

3. Executive Summary (Cont'd)

Item	Brief Description
Distribution Policy	<p>Distributions will be paid on a half-yearly basis (or such other intervals as we may determine) within two (2) months after UOA REIT's book closure date. We shall distribute all or such lower percentage as we may determine in our absolute discretion of the distributable income of UOA REIT.</p> <p>Barring any unforeseen circumstances, it is our intention to distribute 95% of the distributable income of UOA REIT for FYE 31 December 2006 to FYE 31 December 2008.</p>
Revaluation Policy	<p>The real estates will be revalued at least once every three (3) years from the date of last valuation.</p>
Redemption Policy	<p>Unitholders have no right to request us to redeem their Units while the Units are listed. It is intended for Unitholders to only deal in their listed Units through trading on Bursa Securities. However, the listing of the Units on the Main Board of Bursa Securities does not guarantee a liquid market for the Units.</p>
Board Lot	<p>100 Units per board lot.</p> <p>Investors may buy and/or sell the minimum of one(1) Board Lot (i.e. a minimum of 100 Units). Any additional investment in UOA REIT will be in Board Lot incrementals.</p>

3.2 Overview of Properties

UOA REIT does not entirely own UOA Centre, UOA II and UOA Damansara. Instead, UOA REIT owns parcels within the Properties which represent more than 50% of the total Parcel Area of each Property.

A brief description of the Properties Parcels which form the initial investments of UOA REIT is set out below:-

- (a) UOA Centre Parcels comprising the retail and office premises with an aggregate Surveyed Net Lettable Area measuring 139,572 sq ft plus 208 car parking bays within UOA Centre. UOA Centre is erected on part of the land held under Geran 46212, Lot No. 1312, Section 57, Town and District of Kuala Lumpur and State of Wilayah Persekutuan;
- (b) UOA II Parcels comprising the retail and office premises with an aggregate Surveyed Net Lettable Area measuring 437,608 sq ft plus 643 car parking bays within UOA II. UOA II is erected on part of the land held under Geran 46212, Lot No. 1312, Section 57, Town and District of Kuala Lumpur and State of Wilayah Persekutuan; and
- (c) UOA Damansara Parcels comprising the retail and office premises with an aggregate Surveyed Net Lettable Area measuring 190,992 sq ft plus 356 car parking bays within UOA Damansara. UOA Damansara is erected on part of the land held under Title No. H.S.(D) 110120; P.T. No.7145 (formerly H.S.(D) 100338 and 100339, P.T. nos. 5759 and 5760 respectively), Mukim and District of Kuala Lumpur and State of Wilayah Persekutuan.

3. Executive Summary (Cont'd)

A summary of the information on the Properties Parcels is as follows:

UOA Centre Parcels									
Address	Within UOA Centre at No. 19 Jalan Pinang, 50450 Kuala Lumpur								
Description	Parcels within the 33 storey office building known as UOA Centre inclusive of 6-levels of car parking space (1 basement level and 5 levels above ground)								
Year of completion	1994								
Occupancy snapshot	<table border="1"> <thead> <tr> <th>As at the LPD</th> <th>As at 31 December 2004</th> <th>As at 31 December 2003</th> <th>As at 31 December 2002</th> </tr> </thead> <tbody> <tr> <td>86%</td> <td>93%</td> <td>93%</td> <td>93%</td> </tr> </tbody> </table>	As at the LPD	As at 31 December 2004	As at 31 December 2003	As at 31 December 2002	86%	93%	93%	93%
As at the LPD	As at 31 December 2004	As at 31 December 2003	As at 31 December 2002						
86%	93%	93%	93%						
Gross revenue	<table border="1"> <thead> <tr> <th>10 months ended 31 October 2005 (RM)</th> <th>FYE 31 December 2004 (RM)</th> <th>FYE 31 December 2003 (RM)</th> <th>FYE 31 December 2002 (RM)</th> </tr> </thead> <tbody> <tr> <td>4,196,128</td> <td>4,733,228</td> <td>3,979,192</td> <td>3,758,407</td> </tr> </tbody> </table>	10 months ended 31 October 2005 (RM)	FYE 31 December 2004 (RM)	FYE 31 December 2003 (RM)	FYE 31 December 2002 (RM)	4,196,128	4,733,228	3,979,192	3,758,407
10 months ended 31 October 2005 (RM)	FYE 31 December 2004 (RM)	FYE 31 December 2003 (RM)	FYE 31 December 2002 (RM)						
4,196,128	4,733,228	3,979,192	3,758,407						
Gross land area	72,086 sq ft (6,697 sq m) (Total on master title)								
Total Parcel Area (as at the LPD)									
UOA Centre (building) :	Surveyed Net Lettable Area of 323,865 sq ft (30,088.00 sq m) plus 208 car park bays								
UOA Centre Parcels :	Surveyed Net Lettable Area of 139,572 sq ft (12,966.66 sq m) plus 208 car park bays (representing 55.7% of the total Parcel Area in UOA Centre)								
<p>Ownership of UOA Centre by total Parcel Area</p> <table border="1"> <thead> <tr> <th>Owner</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Other owners</td> <td>44.3%</td> </tr> <tr> <td>UOA REIT</td> <td>55.7%</td> </tr> </tbody> </table>		Owner	Percentage	Other owners	44.3%	UOA REIT	55.7%		
Owner	Percentage								
Other owners	44.3%								
UOA REIT	55.7%								
Appraised value (as at 1 April 2005)	RM58,400,000								
Purchase consideration	RM57,600,000 satisfied by:- (i) Issuance of 36,950,943 new Units at an issue price of RM1.00 per Unit; and (ii) Cash consideration of RM20,649,057 raised from bank borrowings								
Number of tenants (as at the LPD)	55								
Top three tenants (in terms of monthly gross rent as at the LPD)	Dats Management Sdn Bhd UOA Holdings Sdn Bhd Cartrade Sdn Bhd								

3. Executive Summary (Cont'd)

UOA Centre Parcels (cont'd)	
Master title <i>(as at the LPD)</i>	Freehold
Encumbrances <i>(as at the LPD)</i>	The sale and purchase agreement relating to UOA Centre Parcels and UOA II Parcels executed between Wisma UOA Sdn Bhd and the Trustee is assigned to AmBank and upon issuance of the strata titles to UOA Centre Parcels and UOA II Parcels, a first party first legal charge over UOA Centre Parcels and UOA II Parcels will be effected in favour of AmBank as part of the securities for the loan facility granted to part-finance the Acquisition of UOA Centre Parcels and the Acquisition of UOA II Parcels.
Encumbrances* on the master title <i>(as at the LPD)</i>	<ul style="list-style-type: none">(i) Private caveat created vide Presentation No. 4503/2000 by Malayan Banking Berhad of Ground Floor, Bangunan Yayasan Selangor, Jalan Bukit Bintang, 55100 Kuala Lumpur and registered on 25 April 2000;(ii) Private caveat created vide Presentation No. 6189/2003 by Public Bank Berhad of No. 8 & 10, Jalan 21/12, Sea Park, 46300 Petaling Jaya and registered on 28 May 2003;(iii) Private caveat created vide Presentation No. 2013/2004 by Arataz Equity Sdn Bhd of No. 243-A, Taman Melaka Raya, 75000 Melaka and registered on 24 February 2004.

Notes:-

* As determined from the extracts of private caveats from the Wilayah Persekutuan Land Registry.

The developer of UOA Centre, LTG Development Sdn Bhd has vide its letter dated 8 July 2005 confirmed that the private caveats on the master title are in relation to units that do not form part of UOA Centre Parcels.

Further information on UOA Centre and UOA Centre Parcels are set out in Section 7.2 of this Prospectus.

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3. Executive Summary (Cont'd)

UOA II Parcels									
Address	Within UOA II at No. 21, Jalan Pinang, 50450 Kuala Lumpur								
Description	Parcels within the 39 storey office building known as UOA II inclusive of 5-levels of car parking space (2 basement levels and 3 levels above ground)								
Year of completion	1998								
Occupancy snapshot	<table border="1"> <thead> <tr> <th>As at the LPD</th> <th>As at 31 December 2004</th> <th>As at 31 December 2003</th> <th>As at 31 December 2002</th> </tr> </thead> <tbody> <tr> <td>88%</td> <td>94%</td> <td>84%</td> <td>83%</td> </tr> </tbody> </table>	As at the LPD	As at 31 December 2004	As at 31 December 2003	As at 31 December 2002	88%	94%	84%	83%
As at the LPD	As at 31 December 2004	As at 31 December 2003	As at 31 December 2002						
88%	94%	84%	83%						
Gross revenue	<table border="1"> <thead> <tr> <th>10 months ended 31 October 2005 (RM)</th> <th>FYE 31 December 2004 (RM)</th> <th>FYE 31 December 2003 (RM)</th> <th>FYE 31 December 2002 (RM)</th> </tr> </thead> <tbody> <tr> <td>12,029,669</td> <td>13,064,910</td> <td>10,520,772</td> <td>10,050,378</td> </tr> </tbody> </table>	10 months ended 31 October 2005 (RM)	FYE 31 December 2004 (RM)	FYE 31 December 2003 (RM)	FYE 31 December 2002 (RM)	12,029,669	13,064,910	10,520,772	10,050,378
10 months ended 31 October 2005 (RM)	FYE 31 December 2004 (RM)	FYE 31 December 2003 (RM)	FYE 31 December 2002 (RM)						
12,029,669	13,064,910	10,520,772	10,050,378						
Gross land area	72,086 sq ft (6,697 sq m) (Total on master title)								
Total Parcel Area (as at the LPD)									
UOA II (building) :	Surveyed Net Lettable Area of 703,841 sq ft (65,389.00 sq m) plus 643 car park bays								
UOA II Parcels :	Surveyed Net Lettable Area of 437,608 sq ft (40,655.12 sq m) plus 643 car park bays (representing 69.9% of the total Parcel Area in UOA II)								
<p>Ownership of UOA II by total Parcel Area</p> <table border="1"> <thead> <tr> <th>Owner</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>UOA REIT</td> <td>69.9%</td> </tr> <tr> <td>Other owners</td> <td>30.1%</td> </tr> </tbody> </table>		Owner	Percentage	UOA REIT	69.9%	Other owners	30.1%		
Owner	Percentage								
UOA REIT	69.9%								
Other owners	30.1%								
Appraised value (as at 1 April 2005)	RM189,100,000								
Purchase consideration	RM180,900,000 satisfied by:- (i) Issuance of 116,049,057 new Units at an issue price of RM1.00 per Unit; and (ii) Cash consideration of RM64,850,943 raised from bank borrowings.								
Number of tenants (as at the LPD)	96								
Top three tenants (in terms of monthly gross rent as at the LPD)	Perbadanan Usahawan Nasional Berhad Allianz Life Insurance (M) Berhad Dats Management Sdn Bhd								

3. Executive Summary (Cont'd)

UOA II Parcels (cont'd)	
Master title <i>(as at the LPD)</i>	Freehold
Encumbrances <i>(as at the LPD)</i>	The sale and purchase agreement relating to UOA Centre Parcels and UOA II Parcels executed between Wisma UOA Sdn Bhd and the Trustee is assigned to AmBank and upon issuance of the strata titles to UOA Centre Parcels and UOA II Parcels, a first party first legal charge over UOA Centre Parcels and UOA II Parcels will be effected in favour of AmBank as part of the securities for the loan facility granted to part-finance the Acquisition of UOA Centre Parcels and the Acquisition of UOA II Parcels.
Encumbrances* on the master title <i>(as the LPD)</i>	<ul style="list-style-type: none">(i) Private caveat created vide Presentation No. 4503/2000 by Malayan Banking Berhad of Ground Floor, Bangunan Yayasan Selangor, Jalan Bukit Bintang, 55100 Kuala Lumpur and registered on 25 April 2000;(ii) Private caveat created vide Presentation No. 6189/2003 by Public Bank Berhad of No. 8 & 10, Jalan 21/12, Sea Park, 46300 Petaling Jaya and registered on 28 May 2003;(iii) Private caveat created vide Presentation No. 2013/2004 by Arataz Equity Sdn Bhd of No. 243-A, Taman Melaka Raya, 75000 Melaka and registered on 24 February 2004.

Notes:-

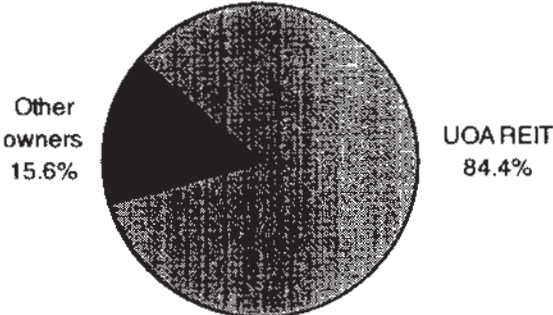
- * As determined from the extracts of private caveats from the Wilayah Persekutuan Land Registry.

The developer of UOA II, LTG Development Sdn Bhd has vide its letter dated 8 July 2005 confirmed that the private caveats on the master title are in relation to units that do not form part of UOA II Parcels.

Further information on UOA II and UOA II Parcels are set out in Section 7.3 of this Prospectus.

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3. Executive Summary (Cont'd)

UOA Damansara Parcels									
Address	Within UOA Damansara at 50, Jalan Dungun, Damansara Heights, 50490 Kuala Lumpur								
Description	Parcels within the 13 storey office building known as UOA Damansara inclusive of 4-levels of basement car park								
Year of completion	1997								
Occupancy snapshot	<table border="1"> <thead> <tr> <th>As at the LPD</th> <th>As at 31 December 2004</th> <th>As at 31 December 2003</th> <th>As at 31 December 2002</th> </tr> </thead> <tbody> <tr> <td>99%</td> <td>93%</td> <td>83%</td> <td>80%</td> </tr> </tbody> </table>	As at the LPD	As at 31 December 2004	As at 31 December 2003	As at 31 December 2002	99%	93%	83%	80%
As at the LPD	As at 31 December 2004	As at 31 December 2003	As at 31 December 2002						
99%	93%	83%	80%						
Gross revenue	<table border="1"> <thead> <tr> <th>10 months ended 31 October 2005 (RM)</th> <th>FYE 31 December 2004 (RM)</th> <th>FYE 31 December 2003 (RM)</th> <th>FYE 31 December 2002 (RM)</th> </tr> </thead> <tbody> <tr> <td>5,975,115</td> <td>6,583,612</td> <td>5,714,283</td> <td>5,870,956</td> </tr> </tbody> </table>	10 months ended 31 October 2005 (RM)	FYE 31 December 2004 (RM)	FYE 31 December 2003 (RM)	FYE 31 December 2002 (RM)	5,975,115	6,583,612	5,714,283	5,870,956
10 months ended 31 October 2005 (RM)	FYE 31 December 2004 (RM)	FYE 31 December 2003 (RM)	FYE 31 December 2002 (RM)						
5,975,115	6,583,612	5,714,283	5,870,956						
Gross land area	35,908 sq ft (3,336 sq m) (Total on master title)								
Total Parcel Area (as at the LPD)									
UOA Damansara (building) :	Surveyed Net Lettable Area of 254,491 sq ft (23,642.99 sq m) plus 356 car park bays								
UOA Damansara Parcels :	Surveyed Net Lettable Area 190,992 sq ft (17,743.73 sq m) plus 356 car park bays (representing 84.4% of the total Parcel Area in UOA Damansara)								
Ownership of UOA Damansara by total Parcel Area									
 <p>A pie chart illustrating the ownership of UOA Damansara by total Parcel Area. The chart is divided into two segments: a large shaded segment representing UOA REIT at 84.4%, and a smaller solid black segment representing Other owners at 15.6%.</p>									
Appraised value (as at 1 April 2005)	RM76,400,000								
Purchase consideration	RM72,000,000 satisfied by the issuance of 72,000,000 new Units at an issue price of RM1.00 per Unit.								
Number of tenants (as at the LPD)	42								
Top three tenants (in terms of monthly gross rent as at the LPD)	Skrine Dats Management Sdn Bhd Moccis Trading Sdn Bhd								
Master title (as at the LPD)	Freehold								
Encumbrances (as at the LPD)	None								

Further information on UOA Damansara and UOA Damansara Parcels are set out in Section 7.4 of this Prospectus.

3. Executive Summary (Cont'd)

3.3 Fees and Expenses

There are fees and expenses involved and investors are advised to consider the fees and expenses before investing in UOA REIT.

This table describes the fees and expenses that UOA REIT may incur.

Fees and expenses incurred by UOA REIT	
Annual management fee	Up to 1.0% per annum of the NAV
Property management fees	<ul style="list-style-type: none">- 5.0% of the gross annual rental income on the first RM30,000;- 3.0% of the gross annual rental income on the residue up to RM100,000;and- 2.0% of the gross annual rental income on the residue over RM100,000 with permissible discount in accordance with the Valuers, Appraisers and Estate Agent (Amendment) Rules 2002
Annual trustee fee	0.045% per annum of the NAV
A list of other expenses directly or indirectly related to the fund including the followings:-	<ul style="list-style-type: none">- Auditor's fees- Valuation fees- Relevant professionals' fees- Interest expense- Printing, posting, general and operating expenses for the administration of the Fund

Other than the charges you may incur arising from the trading of the Units on Bursa Securities, e.g. brokerage, clearing fee and stamp duty, there are no other charges imposed on the sale and purchase of Units.

Further information on the charges you may incur from the trading of the Units on Bursa Securities may be found at Bursa Securities' website at www.bursamalaysia.com.

Please refer to Section 9 of this Prospectus for further details.

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3. Executive Summary (Cont'd)

3.4 Financial Highlights

The summary of the proforma consolidated financial data of UOA REIT comprising UOA Centre Parcels, UOA II Parcels and UOA Damansara Parcels for the five (5) FYE 31 December 2000 to FYE 31 December 2004 and for the ten (10) months ended 31 October 2005 set out below are based on the information extracted from the audited financial statements and accounting records of the following companies which owned UOA Centre Parcels, UOA II Parcels and UOA Damansara Parcels at a point of time:-

Commercial Properties	Owned by	
	Prior to 31 December 2002	After 31 December 2002
UOA Centre Parcels	Wisma UOA Sdn Bhd	Wisma UOA Sdn Bhd
UOA II Parcels	Julung Perdana Sdn Bhd	Wisma UOA Sdn Bhd ^
UOA Damansara Parcels	Gerak Perdana Sdn Bhd	Damai Positif Sdn Bhd ^

Note:-

^ UOA II Parcels and UOA Damansara Parcels were transferred to Wisma UOA Sdn Bhd and Damai Positif Sdn Bhd in December 2003

The extractions are made based on the Sponsors' representation and opinion that the revenue, expenses and receivables stated below are directly related to the operation of the Properties Parcels.

	Year ended 31 December					Ten(10) months ended
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM	31.10.2005 RM
Rental revenue	18,409,352	20,204,773	19,679,741	20,214,247	24,381,750	22,200,914
Expenses:						
Maintenance fee	(3,775,978)	(3,829,239)	(3,874,890)	(3,874,890)	(3,892,629)	(3,600,913)
Depreciation *	(2,595,245)	(2,596,760)	(2,612,161)	-	-	-
Assessment and quit rent	(1,730,335)	(1,687,942)	(1,683,003)	(1,700,045)	(1,690,429)	(1,477,887)
Management fee ^	-	-	-	(597,503)	(731,542)	(666,078)
Fixed sewerage charges	(40,882)	(40,955)	(40,883)	(40,885)	(40,885)	(30,664)
Bad debt written off	(39,288)	(108,137)	(216,235)	(35,459)	(61,900)	(93,766)
Insurance	(69,396)	(77,577)	(60,683)	(66,513)	(71,332)	(61,393)
Rental commission	(334,398)	(68,568)	(84,014)	(82,901)	(63,170)	(95,447)
Repair and maintenance expenses	(501,077)	(385,996)	(144,787)	(154,037)	(31,396)	(149,702)
Others	(25,886)	(43,915)	(49,665)	(29,739)	(14,044)	(17,701)
Total expenses	(9,112,485)	(8,839,089)	(8,766,321)	(6,581,972)	(6,597,327)	(6,193,551)
Property Income	9,296,867	11,365,684	10,913,420	13,632,275	17,784,423	16,007,363

The extraction of expenses above consists of expenses directly related to the operations of the Properties Parcels. In view that UOA REIT was constituted in end November 2005, the Property Income does not include the expenses specifically incurred by a REIT, e.g. trustee fees and property management fees etc.

3. Executive Summary (Cont'd)

Notes:-

- * *From FYE 31 December 2000 to FYE 31 December 2002, the Properties Parcels were reflected as property plant and equipment. As such, the Properties Parcels were being depreciated.*

The Properties Parcels were reclassified to investment properties subsequent to FYE 31 December 2002 and were recorded at revalued amount based on valuation carried out on 10 March 2004.

- ^ *Management fee represents fee charged by UOA Holdings for provision of administrative services such as payroll, accounting and billings. Management fee is charged based on approximately 3% of the rental revenue of the Properties Parcels. Prior to FYE 31 December 2003, UOA Holdings did not charge any management expenses to its related companies.*

Please refer to Section 8.1 of this Prospectus for further details on the financial highlights.

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3. Executive Summary (Cont'd)

3.5 Proforma Consolidated Balance Sheets of UOA REIT

The proforma consolidated balance sheets set out below have been prepared for illustrative purposes only to show the effects of the Listing Scheme on the balance sheet of UOA REIT.

	Proforma 1	Proforma 2	Proforma 3
	As at date of establishment (unaudited) RM'000	After Proforma 1 and the Acquisitions RM'000	After Proforma 2 and the Public Issue RM'000
Non-Current Assets			
Investment properties	-	310,500	310,500
Current Asset			
Cash and bank balances	-	-	980
Current Liability			
Other payables	-	(550)	-
Net current (liability)/assets	-	(550)	980
	-	309,950	311,480
Financed by:			
Units	-	225,000	226,530
Undistributed deficit	-	(550)	(550)
Unitholders' fund	-	224,450	225,980
Long Term Liability			
Bank borrowings	-	85,500	85,500
	-	309,950	311,480
NAV	-	224,450	225,980
No. of Units in Issue		225,000	228,000
NAV per Unit (RM)	-	1.00	0.99

Please refer to Section 8.7 of this Prospectus for further details on the proforma consolidated balance sheets of UOA REIT as well as the Reporting Accountants' letter thereon.

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3. Executive Summary (Cont'd)

3.6 Risk Factors

An investment in the Units involves a number of risks, some of which could be substantial and inherent in the business of UOA REIT.

You should rely on your own evaluation and to carefully consider the investment considerations before buying any of the IPO Units, which are the subject of this Prospectus. The investment considerations that should be considered includes, but are not limited to, the following:

(i) Risks relating to UOA REIT's organisation and operations

- Neither UOA REIT nor us, as new entities, has an established operating history;
- Our operations are subject to regulations;
- We may not be able to implement our strategies successfully;
- Potential conflicts relating to the acquisition of properties from the Sponsor;
- Potential conflicts and competition between UOA REIT and UOA Holdings Group;
- There are limitations on UOA REIT's ability to leverage;
- There are risks associated with bank borrowings;
- We may change UOA REIT's investment strategies;
- The performance of UOA REIT is dependent on our key executives; and
- UOA REIT may not be able to control or exercise any influence over entities in which it has minority interests

(ii) Risks relating to investment in real estate

- General risks attached to investment in real estate;
- Properties held by UOA REIT may be subject to increases in operating and other expenses;
- UOA REIT is dependent on the performance of its tenants and its ability to make distributions may be adversely affected by the loss of its tenants or a downturn in the business of its tenants;
- There may be uninsured or under-insured losses;
- UOA REIT may be adversely affected by the illiquidity of real estate investments; and
- The Properties or part thereof may be acquired compulsorily.

(iii) Risks relating to UOA REIT's Properties Parcels

- The Properties Parcels are subject to the risk of non-renewal of expiring tenancies;
- UOA REIT may not be able to exercise all rights and interest over the common properties of the Properties;
- UOA REIT may be required to contribute towards the capital expenditure incurred in respect of the common properties in the respective Property;
- The sale price for a Properties Parcel may be less than its current valuation or the purchase price paid by UOA REIT;
- Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow;
- UOA REIT's properties are located entirely in Malaysia, which exposes UOA REIT to geographic and market concentration risk; and
- Malaysia's commercial properties market is highly competitive;

3. Executive Summary (Cont'd)

(iv) Risks relating to an investment in the Units

- The price of the Units may decline after the IPO;
- Disposal of Units by the Sponsor
- Unitholders will be effectively subordinated to all existing and future claims of creditors of UOA REIT;
- Distributions to Unitholders will be subject to cash flow availability of UOA REIT;
- Property yield on real estate to be held by UOA REIT is not equivalent to yield on the Units;
- The NAV of the Units will be diluted if further issues are priced below the NAV;
- Unitholders have no right to require the redemption of their Units;
- Failure and/or delay in the Listing;
- The Units may be delisted from Bursa Securities;
- Forward-looking statements; and
- Changes to accounting standards may result in changes in the future as to how UOA REIT's results and financial position are prepared and presented.

Please refer to Section 6.1.3 of this Prospectus for further details on the risk factors.

3.7 Principal Statistics Relating to the IPO

3.7.1 Total Issued Units

	No. of Units
Approved fund size	<u>228,000,000</u>
Issue of new Units to the Vendors pursuant to the Acquisitions	225,000,000
To be issued pursuant to the Public Issue	3,000,000
Total issued Units upon Listing	<u>228,000,000</u>
To be offered pursuant to the Offer For Sale	<u>75,000,000</u>

3.7.2 Information on the IPO

IPO	<p>The IPO comprises:-</p> <p><u>(i) Public Issue</u></p> <p>The issue of 3,000,000 IPO Units to the Malaysian Public via balloting (<i>of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions</i>), for subscription at the Retail Price under the Retail Offering.</p> <p><u>(ii) Offer For Sale</u></p> <p>The offer for sale by the Offerors of 75,000,000 IPO Units comprising the following:-</p> <p>(a) 7,000,000 IPO Units to the Malaysian Public via balloting (<i>of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions</i>), for subscription at the Retail Price under the Retail Offering;</p> <p>(b) 3,000,000 IPO Units to the eligible employees, Directors and business associates of UOA Holdings Group for subscription at the Retail Price under the Retail Offering; and</p> <p>(c) 65,000,000 IPO Units to selected investors for subscription at the Institutional Price under the Institutional Offering.</p>
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3. Executive Summary (Cont'd)

Minimum Subscription	There is no minimum subscription to be raised from the IPO. Completion of the Retail Offering and Institutional Offering are inter-conditional.
Clawback and Reallocation	The allocation of IPO Units between and within the Retail Offering and Institutional Offering is subject to adjustment. For instance, in the event the Retail Offering is over-subscribed and the Institutional Offering is under-subscribed, the IPO Units may be clawed back from the Institutional Offering and reallocated to the Retail Offering and vice versa. The clawback and reallocation shall not apply in the event of an over-subscription in both the Institutional Offering and Retail Offering.
Retail Price	RM1.15 per IPO Unit. <i>(The Final Retail Price will be determined after the Institutional Price is fixed and shall be the lower of the Retail Price and 97% of the Institutional Price. In the event that the Final Retail Price is lower than the Retail Price, a refund of difference will be made without any interest thereon.)</i>
Institutional Price	To be determined via a bookbuilding process on a best effort basis as agreed between the Sole Bookrunner and us.

Please refer to Section 4 of this Prospectus for further details on the IPO.

3.7.3 Proforma NAV

Proforma NAV (after taking into consideration the listing expenses of RM1.92 million)	(RM'000)	225,980
Proforma NAV per Unit (based on total issued Units upon listing)	(RM)	0.99

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3. Executive Summary (Cont'd)

3.7.4 Profit Estimate, Forecast and Projections

The summary of the estimate for FYE 31 December 2005, forecast for FYE 31 December 2006 as well as projections for FYE 31 December 2007 and 31 December 2008 of UOA REIT are set out below:-

	Estimate [^] FYE 31 December 2005 (RM)	Forecast FYE 31 December 2006 (RM)	Projections FYE 31 December 2007 (RM)	Projections FYE 31 December 2008 (RM)
Gross revenue	2,255,405	29,147,879	31,528,652	34,372,888
Property operating expenses:				
- Bad and doubtful debts	(15,210)	(194,089)	(209,614)	(228,645)
- Quit rent, assessment and fixed sewerage charges	(126,564)	(1,518,772)	(1,518,772)	(1,518,772)
- Maintenance fee	(360,096)	(4,321,154)	(4,321,154)	(4,321,154)
- Insurance premium	(11,939)	(143,270)	(143,270)	(143,270)
- Repair and maintenance expenses	(2,838)	(36,328)	(39,250)	(42,805)
- Valuation fee	-	-	-	(100,000)
- Other property operating expenses	(850)	(12,200)	(12,200)	(12,200)
	(517,497)	(6,225,813)	(6,244,260)	(6,366,846)
Net property income	1,737,908	22,922,066	25,284,392	28,006,042
Manager's management fee	(155,000)	(1,860,000)	(1,915,800)	(1,973,274)
Trust expenses	(13,339)	(160,418)	(160,823)	(161,278)
Borrowing costs	(792,250)	(2,914,125)	(2,999,625)	(3,085,125)
Earnings before taxation	777,319	17,987,523	20,208,144	22,786,365
Taxation	-	-	-	-
Earnings after taxation	777,319	17,987,523	20,208,144	22,786,365

Note:-

[^] UOA REIT was established in end November 2005. Accordingly, the profit estimate for FYE 31 December 2005 reflects UOA REIT's operations for a period of one (1) month.

Please refer to Sections 8.2 to 8.3 of this Prospectus for further details on the profit estimate, forecast and projections, Reporting Accountants' letter on the profit estimate and forecast as well as the principal bases and assumptions upon which the profit estimate, forecast and projections of UOA REIT are made of.

3. Executive Summary (Cont'd)

3.7.5 Distribution Estimate, Forecast and Projections

Barring any unforeseen circumstances, it is our intention to distribute 95% of the distributable income of UOA REIT for FYE 31 December 2005 to FYE 31 December 2008, as set out in Section 8.6 of this Prospectus.

		FYE 31 December 2006	FYE 31 December 2007	FYE 31 December 2008
Distribution per Unit	Sen	7.49	8.42	9.49
Distribution yield based on the Retail Price of RM1.15 per Unit	(%)	6.51	7.32	8.25

The distributable income is expected to be same as the earnings before taxation over the FYE 31 December 2006 to 2008 respectively.

3.8 Utilisation of Proceeds

Assuming the IPO Units are subscribed at RM1.15 (*being the Retail Price*), the Offer For Sale will raise gross proceeds of RM86,250,000. This amount shall accrue to the Offeror only and UOA REIT would receive no part of the proceeds. The Offeror shall bear all expenses such as brokerage and underwriting commission relating to the Units offered under the Offer For Sale.

The Public Issue is expected to raise gross proceeds of RM3,450,000 (*based on the Retail Price*) which shall accrue to UOA REIT. We intend to utilise the proceeds in the following manner:-

	Application of proceeds (RM)	Timeframe for utilisation from date of receipt of proceeds
Estimated listing expenses ⁽¹⁾		
- Fees to authorities	90,000	Immediate
- Professional fees ⁽²⁾	960,000	Immediate
- Underwriting and brokerage fees	80,000	Immediate
- Issuing house fee and disbursement	150,000	Immediate
- Printing, advertising and other miscellaneous expenses	640,000	Immediate
Estimated expenses for the bank borrowings taken to part finance the Acquisition of UOA Centre Parcels and the Acquisition of UOA II Parcels ⁽³⁾	550,000	Immediate
Working capital	980,000	Within 12 months
Total	3,450,000	

Notes:-

- (1) Any unutilised amount shall be used for working capital purposes of UOA REIT. Any shortfall will be met from proceeds set aside for working capital purposes.
- (2) Includes fees of the Adviser, Reporting Accountant, Solicitors and other professional advisors.
- (3) Primarily comprising the facility fee, legal fee and stamp duty, but excludes the financing costs related to the borrowings.

In the event that the Final Retail Price is lower than the Retail Price, there will be a corresponding decrease in the provision for working capital requirement.

3. Executive Summary (Cont'd)

3.9 Unitholdings of the Sponsor, Substantial Unitholders, Our Directors and Our Key Management in UOA REIT

As at the LPD, the Sponsor, substantial unitholders (those holding 5% or more of the total Units upon the Listing), our Directors and our key management do not hold any Units in UOA REIT. Their unitholdings in UOA REIT after the IPO are as follows:-

Name	Designation	Proforma After the IPO [#]			
		Direct		Indirect	
		No. of Units '000	%	No. of Units '000	%
Sponsor					
UOA Holdings	Not applicable	-	-	^150,000	65.8
Substantial Unitholders					
Wisma UOA Sdn Bhd	Not applicable	102,000	44.7	-	-
Damai Positif Sdn Bhd	Not applicable	48,000	21.1	-	-
UOA Holdings	Not applicable	-	-	^150,000	65.8
UOA	Not applicable	-	-	*150,000	65.8
Our Directors					
Tan Sri Dato' Alwi Jantan	Non-Independent Non-Executive Chairman	100	neg	-	-
Chan Cecelia	Non-Independent Executive Director / Chief Executive Officer	100	neg	-	-
Khor Soo Beng	Non-Independent Executive Director	100	neg	-	-
Chi Suim @ Kong Chong Soon	Non-Independent Non-Executive Director	-	-	+150,000	65.8
Alan Charles Winduss	Non-Independent Non-Executive Director	100	neg	-	-
Dato' Gan Boon Khuay	Independent Non-Executive Director	100	neg	-	-
Jeswant Natarajan	Independent Non-Executive Director	100	neg	-	-
Kung Beng Hong	Independent Non-Executive Director	100	neg	-	-
Our Key Management					
Chan Cecelia	Non-Independent Executive Director / Chief Executive Officer	100	neg	-	-
Khor Soo Beng	Non-Independent Executive Director	100	neg	-	-
Leong Kit May	Accountant	10	neg	-	-
Kong Ai Chee	Assets Management Manager	6	neg	-	-

Notes:-

- # Including their allocation as pursuant to the allocation to eligible employees and Directors.
- ^ Deemed interested by virtue of its interest in Wisma UOA Sdn Bhd and Damai Positif Sdn Bhd.
- * Deemed interested by virtue of its interest in UOA Holdings.
- + Deemed interested by virtue of his interest in UOA Holdings via UOA.
- neg Negligible.

Please refer to Sections 11.1.2 and 11.1.3 of this Prospectus for further details on our Directors and key management respectively.

3. Executive Summary (Cont'd)

Prospective Unitholders should read and understand the contents of the Prospectus and, if necessary, consult their adviser(s).

Unit prices and distribution payable, if any, may go down as well as up.

Please also note that:-

- The rental yield on real estate held by UOA REIT is not equivalent to the yield of the Units.
- The current rental receipts and yields may not sustain.
- The value of the real estate may rise as well as fall.

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4. Particulars of the IPO

4.1 Total Issued Units

	No. of Units
Approved fund size	<u>228,000,000</u>
Issue of new Units to the Vendors pursuant to the Acquisitions	225,000,000
To be issued pursuant to the Public Issue	3,000,000
Total issued Units upon Listing	<u>228,000,000</u>
To be offered pursuant to the Offer For Sale	<u>75,000,000</u>

There is only one class of Units in UOA REIT. The IPO Units, provided that application monies are paid in full, will rank *pari passu* in all respect with the existing issued Units of UOA REIT and the IPO Units will be entitled to all distributions that may be declared subsequent to the date of this Prospectus.

Each Unitholder shall be entitled to vote in person or by proxy at any meeting of Unitholders. On a show of hands, every person present who is an Unitholder or proxy of a Unitholder, shall have one vote, whereas on a poll, every person present who is an Unitholder or proxy of a Unitholder shall have one vote for each Unit held.

A Unitholder shall be entitled to attend and vote at any meeting of Unitholders, and shall be entitled to appoint another person (*whether a Unitholder or not*) as its proxy to attend and vote.

4.2 Details of the IPO

The IPO comprises the following:-

(i) Public Issue

The issue of 3,000,000 IPO Units, representing approximately 1.32% of the total size of UOA REIT, to the Malaysian Public via balloting (*of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions*), for subscription at the Retail Price under the Retail Offering.

(ii) Offer For Sale

The offer for sale by the Offerors of 75,000,000 IPO Units to the following:-

- (a) 7,000,000 IPO Units, representing approximately 3.07% of the total size of UOA REIT, to the Malaysian Public via balloting (*of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions*), for subscription at the Retail Price under the Retail Offering;
- (b) 3,000,000 IPO Units, representing approximately 1.32% of the total size of UOA REIT, to the eligible employees, Directors and business associates of UOA Holdings Group for subscription at the Retail Price under the Retail Offering; and
- (c) 65,000,000 IPO Units, representing approximately 28.51% of the total size of UOA REIT, to selected investors for subscription at the Institutional Price under the Institutional Offering.

4. Particulars of the IPO (Cont'd)

The 3,000,000 Units reserved for allocation to the eligible employees, Directors and business associates of UOA Holdings Group will be allocated in the following manner:-

- 1,500,000 Units will be reserved for 221 eligible employees and Directors of the UOA Holdings Group; and
- 1,500,000 Units will be reserved for 25 selected business associates of the UOA Holdings Group who have a business relationship with the UOA Holdings Group for at least one(1) year and who have contributed significantly to the success of the UOA Holdings Group.

The portion of the Units that has been allocated to the eligible employees and Directors of the UOA Holdings Group are based on the following criteria as approved by our Board:-

- At least eighteen (18) years of age;
- Job position; and
- Length of service.

Details of allocation to our Directors are as follows:-

Name of Directors	Designation	No. of Units allocated
Tan Sri Dato' Alwi Jantan	Non-Independent Non-Executive Chairman	100,000
Chan Cecelia	Non-Independent Executive Director / Chief Executive Officer	100,000
Khor Soo Beng	Non-Independent Executive Director	100,000
Alan Charles Winduss	Non-Independent Non-Executive Director	100,000
Dato' Gan Boon Khuay	Independent Non-Executive Director	100,000
Jeswant Natarajan	Independent Non-Executive Director	100,000
Kung Beng Hong	Independent Non-Executive Director	100,000
Total allocation to Directors		700,000

Any portion of the IPO Units which are not taken up by eligible employees, Directors and business associates of UOA Holdings Group in paragraph (ii)(b) will be made available for application by the Malaysian Public under paragraphs (i) and (ii)(a) above.

There is no minimum subscription to be raised from the IPO. Completion of the Retail Offering and Institutional Offering are inter-conditional.

If the Retail Offering and Institutional Offering are not completed, monies paid in respect of any application for the IPO Units will be returned to the applicants without interest. Thereafter, UOA REIT shall be terminated in accordance with the Deed.

Clause 8.03(1) of the Guidelines on REIT requires *inter-alia* that underwriting arrangements must be in place before the offering of units is made (*for offerings to the general public and restricted issues/offers*).

In this respect, the IPO Units under the Retail Offering have been fully underwritten.

However, for the IPO Units under the Institutional Offering, the SC has granted a waiver for underwriting arrangements to be entered into only after the completion of the bookbuilding exercise (*please refer to Section 15.2.2(ii) of this Prospectus for information on the waiver from the SC*). Hence, the underwriting arrangements for the IPO Units under the Institutional Offering will be entered into only after the closing of the Institutional Offering and the determination of the Institutional Price in accordance with Section 4.5 of this Prospectus.

4. Particulars of the IPO (Cont'd)

4.2.1 Further details on the Retail Offering and Institutional Offering

A total of 65,000,000 Units will be available to selected investors under the Institutional Offering and 13,000,000 Units will be offered to the Malaysian Public under the Retail Offering *(subject, in each case, to reallocation on the basis described under Section 4.3 of this Prospectus)*.

Investors may apply for Units under the Retail Offering or indicate an interest for Units under the Institutional Offering, **but not under both**. Investors may only receive Units under either the Institutional Offering or the Retail Offering, but not under both. The Retail Offering is open to the Malaysian Public. The Institutional Offering will involve the selective marketing of Units to selected investors anticipated to have a sizeable demand for such Units. Selected investors generally include brokers, dealers, companies *(including fund managers)* whose ordinary business involves dealing in shares, units and other securities, and corporate entities which regularly invest in shares, units and other securities.

As part of the Institutional Offering process, prospective professional, institutional and other selected investors will be required to specify the number of Units they would be prepared to acquire under the Institutional Offering either at different prices or at a particular price. This process, known as "bookbuilding", is expected to continue up to, and to cease on or about, 20 December 2005.

Allocation of the IPO Units pursuant to the Institutional Offering will be determined by the Sole Bookrunner and us and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investors are likely to buy further, and/or hold or sell, its IPO Units after the listing of the Units on the Bursa Securities. Such allocation is intended to result in a distribution of the Institutional Offering on a basis which would lead to the establishment of a solid unitholder base to the benefit of UOA REIT and the Unitholders as a whole.

Allocation of IPO Units to applicants under the Retail Offering will be based solely on the level of valid applications received under the Retail Offering. The basis of allocation may vary, depending on the number of IPO Units validly applied for, but, subject to that, will be made on a pro-rata basis, although the allocation of IPO Units could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the IPO Units, and those applicants who are not successful in the ballot may not receive any IPO Units.

Please refer to Section 21 of this Prospectus on the procedures for application and acceptance for the IPO Units under the Retail Offering.

Selected investors who express interest for the IPO Units under the Institutional Offering should comply with the procedures set out in accordance with the separate instructions specified by the Sole Bookrunner.

4.3 Clawback and Reallocation

The allocation of IPO Units between and within the Retail Offering and Institutional Offering is subject to adjustment. For instance, in the event the Retail Offering is over-subscribed and the Institutional Offering is under-subscribed, the IPO Units may be clawed back from the Institutional Offering and reallocated to the Retail Offering and vice versa. The clawback and reallocation shall not apply in the event of an over-subscription in both the Institutional Offering and Retail Offering.

4. Particulars of the IPO (Cont'd)

4.4 Indicative Timetable

The indicative timing of events leading up to the listing of and quotation for UOA REIT on the Main Board of Bursa Securities is set out below:-

Event	Date
Opening of the Retail Offering and Institutional Offering	13 December 2005
Closing of the Retail Offering	20 December 2005
Closing of the Institutional Offering	20 December 2005
Price determination	20 December 2005
Balloting of applications for the Units issued/offered pursuant to the Retail Offering	22 December 2005
Allotment of Units to successful applicants	29 December 2005
Listing of UOA REIT on the Main Board of Bursa Securities	30 December 2005

This timetable is tentative and is subject to changes which may be necessary to facilitate implementation procedures.

The application for the Retail Offering and Institutional Offering will open at 10.00 a.m. on 13 December 2005 and will remain open until 5.00 p.m. on 20 December 2005 or for such further period or periods as our Directors, Promoters and/or Offerors together with the Managing Underwriter in their absolute discretion may decide. Late applications will not be accepted.

Should the closing date of the application for the Retail Offering and Institutional Offering be extended, the dates for the price determination, balloting, allotment and listing of UOA REIT on the Main Board of Bursa Securities might be extended accordingly. Any changes to the application period will be notified to the public via an advertisement in a widely circulated daily Bahasa Malaysia and English newspapers.

4.5 Basis of Arriving at the Institutional Price and the Final Retail Price

Upon application, the applicants under the Retail Offering will pay the Retail Price of RM1.15 per Unit. The Final Retail Price will be the lower of:-

- (a) The Retail Price of RM1.15 per Unit; and
- (b) 97% of the Institutional Price, subject to rounding adjustments.

The Institutional Price will be determined via the "bookbuilding" process where prospective selected investors specify the number of Units they would be prepared to acquire at different prices. This "bookbuilding" process is expected to continue up to and ceases on or about 20 December 2005. Following the bookbuilding process, the Institutional Price will be determined by agreement between the Sole Bookrunner and us on the price determination date which is expected to be on or about 20 December 2005. Among the factors that will be taken into account in determining the Institutional Price are the allocation criteria for the IPO Units under the Institutional Offering as set out in Section 4.2 of this Prospectus, the demand for the Units and the prevailing market conditions.

4. Particulars of the IPO (Cont'd)

The Final Retail Price will be determined after the Institutional Price is fixed. If the Final Retail Price is lower than the Retail Price, a refund of the difference will be made without any interest. The refund in the form of a cheque will be despatched to successful applicants through ordinary mail to the addresses of the successful applicants as stated in the record of Bursa Depository within ten (10) Market Days from the final ballot of the applications at the successful applicants' own risk.

We will announce the Final Retail Price and the Institutional Price in a Bahasa Malaysia and English daily newspaper circulating generally in Malaysia within two (2) Market Days after the price determination date. We will also send all successful applicants a written notice of the Final Retail Price and Institutional Price in the notices of allotment.

You should note that the price at which the Units will trade on Bursa Securities upon the Listing is subject to the vagaries of the market forces and other uncertainties which may affect the price of the Units when they are traded.

4.6 The Listing Scheme

In conjunction with, and as an integral part of the listing of and quotation for the entire UOA REIT Unit on the Main Board of Bursa Securities, we undertook/will undertake the Listing Scheme, as follows:-

(i) Acquisition of UOA Centre Parcels

On 29 November 2005, OSK Trustees (*as the Trustee*) entered into the Property Sale and Purchase Agreement with Wisma UOA Sdn Bhd for the acquisition of UOA Centre Parcels from Wisma UOA Sdn Bhd for a total consideration of RM57,600,000 satisfied by:-

- (i) Issuance of 36,950,943 new Units at an issue price of RM1.00 per Unit; and
- (ii) Cash consideration of RM20,649,057 raised from bank borrowings.

The purchase consideration of RM57,600,000 for UOA Centre Parcels was arrived at on a "willing buyer willing seller" basis and is at a discount of 1.37% from the open market value of UOA Centre Parcels of RM58,400,000 based on the valuation performed by the Independent Property Valuer.

The net book value of UOA Centre Parcels was RM53,500,000 as at 31 December 2004.

(ii) Acquisition of UOA II Parcels

On 29 November 2005, OSK Trustees (*as the Trustee*) entered into the Property Sale and Purchase Agreement with Wisma UOA Sdn Bhd for the acquisition of UOA II Parcels from Wisma UOA Sdn Bhd for a total consideration of RM180,900,000 satisfied by:-

- (i) Issuance of 116,049,057 new Units at an issue price of RM1.00 per Unit; and
- (ii) Cash consideration of RM64,850,943 raised from bank borrowings.

The purchase consideration of RM180,900,000 for UOA II Parcels was arrived at on a "willing buyer willing seller" basis and is at a discount of 4.34% from the open market value of UOA II Parcels of RM189,100,000 based on the valuation performed by the Independent Property Valuer.

The net book value of UOA II Parcels was RM167,422,940 as at 31 December 2004 .

4. Particulars of the IPO (Cont'd)

(iii) Acquisition of UOA Damansara Parcels

On 29 November 2005, OSK Trustees (*as the Trustee*) entered into the Property Sale and Purchase Agreement with Damai Positif Sdn Bhd for the acquisition of UOA Damansara Parcels from Damai Positif Sdn Bhd for a total consideration of RM72,000,000 satisfied entirely by the issuance of 72,000,000 new Units at an issue price of RM1.00 per Unit.

The purchase consideration of RM72,000,000 for UOA Damansara Parcels was arrived at on a "willing buyer willing seller" basis and is at a discount of 5.76% from the open market value of UOA Damansara Parcels of RM76,400,000 based on the valuation performed by the Independent Property Valuer.

The net book value of UOA Damansara was RM71,871,020 as at 31 December 2004.

(iv) Public Issue

Please refer to Section 4.2(i) of this Prospectus for details of the Public Issue.

(v) Offer For Sale

Please refer to Section 4.2(ii) of this Prospectus for details of the Offer For Sale.

(vi) Proposed Listing and Quotation on the Main Board of Bursa Securities

We have made an application to Bursa Securities for admission to the Official List, and the listing of and quotation for the total issued Units and units to be issued pursuant to the Public Issue in UOA REIT comprising 228,000,000 Units on the Main Board of Bursa Securities. The Board Lot sizes for the total issued Units of UOA REIT upon its listing will be standardised at 100 Units per Board Lot.

4.6.1 Bank Borrowings Taken to Part-Finance the Acquisition of UOA Centre Parcels and Acquisition of UOA II Parcels

AmBank has granted a revolving credit facility of RM85.5 million to part-finance the Acquisition of UOA Centre Parcels and the Acquisition of UOA II Parcels. The interest rates of the revolving credit facilities range from 0.2% per annum to 0.5% per annum above the lender's COF.

The securities granted to AmBank for the purpose of securing the above facilities are as follows:-

- Facility agreement for RM85.5 million together with interest, commission and all other bank charges thereon;
- Deed of assignment over the sale and purchase agreement entered into between the Trustee and Wisma UOA Sdn Bhd for the sale and purchase of UOA Centre Parcels and UOA II Parcels;
- Power of attorney to enable AmBank *inter-alia* to accept and execute document of transfer and charge upon the issuance of strata titles to UOA Centre Parcels and UOA II Parcels; and
- Upon the issuance of strata titles to UOA Centre Parcels and UOA II Parcels, a first party first legal charge over UOA Centre Parcels and UOA II Parcels.

4. Particulars of the IPO (Cont'd)

4.7 Purposes of the IPO

The IPO will enable the following objectives to be fulfilled:-

- (i) to facilitate the listing and quotation of the total issued Units of UOA REIT on the Main Board of Bursa Securities;
- (ii) to enable UOA REIT to gain access to the capital market to raise funds for future real estate acquisitions which in turn will allow the continual growth of UOA REIT;
- (iii) to provide you with an opportunity to invest in a real estate investment trust that will provide sustained returns and capital appreciation in the long term and to participate in future growth prospects of UOA REIT; and
- (iv) to enhance the development of the real estate market in Malaysia through the listed REIT which is relatively more liquid as compared to the underlying physical properties of the REIT.

4.8 Minimum Subscription

As stated in Section 4.2 of this Prospectus, there is no minimum subscription to be achieved for the IPO.

4.9 Estimated Proceeds from the IPO

Assuming the IPO Units are subscribed at RM1.15 (*being the Retail Price*), the Offer For Sale will raise gross proceeds of RM86,250,000. This amount shall accrue to the Offeror only and UOA REIT would receive no part of the proceeds. The Offeror shall bear all expenses such as brokerage and underwriting commission relating to the Units offered under the Offer For Sale.

The Public Issue is expected to raise gross proceeds of RM3,450,000 (*based on the Retail Price*) which shall accrue to UOA REIT. We intend to utilise the proceeds in the following manner:-

	Application of proceeds (RM)	Timeframe for utilisation from date of receipt of proceeds
Estimated listing expenses ⁽¹⁾		
- Fees to authorities	90,000	Immediate
- Professional fees ⁽²⁾	960,000	Immediate
- Underwriting and brokerage fees	80,000	Immediate
- Issuing house fee and disbursement	150,000	Immediate
- Printing, advertising and other miscellaneous expenses	640,000	Immediate
Estimated expenses for the bank borrowings taken to part finance the Acquisition of UOA Centre Parcels and the Acquisition of UOA II Parcels ⁽³⁾	550,000	Immediate
Working capital	980,000	Within 12 months
Total	3,450,000	

Notes:-

- (1) Any unutilised amount shall be used for working capital purposes of UOA REIT. Any shortfall will be met from proceeds set aside for working capital purposes.
- (2) Includes fees of the Adviser, Reporting Accountant, Solicitors and other professional advisors.
- (3) Primarily comprising the facility fee, legal fee and stamp duty, but excludes the financing costs related to the borrowings.

In the event that the Final Retail Price is lower than the Retail Price, there will be corresponding decrease in the provision for working capital requirement.

4. Particulars of the IPO (Cont'd)

4.10 Brokerage and Commission

(i) Brokerage

UOA REIT will bear the brokerage in respect of the Public Issue while the Offerors will bear the brokerage in respect of Offer For Sale for the IPO Units made available for application by the Malaysian Public.

The rate of brokerage is 1.0% of the Final Retail Price in respect of successful applications which bear the stamp of AmMerchant Bank, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

(ii) Commissions

The Underwriters, AmMerchant Bank, AmSecurities Sdn Bhd and Affin Securities Sdn Bhd, have agreed to underwrite an aggregate of 13,000,000 IPO Units under the Retail Offering at the underwriting commission rates of 0.25% and 1.25% of the Retail Price for the Pink Form Portion and Malaysian Public Portion being underwritten respectively. In addition, the Managing Underwriter will be paid a managing underwriting commission of 0.25% of the Retail Price for the 13,000,000 IPO Units being underwritten.

UOA REIT will bear the managing underwriting and underwriting commissions in respect of 3,000,000 IPO Units under the Public Issue while the Offerors will bear the managing underwriting and underwriting commissions in respect of 10,000,000 IPO Units under the Offer For Sale.

The Offerors will also bear the selling commission, underwriting commission and other fees payable to the Sole Bookrunner based on a range of 1.25% to 1.75% of the Institutional Price for each IPO Unit pursuant to the Institutional Offering, subject to the clawback and reallocation provisions as set out in Section 4.3 of this Prospectus.

4.11 Salient Terms of the Underwriting Agreement

The Underwriting Agreement was entered into between us, the Offerors, the Managing Underwriter and the Underwriters on 29 November 2005 to severally and jointly underwrite up to 13,000,000 Units under the Retail Offering ("**Underwritten Units**") subject to the clawback and reallocation, for the underwriting commission rates of 0.25% and 1.25% of the Retail Price for the Pink Form Portion and Malaysian Public Portion being underwritten respectively. Further, under the Underwriting Agreement, we and the Offerors will pay the Managing Underwriter a managing underwriting fee of 0.25% of the Retail Price multiplied by the Underwritten Units.

Subject to certain conditions precedent, each of the Underwriters has agreed to underwrite the subscription and sale of a certain number of Underwritten Units of the Retail Offering.

The salient terms of the Underwriting Agreement are set out below:-

- (a) The Underwriting Agreement is conditional upon the fulfillment of several conditions on or before the closing of the Retail Offering ("**Closing Date**"), which include the following main conditions:
- (i) the Listing of UOA REIT not being prohibited by any statute, order, rule, regulation, or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia; and
 - (ii) all necessary approvals and consents required in relation to the IPO and the Listing of UOA REIT including but not limited to governmental approvals having been obtained and are in full force and effect until the Closing Date.

4. **Particulars of the IPO (Cont'd)**

- (b) If any of the conditions precedent is not satisfied on or before the Closing Date, any of the Underwriters may terminate the Underwriting Agreement by written notice to us and/or the Offerors.
- (c) The Underwriter may by notice in writing to the Managing Underwriter require the Managing Underwriter to terminate the Underwriting Agreement and its commitment to underwrite the Underwritten Units by giving written notice to us and the Offerors not later than three (3) Market Days from the Closing Date, if any of the following events shall occur:-
- (i) any breach by us and/or the Offerors of any of our and/or the Offerors' representations, warranties, undertakings or obligations which is not capable of remedy or, if capable of remedy, is not remedied to the satisfaction of the Underwriters within such number of days as stipulated in the notice by the Managing Underwriter to us and/or the Offerors and in the opinion of the Underwriters, such breach would have or can reasonably be expected to have a material adverse effect on the business or operations of UOA REIT; or
 - (ii) matters have arisen or been discovered which would, if the IPO were made at that time, render any statement in the Prospectus untrue, incorrect, inaccurate or misleading or constitute an omission therefrom; or
 - (iii) if in the opinion of all the Underwriters:
 - (aa) there shall have been any material adverse change, or development (whether or not permanent) involving a prospective change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of our, the Offerors and/or UOA REIT, whether or not arising in the ordinary course of business except as disclosed in this Prospectus; or
 - (bb) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriters by reasons of war, a national emergency declared by the Malaysian government, hostilities, riot, uprising, flood, fire, storm, epidemic, explosion, disease, earthquake, hijacking, sabotage and acts of God which are unpredictable and beyond the control of the party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation, which would have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms or which, in the opinion of the Managing Underwriter (*whose opinion is final and binding*) which would have or can reasonably be expected to have a material adverse effect on and/or materially prejudice the business or operations of UOA REIT, the success of the Retail Offering and the Institutional Offering or the distribution or sale of the Units relating to the Retail Offering and the Institutional Offering; or
 - (cc) there shall have occurred any change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates as would in the opinion of the Underwriters have a material adverse effect on the success of the Retail Offering and the Institutional Offering and its distribution or sale (whether in the primary or in respect of dealings on the secondary market); or
 - (dd) there shall have been any governmental requisition or other occurrence of any nature whatsoever which in the opinion of the Underwriters would have or can reasonably be expected to have, a material adverse effect on the success of the Retail Offering and the Institutional Offering; or

4. Particulars of the IPO (Cont'd)

- (ee) there shall have been any change in law, regulation, directive, policy or ruling in any jurisdiction which in the opinion of the Underwriters would have or can reasonably be expected to have, a material and adverse effect on the success of the Retail Offering and Institutional Offering; or
 - (ff) the suspension of trading of all securities on the Bursa Securities for three (3) consecutive Market Days or more; or
 - (iv) we and/or the Offerors have withheld any information from the Managing Underwriter which in the opinion of the Underwriters would have or can reasonably be expected to have a material and adverse effect on the success of the Retail Offering and the Institutional Offering; or
 - (v) the Institutional Offering is stopped or delayed for any reason whatsoever; or
 - (vi) a placement agreement between the Offerors and the Sole Bookrunner in respect of the Units involved in the Institutional Offering is not executed within five (5) Market Days from the Closing Date (or such other date as may be mutually agreed in writing between the Offerors and the Managing Underwriter) or after such execution, the placement agreement be terminated for any reason whatsoever; or
 - (vii) the Listing does not take place within three (3) months from the date of this Prospectus; or
 - (viii) in the event that the approval of Bursa Securities for the Listing is not procured within two (2) months from the date of the Underwriting Agreement or is withdrawn or procured but subject to conditions not acceptable to the Managing Underwriter and/or the Underwriters.
- (d) We and the Offerors have made several representations, warranties and undertakings under the Underwriting Agreement to and for the benefit of the Underwriters. Upon any misrepresentation or breach of such warranties or failure to perform the undertakings in any respect coming to the notice of the Underwriter, that Underwriter shall be entitled (but not bound), without prejudice to any other right or remedy which it may have, by notice to us and the Offerors, following prior consultation with us and the Offerors, to elect to treat such misrepresentation or breach or failure as releasing and discharging us and/or the Offerors from our and/or the Offerors obligations under the Underwriting Agreement.

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5. Introduction To REITs

5.1 Introduction to REITs

A REIT is an investment vehicle that invests primarily in income-producing real estate and/or single purpose companies whose principal assets comprise real estates, and uses the income from the properties and/or companies to provide returns to its unitholders. A portion of the REIT funds can also be invested in other asset classes, such as cash or deposits. In purchasing a unit in a REIT, you share the benefits and risks of owning the real estate assets held by the REIT. REITs are an attractive asset class for investors seeking strong dividend yields as REITs tend to distribute most of their income (*net of expenses*) to unit holders in the form of dividends at regular intervals. A REIT may be listed or unlisted.

5.2 Objective of REITs

The key objective of a REIT is to provide unitholders with stable distributions per unit with the potential for sustainable long-term growth of such distributions.

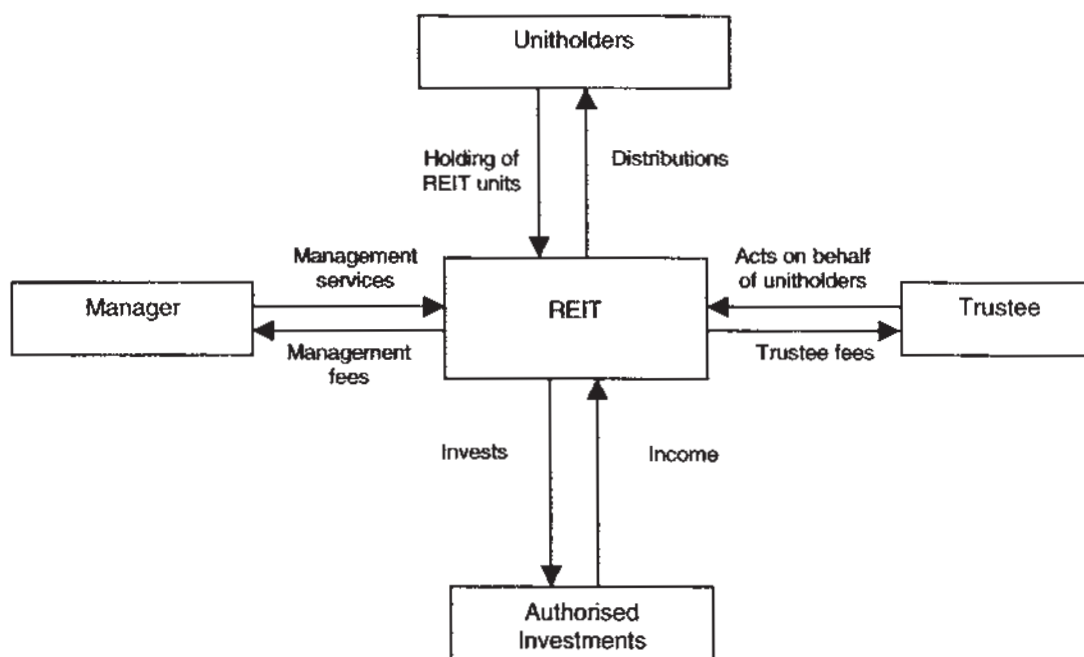
The manager of a REIT aims to achieve this objective by optimising the performance and enhancing the overall quality of a large and geographically diversified portfolio of real estate assets through various investment and business strategies.

Any material changes to the objective of a REIT will need the approval of Unitholders.

5.3 Structure and Organisation of REITs

A REIT is constituted by a trust deed entered into between the manager and the trustee. The trust deed sets out the general administration of the REIT and regulates the actions of the manager and trustee within the guiding principle of protecting the interests of the unitholders. In this regard, the trust deed is an embodiment of rules and conditions for the valuation and pricing of units, the keeping of proper accounts and records of the REIT, the collection and distribution of income, among other things. The trust deed also spells out the rights of unitholders, and the duties and responsibilities of the manager and trustee as they relate to the operations of the REIT.

A schematic illustration of the structure and organisation of a typical REIT is as follows:-



5. Introduction To REITs (Cont'd)

5.4 The Regulatory Regime

The SC Act and Guidelines on REIT are the principal legislations governing the establishment, administration and operation of REITs in Malaysia. The legislations must be complied with at all times. This requires, amongst others, that the manager and the trustee execute a trust deed which is registered with the SC and which incorporates the covenants required under the SC Act and the Guidelines on REIT.

The appointments of the manager, the trustee, the manager's directors and Chief Executive Officer as well as the members of the investment committee, if any must be approved by the SC.

(i) The Manager

The manager is obliged under the trust deed, SC Act and Guidelines on REIT to manage and administer the REIT in a proper, diligent and efficient manner, as well as to ensure high standards of integrity and fair dealing in managing the REIT to the best and exclusive interest of the unitholders. The manager administers the REIT in accordance with the objectives and investment policies of the REIT. The manager is independent of the trustee and is required to observe high standards of corporate governance.

(ii) The Trustee

The trustee is obliged under the trust deed, SC Act and Guidelines on REIT to act as the custodian for all the assets owned by the REIT. The trustee is appointed for the unitholders and must ensure that the manager administers the REIT in accordance with the objectives of the REIT and adheres strictly to the provisions of the trust deed, SC Act and Guidelines on REIT, particularly with regard to the exercise of investment powers of the REIT, collection and distribution of income, proper record keeping of administrative, investment and unitholders' transactions and in upholding unitholders' interests.

5.5 General Benefits of Investing in REITs

(i) Mixed portfolio of assets

REITs enable investors to diversify their risk profile by participating in a range of real estate and real estate-related assets, which would otherwise not be achievable by the investment in a single physical property. In addition, as a REIT is structured into units, unitholders will be able to tailor the exact amount of funds of their portfolio which they wish to devote to real estate.

(ii) Professional management

REITs provide investors an opportunity to buy into real estate that is maintained and operated by experienced and professional property manager(s) whose primary role is to maximise the operating income of the property assets in the REIT. As an added comfort to investors, such manager(s) are overseen by an independent trustee and are regulated on an ongoing basis by the SC.

(iii) Liquidity

REITs are often more tradable than physical properties especially if they are listed. This feature makes it easier for investors to quickly and efficiently adjust their portfolio's desired exposure to real property as compared to the buying and selling of real estate which can be a cumbersome and lengthy process.

5. Introduction To REITs (Cont'd)

(iv) High dividend distribution to unitholders

The tax incentives accorded by our regulatory guidelines encourage REITs to distribute most of their income to unitholders in dividends, which makes REITs an attractive asset class for investors who seek strong dividend yields. This is because income that is distributed to unitholders is not taxed at the REIT level in a way that it would be if such income was left undistributed.

(v) Stable returns

A REIT is typically able to generate stable, sustainable income, which can be used to continually pay high dividends. This is particularly true for REITs which qualify for stock exchange listings, as they normally own investment grade assets which generate recurring cash flows through profitable tenancy agreements for specific durations.

(vi) Affordability

REITs allow investors to participate in the real estate market with a smaller capital outlay as compared to the outright purchase of real estate.

(vii) Potential capital appreciation

REITs have a potential for capital appreciation via an increase in the values of the underlying properties held in its portfolio.

(viii) Ownership of high quality real estate

A REIT is also an effective means of gaining investment exposure to large, commercial properties. Depending on the quality of the real estate, holding REIT units is akin to holding stakes in high-grade real estate, which may otherwise have been difficult or impossible for a retail investor to hold.

(ix) Inflation hedge

With rising inflation, the value of real estate increases in tandem. Thus, as real estate is the underlying asset in a REIT, they provide an effective hedge against inflation.

Apart from the benefits, you should also note that investing in REITs is subject to the risks as described in Section 6.1.3 of this Prospectus.

5.6 Profile of REIT Investors



Investing in REITs is generally less risky than direct investments in real estate, investments in shares or financial derivatives, but generally more risky than investments in bonds or fixed deposits. Notwithstanding this, the income stability offered from investing in REITs may appeal to the following types of investors:-

- investors with funds who do not have the time or expertise to find, select, negotiate, purchase and profitably manage properties;
- investors with limited funds who wish to, but cannot, finance investment in property on their own account;
- investors who wish to seek capital growth on a spread of real estate investments; and
- investors who do not want to see their fund eroded by inflation without some capital measure of capital appreciation whilst at the same time retaining reliable and ready access to their capital.

5. Introduction To REITs (Cont'd)

5.7 Comparison with Alternative Investment

An investment is measured by two aspects, namely, risk and return. The higher the risk of an investment, the higher the expected return from that investment, and vice versa. Investments in REITs can be compared with several other forms of investments such as cash, fixed deposit, shares, property and financial derivative products. In general, risk and return comparison of investments may be illustrated as follows:

No.	Types of Investment	Risk Level	Expected Return Level
1.	Cash	Low	Low
2.	Fixed Deposit		
3.	Bonds		
4.	REIT		
5.	Preference Shares		
6.	Equities		
7.	Financial Derivative Products		

An investment in a REIT provides you with the opportunity to pool your resources into a fund to acquire a selected portfolio which primarily invests in high quality properties managed by experts at relatively low cost aiming to provide opportunities for capital and/or income growth. The potential for capital appreciation, the ability to borrow, the willingness and ability to take a long-term position all add up to an attractive form of investment.

5.8 Fees and Charges

(i) Charges imposed on purchases and redemption of units in a REIT

For listed REITs, other than the charges you may incur arising from the trading of the Units on Bursa Securities, e.g. brokerage, clearing fee and stamp duty, there are no other charges imposed on the sale and purchase of Units.

Further information on the charges you may incur from the trading of the Units on Bursa Securities may be found at Bursa Securities' website at www.bursamalaysia.com.

For unlisted REITs, there could be additional charges which could be factored into the prices for the sale and redemption of the units.

5. Introduction To REITs (Cont'd)

(ii) Fees and expenses that a REIT may incur

The following table describes the main fees that a REIT may incur:-

Fees	Details
Management fee	The manager receives a management fee for managing a REIT.
Property management fee	The property manager receives property management fee for managing the properties. The fee is based on a certain graduated scale as provided in the provisions of the Valuers, Appraisers and Estate Agents Act 1981.
Trustee fee	The trustee receives trustee fee for acting as trustee and custodian of the assets a REIT invests in and to safeguard the interests of investors.

There may be other expenses incurred on a REIT. The manager may also impose other fees and charges on the REIT.

5.9 REIT Performance Indicators

In reviewing the performance of REIT, you may consider the following definitions of fund returns or performance indicators:

(i) MER

The MER of a REIT is the total of all the fees incurred in a financial year and deducted directly from that REIT's income (*including the annual management fee, the annual trustee fee, the auditor's fees and other professional fees*) and all the expenses not recovered from and/or charged to the REIT (*including the costs of printing, stationery and postage*) expressed as a percentage of the average value of that fund.

The MER is a useful way to compare the costs of investment in a REIT with the costs of other investments of similar nature. The MER of a REIT is calculated as follows:

$$\text{MER} = \frac{\text{Fees + Non-Recoverable Expenses}}{\text{Average value of a REIT calculated on a daily basis}} \times 100$$

(ii) Total Returns

Total return is computed based on the actual gross income distribution and the net change in the weighted average market price for the year, over the weighted average market price of the REIT for the respective year.

(iii) Average Annual Return

Average annual return is computed based on total return per unit for the period averaged over number of years.

5. Introduction To REITs (Cont'd)

(iv) Distribution Yield

The ratio of distribution paid to unitholders from REIT's distributable income to the price paid by an investor for the units of a REIT or the prevailing market price of the units of a REIT, as the case may be.

(v) Net Asset Value

The net "market value" of a company's assets, including but not limited to its properties, after subtracting all its liabilities and obligations.

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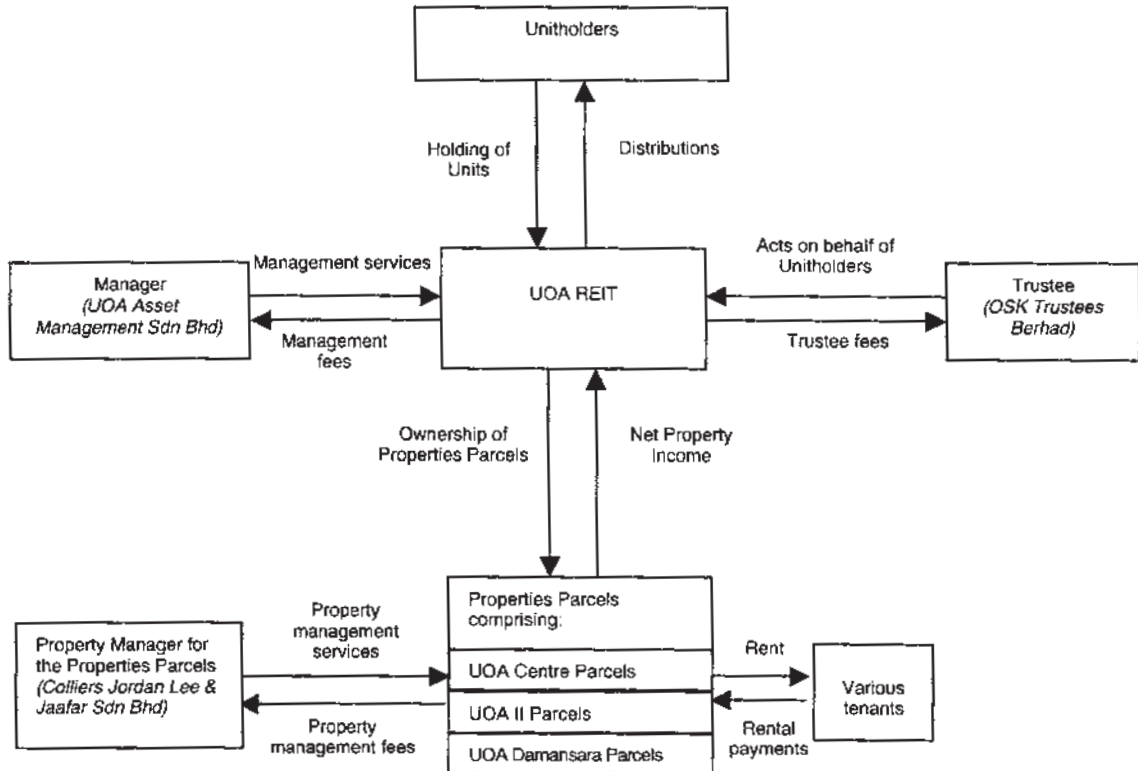
6. The UOA REIT

6.1 General Information

6.1.1 Introduction

UOA REIT is a Malaysian-based unit trust established on 29 November 2005 with the investment objective of owning and investing in real estate and real estate-related assets used, or predominantly used, for commercial purposes, whether directly or indirectly through the ownership of single-purpose companies who wholly own real estate. UOA REIT is initially being formed to own and invest in the Properties Parcels which comprise (a) UOA Centre Parcels, (b) UOA II Parcels, and (c) UOA Damansara Parcels.

The following illustrates the structure of UOA REIT:



6.1.2 Investment Objectives, Overall Strategies and Investment Policies for UOA REIT

Investment Objectives

As the Manager of UOA REIT, our key objective is to provide the Unitholders with stable distributions per Unit with the potential for sustainable long term growth of such distributions and the NAV per Unit.

Material changes to the investment objectives of UOA REIT require prior approval of the Unitholders by way of a resolution passed by not less than $\frac{2}{3}$ of all Unitholders (or such other majority as may be required under the Guidelines on REIT from time to time) at a meeting duly convened and held.

6. ***The UOA REIT (Cont'd)***

Overall Strategies

We intend to achieve UOA REIT's key objectives through a combination of maintaining a sustainable rental income growth and seek opportunities to acquire quality real estate to diversify the earnings base and to enjoy greater economies of scale. We will take advantage of the strong tenant relationships and network established by UOA Holdings Group, which managed the Properties Parcels prior to their acquisition by UOA REIT.

Our strategies in achieving UOA REIT's key objectives can be categorised as operating, acquisition and capital management strategies:-

(i) Operating Strategy

Our operating strategy is to continue to enhance the performance of the Properties Parcels by increasing yields and returns from the Properties Parcels through a combination of retaining existing tenants, reducing vacancy levels, adding and/or optimising retail/office space at the Properties Parcels and minimising interruptions in rental income and operational costs. We expect to apply the following key operating and management principles in order to continue to manage the Properties Parcels efficiently, to increase the yields of the Properties Parcels and to maximise growth:

- **Improve rental rates:** We will work with the Property Manager to manage tenancies renewals and new tenancies to minimise vacancy periods through (a) negotiations with tenants whose tenancies are about to expire; (b) identifying and increasing rents on tenancies which are at below market rents; and (c) minimising payment delinquencies and defaults by tenants.
- **Establishing close relationships with tenants to optimise tenant retention:** We will work closely with the Property Manager to establish closer relationships with tenants. We believe that such enhanced relationship will increase the attractiveness of the Properties Parcels and help maximise tenant retention. In addition, as the Properties Parcels were previously managed by UOA Holdings Group, we will have the benefit of the relationships established over the years with the existing tenants.
- **Tenant Base:** We intend to improve occupancy rates by actively working with the Property Manager to pursue new tenancy opportunities. We will also seek to diversify the tenant base to minimise over-reliance on any sector to reduce susceptibility to economic cycles. We intend to leverage on the extensive network with property agents and associates previously established by UOA Holdings Group over its last 15 years in the property investment and property development business.
- **Tenant Mix and Space Configuration:** We will review tenant mix and, if practicable, re-configure lettable space to maximise rental income. Consultations with major tenants will allow us to tailor the tenant mix to the needs of the business areas in order to meet the requirements of the tenants. We intend to take advantage of the wide variety of sizes of lettable space within the Properties Parcels to suite tenants' requirements.
- **Continually maintaining the quality of the Properties Parcels:** We will seek to maintain a high level of occupancy by preserving and continuously upkeeping the physical condition of the Properties Parcels.

6. The UOA REIT (Cont'd)

- **Maximising the performance of each Properties Parcel:** We will seek to maximise the overall financial performance of the Properties Parcels by focusing on each individual Property Parcel, using proper management systems to provide timely instructions to the Property Manager to support effective pricing decisions and reduce and control operating costs. We will measure actual results from operations against prior years' results and planned budgets in an effort to create a focused, profit-oriented approach to the management of each Properties Parcel and the operation of the Properties Parcels.
- **Improving operating efficiencies and economies of scale:** We will seek to maintain and pursue further operating efficiencies through strict cost controls to achieve internal cost savings. We will take advantage of the experience and expertise of our management team who were the key members of the management team of the UOA Holdings Group previously involved in all aspects of operations, including maintenance, security, renovation management and purchasing.
- **Raising the profile of the Properties Parcels:** We will, through our marketing, advertising and promotional efforts, help to raise the profile of the Properties Parcels with a view to enhancing the value of the Properties Parcels. We intend to work closely with the building manager and/or developer, and eventually with the management corporation of each respective Property when strata titles are issued, to enhance the visibility, facade and infrastructure of the Properties as and when the need arises. We expect to exert significant influence on the future direction of the Properties as the Properties Parcels forms the majority of the parcels within the Properties.

(ii) Acquisition Strategy

We will also seek to increase cash flow and enhance Unit value through selective acquisitions. We intend to pursue an acquisition strategy for UOA REIT to increase cash flows and the potential for net asset growth.

- **Location:** We will assess potential properties based on convenient access to major roads, public transportation network and proximity to major residential areas.
- **Occupancy and Tenant Mix:** We will seek to acquire properties with strong existing rental or with the potential for higher rental returns, relative to competing properties in the market.
- **Building and facilities specifications:** We will acquire buildings with good quality specifications which are in compliance with legal and zoning regulations, with due consideration being given to the size and age of the buildings.
- **Opportunities:** We may also seek to acquire properties where there is potential to increase occupancy rate and rental income through active property management *(for example through selective renovations and other enhancements)*.
- **Yield thresholds:** We will seek to acquire properties with yields that are above UOA REIT's cost of capital and which are expected to maintain or enhance returns to Unitholders.

We have access to a network and relationships with leading participants in the real estate industry which may assist UOA REIT in identifying (a) acquisition opportunities to achieve favourable returns on invested capital and growth in cashflow; and (b) underperforming assets. We believe that these deal-sourcing capabilities will be an important competitive advantage of UOA REIT.

6. The UOA REIT (Cont'd)

We intend to capitalise on the relationship with UOA Holdings Group which is one of Malaysia's leading property development, property investment, property management services and construction group of companies. This relationship is expected to accord UOA REIT competitive advantages and benefits towards achieving its long-term objectives.

We intend to hold the Properties Parcels on a long-term basis. In the future where we consider that any property has reached a stage that offers only limited scope for growth, we may consider selling the property and using the proceeds for alternative investments in properties that meet our investment criteria.

(iii) Capital Management Strategy

We aim to optimise UOA REIT's capital structure and cost of capital within the borrowing limits prescribed by the Guidelines on REIT and intend to use a combination of debt and equity funding for future acquisitions and improvement works at the Properties Parcels. Our capital management strategies involve:

- (a) adopting and maintaining an optimal gearing level; and
- (b) adopting an active interest rate management strategy to manage risks associated with changes in interest rates

while maintaining flexibility in UOA REIT's capital structure to meet future investment and/or capital requirements.

Upon listing of UOA REIT on the Main Board of Bursa Securities, UOA REIT will have outstanding borrowings of RM85.5 million, or 27.45% of the proforma total asset value of UOA REIT. Please refer to Section 4.6.1 of this Prospectus for further details on the borrowings.

Investment Policies

(i) Portfolio composition

UOA REIT's investments may be allocated in the following manner, as prescribed by the Guidelines on REIT:

- (a) at least 75% of UOA REIT's total assets shall be invested in real estate, single-purpose companies, real estate-related assets or liquid assets;
- (b) at least 50% of UOA REIT's total assets must be invested in real estate or single-purpose companies; and
- (c) the remaining 25% of UOA REIT's total assets may be invested in other assets (*i.e. real estate-related assets, non-real estate-related assets or asset-backed securities*).

Currently, UOA REIT's entire investments are in the Properties Parcels.

(ii) Diversification

UOA REIT will seek to diversify its real estate portfolio by property and location type. UOA REIT will focus on investing in real estates which are primarily used for office, retail and/or residential purposes and will continue to look for opportunities in these type of properties. In addition, it may also look into other properties that will provide attractive risk-adjusted returns.

(iii) Leverage

UOA REIT will be able to leverage on its borrowings to make the permitted investments. Leveraging on its borrowings will enable the returns to unitholders to increase. However, UOA REIT is only permitted to procure borrowings of up to 35% of its total asset value.

6. The UOA REIT (Cont'd)

6.1.3 Risk Factors

Our key objective for UOA REIT is to provide the Unitholders with stable distributions per Unit with the potential for sustainable long term growth of such distributions and the NAV per Unit. Accordingly, you should not expect to obtain short-term capital gains. You should be aware that the price of units in a collective investment scheme, and the income from them, may rise or fall. You should note that you may not get back your original investments and that you may not receive any distributions.

In evaluating an investment in UOA REIT and before deciding to invest in the Units, you should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following investment considerations as well as seek professional advice from your relevant advisers about your particular circumstances.

(i) Risks relating to UOA REIT's organisation and operations

Neither UOA REIT nor us, as new entities, has an established operating history

UOA REIT was established on 29 November 2005 and we were incorporated on 25 May 2005. As such, neither UOA REIT nor us has an operating history as a REIT or a manager of a REIT (*as the case may be*) or a track record by which UOA REIT's or our past performance may be judged.

Notwithstanding the above, we are being managed by an experienced and professional management team that will aim to achieve our investment objectives. Please refer to Sections 11.1.2 and 11.1.3 of this Prospectus for the profile of our Directors and management team.

Our operations are subject to regulations

We are required to be approved by the SC for the regulated activity of asset management. In the event the approval for us to act as manager is revoked by the SC, UOA REIT may need to appoint another manager, which may materially and adversely affect the financial condition and results of operations of UOA REIT. In the event no other manager is found, UOA REIT may be terminated.

Notwithstanding the above, we will endeavour to comply with all regulations at all time and will ensure that UOA REIT will be managed in a professional manner.

We may not be able to implement our strategies successfully

Our key objective for UOA REIT is to provide the Unitholders with stable distributions per Unit with the potential for sustainable long term growth of such distributions and the NAV per Unit. There can be no assurance that we will be able to implement successfully such plans or that we will be able to do so in a timely and cost-effective manner. The failure to implement our strategies successfully may adversely affect the earnings of UOA REIT.

Potential conflicts relating to the acquisition of properties from the Sponsor

The Sponsor has granted UOA REIT a five(5) year right of first refusal to acquire additional assets from the UOA Holdings Group. Please refer to Section 6.3(a) of this Prospectus on details of the right of first refusal granted by the Sponsor. We may, on behalf of UOA REIT, acquire such assets from the Sponsor or parties related to the Sponsor in the future if they pose attractive investments for UOA REIT. Accordingly, potential conflict of interests may arise from such acquisition(s).

In such cases, we intend to continue to obtain appraisals from independent parties and comply with all other requirements applicable to such transactions under the Guidelines on REIT and the Listing Requirements. In addition, please refer to Section 11.7 of this Prospectus for our policy in dealing with conflict of interest situations.

6. The UOA REIT (Cont'd)

Potential conflicts and competition between UOA REIT and UOA Holdings Group

UOA Holdings and its various subsidiary companies are involved in commercial and residential development, construction as well as property investment. As a result, the strategies and activities of UOA REIT may be influenced by the overall interest of UOA Holdings. There can be no assurance that conflict of interest will not arise between UOA REIT and UOA Holdings in the future, which may include competition for tenants and acquisition of properties. Please refer to Section 14 of this Prospectus for further information and disclosure on the existing and proposed related-party transactions and conflict of interest between UOA REIT and UOA Holdings Group.

However, the Trustee and us will endeavour to avoid conflicts of interests from arising, or, if conflicts arise, will ensure that UOA REIT is not disadvantaged by the transaction concerned. In addition, any event or transaction in which a conflict of interest arises or could arise will adequately be disclosed in future prospectuses (*if any*) and fund reports of UOA REIT.

There are limitations on UOA REIT's ability to leverage

UOA REIT is expected to use leverage in connection with its investments. Borrowings by UOA REIT are limited by the Guidelines on REIT to no more than 35% of a REIT's total asset value at the time the borrowings are incurred. From time to time, UOA REIT may need to procure or arrange for banking facilities. UOA REIT may face difficulties in securing timely and commercially favourable financing in asset-backed lending transactions secured by real estate.

Notwithstanding the above, we may source other means of funding such as issuance of new Units and internally generated funds (*through retention of certain distributable income in UOA REIT*).

There are risks associated with bank borrowings

Upon the completion of the Acquisition of UOA Centre Parcels and Acquisition of UOA II Parcels, UOA REIT has bank borrowings of RM85.5 million arising from the borrowings taken to part-finance the Acquisition of UOA Centre Parcels and UOA II Parcels. The bank borrowings represent 27.45% of the proforma total asset value of UOA REIT upon Listing. Please refer to Section 4.6.1 of this Prospectus for the list of securities provided by UOA REIT to AmBank for the purpose of securing the above facilities.

The bank borrowings subject UOA REIT to various risks, including:

- (a) UOA REIT may not be able to meet its repayment obligation which may result in the properties secured above be foreclosed;
- (b) UOA REIT may not be able to refinance the bank borrowings or the terms of such refinancing may not be as favourable as the existing terms of bank borrowings;
- (c) UOA REIT may be subject to certain covenants in connection with any future borrowings; and
- (d) Interest rates may fluctuate adversely.

We may change UOA REIT's investment strategies

We will determine UOA REIT's policies with respect to certain activities, including investments and acquisitions. Unitholders and potential investors should note that, subject to the requirements of applicable law, the Guidelines on REIT and the Deed we have absolute discretion to determine the investment strategy of UOA REIT. Furthermore, as with other investment decisions, there are risks and uncertainties with respect to the selection of investments and with respect to the investments themselves.

6. ***The UOA REIT (Cont'd)***

The performance of UOA REIT is dependent on our key executives

UOA REIT's success is dependent upon the efforts and abilities of our senior management team. While we believe we could find replacements for these key executives, the loss of any of these individuals could have an adverse effect on UOA REIT's financial condition and results of operations.

UOA REIT may not be able to control or exercise any influence over entities in which it has minority interests

UOA REIT may, in the course of future acquisitions, acquire minority interests in investment entities. There can be no assurance that UOA REIT will be able to control such entities or exercise any influence over the assets of such entities or their distributions to UOA REIT. Such entities may develop objectives which are different from those of UOA REIT and may not be able to make distributions to UOA REIT at levels that we anticipate. The management of such entities may also make decisions which could adversely affect the operations of UOA REIT and its ability to make distributions to Unitholders.

(ii) Risks relating to investment in real estate

General risks attached to investments in real estate

Investments in real estate are subject to various risks, including:

- (a) adverse changes in national or economic conditions;
- (b) adverse local market conditions;
- (c) the financial conditions of tenants, buyers and sellers of properties;
- (d) changes in availability of debt financing;
- (e) changes in interest rates and other operating expenses;
- (f) changes in environmental laws and regulations, zoning laws and other governmental rules and fiscal policies;
- (g) environmental claims arising in respect of real estate acquired with undisclosed or unknown environmental problems, which are located on contaminated properties or as to which inadequate reserves had been established;
- (h) changes in energy prices;
- (i) changes in the relative popularity of property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in a given market;
- (j) competition among property owners for tenants;
- (k) insufficiency of insurance coverage;
- (l) inability of the property manager to provide or procure the provision of adequate maintenance and other services;
- (m) illiquidity of real estate investments;
- (n) considerable dependence on cash flow for the maintenance of, and improvements to, the properties;
- (o) risks and operating problems arising out of the presence of certain construction materials; and
- (p) acts of God, uninsurable losses and other factors.

Many of these factors may cause fluctuations in occupancy rates, rent schedules or operating expenses, causing a negative effect on the value of real estate and income derived from real estate.

Whilst we will continue to take effective measures such as financial management and efficient operating procedures, there is no assurance that any adverse development in the real estate industry will not materially affect UOA REIT.

6. The UOA REIT (Cont'd)

Properties held by UOA REIT may be subject to increases in operating and other expenses

UOA REIT's ability to make distributions to Unitholders could be adversely affected if operating and other expenses increase without a corresponding increase in revenues or tenant reimbursements of operating and other costs.

Factors which could increase operating and other costs include:-

- increases in energy costs;
- increases in sub-contracted service costs;
- increases in insurance premiums;
- increases in property taxes and other statutory charges;
- increases in the rate of inflation;
- changes in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies; and
- defects affecting the Properties which need to be rectified, leading to unforeseen capital expenditure.

We intend to minimise the operating and other expenses by, amongst others, adopting cost containment measures and integrating resources to achieve economies of scale.

UOA REIT is dependent on the performance of its tenants and its ability to make distributions may be adversely affected by the loss of its tenants or a downturn in the business of its tenants

UOA REIT's financial condition, results of operations and ability to make distributions may be adversely affected by the insolvency or downturn in the business of tenants whose rental make up a material proportion of the operating income of the Properties Parcels, including the decision by such tenants not to renew their tenancies. Although UOA REIT's ability to make distributions will be affected by the loss of its tenants or a downturn in the business of its tenants, the risk is mitigated by the diversified tenancy base comprising close to 200 tenants in the Properties Parcels.

There may be uninsured or under-insured losses

Currently, we have obtained and maintained insurance coverage on the assets of UOA REIT against fire and public liability, which are statutory insurance requirements as well as loss of rent insurance. However, there is no assurance that insurance against some or all of these risks will in the future continue to be available, or be available in amounts that are equal to the full market value or replacement cost of the insured assets. In addition, there can be no assurance that the particular risks which are currently insured will continue to be insurable on an economically feasible basis or at all.

In ensuring such risks are reduced, we will review and ensure adequate coverage for UOA REIT's assets on a continuous basis.

UOA REIT may be adversely affected by the illiquidity of real estate investments

Real estate investments are relatively illiquid. Such illiquidity may affect UOA REIT's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, financial, real estate market or other conditions.

The Properties or part thereof may be acquired compulsorily

The Malaysian Government has the power to acquire compulsorily any land in Malaysia pursuant to the provisions of applicable legislation including the Land Acquisition Act, 1960. If any of the Properties are acquired compulsorily by the Malaysian Government, the level of compensation paid to UOA REIT for the Properties Parcels may be less than the price which UOA REIT paid to acquire the Properties Parcels.

6. The UOA REIT (Cont'd)

As at the LPD, neither we nor the Vendors or the Sponsor has received any notice of intended acquisition in relation to the Properties or any part thereof.

(iii) Risks relating to UOA REIT's Properties Parcels

The Properties Parcels are subject to the risk of non-renewal of expiring tenancies

The Properties Parcels experience tenancy cycles within which a significant number of tenancies expire each year. This frequency of renewals makes UOA REIT susceptible to rental market fluctuation which, in a declining market, may lead to higher vacancies and lower rents, which will in turn reduce the revenues of UOA REIT.

To mitigate the risk, we will continue to maintain rapport and close relationship with all the existing tenants of UOA REIT whilst exploring their expansion needs. In addition, the turnover of tenants of the Properties Parcels has been relatively low historically as shown in Sections 7.2.8, 7.3.8 and 7.4.8 of this Prospectus.

UOA REIT may not be able to exercise all rights and interest over the common properties of the Properties

The common properties at the Properties have not been acquired by UOA REIT. Ownership of the common properties remains with the registered proprietor prior to subdivision and issuance of strata titles to the Properties. Upon subdivision and issuance of strata titles, the common properties shall be owned by a management corporation formed for each of the Properties under the STA.

The registered proprietors and purchasers of parcels in the Properties have entered into contractual arrangements to provide for the proper maintenance of the common properties before a management corporation is established for the Properties. The contractual arrangements provide that the purchasers of parcels in the Properties have rights and liberties in common with the registered proprietor to use and enjoy the common properties, however they shall not have any proprietary rights over the common properties. Therefore, UOA REIT will not in itself have direct or indirect control over the common properties.

Upon subdivision and issuance of strata titles, the STA provides that in relation to the common properties, a parcel proprietor would only have the right of a user which he would have if he and the other proprietors were co-proprietors. The STA also provides that the share units of a parcel (*i.e. the share units determined for that parcel as shown in the schedule of share units*) would determine the quantum of the undivided share of each proprietor in the common properties. UOA REIT, as one of the proprietors of the parcels in the Properties, would have an undivided share along with the other parcel proprietors in the common properties. As such, UOA REIT's interest in the common properties will be intertwined with that of the other proprietors.

Upon the establishment of the management corporation, the restrictions and limitations inherent in the STA and its by-laws act as hindrances towards UOA REIT's ability to deal with the common properties. Subject to such restrictions and limitations, UOA REIT would only be able to exert some form of influence or control over its interest in the common properties and the subdivided Properties and effectively deal with such interests through its participation in the general meetings of the management corporation and the elected council of the management corporation.

Further, for certain key matters, the management corporation's powers to deal with the common properties may only be exercised by the management corporation on the authority of the parcel proprietors' special resolution or unanimous resolution.

6. The UOA REIT (Cont'd)

However, we are of the opinion that the performance/management of UOA REIT will not be compromised arising from the above as the situations which may arise and require either a unanimous resolution or special resolution has a relatively low probability of occurring unless there are extenuating circumstances giving rise to them. Further, there is also no reason for us to believe that the necessary resolutions (*unanimous or special*) will not be passed if it is in the interest or benefit of the parcel proprietors which include UOA REIT.

UOA REIT may be required to contribute towards the capital expenditure incurred in respect of the common properties in the respective Property

The initial deeds of covenants entered into between the registered proprietors and beneficial owners provide for a building/sinking fund which stipulate that pending formation of management corporation, purchasers of parcels in the said properties shall pay contributions to a sinking fund for meeting actual or expected liabilities relating to the common properties of the Properties. Although the sinking fund is not established yet, UOA REIT may be required to contribute towards to the sinking fund in proportion to its share units in the Properties. This may have an impact on the operating results of UOA REIT.

The sale price for a Properties Parcel may be less than its current valuation or the purchase price paid by UOA REIT

The valuation of the Properties Parcels by the Independent Property Valuer is not an indication of, and does not guarantee, a sale price either at the present time or at any time in the future. Accordingly, there can be no assurance that UOA REIT would be able to sell the Properties Parcels, or that the price realisable on such sale would not be lower than the present valuation of, or the price paid by UOA REIT to purchase, the Properties Parcels.

Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow

If the Properties have design, construction or other latent property or equipment defects, these may require contributions to the common funds for special repair or maintenance expenses or the payment of damages or other obligations to third parties, other than those disclosed in this Prospectus. Costs or liabilities arising from such property or equipment defects may involve significant and potentially unpredictable patterns and levels of expenditure which may have a material adverse effect on UOA REIT's earnings and cash flows.

UOA REIT's properties are located entirely in Malaysia, which exposes UOA REIT to geographic and market concentration risk

Since all of the Properties Parcels are situated in Malaysia, the political environment in Malaysia or a general downturn in the Malaysian economy would have a greater impact on UOA REIT than if UOA REIT's properties were more geographically diversified. In addition, UOA REIT invests primarily in commercial real estate which may entail a higher level of risk than a portfolio which has a more diverse range of asset types.

We will endeavour to minimise this risk by identifying real estates that are more geographically diverse and other type of real estate beside commercial real estate.

Malaysia's commercial properties market is highly competitive

New facilities built in the vicinity of the Properties may compete with the Properties Parcels for tenants. This competition may affect UOA REIT's ability to maintain existing occupancy and utilisation rates, rental rates in respect of the Properties Parcels. In order to prevent falling occupancy/utilisation levels, rental rates in respect of the Properties Parcels, rents and rates may need to be lowered, additional capital improvements may need to be made or additional tenant inducements may need to be offered, all of which may have a negative impact on UOA REIT's revenues.

6. The UOA REIT (Cont'd)

(iv) Risks relating to an investment in the Units

The price of the Units may decline after the IPO

The Units may trade at prices significantly below the Final Retail Price and/or Institutional Price after the IPO and the price of the Units may be volatile. The price of the Units will depend on many factors, including but not limited to:

- our ability to implement successfully our investment and growth strategies;
- the market value of UOA REIT's assets;
- the perceived prospects of UOA REIT's business and investments and the Malaysian real estate market;
- changes in general economic or market conditions, both domestically and internationally;
- broad market fluctuations, including weakness of the equity market and increases in interest rates; and
- the perceived attractiveness of the Units against those of other securities, including those not related to the real estate sector.

For these reasons, amongst others, Units may trade at prices higher or lower than the attributable NAV per Unit. If UOA REIT is terminated or liquidated, it is possible that investors may lose all or part of their investment in the Units.

Disposal of Units by the Sponsor

Upon Listing, the Sponsor will indirectly hold 65.8% of the Units in UOA REIT. These Units are not required by the SC and/or any other authorities to be held under a moratorium. If the Sponsor, through the Vendors, sell or is perceived as intending to sell a substantial amount of the Units, the market price of the Units may be adversely affected.

However, such risk is mitigated as the Sponsor has informed that it intends to be a long term investor of UOA REIT.

Unitholders will be effectively subordinated to all existing and future claims of creditors of UOA REIT

The claims of creditors of UOA REIT will have priority to the assets of UOA REIT over the claims of the Unitholders of UOA REIT. UOA REIT may incur indebtedness in connection with the operation of the Properties Parcels and may in the future incur unsecured or secured obligations directly. Secured creditors of UOA REIT would have prior rights of claim over the secured assets and all creditors of UOA REIT would rank ahead of the claims of the Unitholders of UOA REIT.

Distributions to Unitholders will be subject to cash flow availability of UOA REIT

If the Properties Parcels and any other assets held by UOA REIT from time to time do not generate sufficient net operating profit and UOA REIT is unable to borrow funds from the market in a timely and cost-effective manner, UOA REIT's income, cash flow and ability to make distributions will be adversely affected. Hence, no assurance can be given as to UOA REIT's ability to pay or maintain distributions.

6. The UOA REIT (Cont'd)

Property yield on real estate to be held by UOA REIT is not equivalent to yield on the Units

Generally speaking, property yield depends on the amount of net property income (calculated as the amount of revenue generated by the properties concerned, less the expenses incurred in maintaining, operating, managing and leasing the properties compared against the current value of the properties). Yield on the Units, however, depends on the distributions payable on the Units as compared with the purchase price of the Units. While there may be some correlation between these two yields, they are not the same and will vary accordingly for investors who purchase Units in the secondary market at a market price that differs from the Final Retail Price and/or Institutional Price.

The NAV of the Units will be diluted if further issues are priced below the NAV

Where there is new issue of Units, the issue price may be above, at or below the current NAV per Unit of UOA REIT. Where new Units are issued at less than the existing NAV per Unit, the NAV per Unit of existing Units will be diluted.

Unitholders have no right to require the redemption of their Units

Unitholders have no right to require the redemption of their Units (while UOA REIT remains listed). Therefore, there can be no assurance that a Unitholder will be able to dispose of its Units at the Final Retail Price and/or Institutional Price or any price, or at all. Accordingly, Unitholders may only be able to liquidate or dispose of their Units through a sale of such Units to third parties on the secondary market.

Failure and/or delay in the Listing

The success of the listing exercise is also exposed to the risk that it may fail or be delayed should any of the following events occur:

- (a) the selected placees fail to subscribe for the portion of the Units;
- (b) the Underwriter(s) exercising its(their) rights pursuant to the underwriting agreement to discharge itself(themselves) from its(their) obligations thereunder; or
- (c) UOA REIT is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up Units of UOA REIT must be held by a minimum of 1,000 public Unitholders holding no less than 100 Units in UOA REIT.

Although we will endeavour to ensure compliance of the Listing Requirements, no assurance can be given that the abovementioned factors will not cause a delay in or abortion of the Listing.

The Units may be delisted from Bursa Securities

Bursa Securities imposes certain requirements for the continued listing of securities, including the Units, on Bursa Securities. Investors cannot be assured that UOA REIT will continue to meet the requirements necessary to maintain the listing of Units on the Main Board of Bursa Securities or that Bursa Securities will not modify the Listing Requirements. UOA REIT may be terminated if the Units are delisted from Bursa Securities.

Forward-looking statements

Certain statements in this Prospectus are based on historical data which may not be reflective of future results, and others are forward-looking in nature which are subject to uncertainties and contingencies.

All forward-looking statements are based on estimates and assumptions made by us, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied in such forward-looking statements.

Such factors include, *inter-alia*, general economic and business conditions, competition, the impact of new laws and regulations affecting UOA REIT and the real estate industry, changes in interest rates and changes in foreign exchange rates. In light of these uncertainties, the inclusion of forward-looking statements in this Prospectus should not be regarded as a representation or warranty by our advisers or us that the plans and objectives of UOA REIT will be achieved.

Given the risks and uncertainties that may cause UOA REIT's actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Prospectus, we advise you not to place undue reliance on those statements. We are not warranting or representing to you that UOA REIT's actual future results, performance or achievements will be as stated in those statements.

Changes to accounting standards may result in changes in the future as to how UOA REIT's results and financial position are prepared and presented

The audited financial statements of UOA REIT will be prepared in accordance with applicable approved accounting standards in Malaysia. The Malaysian Accounting Standards Board ("**MASB**"), as part of its programme to fully converge with international financial reporting standards, has introduced a number of Malaysian Financial Reporting Standards or revised MASB Standards, collectively referred to in this Prospectus as Malaysian FRS, which are effective for accounting periods beginning on or after 1 January 2006.

These new standards cover amongst others financial instruments, share-based payments, business combinations, impairment of assets, investment properties, intangible assets and non-current assets held for sale and discontinued operations.

The above changes as well as any other further changes to MASB Standards may result in significant changes in the preparation and presentation of UOA REIT's results in the future. In Section 6.1.6 of this Prospectus, distribution income has been defined to address the significant proposed changes so far, which may potentially impact UOA REIT's results. However, there can be no assurance that future changes to accounting standards will not affect the ability of UOA REIT to make distributions to Unitholders or that such distributions will be in line with those as disclosed in Section 8.6 of this Prospectus.

6. The UOA REIT (Cont'd)

6.1.4 Our Policy on Gearing and Minimum Liquid Asset

The total borrowings of UOA REIT will not exceed 35% of the total asset value of UOA REIT at the time the borrowings are incurred, as stipulated under the Guidelines on REIT.

Please refer to Section 4.6.1 of this Prospectus for further details on the current borrowings of UOA REIT. Please also refer to Section 6.1.3(i) of this Prospectus for risks associated with bank borrowings.

We will adhere to the Guidelines on REIT on the permitted and restricted investments in relation to liquid assets. Liquid assets will be held in the form of cash, deposits with licensed institutions and/or other institutions licensed or approved to accept deposits, or any other instrument capable of being converted into cash within seven days (*as may be approved by the Trustee*).

6.1.5 Investor Profile most suitable for UOA REIT

UOA REIT is best suited for you if you:-

- have funds but do not have the time or expertise to find, select, negotiate, purchase and profitably manage properties;
- have limited funds and wish to, but cannot, finance investment in property on your own account;
- wish to seek capital growth on a spread of real estate investments; and
- do not want to see your fund eroded by inflation without some capital measure of capital appreciation whilst at the same time retaining reliable and ready access to your capital.

6.1.6 Our Distribution Policy

For each distribution period, in accordance with the Deed, we shall distribute all or such lower percentage as we may determine in our absolute discretion of the distributable income of UOA REIT. However, our current policy is to distribute at least 95% of the distributable income for the FYE 31 December 2006 to 31 December 2008.

Barring any unforeseen circumstances, it is our intention to distribute 95% of the distributable income of UOA REIT for FYE 31 December 2006 to FYE 31 December 2008 respectively, as set out in Section 8.6 of this Prospectus.

We intend to make distributions to Unitholders on a half-yearly basis (*or such other intervals as we may determine*) and such distributions will be paid within two (2) months after the respective book closure date.

For these purposes, distributable income will be:-

- (a) the interim unaudited profit before tax of UOA REIT in regards to interim distributions;
or
- (b) the audited profit before tax of UOA REIT, less interim distributions, in regards to final distributions

for the relevant period adjusted to eliminate the effects of certain Adjustments (*as defined below*) which have been recorded in the income statement for the relevant financial period. Profit before tax is the profit arrived at after considering items such as rental income, service charges receivable, other maintenance income, associated property costs, REIT-related fees, depreciation charges and/or amortisation, other gains/losses, other income/expenses and provisions, amongst others.

6. The UOA REIT (Cont'd)

Adjustments include the effects of: (a) realised gains/losses on the disposal of properties/assets; and (b) any significant adjustment arising from the adoption of new Malaysian FRS.

In addition, we have the discretion to distribute additional amounts including income that are capital in nature, such as gains on disposal of properties, assets, financial instruments and other investments as well as any amounts previously not distributed.

In any case, the amount of distributions to Unitholders shall be subjected to the following:

- (a) the availability of funds in providing for the amount of the distributions; and
- (b) compliance with the gearing level prescribed by the Guidelines on REIT and any applicable borrowing covenants.

The above distribution policy is based on current accounting policies applicable to UOA REIT. In the event of any change in accounting policy, we will review and may make any change to our distribution policy.

Unitholders will receive cheques for the distributions.

Either the Trustee or us will accumulate any cheque which remain unclaimed after a period of one (1) year in a special account and will lodge with the Registrar of Unclaimed Moneys. The Trustee will maintain a record of all unclaimed moneys at its principal place of business in accordance with the provisions of the Unclaimed Moneys Act 1965.

6.2 UOA REIT's Investments in Real Estate

Presently, UOA REIT's investments are entirely in real estates. As part of the Listing Scheme, UOA REIT has acquired various commercial units (*comprising office premises, retail space and car park bays*) within the Properties located at Jalan Pinang in the "Golden Triangle" area in central Kuala Lumpur and at Jalan Dungun in Damansara Heights.

For UOA REIT's investment strategies in relation to real estates as well as type and characteristic of the real estates that UOA REIT would acquire, please refer to Section 6.1.2 of this Prospectus.

There is no immediate need for investments other than real estate acquisitions. If we see the opportunity or need in the future to invest in debts/equities instruments, a qualified investment manager will be employed or outsourced subject to the Trustee's approval and within any regulatory guidelines. We at present see greater potential and consistency in yields and cashflow in real estate.

The risks arising from this lack of diversification are risks relating to investment in real estates and risks relating to UOA REIT's Properties Parcels, details of which are set out in Sections 6.1.3(ii) and 6.1.3(iii) of this Prospectus.

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6. The UOA REIT (Cont'd)

6.3 Future Plans and Strategies of UOA REIT

Our key objective for UOA REIT is to provide the Unitholders with stable distributions per Unit with the potential for sustainable long term growth of such distributions and the NAV per Unit. We intend to achieve these objectives through implementation of our operating, acquisition and capital management strategies as stipulated in Section 6.1.2 of this Prospectus.

We intend to capitalise on our relationship with the UOA Holdings Group which is one of Malaysia's leading property development, property investment, property management services and construction group of companies. At the point of listing of UOA REIT on the Main Board of Bursa Securities, the Sponsor will effectively own (*via the Vendors*) approximately 65% of the total issued Units. This relationship is expected to benefit and accord UOA REIT with a competitive advantage towards achieving its long term objectives such as the following:-

(a) Future Assets Suitable for UOA REIT

The Sponsor has granted UOA REIT a five (5) year right of first refusal from the Listing date to purchase all and any of the properties which meet the characteristics and criteria set out below, which are from time to time owned or intended to be sold by the Sponsor or any of its subsidiaries, provided that we remain as the Manager of UOA REIT during the entire five (5) year period after the Listing date. We will determine whether such properties are suitable for UOA REIT.

The characteristics and criteria of the properties are as follows:-

- (a) commercial buildings with at least 70% of the total net lettable area tenanted, leased or occupied by tenants;
- (b) properties to be sold on an en-bloc basis and not as individual units or strata units; and
- (c) UOA Holdings's and/or its subsidiaries' interest in the properties is to be sold.

(b) Capitalise on Sponsor's Network and Reputation

The Sponsor has substantial experience and expertise in the real estate market in Malaysia. Over the last 15 years, the Sponsor has been able to identify quality real estate for development, construction, management and maintenance. As of to-date, the Sponsor has successfully completed development projects valued in excess of RM1.5 billion. The Sponsor's notable projects include the development of high-rise condominiums, bungalow units, townhouses and other mixed development ventures within various strategic locations in Kuala Lumpur. The high take-up rates for units attest to the quality of such development by the Sponsor. The Sponsor's intentions are to continue developing its property investment and development business both locally and possibly overseas.

The Sponsor intends to be a long term investor of UOA REIT and as such, the Sponsor's interest is deemed aligned with the Unitholders. The Sponsor has long standing relationships with its contractors, property brokers, tenants, property owners and institutions which we shall continue to foster for the benefit of UOA REIT.

(c) Capitalise on Sponsor's Reputation and Brand Name

The Sponsor, upon the successful quotation of UOA REIT on Bursa Securities, will be able to redeploy capital to facilitate future acquisition growth. The Sponsor presently maintains sizable land bank in strategic locations ideal for commercial development projects that may be suitable assets for UOA REIT. We intend to capitalise on the strong brandname of UOA in the development and management of commercial real estate in the Klang Valley.

6. The UOA REIT (Cont'd)

6.4 Overview of the Malaysian Property Market

The property market is expected to remain active heading into 2006. Main factors that are expected to affect the overall economy and property market during the course of 2006 is the possibility of a rise in interest rates as well as the high price of crude oil. Whilst global crude oil prices have generally stabilised, the Malaysian Government may still go ahead with its plan to gradually reduce fuel subsidies during the course of 2006 which would greatly affect the overall economy and property market. A slight slowdown in the economy was already noticeable during the second and third quarters of 2005 due mainly to volatile crude oil prices which incidentally also caused inflation to rise to a six year high and could further peak to more than 3% for the 3rd quarter of 2005.

The residential sub-sector has always been the main driving force behind the property market and is expected to continue leading the property market during the course of 2006. Sustained low borrowing rates were the main catalyst to the active residential sub-sector and property market during the course of 2005. Malaysia's rates appear to be the lowest in the Southeast Asian region and in order to prevent an outflow of funds, interest rates may be raised during the course of 2005 or 2006. Any increase in interest rates therefore would undeniably affect the residential sector as well as other sectors within the property market as borrowing costs would increase. It is however believed that any increase in interest rates would be implemented gradually as a sudden increase in rates could potentially push the property sector into a major slowdown.

The office sub-sector is expected to perform strongly during the coming months due to the current low rental rates for offices within the Klang Valley as compared to other capital states in the region. Based on a report by the Malaysian Industrial Development Authority (MIDA), a total of 1,928 companies have set up regional establishments in Malaysia as at the end of 2004. Demand for office space is expected to remain stable during the course of 2006. With our stable economic and political conditions as well as the liberalisation of the financial and banking sectors, international conglomerates would be looking towards Kuala Lumpur to set up regional commercial and financial hubs. With increased demand, rental rates within the Kuala Lumpur city centre are expected to rise, especially for Class A office space.

The outlook of the retail property sub-sector would largely be determined by overall economic conditions during 2006. This is because the performance of this particular sub-sector is mainly affected by the performance of the retail sector. With an increasing number of tourists visiting the country every year coupled with the government's efforts to promote the tourism industry, growth within the retail sector is expected to continue at a sustainable level which should bode well for the retail property sub-sector. Rental rates for space within popular retail buildings located as neighbourhood malls as well as city centre malls such as One Utama, Mid Valley, Sungai Wang Plaza and Suria KLCC are expected to remain stable.

Just like the retail property sub-sector is largely affected by the retail sector, the industrial property sub-sector is mainly affected by the manufacturing sectors performance. Whilst demand for light industrial properties continue to remain lacklustre within selected locations, demand for large industrial premises appear to be rising. This is in tandem with sustained growth within the manufacturing sector which recorded a growth of 3.2% during the second quarter of the year. With continued growth within the manufacturing sector, the industrial property sub-sector is expected to grow in tandem and perform strongly as well during the course of 2006. The only factor that could cause a slowdown in the manufacturing sector and thus the industrial property sub-sector is if a slowdown were to occur with the economies of our major trading partners.

According to Bank Negara Governor Tan Sri Dr. Zeti Akhtar Aziz however, indicators are for domestic demand to remain favourable. According to Tan Sri Dr. Zeti, leading indicators, loan growth, demand for capital goods, foreign direct investment, trends in consumption demand and performance of our major trading partners are expected to remain favourable and on this basis, the outlook is expected to improve in the second half of this year. An improvement in economic growth during the end of the year would increase sentiments heading into 2006 which should also prove positive for the overall property market for the year. As a whole, the property market within Klang Valley is expected to remain upbeat in tandem with the overall economy. The economy itself is expected to grow at a more moderate and sustainable level.

(Source : CJI)