotation for up to 122,727,273 new Units on the Main Market of Bursa Securities;
 - (c) the Proposed Increase In Fund Size; and
 - (d) the value of the Properties;
- (iii) Bursa Securities for the listing of and quotation for up to 122,727,273 new Units on the Main Market of Bursa Securities;
- (iv) Unitholders at a Unitholders' meeting to be convened;
- (v) PKNS' Finance Committee for the proposed disposal of the Properties, which was obtained on 17 November 2009;
- (vi) the relevant state authority's consent to the transfer of the Properties from PKNS to the Trustee;
- (vii) the consent by and/or notification to the existing lessees (where applicable) to the transfer of the Properties to the Trustee; and
- (viii) any other relevant regulatory authorities or parties, if required.

The applications to the relevant authorities are expected to be submitted within 1 month from the date of this announcement.

10. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposals and after careful deliberation, is of the opinion that the Proposals are in the best interest of the Fund.

11. ADVISER

The Manager has appointed Maybank IB as the adviser for the Proposals.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposals are expected to be completed in the fourth quarter of 2010.

13. DOCUMENTS AVAILABLE FOR INSPECTION

The Conditional SPA, Lease Agreements and valuation reports dated 2 August 2010 in respect of Kompleks PKNS, SACC Mall and Menara PKNS are available for inspection at the registered office of the Manager at Level 11, Wisma AmanahRaya, No. 2, Jalan Ampang, 50508 Kuala Lumpur during normal business hours from Mondays to Fridays (except for public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 2 September 2010.

Table 1: Rent

Period commencing from the Commencement Date	Monthly rental for Kompleks PKNS RM	Monthly rental for SACC Mall RM	Monthly rental for Menara PKNS RM
Year 1 to Year 3	537,708.33	543,750.00	549,791.67
Year 4 to Year 6	574,791.67	581,250.00	587,708.33
Year 7 to Year 9	611,875.00	618,750.00	625,625.00
Year 10 to Year 12	648,958.33	656,250.00	663,541.67

Table 2: Units

	No. of Units
Existing as at 30 August 2010	573,219,858
Issuance of the Consideration Units	122,727,273
Enlarged Unitholders' capital	695,947,131

Table 3: Substantial Unitholders' unitholdings

Based on the Record of Depositors of ARREIT as at 30 August 2010, the proforma effects of the Proposed Acquisitions on the substantial Unitholders' direct unitholdings in ARREIT are as follows:

Substantial Unitholders	As at 30 August 2010		After the Proposed Acquisitions	
	No. of Units held	%	No. of Units held	%
Kumpulan Wang Bersama ⁽¹⁾	305,985,908	53.38	305,985,908	43.97
PKNS ⁽¹⁾	15,360,000	2.68	138,087,273	19.84
Royal Bank of Scotland Plc	38,295,000	6.68	38,295,000	5.50

Note:

⁽¹⁾ On 2 September 2010, Amanah Raya Berhad ("ARB") entered into a conditional share sale agreement with PKNS for the disposal by Kumpulan Wang Bersama ("KWB"), a fund managed by ARB, and acquisition by PKNS of up to 70,000,000 Units at RM0.95 per Unit ("**Proposed Units Disposal**"). The completion of the Proposed Units Disposal will only take place after the completion of the Proposed Acquisitions. Upon completion of the Proposed Acquisitions and the Proposed Units Disposal, PKNS will hold 208,087,273 Units, representing 29.90% interest in the Fund, whilst KWB's unitholdings in ARREIT will be reduced to 235,985,908 Units, representing 33.91% interest in the Fund.

Table 4: Net asset value and gearing

	Audited as at 31 December 2009 RM'000	After the completed acquisitions ⁽¹⁾ RM'000	After the Proposed Acquisitions RM'000
Unitholders' capital	403,292	(2) 519,062	(5) 625,562
Undistributed income	36,812	36,812	36,812
Net asset value	<u>440,104</u>	<u>555,874</u>	<u>662,374</u>
Number of Units in circulation ('000)	431,553	(2) 573,220	(5) 695,947
Net asset value per Unit (RM)	1.0198	0.9697	0.9518
Total borrowings	253,000	(3) 364,230	(6) 527,730
Total assets	748,001	(4) 1,002,961	(7) 1,274,311
Gearing (%) ⁽⁸⁾	33.82	36.32	41.41

Notes:

(1) After taking into account the acquisitions of Selayang Mall and Dana 13, which was completed on 7 May 2010.

(2) After taking into account the issuance of 141,666,667 Units under a private placement which were issued at an issue price of RM0.84 per Unit and expenses incurred of about RM3.23 million. The said private placement was completed on 7 May 2010.

(3) After taking into consideration the additional bank borrowings of RM111.23 million to part finance the acquisitions of Selayang Mall and Dana 13.

(4) After taking into consideration the acquisitions of Selayang Mall and Dana 13 of RM227.0 million and security deposit for Selayang Mall of RM27.96 million.

(5) After taking into account the issuance of 122,727,273 Units under the Proposed Acquisitions at an issue price of RM0.88 per Unit and after netting-off estimated expenses for the Proposals of RM1.50 million.

(6) After taking into consideration the additional bank borrowings of RM163.50 million (inclusive of estimated expenses of RM1.50 million) to part finance the Proposed Acquisitions.

(7) After taking into consideration the acquisitions of the Properties of RM270.00 million and utilities deposit for the Properties of RM1.35 million.

(8) Total borrowings divided by total assets.