

AMANAHRAYA REAL ESTATE INVESTMENT TRUST (“ARREIT”)

Proposed Acquisition by CIMB Islamic Trustee Berhad, the Trustee of ARREIT of Precico Factory for cash consideration of RM41,636,090-00 (“Proposed Acquisition”)

1. INTRODUCTION

AmanahRaya-REIT Managers Sdn Bhd (“ARRM” or the “Manager”), the management company of ARREIT wishes to announce that on 22 April 2013, CIMB Islamic Trustee Berhad (“Trustee”) as trustee for ARREIT has entered into a Sale and Purchase Agreement (“SPA”) with Precico Electronics Sdn Bhd (“the Vendor” or “the Lessee”) to acquire factory buildings located at Lorong Perusahaan, Prai Industrial Estate Mukim 1 Seberang Perai Tengah (“Precico Factory”) together the fixtures and fittings as identified in the SPA, for a purchase price of RM41,636,090-00 (“Purchase Price ”)

On the same date, the Trustee also entered into a lease agreement with the Lessee whereby the Trustee agreed to lease Precico Factory for a term of eight (8) years commencing from the completion date of the Proposed Acquisition (“Lease Agreement”) with an option to renew for a further period of six (6) years.”

2. DESCRIPTION OF PRECICO FACTORY

Factory buildings located at Lorong Perusahaan, Prai Industrial Estate Mukim 1 Seberang Perai Tengah (“**Building**”) erected on four (4) pieces of leasehold lands held under:

- a. HSD 39791, Lot PT 1559, Mukim 01, Daerah Seberang Perai Tengah, Pulau Pinang with leasehold title expiring on 24 June 2046 measuring 10,815.5976 sq. m. in area;
- b. HSD 39802, Lot PT 1573, Mukim 01, Daerah Seberang Perai Tengah, Pulau Pinang with leasehold title expiring on 14 July 2046 measuring 12,957.9648 sq. m. in area;
- c. HSD 39803, Lot PT 1574, Mukim 01, Daerah Seberang Perai Tengah, Pulau Pinang with leasehold title expiring on 11 August 2046 measuring 15,318.3768 sq. m. in area; and
- d. HSD 39804, Lot PT 1576, Mukim 01, Daerah Seberang Perai Tengah, Pulau Pinang with leasehold title expiring on 11 August 2046 measuring 7,750.3844 sq. m. in area.

(“Land”) together the fixtures and fittings as identified in the SPA (“Fixtures and Equipment”)

The Land and the Building shall collectively be referred to as “**the Properties**”.

3. DETAILS OF THE PROPOSED ACQUISITION

3.1 Salient terms and conditions of the Proposed Acquisition

The salient terms and conditions of the Proposed Acquisition are as follows:-

- (a) Subject to the terms and conditions of the SPA, the Vendor shall sell and the Trustee shall purchase the Properties in its present state and condition (fair wear and tear excepted from the date of the SPA up to the Completion Date (as define in the SPA) BUT SUBJECT ALWAYS TO the rectification works to be carried out as provided therein together with the benefit of the rights, title and interest thereto free from all encumbrances (save in respect of leases registered by Tenaga Nasional Berhad) and the conditions expressed or implied in the issue document of title to the Properties for the Purchase Price.
- (b) In respect of a lien holder’s caveat lodged by Ambank (M) Berhad (“**Lien Holder’s Caveat**”) over the land described under **paragraph 2(d)** herein, the Vendor shall withdraw the Lien Holder’s Caveat on or prior to Completion Date and in any event before the presentation of transfer at the land office. Where the Vendor fails to remove the Lien Holder’s Caveat within the Completion Period (the Vendor shall within 30 days from the Unconditional Date (as defined hereinafter) notify the Trustee of its inability to withdraw the Lien Holder’s Caveat within the Completion Period (as defined in paragraph 3.1(c) below)), the Trustee shall utilize the Balance Purchase Price for purposes of withdrawing the Lien Holder’s Caveat, in which case, the Completion Period shall be extended. During the permissible extended period, the Trustee shall not be liable to pay any late payment interest.
- (c) The Purchase Price shall be paid as follows:-
 - i. An earnest deposit in the sum of RM416,361.00 was paid to the Vendor’s solicitors prior to the execution of the SPA;
 - ii. A balance deposit in the sum of RM3,747,248.00 shall be paid to the Vendor’s solicitors upon execution of the SPA
 - iii. Subject to paragraph (b) above, the balance purchase price in the sum of RM37,472,481.00, together with interest accrued thereon (if any) less any authorised deductions shall be paid to the Vendor’s solicitors within three (3) months from the date of fulfilment of the conditions precedent (“**Completion Period**”).

The earnest deposit and the balance deposit as be referred to as the “**Deposit**” and the balance Purchase Price as set out in 3.1(c)(iii) above shall be referred to as the

“Balance Purchase Price”, which shall be partly financed by external funding, shall be released by the Vendor’s solicitors to the Vendor, fourteen (14) business days after the date of presentation of the transfer documents at the relevant land registry.

- (d) The Completion Period shall be automatic extended for a further period of one (1) month subject to payment of interest by the Trustee during the extension period at the rate of eight per cent (8%) per annum on a daily basis on the amount of Balance Purchase Price or any part thereof remaining outstanding commencing from the first day of the extension period until the date of payment of Balance Purchase Price or any part thereof outstanding at the expiry of the Completion Period;
- (e) The SPA is conditional upon and shall be subject to *inter alia* the following conditions precedent (**“Conditions Precedent”**) being fulfilled within the period of six (6) months from the date of the SPA or such other period as mutually agreed by the parties (**“Approval Period”**):
 - i. the execution of a lease agreement and the lease in Form 15A of the National Land Code 1965 over the Properties by the parties thereto (which shall be executed simultaneously with the execution of the SPA) which shall take effect on the Completion Date of the Proposed Acquisition, being the date of payment of the Balance Purchase Price;
 - ii. the Vendor obtaining the approval from its shareholders at its duly convened general meeting for the sale and transfer of the Properties to the Trustee and the lease of the Properties from the Trustee to the Vendor pursuant to the Lease Agreement;
 - iii. the Vendor obtaining the approval of the state authority for the sale and transfer of the Properties to the Trustee;
 - iv. the Vendor obtaining confirmation from the Singapore Exchange Securities Trading Limited (**“SGX-ST”**) that the Vendor’s ultimate holding company is not required to seek the approval of its shareholders pursuant to the provisions of Chapter 10 of the Listing Manual, failing which, the sale is subject to the approval of the Vendor’s ultimate holding company’s shareholders at a general meeting if the disposal is classified as a major disposal pursuant to SGX-ST listing rules;
 - v. the completion of a valuation conducted on the Properties and legal due diligence exercise and building audit in respect of the acquisition of the Properties and the Trustee being satisfied as to the results thereof; and
 - vi. the Trustee obtaining the approval of the state authority for the lease of the Properties in favour of the Vendor and charge of the Properties in favour of the Trustee’s financier.

In the event that the Conditions Precedent cannot be fulfilled on or before the Approval Period, the parties shall not be bound to proceed with the sale and purchase of the Properties and either party shall be entitled to immediately terminate this Agreement by giving a notice in writing whereupon, all monies paid by the Trustee shall be refunded together with interest.

- (f) In the case where the result of the building audit reveal material defects in the Properties or where the outcome of the due diligence is not to the satisfaction of the Trustee, Trustee shall in such case be entitled to rescind the SPA.
- (g) Where the defects are not in the opinion of the Trustee to be a material defect the Trustee may notify the Vendor of such defects and their intention to proceed with the acquisition of the Properties subject to the Vendor rectifying and making good such defects. The Vendor if they are agreeable shall within fourteen (14) business days of receipt of the Trustees' notification inform the Trustee of their agreement to repair and make good the defects which have been identified by the Trustee and the said works on the Properties shall be completed by the Vendor within the Completion Period. Alternatively, either party may elect to rescind the SPA.
- (h) Where the SPA is terminated due to an event of default by the Vendor, the Trustee shall be entitled to:-
 - (i) a full refund of the Deposit together with all other sums paid by the Trustee to the Vendor's solicitors (together with interest); and
 - (ii) the Vendor shall pay to the Trustee a sum equivalent to ten per cent (10%) of the Purchase Price as agreed liquidated damages and the Vendor shall also pay to the Trustee any costs and expenses arising out of or in connection with the SPA that may be incurred by the Trustee up to the termination of the SPA.
- (i) Where the SPA is terminated due to an event of default by the Trustee, the Vendor shall be entitled to:-
 - (i) forfeit the Deposit together with interest absolutely as liquidated damages;
 - (ii) the Vendor' solicitors shall forthwith refund all other monies, if any in excess of the Deposit paid by the Trustees.

3.2 Salient terms of the Lease Agreement

The salient terms of the Lease Agreement are as follows:

- (i) In consideration of the Trustee agreeing to enter into the SPA for the Proposed Acquisition and the Lessee agreeing to pay rental for the lease of

the Properties and other monies payable to the Trustee under the Lease Agreement, the Trustee agrees to grant and the Lessee agrees to accept the lease of each of the Properties (“Lease”) for a term of eight (8) years (“Lease Term”) commencing from the Completion Date (“Commencement Date”) subject to the terms and conditions of the Lease Agreement in paragraph (v);

- (ii) In the event the registration of the Lease or the lease for the Renewal Lease Term (as herein defined below) is not or cannot be effected or perfected for any reason whatsoever not due to any fault of the parties, the parties agree that the Trustee shall grant and the Lessee shall take on a tenancy of the Properties on the terms and conditions as stipulated in the Lease Agreement;
- (iii) The monthly rental of the Properties (“Rent”), payable in advance on or before the 7th day of every calendar month during the Lease Term, are set out in **Table 1**;
- (iv) Security Deposit
 - (a) The Lessee shall, no later than two (2) months from the date the SPA becomes unconditional and at all times during the Lease Term:-
 - (i) procure and maintain an unconditional and irrevocable bank guarantee(s) in favour of the Trustee issued by a bank or a licensed financial institution and in the form annexed to the Lease Agreement (“Bank Guarantee”) for a sum set out in **Table 1** (hereinafter referred to as the “Security Deposit”) equivalent to fifteen (15) months’ Rent, as security for the due observance and performance by the Lessee of the terms and conditions of the Lease Agreement;

OR

- (ii) pay by way of cash to the Trustee the Security Deposit to be deposited into an interest bearing account to be opened by the Trustee with a licensed commercial bank approved by Bank Negara (“Account”) (“Cash Deposit”);
- (b) The Lessee shall be entitled to the dividends/ interest accrued in the Account.
- (c) In the event that the Rent is varied in accordance with the Lease Agreement, the Security Deposit shall be varied accordingly from

the date on which the Rent varies. The Lessee shall, within thirty (30) days from the commencement of the revised Rent:-

- i) if the Security Deposit is in the form of a Bank Guarantee, pay by way of cash the increase (if any) in the Security Deposit for an amount as stipulated in **Table 1** to be deposited in the Account (“**Additional Security**”);

OR

- ii) if the Security Deposit is in the form of Cash Deposit – pay by way of cash the increase (if any) in the Security Deposit for an amount as stipulated in **Table 1** to be deposited in the Account.

Failure by the Lessee to maintain the Security Deposit in accordance with this Clause within the stipulated time shall constitute an event of default.

- (e) The Trustee may after the expiry of thirty (30) business day from the service of a notice by the Trustee to the Lessee requiring the Lessee to make good any breaches of the terms of the Lease Agreement and upon failure by the Lessee to do so, at any time deduct the Cash Deposit or make a demand or call on the Bank Guarantees and/ or the Additional Security for such sum as may be sufficient whether by way of compensation for any damages or otherwise for which the Lessee may be liable under the terms hereof but without prejudice to the Trustees’ right to any further sum for which the Lessee may be liable thereunder.
- (f) In the event of a call or a demand made on the Bank Guarantee or deduction is made from the Cash Deposit during the Lease Term, the Lessee shall procure a fresh bank guarantee to maintain the relevant bank guarantees for an amount of not less than the sum stipulated in **Table 1** or pay the difference in the amount deducted from the Cash Deposit, as the case may be within thirty (30) business day of the notice of the call, demand or deduction. Failure by the Lessee to maintain the Bank Guarantees or Cash Deposit for an amount not less than the sum stipulated in **Table 1** within thirty (30) business days of the call, demand or deduction shall constitute an event of default. Any amount in excess of the amount deducted shall be refunded to the Lessee immediately.
- (g) Notwithstanding the above, the Trustee may at any time make a demand or call on the entire Bank Guarantee and forfeit the Additional Security OR forfeit the **Cash Deposit** (as the case may

be) during the Lease Term in the event the Lessee fails to pay the Rent in accordance with the provisions of this Agreement. Upon making the demand or calling on the entire Bank Guarantee and Additional Security or forfeiting the Cash Deposit, the Trustee shall deduct a sum equivalent to the outstanding Rent and interest accrued thereon and the balance thereof shall be treated as an advance of Rent from the Lessee. In the event of a call or a demand made on the Bank Guarantee and Additional Security OR forfeiture of the Cash Deposit by the Trustee, item 3.2(f) above shall apply accordingly.

- (h) The Bank Guarantee shall be valid for a period of one (1) year from the date of the Bank Guarantee and shall become effective on the Commencement Date (hereinafter referred to as “**the First BG**”). The Bank Guarantee shall be automatically renewable by the Lessee annually one (1) month before the expiry of the Bank Guarantee (without the Trustee having to request for the same) on substantially the same terms and form but on no less favourable terms than the existing Bank Guarantee and the Lessee shall deliver the renewed Bank Guarantee to the Trustee within the stipulated period. The validity period in respect of the Bank Guarantee issued subsequent to the First BG (hereinafter referred to as “**the Second BG**”) shall commence from the expiry of the First BG and shall be valid for the entire duration of Year 2 (as set out in **Table 1**) of the Lease Term. For the avoidance of doubt, all the Bank Guarantee subsequent to the Second BG shall have a validity period of twelve (12) months for each year of the remaining Lease Term.
- (i) The Trustee shall be entitled to call upon the Bank Guarantee in the event a fresh bank guarantee is not received by the Trustee one (1) month prior to the expiry of the Bank Guarantee. The Trustee shall notify the Lessee of its intention to call upon the Bank Guarantee at least seven (7) business days prior to the encashment of the Bank Guarantee.
- (v) **Renewal Lease Term**
 - a. The Trustee grants the Lessee an option to renew the term of the lease of the Properties for a further period of **six (6) years** from the expiry of the Lease Term (hereinafter referred to as the “**Renewal Lease Term**”). The option may be exercised by the Lessee provided that the Lessee provides **twelve (12) months’** prior notice in writing of the exercise of the option before the expiry of the Lease Term

- b. The rent for the Renewal Lease Term (hereinafter referred to as “the Renewed Rent”) shall be based on the prevailing market rate to be determined as in (d) and (e) below. Where the rent is varied during the Renewal Lease Term, the Security Deposit shall accordingly be adjusted based on the Renewed Rent payable during the Renewal Lease Term.
- c. The amount of the Security Deposit required throughout the Renewal Lease Term shall be negotiated by the Parties hereto Provided Always That the said Security Deposit shall be in the amount of not less than six (6) months’ of the applicable Renewed Rent payable during the Renewal Lease Term. The Lessee shall pay to the Trustee such shortfall, if any, prior to the commencement of such term to maintain the amount of Security Deposit required throughout the Renewal Lease Term
- d. In the event the Lessee is not agreeable to the new rent proposed by the Trustee, the parties shall within thirty (30) days from the date the Lessee informs the Trustee of its non-acceptance to the new rent proposed by the Trustee, instruct and appoint their respective registered valuers to determine and certify in writing the prevailing market rate for the Properties for the Renewal Lease Term.
- e. In the event there is discrepancy in the prevailing market rate determined by the valuers appointed by the Trustee and Lessee respectively, the parties hereby agree that the average of the prevailing market rate determined by the two (2) aforementioned valuers shall be the Renewed Rent for the Renewal Lease Term and the said result shall be final and binding on the parties.
- (vi) The Lessee agrees that it shall be fully responsible, at its own costs and expense, for the general and total maintenance of the Properties and the facilities enjoyed and available in each of the Properties, in particular without limitation to the generality of the foregoing, all those duties and obligations set out in the Lease Agreement;
- (vii) Upon occurrence of default by the Lessee, the Trustee shall be at liberty:
- (a) to serve a forfeiture notice upon the Lessee pursuant to Section 235 of the National Land Code 1965 and where the breach has not been remedied within the stipulated time, to re-enter upon the Properties or any part thereof in the name

of the whole, and thereupon this Agreement shall absolutely terminate;

- (b) to forfeit the Security Deposits received by the Trustee;
- (c) to claim for the Rent and all other sums due and payable upon termination and to sue and take any other action the Lessor deems fit to recover all monies due and owing to the Lessor and the costs and expenses including legal fees (on a solicitor-client basis) of all such actions taken shall be borne by the Lessee; and
- (d) to claim for the rent payable for the unexpired Lease Term upon termination. Provided always that in the event the parties managed to procure a new lessee to lease the Properties at a rental not less favourable to the Lessor than the Rent, the Lessee shall be relieved from its obligation to continue paying the Rent for the unexpired Lease Term. However if the rent payable by the new lessee is less than the Rent then the Lessee is only liable to pay the shortfall in such Rent for the unexpired Lease Term from such time the new lessee has commenced payment of the rent. For the avoidance of doubt, the Lessor shall be entitled to the full Rent from the Lessee for the period prior to commencement of the lease term of the new lessee.

3.3 Source of Funding

The Proposed Acquisition will be partially funded by funds to be raised from financing of approximately RM25 million. The remaining amount will be settled via cash consideration

3.4 Basis of arriving at the Purchase Price Consideration

The purchase consideration of RM 41,636,090 for the Proposed Acquisition was arrived at on a "willing buyer willing seller" basis after taking into consideration the market value ("MV") of the Properties of RM41, 720,000 as valued by the independent valuers namely, DTZ Nawawi Tie Leung vide its valuation report dated 5 December 2012. The valuations for the Properties have been carried out by using the Comparison Method and Investment Method.

4 RATIONALE FOR THE PROPOSED ACQUISITION

Investment objective of AmanahRaya REIT (ARREIT)

The Proposed Acquisitions are in line with the key investment objective of The Manager which is to provide sustainable returns to the unit holders. The main focus of its real estate investment is the stable growth potential in terms of rental yield and capital values of the properties over a long term period.

With the acquisition of the Properties into its portfolio, ARREIT will continue to focus to increase its fund size by focusing on strategic acquisitions which exhibits the following key investment criteria:

- i) Long Term Lease Arrangement of irrevocable 8 years tenure
- ii) The subject properties are strategically located in an industrial zone area in Prai, Penang.
- iii) Reputable and credible lessee's profile to ensure continuous effective and efficient rental payments
- iv) Backed by high security deposits of 15 months

Risk Factors

The Proposed Acquisition is subject to certain specific risks, which may not be exhaustive, as follows:

- (i) Rental income and the value of Precico factory may be affected by a number of factors as follows:
 - (a) vacancy following expiry or termination of lease that lead to a decrease in the occupancy rates and rental income of ARREIT;
 - (b) the ability to collect rent from the Lessee on a timely basis;
 - (c) Lessee seeking protection under the bankruptcy laws could result in delays of rental payments or inability to pay rental at all or termination of leases prior to expiry;
 - (d) Lessee that breaches the terms and conditions of the lease that result in termination of leases or non-payment of rental;

- (e) the rental rates and the terms of the renewed lease being less favourable than the current lease; and
- (f) Changes in statutory laws, regulations or government policies, which may affect the
 - value of Precico Factory
 - (ii) losses of Precico Factory may be uninsured or under-insured;
 - (iii) compulsory acquisition by the Malaysian Government;
 - (iv) the future value for Precico Factory in the future may be less than the current valuation or the purchase price paid by ARREIT currently; and
 - (v) losses or liabilities from latent building or equipment defects may adversely affect earning and cash flow.

5 EFFECTS OF THE ACQUISITION

5.1 Unit Capital and Substantial Unitholders' Unitholding

The Proposed Acquisition of Precico Factory will not have any effect on the total units of ARREIT in issue and substantial unitholders unitholding of ARREIT

5.2 Net Asset Value (NAV)

The Proposed Acquisition of Precico Factory will have no material impact or changes to the unaudited NAV at the time of completion

5.3 Earnings

The Proposed Acquisition is not expected to have any material effect on the earnings of ARREIT for financial year ending 31 December 2012 as the Proposed Acquisition is expected to be completed by end of December 2012. Barring unforeseen circumstances, the Board believes that the Proposed Acquisition is expected to contribute positively to the earnings of ARREIT upon completion.

5.3.1 Gearing

The Proposed Acquisition will be satisfied by using cash consideration and part borrowings. With the increase in total assets and total borrowings, the gearing level of ARREIT is expected to increase to approximately 37%.

6 APPROVALS REQUIRED FOR THE PROPOSED ACQUISITION

Pursuant to the REIT Guidelines, the Proposed Acquisition does not require approval from the Securities Commission or the unitholders of ARREIT.

7 DIRECTORS' OF THE MANAGER AND MAJOR UNITHOLDERS OF ARREIT

None of the Directors of the Manager and/or major unit holders and/or persons connected with them has any interest, direct or indirect, in the Proposed Acquisition.

8 STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors of the Manager after careful consideration of all aspects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is fair and reasonable and is in the best interests of ARREIT and its' unitholders.

9 ESTIMATED TIME FRAME FOR COMPLETION

Nine (9) months

10 DOCUMENTS FOR INSPECTION

The following documents are available for inspection at the registered office of the Manager at Level 11 Wisma AmanahRaya No. 2 Jalan Ampang 50508 Kuala Lumpur during office hours from Monday to Friday (except on public holidays) for a period of three (3) months from the date of this announcement:-

- i. the Sale and Purchase Agreement;
- ii. the Lease Agreement; and
- iii. Valuation Report of Precico Factory prepared by [DTZ Nawawi Tie Leung dated 5 December 2012]

This announcement is dated 23 April 2013.

Certain pertinent information of Precico Factory is as follows:-

Postal Address:	Plot 411, Lorong Perusahaan 8B, Perai Industrial Estate 13600, Perai Pulau Pinang
Approximate age of building:	22 years
Gross land area:	504,205 square feet/ 11.57 acres
Gross built-up area:	292,578

Approximate rented area:	292,578
Appraised value (as at 5 December 2012):	41,720,000
Occupancy rate upon completion):	100%
Details of the monthly rental (Initial rental):	RM260,225.56
Land tenure:	60 years (remaining lease period is 34 years)
Encumbrances:	<ol style="list-style-type: none"> 1. HSD 39791, Lot PT 1559, Mukim 01, Daerah Seberang Perai Tengah, Pulau Pinang Nil 2. HSD 39802, Lot PT 1573, Mukim 01, Daerah Seberang Perai Tengah, Pulau Pinang Nil 3. HSD 39803, Lot PT 1574, Mukim 01, Daerah Seberang Perai Tengah, Pulau Pinang Lease of a portion of the land in favour of Tenaga Nasional Berhad for a period of 30 years commencing from 20 May 1991 – 19 May 2021 (via presentation no. 0799SC1991015460, Jil 6, Folio 169) 4. HSD 39804, Lot PT 1576, Mukim 01, Daerah Seberang Perai Tengah, Pulau Pinang a. Lease of a portion of the land in favour of Tenaga Nasional Berhad for a period of 30 years commencing from 1 September 1990 – 31 August 2020 (via presentation no. 0799SC1991008599, Jil 6, Folio 143)

	b. Lien holder's caveat lodged by Ambank (M) Berhad (via presentation no. 0799B2006018701)
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The Certificate of Fitness for Occupation of Precico Factory was issued on 23 August 1990