

# THE MANAGER'S PROPERTY TEAM



From left to right

Abdul Farid Abdul Kadir  
Abas Abd Jalil



From left to right

Fakru Radzi Abdul Ghani  
Razlan Raghazli



From left to right

Ida Azura Ahmad Zamri  
Muhamad Hafiz Jantan

# 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 pleasure in presenting to the unitholders of ARREIT the Annual Report and audited financial statements of ARREIT for the financial period ended 31 December 2007.

## 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.

## Highlights

In the financial period ended 2007, ARREIT:

- Recorded a net income available for distribution totalling RM10,646,633 – 1.57% higher than the net income projected in the IPO Prospectus
- Achieved a distribution per unit of 5.4412 sen, which translates to an annualised distribution per unit of 6.5294 sen
- Successfully acquired five additional properties at total cost of RM308,670,000 with a market valuation of RM317,200,000, the approval for the acquisition being obtained from the Securities Commission (SC) on 30 August 2007
- Held its first Unitholders' Meeting on 26 October 2007 to seek unitholders' approval for the Acquisition of new properties and placement of new units
- Announced the issuance and placement of 247,553,191 units on 27 December 2007, with approval being granted by the SC on 30 August 2007

## THE TRUST AND ITS INVESTMENT OBJECTIVE

ARREIT was established on 10 October 2006 by means of a trust deed (the "Deed") executed by the Manager and CIMB Trustee Berhad (the "Trustee") which classified it as a real property trust fund.

ARREIT was listed on Bursa Malaysia Securities Berhad on 26 February 2007. The investment objective of ARREIT is to invest in a diversified portfolio of properties with the potential for capital growth and strong recurring rental yields, generating an attractive level of return for unitholders.

As a result of the continuous efforts to further enhance the existing portfolio, the Manager has completed the acquisition of five additional properties for ARREIT. Following the injection of these additional five properties, the Manager forecasts a dividend of 6.96 sen per unit for 2008, 7.14 sen per unit for 2009, and 7.66 sen per unit for 2010. During the financial period under review, the Manager is pleased to announce that ARREIT is the second largest REIT in the country in terms of value of the properties.

**BENCHMARK RELEVANT TO THE TRUST**

Financial period ended  
31 December 2007

Management Expenses Ratio (“MER”)	0.44%
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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 an accurate comparison.

**REVIEW OF PERFORMANCE**

As At 31 December 2007

Total Net Asset Value (RM)	404,967,451
Units in Circulations (units)	431,553,191
Net Asset Value per unit (RM)	0.9384
Market Value per unit (RM) as at 31 December 2007	0.9900
Highest Traded Price for the ten months period (RM)	1.0500
Lowest Traded Price for the ten months period (RM)	0.8250

**RESULTS OF TRUST’S PERFORMANCE**

RM  
As At 31 December 2007

Total Gross Rental Income	19,272,059
Total Property Expenses	728,823
Net Rental Income	18,543,236
Interest Income	382,960
Total Non-Property Expenses	8,279,563
Earnings before taxation and net appreciation on fair value of of investment properties	10,646,633
Net appreciation on fair value of investment properties	-
Earnings before Taxation	10,646,633
Taxation	NIL

# MANAGER'S REPORT CONT'D

## RESULTS OF TRUST'S PERFORMANCE *cont'd*

	RM
	As At 31 December 2007
Earnings after Taxation	10,646,633
Earnings per Unit after Tax (sen)*	
- after manager fee	5.6872
- before manager fee	5.9330
Annualised earnings per Unit after Tax (sen)***	
- after manager fee	6.8246
- before manager fee	7.1196
Distribution per Unit (DPU) (sen)**	5.4412
Annualised distribution per Unit (DPU) (sen)***	6.5294

\* *Earnings per unit after tax are computed based on the weighted average number of units in circulation, i.e. 187,204,572 units during the financial period.*

\*\* *The distribution per unit shown above was the actual distribution to unitholders during the financial period.*

\*\*\* *Annualised earnings per unit and distribution per unit are calculated based on ARREIT's operation results for the financial period 2007 commencing from 26 February 2007 to 31 December 2007 annualised over the 12 months of the calendar year 2007.*

The Manager is pleased to report that, for the financial period ended 31 December 2007, revenue totalled RM19,655,019, comprising gross rental income of RM19,272,059 and interest income of RM382,960. The effective interest rate received for funds placed with licensed financial institutions was between 3.00% and 3.52% per annum, significantly higher than the IPO forecast rate of 1.5%. Higher post-tax earnings resulted mainly from the interest income and higher rental rates received for Wisma Amanah Raya Berhad following the renewal of the tenancy and revision of the rental rates.

As at 31 December 2007, ARREIT incurred total expenses of RM9,008,386, with only 8% 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 RM7,477,273. However, after the second property injection, the gearing ratio of the Trust improved from 49.10% to 37.90%.

## NET ASSET VALUE (“NAV”)

Analysis of net asset value of the Trust from the date of inception to 31 December 2007:

	As at 31 December 2007	As at date of inception
Total net asset value (“NAV”) (RM)		
- before provision for income distribution	411,252,938	174,183,060
- after provision for income distribution	404,967,451	N/A
Total net asset value (“NAV”) (RM) per unit		
- before provision for income distribution	0.9530	0.9466
- after provision for income distribution	0.9384	N/A

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

## Effect of NAV Per Unit

Effect on NAV after the issuance of new units during the financial period is as follows:

	Total NAV RM	Number of Units	NAV Per Unit RM
Before (27 December 2007)*	175,042,125	184,000,000	0.9513
After (31 December 2007)**	406,073,522	431,553,191	0.9410

\* After provision for second income distribution amounting to RM5,179,416

\*\* Before provision for third income distribution amounting to RM1,106,071

## Related Performance Indicators and Benchmarks

	As at 31 December 2007	Since Date of inception
Total return (%)*	5.84	N/A
Gearing ratio (%)**	37.90	49.10
Portfolio Turnover Ratio (times)***	1.78	N/A

\* 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 RM41,079,733, which is the total amount of rental and security deposits held on behalf of lessees, and RM81,251,198 in trade and other receivables which are 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 31 December 2007 to the average net asset value during the period calculated on a daily basis.

# MANAGER'S REPORT

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## GEARING LEVEL

### Debt Facilities

At the commencement of ARREIT, the Trust entered into a facility arrangement comprising a four (4)-year term loan totalling RM168,000,000 at an interest rate of 5.25% per annum fixed throughout the tenure of the facility.

Anticipating rising inflation costs and fluctuating interest rates on 31 December 2007 the Trust secured additional loan facility with three (3)-years tenure from Affin Bank Berhad amounting RM85,000,000.00 with a locked-in interest rate of 4.50% per annum. As at that date, the overall gearing ratio improved from 49.10% to 37.90% .

These facilities are structured to mature simultaneously on 28 February 2011.

### Gearing capacity

As at 31 December 2007, the gearing ratio of ARREIT was 37.90%. The Trust still has the capacity to borrow up to another 12.10% before reaching its permitted limit of 50% under SC Guidelines on Real Estate Investment Trusts. The additional capacity will be utilised to finance the future growth of the Trust both organically and through the acquisition of further properties.

## 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 works closely with the Property Manager in order to monitor the maintenance and upkeep of the properties as conducted by the Lessee. Although the maintenance and upkeep of the properties are the responsibility of the Lessee, constant monitoring is required to ensure that the long term quality and the physical condition of the building are preserved.

**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 works closely with the Property Manager to constantly find ways to enhance the value of the properties via internal and external improvements. In determining improvements to be undertaken, financial analysis and market studies are conducted to ensure that such improvements will genuinely increase the value of the properties.



**d. Improve financial performance of the properties**

To enable ARREIT to sustain its potential earnings, expiring leases are replaced without delay, and re-negotiated rental rates are locked-in, including future rental rate increases. Equally important, proactive marketing is used to ensure that outgoing Lessees are quickly replaced without disruption to income.

The above objectives are achieved by:

- Commencing timely negotiations with Lessees 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
- 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**

Before investment proposals are 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 proximity to public transport, major roads and highways, populated commercial districts and residential areas.

**b. Price and Yield**

All investment proposals are subject to vigorous scrutiny based on our investment criteria which take into account the price, yield and tenure of the potential acquisition. Consideration is also given to 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.



# MANAGER'S REPORT CONT'D

## INVESTMENT STRATEGIES AND POLICIES *cont'd*

### Acquisition Strategy *cont'd*

#### 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.

#### 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

## COMPOSITION OF INVESTMENT PROPERTIES

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

Property	Book Value	%
Holiday Villa Alor Setar	RM31,000,000	4.8%
Holiday Villa Langkawi	RM55,000,000	8.5%
Permanis Factory	RM23,550,000	3.7%
SEGi College, Subang Jaya	RM52,500,000	8.1%
Block A & B, South City Plaza	RM18,300,000	2.8%
Wisma AmanahRaya	RM68,000,000	10.5%
Wisma Amanah Raya Berhad	RM53,000,000	8.2%
Wisma UEP	RM35,500,000	5.5%
Tamadam Bonded Warehouse	RM28,500,000	4.4%
AIC Factory	RM19,200,000	3.0%
Silver Bird Factory	RM92,000,000	14.3%
Gurun Automotive Warehouse	RM23,970,000	3.7%
SEGi College, Kota Damansara	RM145,000,000	22.5%
<b>Total</b>	<b>RM645,520,000</b>	<b>100%</b>

### Real Estate Property Acquired During The Financial Year

The Trust recently acquired three (3) properties from Kumpulan Wang Bersama, a party related to the holding company of AmanahRaya-JMF Asset Management Sdn. Bhd. (the "Manager") for a purchase consideration of RM139,700,000, satisfied by the issuance of 148,617,021 vendors' units in ARREIT at an issue price of RM0.94 per unit. These properties were issued with a certificate of fitness for occupation and were valued at RM144,200,000 by Azmi & Co Sdn Bhd, an independent registered valuer using the cost and investment methods of valuation.

Subsequent to the acquisition of the three (3) properties, the Trust acquired two (2) additional properties from SEG International Berhad and Teras Globalmas Sdn Bhd which are independent parties for purchase consideration of RM168,970,000 satisfied by cash. The properties obtained their certificate of fitness for occupation and were valued at RM173,000,000 by Azmi & Co Sdn Bhd, an independent registered valuer using the cost and investment methods of valuation.

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.
Date of Certificate of Fitness	30 May 1995.
Age of property	Approximately 9 years.

# MANAGER'S REPORT CONT'D

## COMPOSITION OF INVESTMENT PROPERTIES *cont'd*

### 1 Holiday Villa Alor Setar *cont'd*

Tenure	Freehold for Geran 7040 and leasehold for H.S.(D) 1100/85 is 99-year leasehold land expiring on 23 March 2084.
Unexpired lease period	Approximately 78 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	26th 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.

### 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	4-star hotel with 238-rooms.
Description	Commercial property comprising a 4-star hotel with 238-rooms located in Pantai Tengah, Langkawi.
Date of Certificate of Fitness	7 January 1991.
Age of property	Approximately 13 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. It is a single tenant property and for this purpose we have taken up the net lettable area to be equal to the gross floor area.
Existing use	Hotel.
Parking spaces	55 bays.
Valuation	RM55,000,000.00
Cost of acquisition	RM55,000,000.00
Date of acquisition	26th February 2007.
Master Lessee	Langkawi Holiday Villa Sdn Bhd.
Occupancy rates	100%
Net rental	RM307,083.33 per month.

**COMPOSITION OF INVESTMENT PROPERTIES** *cont'd***3 Permanis Factory**

Address/Location	Lots 5 & 7, Jalan P/6 and P/7, Kawasan Perusahaan Seksyen 13, Bandar Baru Bangi, Selangor.
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.
Property type	Single-storey warehouse.
Description	Permanis Factory is a single storey warehouse industrial property located within Kawasan Perusahaan Seksyen 13, Bandar Baru Bangi.
Date of Certificate of Fitness	12 May 1988.
Age of property	Approximately 17 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. It is a single tenant property and for this purpose we have taken up the net lettable area to be equal to the gross floor area.
Existing use	Factory.
Parking spaces	Car park sheds (gross floor area 1,481 sq.ft.) Motorcycle parking shed (gross floor area of 824 sq.ft.)
Date of acquisition	26th 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	RM132,250.00 per month.

**4 SEGi College, Subang Jaya**

Address/Location	SEGi College, Persiaran Kewajipan USJ 1, 47600 Subang Jaya, Selangor.
Title details	Geran 43527, Lot No. 13, Pekan Subang Jaya, District of Petaling, State of Selangor.
Property type	Commercial.
Description	12-storey commercial building with 3 Level Basement Carpark.
Date of Certificate of Fitness	12 January 2006.
Age of property	Approximately 1 year.
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.

# MANAGER'S REPORT CONT'D

## COMPOSITION OF INVESTMENT PROPERTIES *cont'd*

### 4 SEGi College, Subang Jaya *cont'd*

Date of acquisition	26 February 2006.
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.

### 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.
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.
Property type	Commercial.
Description	Two (2) blocks (Block A and Block B) of 5 ½-storey office buildings within a development known as South City Plaza.
Date of Certificate of Fitness	21 April 2005.
Age of property	Approximately 3 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 currently used as an office block.
Parking spaces	The property does not have any carparks 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.

**COMPOSITION OF INVESTMENT PROPERTIES** *cont'd***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.
Description	Commercial Property comprising a 15-storey purpose built office building 2 basement levels.
Date of Certificate of Fitness	Not Applicable
Age of property	Approximately 41 years.
Tenure	Leasehold Interest for 99 years.
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.

**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.
Description	Commercial Property comprising 5-storey purpose built office buildings with 6 lower ground levels inclusive 4-level car park and cafeteria facilities.
Date of Certificate of Fitness	29 October 1999.
Age of property	Approximately 7 years.
Tenure	Leasehold for 99 years
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	RM298,433.00 per month.

# MANAGER'S REPORT CONT'D

## COMPOSITION OF INVESTMENT PROPERTIES *cont'd*

### 8 Wisma UEP

Address/Location	Wisma UEP, Jalan USJ10/1A, Pusat Perniagaan USJ 10, 47620 Subang Jaya, Selangor.
Title details	Title Nos. H.S.(D) 52531, P.T. 11303, Mukim of Damansara, District of Petaling, Selangor.
Property type	Commercial.
Description	Commercial Property comprising an 11-storey office building with 3 levels of Basement Car Park.
Date of Certificate of Fitness	14 May 1997.
Age of property	8 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.

### 9 Tamadam Bonded Warehouse

Address/Location	Tamadam 1, Lot No. 11614, Jalan Perlabuhan Utara, North Klang Straits Industrial Area, 42000 Port Klang, Selangor.
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.
Property type	Industrial.
Description	Warehouse Complex comprising 12 units of single-storey warehouses and 2 units of guard house.
Date of Certificate of Fitness	28 December 1978.
Age of property	Approximately 30 years.
Tenure	Lot 11614 – Leasehold for 60 years. Lot No. PT 21596 – Leasehold for 99 years.
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.



**COMPOSITION OF INVESTMENT PORTFOLIO** *cont'd***9 Tamadam Bonded Warehouse** *cont'd*

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.

**10 AIC Factory**

Address/Location	Wisma AIC, Lot 1 & 3, Persiaran Kemajuan, Seksyen 16, 40200 Shah Alam, Selangor.
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.
Property type	Industrial.
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.
Date of Certificate of Fitness	13 November 2005.
Age of property	Approximately 15 years.
Tenure	Leasehold for 99 years.
Unexpired lease period	87 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	28th 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.

**11 Silver Bird Factory**

Address/Location	Silver Bird Complex, Lot 72, Persiaran Jubli Perak, Seksyen 21, 40000 Shah Alam, Selangor.
Title details	Lot No. PT 93, held under HSD No. 232293, Pekan Baru Hicom (formerly Mukim of Damansara), District of Petaling, State of Selangor.
Property type	Industrial.
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.
Date of Certificate of Fitness	13 November 2005.
Age of property	Approximately 4 years.

# MANAGER'S REPORT CONT'D

## COMPOSITION OF INVESTMENT PORTFOLIO *cont'd*

### 11 Silver Bird Factory *cont'd*

Tenure	Freehold.
Unexpired lease period	N/A
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.

### 12 Gurun Automotive Warehouse

Address/Location	NAZA Warehouse, Lot 61B, Kawasan Perindustrian Gurun, 08800 Gurun, Kedah Darul Aman.
Title details	Plot No. 61B (Part of Lot No. PT 6736), Town of Gurun, District of Kuala Muda, State of Kedah Darul Aman.
Property type	Industrial.
Description	Industrial complex, comprising a single-storey warehouse and single storey office building.
Date of Certificate of Fitness	3 May 2007.
Age of property	Approximately 1 ½ year.
Tenure	99-years 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	28th 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.

COMPOSITION OF INVESTMENT PORTFOLIO *cont'd*

## 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.
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.
Date of Certificate of Fitness	24 April 2007.
Age of property	Newly completed.
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	Private College.
Parking spaces	334 car parking and 808 motorcycle parking.
Date of acquisition	28th 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 CONT'D



## REVIEW OF PROPERTY MARKET

### Overview of the Property Market

The Malaysian real estate market outlook is positive, given the country's sustainable population growth, in excess of 2.5% of its population of 26 million, its conducive macroeconomic environment, and its flourishing tourism industry.

The three factors that should drive the real estate market to a higher level are structural, sectoral and short-term.

The Government's move to reduce stamp duty by 50% on properties worth up to RM250,000 should help to boost property investments by the middle income group.

The Government has set up a Public Partnership Unit (PPU) under the Economic Planning Unit to cultivate more private sector participation in attracting Foreign Direct Investment (FDI) including in the property sector. The PPU will be the country's central economic development planning agency, acting as a platform for more dynamic private sector participation. One of the first PPU projects is to make Malaysia a preferred property investment destination, and the PPU is working closely with developers and the FIABCI (the International Real Estate Federation) to this end.

Malaysia will continue seeking to attract FDI in a fiercely competitive environment. Indeed, the Government's efforts are already paying off, with Malaysia being ranked 16th by a global strategic management consultancy AT Kerney in the list of the 25 most favourable FDI destinations due to its political stability, comprehensive infrastructure and young population. The country's total net FDI comes mainly from the manufacturing sector which contributed 52% in the first quarter of 2007. This will give a significant boost to the property market, pushing up the demand especially for industrial and office properties. ARREIT should benefit from this trend as nine of its 13 properties are in the office and industrial sectors.



# MANAGER'S REPORT CONT'D

The Government has also taken other steps to revitalize the property sector, which include the liberalization of foreign exchange controls, the lifting of the restrictions on the number of properties foreigners can buy, and the launch of the Malaysia My Second Home programme.

Looking at the country's macroeconomic outlook and real estate market drivers, we believe that there will be further upside potential for capital values and rental yields, thus the improved fundamentals will be reflected in higher prices for listed property companies, Real Estate Investment Trusts (REITs) and direct property investments.

## Office Sector

For the past few years, there has been a limited supply of quality office spaces in the Klang Valley, particularly in the Kuala Lumpur (KL) city centre, and a combination of strong demand and limited supply has gradually pushed up rental levels. Since the recovery from the economic crisis that hit Southeast Asia in 1998, the demand for office accommodation has been growing, mainly from financial and educational institutions, Government agencies, and companies relocating to bigger spaces.

Improved business sentiment plus the spill-over contribution from the services and construction sectors have resulted in the upgrading and expansion of existing operations. The demand for office space has been further improved through the Government's effort to promote the country as a centre for operational headquarters by providing full tax exemption for foreign multinational companies.

Some major office transactions in 2007 were as follows:

Date	Office Building	Locality	Transacted/Price (RM/sq.ft.)	Gross Rental (RM/sq. ft.)
1Q07	Wisma Denmark	Jalan Dang Wangi	530	4.75
1Q07	Menara Maxis	KLCC	1,038	7.20
2Q07	MRCB's office tower	KL Sentral	663	5.00
2Q07	Mah Sing's 'The Icon'	along Jalan Tun Razak	714	5.50
4Q07	Glomac's 'Glomac Tower'	KLCC	1,120	7.20
4Q07	Menara Bumiputra – Commerce	Jalan Raja Laut	730	n/a

Since current office rentals are still running at a low rate, rental increases have been outstripped by increases in capital values. Rents will increase after the expiry of existing leases, and should then reflect the higher capital values. The unprecedented appreciation in capital values demonstrates that investors are willing to pay high prices, recognising that KL's office properties are still among the cheapest in Southeast Asia, and that there is significant further potential for Malaysia's office sector.

Demand for office space should continue to rise in 2008 as long as the services sector continues to record steady growth on the back of increasing construction activities and higher global electronics demand. The services sector is expected to grow by 8.6% in 2008.

Prospects for the office sector are good as interest in investment grade offices from foreign investors and institutions continues to be strong. Tight supply coupled with healthy demand augurs well for the prime office market in the immediate term.



### Industrial Sector

Together, the industrial units in Selangor and Johor accounted for 51.6% to the total market share. In terms of total incoming supply, Selangor lead the rest of the state contributing 43.1% of the total for the third quarter of 2007.

The transaction of industrial properties accounted for less than 5% of total transactions every quarter, with the second and third quarters accounting for 4.2% and 3.7% respectively. However, from the second to the third quarters, the transaction for industrial properties increased by 23%. The transaction of industrial properties worth more than RM1 million (mainly detached factories/warehouses) also increased substantially, by 17% from the second to the third quarters.

Transactions of detached factories/warehouses were especially active in the Petaling and Klang districts. The number of transactions recorded within these districts was 51 and 21 respectively. Together, these 72 transactions accounted for about 78% of total transactions of that type within the state of Selangor. This is almost double the figure of 35 transactions recorded in the third quarter of 2006.

The Petaling and Klang districts are where all of ARREIT's industrial properties are located except the Permanis Factory, which is in Hulu Langat. Hulu Langat ranks third in terms of the number of factory/warehouse transactions for the third quarter of 2007. This demonstrates that ARREIT's industrial properties are situated in favourable industrial locations, which should deliver higher rentals and capital appreciation than other localities.

### Hotel Sector

Nationwide, there are 2,184 hotels with 151,014 rooms, 26% of the hotels being 1 to 5 star. ARREIT's two hotels are in this category, and are both located in Kedah. In terms of tourist arrivals, Kedah (including Langkawi) is Malaysia's fifth most visited state/federal territory, the most popular being Kuala Lumpur. Kedah boasts no recently-completed or upcoming hotels.

The Northern Corridor Economic Region (NCER), which was introduced in 2007, is a Government-initiated programme that strategizes economic growth and income levels in the northern region. The participating states are Perlis, Kedah, Penang and the north of Perak. The 'Island Corridor', which is part of the programme, covers Pulau Pinang and Pulau Langkawi. Because of their international airports and seaports, these islands will focus on both premier tourism activities and distribution services. ARREIT's two hotels, Holiday Villa Alor Setar and Holiday Villa Langkawi are located within this region and should benefit from its growth potential.

Generally, the occupancy rate of 3 to 5 star hotels nationwide increased to 68.7% for the third quarter of 2007, up about 7% on the second quarter. Hotels in Kuala Lumpur performed best, with 5-star and 3-star hotels within the city recording an average occupancy of 94.3% and 82.1% respectively. Since 2003, the number of tourist arrivals and the average occupancy rate for 1 to 5 star hotels nationwide have been parallel.

The Government continually strives to raise the image of Malaysia as a quality, premier, value-for-money destination. This requires support from the private sector to develop niche products that meet the demands of high-end tourists. The Visit Malaysia year (VMM) campaign for 2007 exceeded expectations by attracting 20.7 million tourists, surpassing the Government target of 20.1 million. MAS Airlines and Air Asia helped contribute to the success of VMM 2007 by adding more flights and charging affordable fares. Expenditure by tourists during the campaign hit a record high of RM45.7 billion.



# MANAGER'S REPORT CONT'D

Over the years, tourist spending has been the main contributor to earnings in the services sector, averaging 45% of gross receipts annually. Accommodation providers are the main beneficiaries from tourist expenditure, and the VMM campaign year earned them RM17.4 billion as against only RM12.8 billion the year before.

Recognizing tourism as major source of foreign exchange earnings, the Government has allocated a further RM858 million for the sector under the 9th Malaysia Plan.

## Education Sector

The education sector should benefit from the 2008 budget as the Government has allocated RM12 billion for the implementation of various higher education projects which include rebranding community colleges, establishing new ones, and intensifying collaboration with private companies.

For 2008, human capital development will remain a key focus in response to the increasing demand for skilled and knowledge workers. Institutions of Higher Education must play their part in producing graduates to take up the available jobs which, in 2007, amounted to some 11.8 million, a rise of 2% from 2006.

The Government has also encouraged private colleges to upgrade to university status as part of its effort to boost education tourism and make Malaysia a recognized Education Hub in Southeast Asia by 2010.

*(Source: JPPH Property Quarterly Market Report 2007, Star and NST publications, Chesterton Research Report and Rahim & Co Publication)*

## DISTRIBUTION OF INCOME

The Board of Directors of the Manager declared and paid its first interim income distribution of RM4,360,800 on 16 October 2007, representing 2.37 sen per unit in respect of the period from 26 February 2007 to 30 June 2007. This distribution represents a 100% pay-out of the net income earned during the period and was approved by CIMB Trustee Berhad on 30 August 2007.

On 10 December 2007, the Board of Directors of the Manager announced a second interim income distribution amounting to RM5,179,416, representing 2.8149 sen per unit for the period from 1 July 2007 to 30 November 2007. The entitlement date for this income distribution was 26 December 2007 which was two days prior to the listing of new units on Bursa Malaysia Securities Berhad. CIMB Trustee Berhad approved the income distribution on 10 December 2007, concurrently with the date of the announcement, and payment was made on 25 January 2008. The second income distribution represents 100% of distributable income for the period.

The Board of Directors of the Manager on 14 January 2008 announced the third interim income distribution of 0.2563 sen per unit totalling RM1,106,071 for the financial period up to 31 December 2007. The entitlement date for this income distribution was 28 January 2008 and payment will be made on 25 February 2008. The Trustee, CIMB Trustee Berhad, approved the income distribution on 14 January 2008 concurrently with the date of announcement. With this final income distribution, the Trust had distributed 100% of the total earnings after taxation for the financial period ended 31 December 2007. The dividend entitlement will rank pari-passu between the initial unitholders and the new unitholders from the second capital injection.

**Summary of distribution since Listing**

	DPU/unit
First Interim Income Distribution	2.3700 sen
Second Interim Income Distribution	2.8149 sen
Proposed Third Interim Income Distribution	0.2563 sen

The total income distribution for the financial period ended 31 December 2007 amounting to RM10,646,287, of which RM382,960 was interest income. The total distribution of 5.4412 sen per unit represented an annualised distribution per unit of 6.5294 sen, which reflect an annualised yield of 6.90% based on the initial public offering IPO price of RM0.94 per unit.

**Breakdown of Unitholdings**

The analysis of unitholdings of ARREIT as at 31 December 2007:

Unit Class	No. of unitholders	%	No. of unitholding	%
5,000 and below	897	70.91	1,867,000	0.43
5,001 – 10,000	131	10.36	1,111,300	0.26
10,001 – 50,000	136	10.75	3,538,700	0.82
50,001 – 500,000	71	5.61	12,616,400	2.92
500,001 and above	30	2.37	412,419,791	95.57
	1,265	100.00	431,553,191	100.00

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

**Directors**

Directors who have served since commencement are:

**Independent Directors**

Director	Alternate Director
Tan Sri Datuk (Dr) Arshad bin Ayub (Chairman)	-
Datuk Mohamed Adnan bin Ali	-
Tuan Haji Ahmad Kamal bin Abdullah Al-Yafii <i>(Re-designated from Non-Independent to Independent on 4 May 2007)</i>	-

**Non-Independent Directors**

Director	Alternate Director
Dato' Ahmad Rodzi bin Pawanteh	Alina binti Hashim <i>(Appointed on 4 May 2007)</i>
Datuk Mohamed Azahari bin Mohamed Kamil (Managing Director)	-
Tai Siong Choi (Executive Director)	-
Tuan Haji Rozan bin Mohd Sa'at	-
Sharizad binti Jumaat (Executive Director)	-
Dato' Dr. Mohd Irwan Serigar Abdullah <i>(Appointed on 29 November 2007)</i>	-

# MANAGER'S REPORT CONT'D

## Director's Benefit

During the financial period ended 31 December 2007, 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 31 December 2007, 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 a 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 the Trustee and Unitholders through a resolution of not less than two thirds of all Unitholders passed at the Unitholders's meeting.

The Manager has only been charging at the rate of 0.3% per annum of the Net Asset Value pursuant to the Initial Public Offering's Prospectus dated 26 January 2007. The Manager's fees for the ten (10) months ended 31 December 2007 amounted to RM460,164. No soft commission was received by the Manager during the financial period.

As per the Trust Deed Agreement, other expenses directly related and necessary to 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.

## Reserves and Provisions

There were no material transfers to and from reserves or provisions during the financial period ended 31 December 2007 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 had been taken in relation to writing off bad debts and making allowance for doubtful debts, to satisfy itself that there were no known bad debts and that provision need not be 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 to realise.

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

- a. Which would necessitate the writing off of bad debts or provision for doubtful debts; 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 in 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 8 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 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.

#### **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 a 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 a 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.

# FINANCIAL STATEMENT

Holiday Villa Langkawi, Kedah





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75	Income Statement
76	Statement of Changes in Net Asset Value
77	Cash Flow Statement
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# STATEMENT BY DIRECTORS OF THE MANAGER

In the opinion of the Directors, the financial statements set out on pages 74 to 94 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 31 December 2007 and the results of its operations and cash flows for the financial period from 26 February 2007 to 31 December 2007.

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



Datuk Mohamed Azahari bin Mohamed Kamil

Kuala Lumpur

Date: 6 February 2008



# 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 74 to 94, 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 6 February 2008



Tai Ai Ngoh

Before me:

Commissioner for Oaths



Amanah Raya Berhad  
Tingkat 12, Wisma AmanahRaya  
No. 2, Jalan Ampang  
50450 Kuala Lumpur.

# 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 from 26 February 2007 to 31 December 2007. 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 from 26 February 2007 to 31 December 2007.

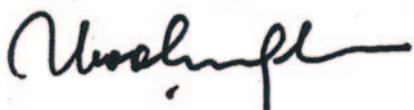
We also confirm that the income distributions declared and paid during the financial period ended 31 December 2007 are in line with and are reflective of the objectives of ARREIT. Three (3) distributions have been declared for the financial period ended 31 December 2007 are as follows:-

1. First interim income distribution of 2.3700 sen per unit paid on 16 October 2007;
2. Second interim income distribution of 2.8149 sen per unit paid on 25 January 2008; and
3. Proposed third interim income distribution of 0.2563 sen per unit payable on 25 February 2008.

We have also ensured the followings:

- a. the procedures and processes employed by the Manager to value and price the units of ARREIT are adequate and that such valuation/pricing is carried out in accordance with the Trust Deed, Supplemental Trust Deed and other regulatory requirements; and
- b. the creation of units are carried out in accordance with the Trust Deed, Supplemental Trust Deed and other regulatory requirements.

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



**KHOO LENG KEE**  
Chief Operating Officer  
Kuala Lumpur, Malaysia

Date: 6 February 2008

# REPORT OF THE AUDITORS TO THE UNITHOLDERS OF AMANAHRAYA REAL ESTATE INVESTMENT TRUST

(ESTABLISHED IN MALAYSIA)

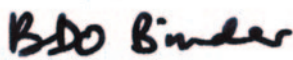
We have audited the financial statements set out on pages 74 to 94.

These financial statements are the responsibility of the Directors of AmanahRaya-JMF Asset Management Sdn. Bhd. (“the Manager”) of AmanahRaya Real Estate Investment Trust.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with the Securities Commission’s Guidelines on Real Estate Investment Trusts and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors of the Manager, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of AmanahRaya Real Estate Investment Trust have been properly 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 31 December 2007 and the results of its operations and cash flows for the financial period from 26 February 2007 to 31 December 2007.



BDO Binder  
AF : 0206  
Chartered Accountants



NG CHEE HOONG  
2278/10/08 (J)  
Partner

Kuala Lumpur  
Date: 6 February 2008

# BALANCE SHEET

AS AT 31 DECEMBER 2007

	Note	As at 31.12.2007 RM
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment properties	4	645,520,000
		645,520,000
<b>Current assets</b>		
Trade and other receivables	5	85,613,677
Money market placement	6	41,079,733
Deposits placed with licensed financial institutions	7	17,310,494
Cash and bank balances		360,364
		144,364,268
<b>TOTAL ASSETS</b>		<b>789,884,268</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	8	253,000,000
		253,000,000
<b>Current liabilities</b>		
Trade and other payables	9	125,631,330
Provision for income distribution	10	6,285,487
		131,916,817
<b>TOTAL LIABILITIES</b>		<b>384,916,817</b>
<b>NET ASSET VALUE ("NAV")</b>		<b>404,967,451</b>
<b>FINANCED BY:</b>		
<b>UNITHOLDERS' FUND</b>		
Unitholders' capital	11	404,967,105
Undistributed income		346
Total unitholders' fund		404,967,451
<b>NUMBER OF UNITS IN CIRCULATIONS (UNITS)</b>		<b>431,553,191</b>
<b>NAV PER UNIT (RM)</b>		
- before provision for income distributions		0.9530
- after provision for income distributions		0.9384

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

# INCOME STATEMENT

FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2007  
(DATE OF COMMENCEMENT) TO 31 DECEMBER 2007

	Note	26.2.2007 to 31.12.2007 RM
Gross revenue	12	19,272,059
Property expenses	13	(728,823)
<b>Net rental income</b>		<b>18,543,236</b>
Interest income		382,960
<b>Total income</b>		<b>18,926,196</b>
<b>Trust expenses</b>		
Manager's fee	14	(460,164)
Trustee's fee	15	(61,356)
Auditors' remuneration		(38,000)
Tax agent's fee		(18,000)
Administrative expenses		(224,770)
Interest expense	16	(7,477,273)
<b>Total trust expenses</b>		<b>(8,279,563)</b>
<b>Income before taxation</b>		<b>10,646,633</b>
Taxation	17	-
<b>Net income for the financial period</b>		<b>10,646,633</b>
<b>Net income for the financial period is made up as follows:</b>		
Realised		10,646,633
Unrealised		-
		<b>10,646,633</b>
<b>Earnings per unit (sen)</b>	18	
- before manager's fee		5.9330
- after manager's fee		5.6872
<b>Net income distribution*</b>	19	
	<b>Sen per unit</b>	<b>RM</b>
- First interim income distribution paid on 16 October 2007 (Gross)	2.3700	4,360,800
- Second interim income distribution paid on 25 January 2008 (Gross)	2.8149	5,179,416
- Proposed third interim income distribution payable on 25 February 2008 (Gross)	0.2563	1,106,071
	5.4412	10,646,287

\* 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 27%
Non-resident institutional	- withholding tax 20%

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

# STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2007  
(DATE OF COMMENCEMENT) TO 31 DECEMBER 2007

	Unitholders' Capital RM	<i>Distributable</i> Undistributed Income - realised RM	Total unitholders' fund RM
At 26 February 2007	-	-	-
<b>Operations for the financial period ended 31 December 2007</b>			
Net income	-	10,646,633	10,646,633
<i>Increase in net assets resulting from operations</i>	-	10,646,633	10,646,633
<b>Unitholders' transactions</b>			
Proceeds from initial public offering	180,274,060	-	180,274,060
Listing expenses (Note 20)	(8,006,955)	-	(8,006,955)
Proceeds from creation of units	232,700,000	-	232,700,000
Distribution to unitholders – Paid (Note 10)	-	(4,360,800)	(4,360,800)
Distribution to unitholders – Provision (Note 10)	-	(6,285,487)	(6,285,487)
<i>Increase in net assets resulting from unitholders' transactions</i>	404,967,105	(10,646,287)	394,320,818
<b>At 31 December 2007</b>	<b>404,967,105</b>	<b>346</b>	<b>404,967,451</b>
	(Note 11)		

# CASH FLOW STATEMENT

FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2007  
(DATE OF COMMENCEMENT) TO 31 DECEMBER 2007

	26.2.2007 to 31.12.2007 RM
<hr/>	
<b>Cash flows from operating activities</b>	
Income before taxation	10,646,633
Adjustment for:-	
Interest expense	7,477,273
Interest income	(382,960)
<hr/>	
Operating income before working capital changes	17,740,946
<b>Changes in working capital:-</b>	
Increase in trade and other receivables	(85,613,677)
Increase in money market placement	(41,079,733)
Increase in trade and other payables	125,475,866
<hr/>	
<b>Net cash from operating activities</b>	<b>16,523,402</b>
<hr/>	
<b>Cash flows from investing activities</b>	
Interest received	382,960
Purchase of investment properties	(645,520,000)
<hr/>	
<b>Net cash used in investing activities</b>	<b>(645,137,040)</b>
<hr/>	
<b>Cash flows from financing activities</b>	
Distribution paid to unitholders	(4,360,800)
Listing expenses	(8,006,955)
Proceeds from issuance of units	232,700,000
Proceeds from borrowings	253,000,000
Interest expense	(7,321,809)
<hr/>	
<b>Net cash from financing activities</b>	<b>466,010,436</b>
<hr/>	
<b>Net decrease in cash and cash equivalents</b>	<b>(162,603,202)</b>
<b>Cash and cash equivalents at date of commencement</b>	<b>180,274,060</b>
<hr/>	
<b>Cash and cash equivalents at end of period</b>	<b>17,670,858</b>
<hr/>	
<b>Cash and cash equivalents</b>	
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:-	
Cash and bank balances	360,364
Deposits placed with licensed financial institutions	17,310,494
<hr/>	
	<b>17,670,858</b>

*The accompanying notes form an integral part of the 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 “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 Trust is located at Level 15, Wisma AmanahRaya, No. 2, Jalan Ampang, 50450 Kuala Lumpur. The principal place of business of the Trust is located at Level 7 & 8, Wisma AmanahRaya, No. 2, Jalan Ampang, 50450 Kuala Lumpur.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### 2.1 Statement of compliance

The financial statements of ARREIT have been prepared 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, applicable approved Financial Reporting Standards (“FRS”) and accounting principles generally accepted in Malaysia.

The Malaysian Accounting Standards Board (“MASB”) has issued a number of new and revised Financial Reporting Standards that are effective for accounting periods beginning on or after 1 January 2006. In this set of financial statements, ARREIT has adopted FRS 117, Leases and FRS 124, Related Party Disclosures which are effective for annual periods beginning on or after 1 October 2006. The MASB has also issued FRS 139, Financial Instruments: Recognition and Measurement but for which MASB has yet to announce the effective date of this standard. ARREIT has not adopted FRS 139 and by virtue of the exemption in paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

The MASB also issued FRS 6, Exploration for and Evaluation of Mineral Resources and Amendment to FRS 119, Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures which will be effective for annual periods beginning on or after 1 January 2007 and which is not applicable to ARREIT. Hence, no further disclosure is warranted.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *cont'd*

### 2.1 Statement of compliance *cont'd*

At the date of authorisation of these financial statements, the following FRS, Amendments to FRS and Issues Committee (“IC”) Interpretations were issued. The Trust has not elected to early adopt them.

- FRS 107: Cash Flow Statements
- FRS 111: Construction Contracts
- FRS 112: Income Taxes
- FRS 118: Revenue
- FRS 119: Employee Benefits
- FRS 120: Accounting for Government Grants and Disclosures of Government Assistance
- FRS 126: Accounting and Reporting by Retirement Benefit Plans
- FRS 129: Financial Reporting in Hyperinflationary Economies
- FRS 134: Interim Financial Reporting
- FRS 137: Provision, Contingent Liabilities and Contingent Assets
- Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
- IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IC Interpretation 2: Member’s Shares in Co-operative Entities and Similar Instruments
- IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IC Interpretation 6: Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- IC Interpretation 7: Applying the Restatement Approach under FRS 129 – Financial Reporting in Hyperinflationary Economies
- IC Interpretation 8: Scope of FRS 2

The abovementioned FRS, Amendments to FRS and Issues Committee (“IC”) Interpretations will become effective for financial statements covering periods beginning on or after 1 July 2007.

The adoption of the above is not expected to have any significant financial impact on the Trust’s financial statements upon their initial application.

### 2.2 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.

### 2.3 Functional and presentation currency

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

### 2.4 Use of estimates and judgements

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

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *cont'd*

### 2.4 Use of estimates and judgements *cont'd*

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.

#### 2.4.1 Judgement made in applying the accounting policies

Judgements 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. Judgement 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:

### 3.1 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 arise.

Investment properties are derecognised 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.

### 3.2 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### 3.2 Financial instruments *cont'd*

##### 3.2.1 Receivables

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

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

##### 3.2.2 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.

##### 3.2.3 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.

##### 3.2.4 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.

#### 3.3 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.

#### 3.4 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.

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

## 3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### 3.4 Provisions and contingent liabilities *cont'd*

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.

### 3.5 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.

#### 3.5.1 Rental income

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

#### 3.5.2 Interest income

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

### 3.6 Expenses

#### 3.6.1 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.

#### 3.6.2 Interest expense

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

#### 3.6.3 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.

#### 3.6.4 Manager's and Trustee's fees

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



# 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 Dec 2007 %	Fair value as at 31 Dec 2007 RM	Cost as at 31 Dec 2007 RM	% of fair value to net asset value as at 31 Dec 2007
AIC Factory (6)	Leasehold	99 years expiring 2094	2094	Shah Alam	Industrial Warehouse	100	20,000,000	19,200,000	4.94
SEGI Campus College (7)	Leasehold	99 Years expiring 2106	2106	Kota Damansara	College/Campus	100	149,000,000	145,000,000	36.79
Gurun Automotive Warehouse (8)	Leasehold	99 Years expiring 2104	2104	Gurun, Kedah	Industrial Warehouse	100	24,000,000	23,970,000	5.93
Tamadam Bonded Warehouse (6)	Lot 1164 Leasehold	60 Years expiring 2067	2067	Port Klang	Bonded warehouse	100	29,500,000	28,500,000	7.28
							659,000,000	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.

#### 4. INVESTMENT PROPERTIES *cont'd*

The title deeds of certain properties are 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 leases out with different tenure 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 27). Subsequent renewals are negotiated with the lessees. No contingent rents are charged.

The fair value of the investment properties as at 31 December 2007, were derived from the Directors' assessment based on indicatives value obtained from latest valuation conducted by independent professional valuers.

#### 5. TRADE AND OTHER RECEIVABLES

	31.12.2007
	RM
Trade receivables	461,562
Other receivables, deposits and prepayments	85,152,115
	<u>85,613,677</u>

Trade receivables represent unpaid rental income as at 31 December 2007.

Included in other receivables is 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.

#### 6. MONEY MARKET PLACEMENT

	31.12.2007
	RM
Security deposits placed with ITA-ARB (Note 23)	40,325,454
Security deposit placed with licensed financial institution	754,279
	<u>41,079,733</u>

Money market placement consists of security deposits received from Lessees which are placed into the Institutional Trust Account of Amanah Raya Berhad ("ITA-ARB") and licensed financial institution with interest rates ranging from 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. Certain amount due from Lessees will be deducted by the Trust directly from this 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.



# NOTES TO THE FINANCIAL STATEMENTS

CONT'D

## 7. DEPOSITS PLACED WITH LICENSED FINANCIAL INSTITUTIONS

The deposits were placed with licensed financial institutions at interest rates ranging from 3.00% to 3.52% per annum.

## 8. BORROWINGS

	31.12.2007 RM
<b>Non current:</b>	
Term loan – secured	253,000,000

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 loans interest is payable on monthly basis.

## 9. TRADE AND OTHER PAYABLES

	31.12.2007 RM
Trade payables (Note a)	125,926
Other payables and accrued expenses (Note b)	83,760,391
Rental deposits (Note c)	41,745,013
	125,631,330

- a. Included in trade payables are amount due to the Manager and the Trustee amounting to RM61,549.
- b. Included in the other payables and accrued expenses is 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 RM41,079,733 received from Lessees which are placed with financial institutions and Amanah Raya Berhad-Institutional Trust Account as disclosed in Note 6 to the financial statements.

## 10. PROVISION FOR INCOME DISTRIBUTION

	31.12.2007 RM
At 26 February 2007 (date of commencement)	-
Provision made during the period	10,646,287
Distribution paid during the period	(4,360,800)
At 31 December 2007	6,285,487

During the financial period ended 31 December 2007, the Manager proposed a second interim income distribution of 2.8149 sen per unit totalling RM5,179,416 paid on 25 January 2008 and announced a third interim income distribution of 0.2563 sen per unit totalling RM1,106,071 payable on 25 February 2008.

## 11. UNITHOLDERS' CAPITAL

	31.12.2007
<b>Authorised:</b>	<b>Number of units</b>
At 26 February 2007 (date of commencement)	184,000,000
Created during the period	247,553,191
At 31 December 2007	431,553,191
	<b>31.12.2007</b>
<b>Issued and fully paid:</b>	<b>RM</b>
At 26 February 2007 (date of commencement)	-
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 20)	(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 20)	(1,915,955)
At 31 December 2007	404,967,105

As at 31 December 2007, the Manager and Directors of the Manager did not hold any units in ARREIT. However, parties related to the holding company of the Manager held units in ARREIT as follows:

Name	Number of Units Held			
	Direct	%	Indirect	%
Kumpulan Wang Bersama	248,847,691	57.66	-	-
ARSM Trust Fund	2,036,600	0.47	-	-
	250,884,291	58.13	-	-

## 12. GROSS REVENUE

	26.2.2007 to 31.12.2007
	<b>RM</b>
Rental income	19,026,194
Car park income	245,865
	19,272,059

## 13. PROPERTY EXPENSES

	26.2.2007 to 31.12.2007
	<b>RM</b>
Assessment and quit rent	295,633
Service contracts and maintenance	265,057
Property management fees	140,000
Insurance	21,133
Others	7,000
	728,823

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

## 13. PROPERTY EXPENSES *cont'd*

The Property Manager, Malik & Kamaruzaman Property Management, is entitled to a property management fees in respect of the management of the investment properties owned by ARREIT as provided in the Trust Deed. The fee is determined by a guaranteed scale based on the gross annual rental income as provided in the provisions of the revised Valuers, Appraisers and Estate Agents Act, 1981 as required by the Securities Commission's Guidelines on Real Estate Investment Trusts. The property management fees are payable monthly in arrears with permissible discounts.

## 14. MANAGER'S FEES

Pursuant to the Deed, the Manager is entitled to receive a fee of up to a maximum of 1.0% per annum of the Net Asset Value of ARREIT. The Manager's fee is payable in arrears, calculated and accrues daily. However, the Manager has only been charging at the rate of 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 ten (10) months ended 31 December 2007 amounting to RM460,164.

## 15. 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 NAV of the Trust. The Trustee's fee is payable in arrears, calculated and accrued on daily. Total trustee's fee of RM61,356 had been paid for the financial period ended 31 December 2007.

## 16. INTEREST EXPENSE

	26.2.2007 to 31.12.2007 RM
Interest on term loan	<u>7,477,273</u>

## 17. TAXATION

The Trust distributed 100% of the distributable income to its 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.

## 17. TAXATION *cont'd*

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

	26.2.2007 to 31.12.2007 RM
Current tax expense	-
<b>Reconciliation of effective tax expense</b>	
Income before taxation	10,646,633
Income tax using Malaysian tax rate @27%	2,874,591
Non deductible expenses	91,921
Effect of interest income not subject to tax	(103,399)
Effect of income distribution exempted from tax	(1,000,491)
Utilisation of capital allowances	(1,862,622)
Tax expense	-

## 18. EARNINGS PER UNIT

The earnings per unit before Manager's fee of 5.9330 sen is calculated based on the net income after taxation of RM11,106,797 for the financial period to the weighted average number of units in circulation during the financial period of 187,204,572 units.

The earnings per unit after Manager's fee of 5.6872 sen is calculated based on the net income after taxation of RM10,646,633 for the financial period to the weighted average number of units in circulation during the financial period of 187,204,572 units.

## 19. DISTRIBUTIONS TO UNITHOLDERS

	26.2.2007 to 31.12.2007 RM
<b>Distributions to unitholders are from the following sources:</b>	
Gross rental income	19,272,059
Interest income – tax exempted	382,960
	19,655,019
Expenses	(9,008,386)
	10,646,633
Total income distribution	10,646,287
Gross provision for distribution per unit (sen)	5.4412*
Net provision for distribution per unit (sen)	5.4412*

\* Annualised distribution per unit is 6.5294 sen and annualised yield based on the closing price of RM0.99 on 31 December 2007 is 6.60%.

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

## 19. DISTRIBUTIONS TO UNITHOLDERS *cont'd*

The total income distribution for the financial period ended 31 December 2007 amounting to RM10,646,287 of which RM382,960 is interest income representing 0.0887 sen per unit.

The total actual distribution paid and payable during the financial period are:

	Sen per unit	RM
- First interim income distribution paid on 16 October 2007 (Gross)	2.3700	4,360,800
- Second interim income distribution paid on 25 January 2008 (Gross)	2.8149	5,179,416
- Proposed third interim income distribution payable on 25 February 2008 (Gross)	0.2563	1,106,071
	5.4412	10,646,287

\* 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 27%
Non-resident institutional	-	withholding tax 20%

## 20. LISTING EXPENSES

	26.2.2007 to 31.12.2007 RM
Brokerage and commissions	3,906,784
Professional fees	2,568,233
Miscellaneous expenses	1,531,938
	8,006,955

At 31 December 2007, an amount of RM1,915,955 (Note 11) is due to holding company of the Manager. This amount is interest free and without fixed term of repayment.

## 21. PORTFOLIO TURNOVER RATIO

	26.2.2007 to 31.12.2007 (Times)
Portfolio Turnover Ratio ("PTR") (times)	1.78

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 31 December 2007 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.

## 22. MANAGEMENT EXPENSE RATIO

	26.2.2007 to 31.12.2007 %
Management expense ratio ("MER")	0.44

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, comparison of MER of ARREIT with other real estate investment trusts may not be an accurate comparison.

## 23. TRANSACTIONS WITH COMPANY RELATED TO THE MANAGER

	26.2.2007 to 31.12.2007 RM
Acquisition cost of properties paid to holding company of the Manager [Part of the acquisitions costs are satisfied by the issuance of 277,417,021 units ("Consideration Units") to Kumpulan Wang Bersama at an issue price of RM1.00 per unit for first tranche representing 128,800,000 units and RM0.94 per unit for second tranche representing 148,617,021 units].	476,550,000
Issuance of units to holding company of the Manager	268,500,000
Rental received and receivable from holding company of the Manager	4,554,636
Security deposit from Lessees placed with holding company of the Manager (Note 6)	40,325,454

The above transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from these obtainable in transactions with unrelated parties.

## 24. TRANSACTIONS WITH BROKERS/DEALERS

There were no transactions made with brokers/dealers during the financial period.

## 25. 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.

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

## 25. FINANCIAL INSTRUMENTS & RISK MANAGEMENT *cont'd*

### 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 & 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 average effective interest rates at the balance sheet date and the periods in which they mature:

	AVERAGE EFFECTIVE INTEREST RATE %	TOTAL RM	2007		
			WITHIN 1 YEAR RM	2 – 5 YEARS RM	AFTER 5 YEARS RM
<b>Financial assets</b>					
Deposits placed with licensed banks	3.00 - 3.52	17,310,494	17,310,494	-	-
<b>Financial liabilities</b>					
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	-

## 25. 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:

	2007 Carrying amount RM	2007 Fair value RM
Term loans	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%.

## 26. COMPARATIVE FIGURE

There are no comparative figures presented as this is the first set of financial statements prepared by the Trust.

## 27. OPERATING LEASES

### Leases whereby ARREIT is the Lessor

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

	26.2.2007 to 31.12.2007 RM
Not later than one year	42,644,953
Between two to five years	169,989,554
Later than five years	187,663,797
	400,298,304



# NOTES TO THE FINANCIAL STATEMENTS

CONT'D

## 28. CONTINGENT ASSETS

Since the inception of the ARREIT, the Manager has received a rental deposit 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
<b>TOTAL</b>		<b>39,736,500</b>	

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.

## 29. SEGMENTAL REPORTING

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

## 30. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements of the Trust for the financial period ended 31 December 2007 were authorised for issue by the Board of Directors of the Manager, AmanahRaya-JMF Asset Management Sdn. Bhd. on 6 February 2008.

# UNITHOLDERS' STATISTICS

## Analysis of Unitholdings

Distribution of Unitholders as at 31 December 2007

Unit Class	No. of unitholders	%	No. of unitholding	%
Less than 100	2	0.16	100	0.00
100 – 1,000	419	33.12	394,000	0.09
1,001 – 10,000	607	47.98	2,584,200	0.60
10,001 – 100,000	170	13.44	6,570,100	1.52
100,001 and above	67	5.30	422,004,791	97.79
	1,265	100.00	431,553,191	100.00

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

Classification of Unitholders as at 31 December 2007

Category of Unitholder	No. of Holders			No. of securities hold		
	Malaysian Bumiputra	Non- Bumiputra	Foreign	Malaysian Bumiputra	Non- Bumiputra	Foreign
1. Individual	269	802	7	1,998,700	7,744,200	118,000
2. Body Corporate						
a. Banks/finance companies	1	3	-	18,010,600	468,700	-
b. Investments trust/foundation/charities	-	-	-	-	-	-
c. Other types of companies	2	14	-	1,002,000	30,528,000	-
3. Government agencies/Institutions*	-	-	-	-	-	-
4. Nominees	93	36	38	258,433,891	16,235,500	97,013,600
	365	855	45	279,445,191	54,976,400	97,131,600

Thirty Largest of Unitholders as at 31 December 2007

Unitholders	No. of unit	Percentage
1. Amanah Raya Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Bersama	248,847,691	57.66%
2. Cartaban Nominees (Asing) Sdn Bhd - Royal Bank of Scotland Plc	38,295,000	8.87%
3. Aseambankers Malaysia Berhad - CLR (E) for AmanahRaya-JMF Asset Management Sdn Bhd*	18,010,600	4.17%

# UNITHOLDERS' STATISTICS CONT'D

## Analysis of Unitholdings *cont'd*

Unitholders	No. of unit	Percentage
4. HSBC Nominees (Asing) Sdn Bhd - ABN Amro Bank N.V. (SG Proprietary)	17,500,000	4.06%
5. Kurnia Insurans (Malaysia) Berhad	12,000,000	2.78%
6. DB (Malaysia) Nominee (Asing) Sdn Bhd - Deutsche Bank AG London	10,000,000	2.32%
7. Kurnia Insurans (Malaysia) Berhad	9,000,000	2.09%
8. Citigroup Nominees (Asing) Sdn Bhd - CB Spore GW for NTUC Income Insurance Co-Operative LTD (LIFEPAAR)	9,000,000	2.09%
9. Cartaban Nominees (Tempatan) Sdn Bhd - Petronas for Petronas Retirement Benefit Scheme	7,734,100	1.79%
10. Citigroup Nominees (Asing) Sdn Bhd - Exempt An for American International Assurance Company Limited	5,440,000	1.26%
11. Citigroup Nominees (Asing) Sdn Bhd - CB GW Spore for American International Assurance Co Ltd (SLF Par)	5,000,000	1.16%
12. MCIS Zurich Insurance Berhad	4,250,000	0.98%
13. Cartaban Nominees (Tempatan) Sdn Bhd - Petronas for Petroleum Research Fund	3,500,000	0.81%
14. Mayban Securities Nominees (Asing) Sdn Bhd - Exempt An for Aseambankers Malaysia Berhad (AmanahRaya REIT)	3,500,000	0.81%
15. Cartaban Nominees (Tempatan) Sdn Bhd - Petroleum Nasional Berhad (Trading PF)	3,000,000	0.70%
16. MCIS Zurich Insurance Berhad	2,250,000	0.52%
17. Amanah Raya Nominees (Tempatan) Sdn Bhd - For ARSM Trust Fund	2,036,600	0.47%
18. Citigroup Nominees (Asing) Sdn Bhd - CBSGP GW for AIG International Funds-Singapore Bond Fund	1,200,000	0.28%
19. Citigroup Nominees (Asing) Sdn Bhd - CB Spore GW for AIA Regional Fixed Income Fund	1,100,000	0.25%

**Analysis of Unitholdings *cont'd***

<b>Unitholders</b>	<b>No. of unit</b>	<b>Percentage</b>
20. Citigroup Nominees (Asing) Sdn Bhd – CBHK PBGHK for Sable Investment Corporation	1,063,800	0.25%
21. Johari Bin Mat	1,000,000	0.23%
22. Citigroup Nominees (Asing) Sdn Bhd - American Home Assurance Company	1,000,000	0.23%
23. Citigroup Nominees (Asing) Sdn Bhd - CB SGP for AIG International Funds-Acorns of Asia Balanced Fund	1,000,000	0.23%
24. SEG Equity Sdn Bhd	1,000,000	0.23%
25. HSBC Nominees (Tempatan) Sdn Bhd - HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak	1,000,000	0.23%
26. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Ahmad Bin Muhamed (PB)	1,000,000	0.23%
27. State Insurance Brokers Sdn Bhd	1,000,000	0.23%
28. Washington Square Investment Management (Asia Pacific) Ltd	1,000,000	0.23%
29. Cimsec Nominees (Tempatan) Sdn Bhd - CIMB for Mohamad Azmadi Bin Fadzil (PB)	992,000	0.23%
30. Citigroup Nominees (Asing) Sdn Bhd - CB GW Spore for American International Assurance Co Ltd (AIA Growth FD)	700,000	0.16%
	<b>412,419,791</b>	<b>95.55</b>

\* *This is a temporary account held by Aseambankers Malaysia Berhad to facilitate the sale transaction on behalf of the fund manager's client to ABN Amro Bank N.V. (SG Proprietary). The shares were credited within T+3 to ABN Amro Bank N.V. (SG Proprietary) on 3 January 2008.*

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