

12. VALUATION CERTIFICATE

JAS-ANZ



ISO 9001 : 2000  
Certification No. 1250

Our Ref. : KL052591, KL052594, KL052596, KL052629,  
PJ051143, PJ051156, VA2005/KED/1169 &  
VA2005/KED/1170

Date : 28 December 2006

The Board of Directors

... ..

Messrs. AmanahRaya-JMF Asset Management Sdn Bhd  
Level 8, Wisma AmanahRaya  
No. 2, Jalan Ampang  
50450 KUALA LUMPUR



COLLIERS, JORDAN LEE  
& JAAFAR SDN. BHD.

(59901-U)(VE(1)0063)

Level 6, Block G North,  
Pusat Bandar Damansara,  
Damansara Heights,  
50490 Kuala Lumpur.  
Tel No : 03-20955811 (10 lines)  
Fax No : 03-20955843  
E-mail: cjjj@tm.net.my

Dear Sirs,

**VALUATION OF EIGHT (8) PROPERTIES BELONGING TO AMANAH RAYA BERHAD ("ARB") COMPRISES FIVE (5) PURPOSE-BUILT OFFICE BUILDING, TWO(2) HOSPITALITY PROPERTIES AND ONE(1) INDUSTRIAL PROPERTY (Hereinafter referred to as the "Subject Properties")**

**Instructions**

We have been instructed by Messrs. AmanahRaya-JMF Asset Management Sdn. Bhd. to ascertain the market values (as defined herein) of the freehold and leasehold interests in the Subject Properties for the purpose of the proposed acquisitions of the Subject Properties by AmanahRaya Real Estate Investment Trust ("AmanahRaya REIT") pursuant to the listing exercise of AmanahRaya REIT on the Main Board of Bursa Malaysia Securities Berhad ("Proposed Acquisitions").

We are pleased to certify that we have conducted valuations on the legal interests of the Subject Properties as at the date of Valuations from November 15, 2005 to December 16, 2005.

This Certificate has been prepared for inclusion in the Prospectus of AmanahRaya REIT to be dated 26 January 2007 in conjunction with the proposed listing of and quotation for the entire enlarged 184,000,000 AmanahRaya REIT units on the Main Board of Bursa Malaysia Securities Berhad.

**International Property Consultants • Chartered Valuation Surveyors • Registered Valuers & Real Estate Agents •  
Project & Property Managers • Plant & Machinery Valuers • Auctioneers**

Managing Director: P. TANGGA PERAGASAM, FISM, FRICS, Chairman CHIN LAI SITT, FISM, FRICS, LLB (Hons), CLP Executive Director: THOO SING CHOON, FRICS, IRRV, ACIARB, FPCS,  
Director / Advisor: JAAFAR ISMAIL, FISM, FRICS.

李 子 錕 著 化 估 計 師	LEE YUN TSIR B.Sc. (Hons), MISM, A.SUBRAMANIAM B.Sc. (Hons), FISM, JEROME HONG BOON PENG, MISM(M), MRICS, SIEW KOK KONG B. Sc. (Hons), MISM, YAP KIAN ANN, MISM LEE THIAM SENG, MISM, CHIN KIM CHOY, MISM, Dip Est. Mgmt (U.K.), LIM CHANG MEE FISM, FRICS, BA. (Hons), B.Sc. (Hons).		高 利 國 際 地 產 估 價
	Malaysian Headquarters	: Level 6, Block G North, Pusat Bandar Damansara, Damansara Heights 50490 Kuala Lumpur, Tel: 03-20955811 (10 Lines) Fax: 03-20955843 Agency Division : CIPC, Nos 109 & 209, Block C, Pusat Dagangan Phileo Damansara 1, No. 9 Jalan 16/11, 46350 Petaling Jaya. Tel: 03-76600220 Fax : 03-76600230	
	Other Offices	Perak : Suites 1, 2 & 3, Tingkat Kedua, Labrooy House, Jalan Dato Sagor, 30000 Ipoh, Perak Darul Ridzuan Tel: 05-2414826 (3 Lines) Fax: 05-25556363 N. Sembilan : 9A, Kompleks Negeri, Jalan Dr. Krishnan, 70000 Seremban, Negeri Sembilan Darul Khusus, Malaysia, Tel: 06-7638890 & 7638990 Fax: 06-7637936 P.Jaya : 30A, Jalan Yong Shook Lin, 46200 Petaling Jaya, Selangor Darul Ehsan. Tel: 03-79565811 Fax No: 03-79555843 Selangor : No. 43, Jalan Kepayang, Off Jalan Meru, "Klang Financial Square", 41050 Klang, Selangor Darul Ehsan. Tel: 03-33420860 (3 Lines) Fax No: 03-33417888 Johor : Suite 326, 3rd Floor, Pan Global Plaza, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor Darul Takzim. Tel: 07-2232299 Fax: 07-2245899 Melaka : No. 288, Jalan Melaka Raya 2, Taman Melaka Raya, 75000 Melaka. Tel: 06-2835522 (4 Lines) Fax: 06-2837635 Penang : No. 26, Lebuhr Light, 10200 Pulau Pinang. Tel: 04-2637749 & 2637750 Fax: 04-2637644 Pahang : 17, Jalan Gambut 2, 25000 Kuantan, Pahang Darul Makmur. Tel: 09-5177388 Fax: 09-5142146 Miri : Lot 585, 1st Floor North Yu Seng Road, P.O. Box 986, 98008 Miri, Sarawak. Tel: 085-428713/428714 Facsimile: 085-428715	
	Other Colliers Office		
	Australia, China, Hong Kong, India, Indonesia, Japan, New Zealand, Philippines, Singapore, Taiwan, Thailand, Vietnam, Austria, Belgium, Czech Republic, France, Germany, Greece, Hungary, Italy, Netherlands, Poland, Portugal, Republic of Ireland, Russia, Scotland, Slovenia, South Africa, Spala Turkey, United Kingdom, The Americas Argentina, Canada, Mexico, Venezuela and United States Of America.		

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### *Valuations*

The Valuation Reports as set out herein have been prepared based on the "Guidelines on Asset Valuation for Submission to the Securities Commission" and the Malaysian Valuation Standards prescribed by the Board of Valuers, Appraisals and Estate Agents. The basis of valuation for the purpose of the valuation reports, is **MARKET VALUE** as defined in the **MALAYSIAN VALUATION STANDARDS**:

#### **STANDARD 1 – Market Value Basis of Valuation.**

The basis of the valuation adopted in this exercise is Market Value.

"Market Value" is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

All the necessary title searches have been conducted at the respective Federal, State and District land offices. All the valuation reports have been prepared with reference to all the records of tenancy, records of Profit and Loss Account and relevant documents / information as provided by Messrs. AmanahRaya-JMF Asset Management Sdn. Bhd. All the data and information thus obtained from the said sources are deemed correct for the purpose of these valuations.

### *Reliance of this letter*

For the purposes of this Prospectus, we have prepared this letter which summarises our reports and outlines key factors which have been considered in arriving at our opinion of the respective Market Values. This letter contains all the necessary data and support information included in our reports. For further information to that contained herein, reference should be made to the said reports which have been provided to the client.

Colliers, Jordan Lee & Jaafar Sdn. Bhd. ("CJLJ") has provided the client with formal valuation reports of the Subject Properties. The valuations and market information are not guarantees or predictions and must be read in consideration of the following:-

- The reports contain conclusions of the estimated values based on factual information and estimates regarding the Subject Properties as provided by the client and furnished in the reports. Whilst CJLJ has endeavored to ensure the accuracy of the factual information, it has not independently verified all information provided by the client. CJLJ believes that every investor, before making an investment in AmanahRaya REIT, should review the reports to understand the complexity of the methodologies and the variables involved.
- CJLJ has adopted the Comparison, Cost, Investment and Discounted Cash Flow methods of valuation in assessing the Market Value of the Subject Properties.
- The reports were undertaken based upon information available as at the dates of valuation. CJLJ accepts no responsibility for subsequent changes in information as to income, expenses or market conditions.

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**Subject Properties**

The Subject Properties comprises five (5) purpose-built office buildings, two (2) hospitality properties and one (1) industrial property. Further details of each of the properties are tabulated as follows: -

Reference No.	Subject Properties	Land Area <sup>1</sup> (square feet)	Gross Floor Area (square feet)	Net Lettable Area <sup>2</sup> (square feet)	Type of Properties
KL052591	Wisma Amanah Raya Berhad	33,622	170,000	125,227	A 5-storey purpose-built office building with 6 lower ground levels inclusive of 4-levels of car park
KL052594	Wisma UEP	29,788	198,499	90,541	An 11-storey purpose built office building with 3 levels of basement car park
KL052596	Wisma AmanahRaya	27,229	235,000	166,902	A 15-storey purpose-built office building with 2 basement levels
KL052629	SEGI College	61,042	280,575	131,386.76	A 12-storey commercial building with 3 levels of basement car park <sup>3</sup>
PJ051143	Permanis Factory	416,876	202,223	Not applicable	Two (2) contiguous plots of industrial land, erected upon with a single-storey factory with an integral double-storey office, a bottle manufacturing plant, a single-storey warehouse with an integral double-storey office known as the one stop centre office, a single-storey sales office with canteen, a double-storey office building with storage areas and other ancillary buildings / structures
PJ051156	Block A and Block B, South City Plaza	Not applicable	72,205	Block A 33,020.30 Block B 33,585.70	Two (2) blocks of 5½-storey office buildings within the comprehensive development of South City Plaza
VA2005/KED/1170	Holiday Villa Langkawi	465,604	183,190	Not applicable	A 4-star hotel with 238 rooms
VA2005/KED/1169	Holiday Villa Alor Setar	Not applicable	150,000	Not applicable	A 4-star hotel with 155 rooms

Source: 1. As per the title documents from the respective Federal, State and District Land Offices, converted into square feet and rounded off  
2. As at the dates of valuation and as provided by Messrs. AmanahRaya-JMF Asset Management Sdn. Bhd.  
3. As at the date of our valuation, the construction of SEGI College was ongoing. It was completed in January 12, 2006

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Location map of Wisma Amanah Raya Berhad

KL052591 : Wisma Amanah Raya Berhad	
Property	Title Nos. H.S.(D) 83465 and 79671; P.T. Nos. 6 and 7 respectively, both within Mukim and District of Kuala Lumpur, State of Wilayah Persekutuan K.L.
Tenure	Leasehold interest for 99 years expiring on September 21, 2072 [HS(D) 83465] and April 29, 2072 (HS (D) 79671]
Registered Owner	Amanah Raya Berhad as Trustee for KWB
Category of Land Use	Bangunan
Express Condition	Tanah ini hendaklah digunakan untuk bangunan perdagangan sahaja
Restriction in interest	Tanah yang dipajakan ini tidak boleh ditukarmilik atau dipajakan selama 15 tahun melainkan dengan mendapat kebenaran daripada Pihak Berkuasa Negeri.
Encumbrances	Nil
Location / Description	<p>The subject property is a 5-storey purpose-built office building with 6 lower ground levels inclusive of 4-level of car park known as "Wisma Amanah Raya Berhad". It bears postal address, No. 15, Jalan Sri Semantan 1, Off Jalan Semantan, Bukit Damansara, 50490 Kuala Lumpur. It is located within the renowned commercial hub of Damansara Heights, approximately 4 kilometres west of the Kuala Lumpur city centre. It has frontages onto Jalan Semantan on the south-eastern border and Jalan Sri Semantan 1 on the western border.</p> <p>The subject property is accessible from various parts of the city via Jalan Duta, Jalan Damansara and thence onto Jalan Semantan. Alternative access is also available from Bangsar via Jalan Damansara, turning left onto Jalan Semantan 2 and thence turning right onto Jalan Sri Semantan 1.</p>

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	<p>Prominent landmarks within the immediate vicinity include the premises of Wisma CIMB, Bangunan Commerce Square, Bangunan Institute Bank-Bank Malaysia, Wisma Prima, Wisma Socfin, Wisma UOA Damansara, Wisma Damansara, Menara Millennium, Pusat Bandar Damansara and Wisma Manulife.</p> <p>Wisma Amanah Raya Berhad is erected on two (2) contiguous parcels of commercial land, viz, P.T. Nos. 6 and 7 respectively, both within Mukim and District of Kuala Lumpur, State of Wilayah Persekutuan K.L. The site contains a combined provisional land area of 3,123.599 square metres (about 33,622 square feet).</p> <p>The building offers a total net lettable area of about 125,227 square feet. It is about 7 years old was issued with a Certificate of Fitness for Occupation on October 29, 1999.</p>
Occupancy Status	<p>The occupancy rate for the subject property stood at 100% as at the date of Valuation. The building was occupied by two tenants, namely Commerce International Merchant Bankers Berhad (occupying about 87% of the total net lettable area) and Euro RSCG Partnership (occupying about 13% of the total net lettable area). In addition to the above, portions of the roof top were also tenanted to Maxis Broadband Sdn. Bhd., DIGI Telecommunications Sdn. Bhd. and Celcom Malaysia Berhad.</p> <p>(Source of Information : Title deeds, tenancy schedule, approval / letters from the relevant authorities, letter of intent, correspondent letters, tenancy agreements etc.)</p>

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Location map of Wisma UEP

KL052594 : Wisma UEP	
Property	Title No. H.S.(D) 52531, P.T. No. 11303, Mukim of Damansara, District of Petaling, State of Selangor
Tenure	Freehold
Registered Owner	Amanah Raya Berhad
Category of Land Use	Bangunan
Express Condition	Bangunan Perniagaan.
Restriction in interest	Nil
Encumbrances	Nil
Location / Description	<p>The subject property is an 11-storey purpose built office building with 3 levels of basement car park, known as "Wisma UEP". It bears postal address, Wisma UEP, Jalan USJ 10/1A, Pusat Perniagaan USJ 10, 47620 Subang Jaya, Selangor Darul Ehsan. USJ 10 (commonly referred as Taipan Triangle) lies within the township of UEP Subang Jaya and is approximately 18 kilometres south-west of the Kuala Lumpur city centre and about 11 kilometres south-west of the Petaling Jaya new town centre. Access to the subject property are via the following roads:-</p> <ol style="list-style-type: none"> <li>1) Federal Highway, by making an exit at Persiaran Kemajuan or Persiaran Tujuan or Lebuhraya Damansara - Puchong;</li> <li>2) Shah Alam - Kuala Lumpur Expressway, by making an exit at Kewajipan Interchange or Seafeld Interchange;</li> <li>3) Lebuhraya - Damansara Puchong (LDP), by making an exit at the Jalan Subang Utama;</li> <li>4) North - South Expressway Central Link, by making an exit at the USJ Interchange;</li> </ol>

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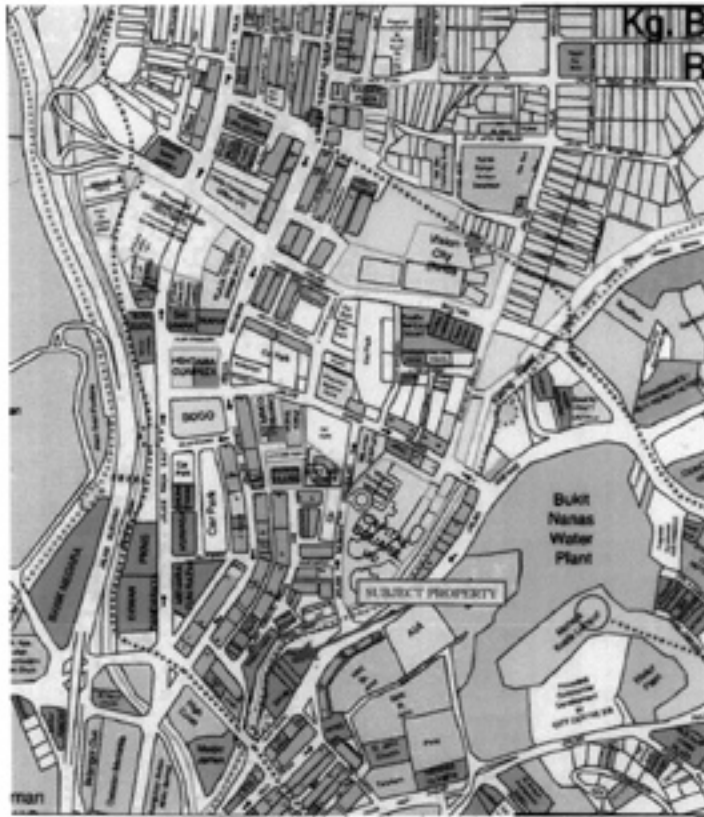
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	<p>5) North Klang Valley Expressway, by making an exit at the Subang Interchange; and</p> <p>6) the newly completed New Pantai Expressway, by making an exit at Persiaran Kewajipan.</p> <p>Notable commercial buildings include the premises of Wisma Hei Tech Village, The Summit Shopping-cum-Entertainment Complex, The Summit Hotel, Giant Hypermarket and SEGI college.</p> <p>The site is a plot of commercial land and is near rectangular in shape except for a chip-off at the north-eastern corner. It contains a provisional land area of 2,767.3052 square metres (29,788 square feet).</p> <p>The building offers a total net lettable area of about 90,541 square feet. It is about 8 years old was issued with a Certificate of Fitness for Occupation on April 19, 1997.</p>
Occupancy Status	<p>The occupancy rate for the subject property stood at 100% as at the date of Valuation. The master tenant for the building is Sime UEP Development Sdn. Bhd. It has sublet portions of the building to HSBC Bank Malaysia Berhad, K&amp;N Kenanga Berhad, Boehringer Ingelheim (M) Sdn. Bhd. and Goldtech Access Sdn. Bhd. (representing about 31% of the total net lettable area).</p> <p>(Source of Information : Title deeds, approval / letters from the relevant authorities, tenancy schedule, Sale &amp; Purchase agreement, tenancy agreement, etc.)</p>

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Location map of Wisma AmanahRaya

KL052596 : Wisma AmanahRaya	
Property	Pajakan Negeri (WP) 25414, Lot No. 21 and Pajakan Negeri (WP) 25415, Lot No. 22, within Section 32, Town and District of Kuala Lumpur, Wilayah Persekutuan K.L.
Tenure	Leasehold interest for 99 years expiring on June 10, 2065
Registered Owner	BIOGENICS Sdn. Bhd.
Category of Land Use	Not stated
Express Condition	<p><u>Lot No. 21</u></p> <p>i) The land hereby leased shall be used for the erection of a bank building and appurtenant thereto;</p> <p>ii) The building or buildings to be erected shall be of a type and to a plan approved by the the Pesurohjaya Ibu Kota, Kuala Lumpur and shall be erected on the land hereby leased within two years from the date of commencement of this lease or within such further term as may be approved by the Ruler-in-Council and the said building or buildings shall thereafter be maintained in good order and condition to the satisfaction of the Ruler-in-Council; and</p> <p>iii) The lessee shall pay and discharge all taxes, rates, assessments and charges whatsoever which may be payable for the time being in respect of the land hereby leased or any buildings thereon or any part thereof whether levied by the Kuala Lumpur municipality or any other Authority.</p>



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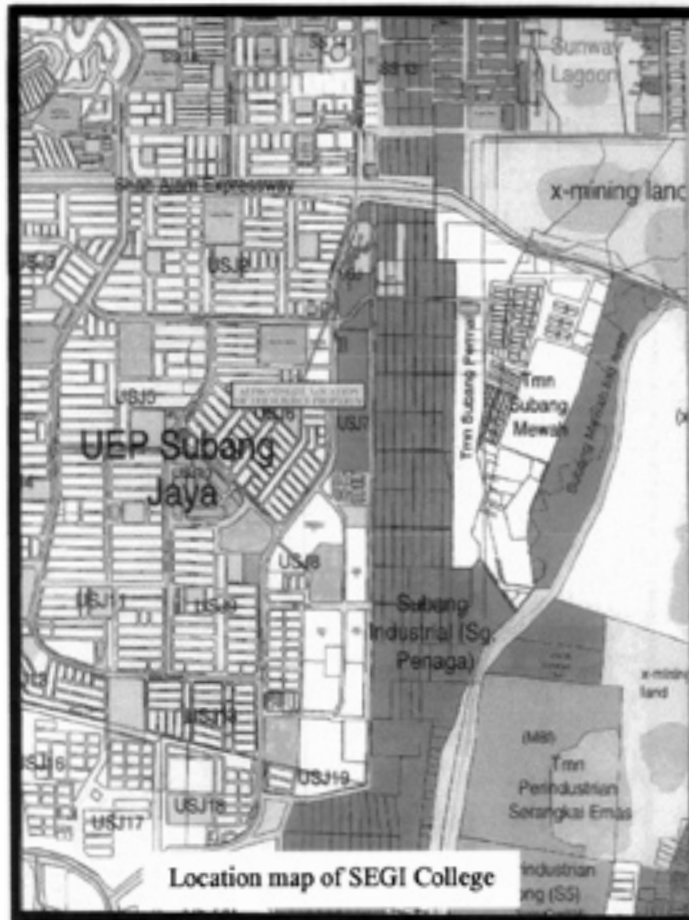
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	<p><u>Lot No. 22</u></p> <p>i) The land hereby leased shall be used in conjunction with the adjoining land now held under A.A 4/62 for a Bank building and shall not be used for any other purpose without the consent of the Ruler-in-Council; and</p> <p>ii) The lessee shall pay and discharge all taxes, rates, assessments and charges whatsoever which may be payable for the time being in respect of the land hereby leased or any buildings thereon or any part thereof whether levied by the Kuala Lumpur municipality or any other Authority.</p>
Restriction in interest	Nil
Encumbrances	Charged to MBF Finance Berhad, registered on May 4, 2001
Location / Description	<p>The subject property is a 15-storey purpose-built office building with 2 basement levels known as 'Wisma AmanahRaya'. It bears postal address, Wisma AmanahRaya, No. 2, Jalan Ampang, 50450 Kuala Lumpur.</p> <p>Access to the subject property is easily available from Jalan Tun Perak, Jalan Hang Lekiu, Jalan Gereja and thence onto Jalan Ampang. The subject property is also accessible from Jalan Tun Razak and thence onto Jalan Ampang. The access is further enhanced with the availability of the Masjid Jamek 'Light Rail Transit' (L.R.T.) station which is located about 150 metres to the south-west of the subject property.</p> <p>Notable buildings in the vicinity include that of Bangunan Takaful Malaysia, Bangunan Bank Muamalat, Bangunan Lee Rubber, Menara OCBC, Menara Tun Razak, Bangunan Dewan Bandaraya Kuala Lumpur, etc.</p> <p>Wisma AmanahRaya is erected on portion of Lot Nos. 21 and 22, within Section 32, Town and District of Kuala Lumpur, Wilayah Persekutuan K.L. It contains a combined land area of 2,529.667 square metres (about 27,229 square feet)</p> <p>The building offers a total net lettable area of about 166,902 square feet. The building is about 40 years old and has been certified fit for business operation by a registered civil engineer.</p>
Occupancy Status	<p>The occupancy rate for the subject property stood 93% as at the date of Valuation. The building was occupied by two tenants, namely Amanah Raya Berhad (occupying about 69% of the total net lettable area) and Standard Chartered Bank Malaysia Berhad (occupying about 24% of the total net lettable area).</p> <p>(Source of Information : Title deeds, tenancy agreements, approval / letters from the relevant authorities, letter of undertaking, report from qualified civil engineer etc.)</p>

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KL052629 : SEGI College	
Property	Geran 43527, Lot No. 13, Pekan Subang Jaya, District of Petaling, State of Selangor
Tenure	Freehold
Registered Owner	Shaw Commercial Institution Sendirian Berhad
Category of Land Use	Bangunan
Express Condition	Pembinaan bangunan-bangunan mengikut JPBD Negeri Selangor
Restriction in interest	Nil
Encumbrances	Charged to Alliance Bank Malaysia Berhad, registered on September 6, 2004.
Location / Description	<p>At the date of Valuation, the subject property was undergoing construction. It is to be a 12-storey commercial building with 3 levels of basement car park upon its completion and will be known as SEGI College. The building will bear postal address, SEGI College, Persiaran Kewajipan, USJ 1, 47600 Subang Jaya, Selangor Darul Ehsan upon its completion.</p> <p>SEGI College is located within the renowned commercial/residential zone of USJ / Subang Jaya and is sited approximately 15 kilometres to the south-west of the Kuala Lumpur city centre. Access to the subject property is available from Lebuhraya Shah Alam and thence onto Persiaran Kewajipan. Alternative access is from Lebuhraya Pantai Baru and thence turning left onto Persiaran Kewajipan, the frontage road and heading towards USJ. It is also accessible from Lebuhraya Damansara-Puchong via Lebuhraya Shah Alam and thence onto Persiaran Kewajipan</p>

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	<p>Prominent landmarks in the vicinity include Menara Hei Tech Village, The Summit Subang USJ shopping complex, The Summit Hotel, Maxis Logistics warehouse and Giant Hypermarket. Notable landmarks located further away to the north of the subject property include Menara Sungei Way, Sunway Medical Centre, Sunway Lagoon Resort Hotel, Mentari Business Centre, Subang Jaya Medical Centre, Sheraton Subang Hotel and Holiday Villa Hotel. Other prominent buildings located further away to the north-west of the subject property include Wisma Consplant 1 &amp; 2, Subang Parade shopping centre, the premises of Carrefour, Mesianiaga and the Petaling District Land Office.</p> <p>The site is a plot of commercial land, near rectangular in shape and contains a land area of 5,671 square metres (about 61,042).</p> <p>Upon its completion, the building will offer a total net lettable area of about 131,386.76 square feet.</p> <p>(Source of Information : Title deeds, approval / letters from the relevant authorities, letters pertaining to the proposed lease agreement, etc.)</p>
Occupancy Status	<p>Upon its completion, the building is to be fully occupied by SEG International Berhad.</p> <p>(Source of Information : Title deeds, approval / letters from the relevant authorities, letters pertaining to the proposed lease agreement, etc.)</p>

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Location map of Permanis Factory

<b>PJ051143 : Permanis Factory</b>	
Property	Titles H.S.(M) 13244A & H.S.(M) 13245A, P.T. 20104 & P.T. 20105 respectively, both within locality of Bandar Baru Bangi, Mukim of Kajang, District of Ulu Langat, State of Selangor
Tenure	Leasehold interest for 99 years expiring on February 9, 2089
Registered Owner	Permanis Sdn. Bhd.
Category of Land Use	Perusahaan / Perindustrian
Express Condition	Perusahaan
Restriction in interest	Tanah ini tidak boleh dijual, dipajak, digadai atau dipindahmilik dengan apa cara sekalipun melainkan dengan kebenaran Pihak Berkuasa Negeri
Encumbrances	Nil / Lien holder caveat lodged by Bank Muamalat Malaysia Berhad, registered on December 5, 2003
Location / Description	The subject property comprises two (2) contiguous plots of industrial land, erected upon with:- a) a single-storey factory with an integral double-storey office; b) a bottle manufacturing plant; c) a single-storey warehouse with an integral double-storey office known as the one stop centre office; d) a single-storey sales office with canteen; e) a double-storey office building with storage areas; and other ancillary buildings / structures  It bears postal address, Lots 5 & 7, Jalan P/5 & Jalan P/6, Kawasan Perusahaan Seksyen 13, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.

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	<p>The subject property bears direct frontages onto Jalan P/5 and Jalan P/6 within the industrial area of Kawasan Perusahaan Seksyen 13, Bandar Baru Bangi. The latter is located approximately 24 kilometres to the south-east of the Kuala Lumpur city centre. Access to the subject property is easily available from Lebuhraya Kuala Lumpur – Seremban Highway via the Bangi toll exit, making a left turn to Persiaran Kemajuan, Jalan P/4 and thereafter onto Jalan P/5 and Jalan P/6, the metalled frontage roads.</p> <p>The site comprises two (2) contiguous plots of detached industrial lots with a total provisional land area of approximately 3.87232 hectares (9.57015 acres).</p> <p>Prominent industrial premises in the area include that of Topaire Sdn. Bhd., Carrier International Sdn. Bhd., Hitachi Electronic Products (M) Sdn. Bhd., Sanko Kasei (M) Sdn. Bhd., Sony Logistics (M) Sdn. Bhd. and Matsushita Electric Co. (M) Bhd.</p> <p>The buildings offer a total gross floor area of about 202,223 square feet. It is about 16 years old was issued with a Certificate of Fitness for Occupation on July 31, 1989.</p>
Occupancy Status	<p>The property was occupied by Permanis Sdn. Bhd. (a wholly owned-subsiidiary company of Messrs. C.I. Holdings Berhad).</p> <p>(Source of Information : Title deeds, approval / letters from the relevant authorities, letters pertaining to the proposed sale &amp; leaseback agreement, etc.)</p>

12. VALUATION CERTIFICATE (Cont'd)

Our Ref. : KL052591, KL052594, KL052596, KL052629,  
PJ051143, PJ051156, VA2005/KED/1169 & VA2005/KED/1170

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Location map of South City Plaza

PJ051156 : Block A and Block B, South City Plaza	
Property	Developed on part of land held under Title Pajakan Negeri 7393, Lot 1, Pekan Serdang, District of Petaling, State of Selangor, (previously H.S.(D) 91640, P.T. 32218, Mukim and District of Petaling, State of Selangor Darul Ehsan).
Tenure of Master Lot	Leasehold interest for 99 years expiring on November 9, 2093
Owners of the Blocks	Block A - Binary Mark Sdn. Bhd; Block B - Berrington Bay Corporation Sdn. Bhd.
Category of Land Use of Master Lot	Bangunan
Express Condition of Master Lot	i. Tanah ini hendaklah digunakan semata-mata untuk kompleks Perniagaan ii. Tanah ini hendaklah diserahkan kepada kerajaan Negeri untuk diberimilik semula mengikut syarat-syarat dan bayaran yang akan ditetapkan
Restriction in interest of Master Lot	Tanah ini tidak boleh dijual, dipajak, digadai atau dipindahmilik dengan apa cara sekalipun melainkan dengan kebenaran Pihak Berkuasa Negeri
Encumbrances of Master Lot	Charged by Pujian Development Sdn. Bhd. to Malaysia Building Society Berhad, registered on October 8, 1997
Location / Description	The subject property comprise two (2) blocks of 5½-storey office buildings within the comprehensive development of South City Plaza. They bear postal address, Block A and Block B, South City Plaza, Persiaran Serdang Perdana, Taman Serdang Perdana, Section 1, 43300 Seri Kembangan, Selangor Darul Ehsan

12. VALUATION CERTIFICATE (Cont'd)

Our Ref. : KL052591, KL052594, KL052596, KL052629,  
PJ051143, PJ051156, VA2005/KED/1169 & VA2005/KED/1170

**COLLIERS**  
JORDAN LEE JAAFAR

	<p>South City Plaza which bears direct frontage onto Persiaran Serdang Perdana, is strategically situated within Taman Serdang Perdana. It is highly visible to traffic from Lebuhraya Kuala Lumpur – Seremban. South City Plaza is located approximately 9 kilometres to the south-east of the Petaling Jaya new town centre and about 12 kilometres to the south of the Kuala Lumpur city centre.</p> <p>The proposed development components within South City Plaza include a 5-storey shopping complex, two (2) blocks of 5½-storey office buildings, an 11-storey office block, a 14-storey hotel cum service apartment block and a 5-storey car park building. We note that the proposed 11-storey office block and the 14-storey hotel cum service apartment block have not as yet been constructed.</p> <p>Prominent industrial premises in the area include that of Perdana Selatan, Cheong Hin Commercial Centre, the Selangor Turf Club, the Palace of the Golden Horses hotel, Mines Beach Hotel and Mint Hotel, The Mines Resort &amp; Golf Club, The Mines Waterfront Business Centre, The Mines Shopping Fair and The Mines Wonderland.</p> <p>Block A offers a total net lettable area of 33,020.30 square feet whilst Block B offers a total net lettable area of 33,585.70 square feet. They are about 1 year old. The buildings had not as yet been issued with a Certificate of Fitness for Occupation. We note that an application was made to Majlis Perbandaran Subang Jaya on October 24, 2005.</p>
Occupancy Status	<p>Block A has been tenanted to the Institute of Graduate Studies Sdn. Bhd. whilst Block B has been tenanted to NEP Holdings (Malaysia) Berhad.</p> <p>(Source of Information : Title deeds, approval / letters from the relevant authorities, tenancy agreements, etc.)</p>

12. VALUATION CERTIFICATE (Cont'd)

Our Ref. : KL052591, KL052594, KL052596, KL052629,  
PJ051143, PJ051156, VA2005/KED/1169 & VA2005/KED/1170

**COLLIERS**  
JORDAN LEE \* JAAFAR



Location map of Holiday Villa Langkawi

VA2005/KED/1170 : Holiday Villa Langkawi	
Property	Held under Title No. H.S. (M) 286, P.T. No. 344, Mukim of Kedawang, District of Langkawi, State of Kedah and Title Nos. H.S.(M) 668 & 687, P.T. Nos. 108 & 107 respectively, within Town of Padang Mat Sirat, District of Langkawi, State of Kedah (formerly held under Title Nos. H.S.(M) 13/86 & H.S.(M) 49/96, P.T. Nos. 344 & 725, within Mukim of Kedawang, District of Langkawi, State of Kedah) *
Tenure	Freehold
Registered Owner	Amanah Raya Berhad
Category of Land Use	Bangunan
Express Condition	Tanah yang terkandung dalam hakmilik ini hendaklah digunakan sebagai satu bangunan perniagaan sahaja.
Restriction in interest	Ditegah tuan tanah membuat sebarang perkiraan (dealings) di atas tanah yang hendak dimajukan sebagai Tapak Perniagaan melainkan tuan tanah bina dan peliharaan simpanan jalan itu dan taruh batu dan tar menurut tanah Jabatan Kerja Raya serta perbuat parit parit dengan sepuas hati Penguasa Tempatan serta mendapat sokongan daripada Jabatan Kerja Raya atau ada jaminan daripada Penguasa Tempatan dan Jabatan Kerja Raya bahawa jalan-jalan dan parit-parit dapat disempurnakan.
Encumbrances	Nil
Location / Description	The subject property comprises a 4-star hotel with 238-rooms known as 'Holiday Villa Langkawi'. It bears postal address. Holiday Villa Langkawi, Lot 1698, Pantai Tengah, Mukim Kedawang, 07000 Langkawi, Kedah Darul Aman.



**12. VALUATION CERTIFICATE (Cont'd)**

Our Ref. : KL052591, KL052594, KL052596, KL052629,  
PJ051143, PJ051156, VA2005/KED/1169 & VA2005/KED/1170

**COLLIERS**  
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	<p>It is located on the south-western coastline of the main Langkawi Island and is situated along Jalan Teluk Batu, within the locality of Pantai Tengah.</p> <p>Prominent hotels premises in the area include that of Langkawi Beach resort, Ascania Seaview Resort, Sunset Beach Resort, Moonlight Bay Resort, Tanjong Mali Beach Motel, The Lanai, Pelangi Beach Resort, Sandy Bay Resort and Cenang Beach Resort. The Langkawi International Airport and the venue of the Langkawi Maritime and Aerospace Exhibition (LIMA) are situated about 6 kilometres to the north of the subject property.</p> <p>The site comprises two adjoining lots with a total land area of about 4.326 hectares (about 10.689 acres). Erected on the sites are the following buildings :-</p> <ul style="list-style-type: none"> <li>i. Main Hotel Block;</li> <li>ii. Administration Block;</li> <li>iii. Meeting Rooms / Banquet Hall Block;</li> <li>iv. Service Block;</li> <li>v. Main kitchen Block;</li> <li>vi. Restaurant / Coffee House Terrace;</li> <li>vii. Pool Side Bar / Karaoke Lounge and</li> <li>viii. New Health &amp; Fitness Centre</li> </ul> <p>The types of rooms offered by Holiday Villa Langkawi include the Superior Room, Deluxe Room, Deluxe Premium, Studio, Prima Suite, Deluxe Suite, Crystal Suite, Antara Suite and Royal Suite. The hotel also offers facilities such as food &amp; beverage outlets, conference facilities and a wide range of recreational facilities.</p> <p>The building offers a total gross floor area of about 183,190 square feet. It is about 12 years old was issued with a Certificate of Fitness on March 22, 1993.</p>																																				
<p>Average Room Rates and Comparable Room Rates</p>	<p>Holiday Villa Langkawi is presently enjoying an average room rate of about RM148/-. The room rates of Holiday Villa Langkawi and other comparable hotels in the vicinity are as follows:-</p> <table border="1" data-bbox="422 1411 1236 1624"> <thead> <tr> <th>Hotel</th> <th>Status</th> <th>Standard</th> <th>Deluxe</th> <th>Executive</th> <th>Suite</th> </tr> </thead> <tbody> <tr> <td>Holiday Villa</td> <td>4-Stars</td> <td>RM400/-</td> <td>RM420/-</td> <td>-</td> <td>RM850/-</td> </tr> <tr> <td>City Bayview</td> <td>4-Stars</td> <td>RM195/-</td> <td>RM215/-</td> <td>RM250</td> <td>RM450/-</td> </tr> <tr> <td>Kampung Tok Senik Resort</td> <td>4-Stars</td> <td>-</td> <td>RM150/-</td> <td>RM250/-</td> <td>RM350/-</td> </tr> <tr> <td>Federal Villa</td> <td>4-Stars</td> <td>RM200/-</td> <td>RM250/-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Langkasuka Beach Resort</td> <td>4-Stars</td> <td>-</td> <td>RM160/-</td> <td>-</td> <td>-</td> </tr> </tbody> </table>	Hotel	Status	Standard	Deluxe	Executive	Suite	Holiday Villa	4-Stars	RM400/-	RM420/-	-	RM850/-	City Bayview	4-Stars	RM195/-	RM215/-	RM250	RM450/-	Kampung Tok Senik Resort	4-Stars	-	RM150/-	RM250/-	RM350/-	Federal Villa	4-Stars	RM200/-	RM250/-	-	-	Langkasuka Beach Resort	4-Stars	-	RM160/-	-	-
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<p>Occupancy Status</p>	<p>The hotel is operated by Langkawi Holiday Villa Sdn. Bhd.</p> <p>(Source of Information : Title deeds, approval / letters from the relevant authorities, profit &amp; loss accounts, etc.)</p>																																				

\* It is to be noted that the new titles contain an aggregate land area of about 10.689 acres whilst the former titles contained an aggregate land area of 13.170 acres. The difference in the aggregate land areas is due to the fact that a portion of the lands had already been surrendered for road purposes. We confirm that there is no change in the Market Value as this factor has been taken into consideration in our Valuation.

12. VALUATION CERTIFICATE (Cont'd)

Our Ref. : KL052591, KL052594, KL052596, KL052629,  
PJ051143, PJ051156, VA2005/KED/1169 & VA2005/KED/1170

**COLLIERS**  
JORDAN LEE & JAAFAR



Location map of Holiday Villa Alor Setar

VA2005/KED/1169 : <b>Holiday Villa Alor Setar</b>	
Property	Developed on part of land held under Master Title Nos. Geran 7040 and H.S. (D) 1100/85, Section 5, Town of Alor Setar, District of Kota Setar, State of Kedah.
Tenure of Master Lots	<u>Geran 7040</u> Freehold  <u>H.S. (D) 1100/85</u> Leasehold interest for 99 years expiring on March 23, 2084
Registered Owners of the Master Lots	<u>Geran 7040</u> Perbadanan Stadium-Stadium Negeri Kedah  <u>H.S. (D) 1100/85</u> Majlis Perbandaran Kota Setar
Category of Land Use of the Master Lots	Bangunan
Express Condition of the Master Lots	For <u>Geran 7040 (Lot 162)</u> Perniagaan (Commercial)  For <u>H.S.(D) 1100/85</u> Tanah yang terkandung dalam hakmilk ini hendaklah digunakan sebagai tapak bangunan iaitu kompleks tempat letak kereta dan perniagaan.
Restrictions in interest	For <u>Geran 7040</u> Ditegah membuat sebarang perkiraan di atas tanah ini melainkan dengan mendapat kebenaran Majlis Mesyuarat Kerajaan Negeri Kedah terlebih dahulu.

**12. VALUATION CERTIFICATE (Cont'd)**

Our Ref. : KL052591, KL052594, KL052596, KL052629,  
PJ051143, PJ051156, VA2005/KED/1169 & VA2005/KED/1170

**COLLIERS**  
JORDAN LEE & JAAFAR

Restriction in interest	For H.S.(D) 1100/85 i) Ditegah perbuat sebarang perkiraan kecuali gadaian dan sub lease melainkan dengan kebenaran Majlis Mesyuarat Kerajaan.  ii) Dibenar Majlis Perbandaran Kota Setar, memajak menchagar dan mengeluarkan sub-lease atas tapak tanah ini untuk masa selama tidak lebeh drpd 60th kepada mana-mana orang Perseorangan / Badan atau institusi Kewangan.																														
Encumbrances	Nil																														
Other Endorsement	Private Caveats have been lodged by various financial institutions.																														
Location / Description	<p>The subject property comprise a 4-star hotel with 155-rooms known as 'Holiday Villa Alor Setar'. It bears postal address, Holiday Villa Alor Setar, Lot 162 &amp; 163, Jalan Tunku Ibrahim, 05000 Alor Setar, Kedah Darul Aman. It is located at the junction of Jalan Tunku Ibrahim with Jalan Kolam Air, within the city centre of Alor Setar. It is situated within a multi-storey commercial complex known as City Plaza. Annexed to this complex to the north is another shopping complex known as Kompleks MPKS.</p> <p>Neighbouring properties are generally commercial in character which include multi-storey commercial complexes and double-storey to four-storey shophouses of pre-war and post-war construction. Notable landmarks within the vicinity include the State Library, the MBAS Building and Bangunan Ukir. Wisma Persekutuan which accommodates the government offices is also located in the vicinity of the subject property.</p> <p>The site on which the subject multi-storey commercial complex accommodating the Holiday Villa stands comprises two adjoining building lots with a total land area of 9,384.69 square metres. The subject property comprises the following floors of the commercial complex :-</p> <ol style="list-style-type: none"> <li>i. A portion of the lower ground floor;</li> <li>ii. A portion of the ground floor;</li> <li>iii. A portion of the first floor;</li> <li>iv. A portion of the eight floor;</li> <li>v. A portion of the ninth floor;</li> <li>vi. Whole of thirteenth to eighteenth floors and</li> <li>vii. A portion of the nineteenth floor</li> </ol> <p>The type of rooms being offered by Holiday Villa Alor Setar include the Superior Room, Deluxe Room, Prima, Executive Suite, Deluxe Suite, Muda Suite and Jerai Suite. The hotel also offers facilities such as food &amp; beverage outlets, conference facilities and a wide range of recreational facilities. The building offers a total gross floor area of about 150,000 square feet. It is about 9 years old was issued with a Certificate of Fitness on May 27, 1997.</p>																														
Average Room Rates and Comparable Room Rates	<p>Holiday Villa Alor Setar is presently enjoying an average room rate of about RM194/-. The room rates of Holiday Villa Alor Setar and other comparable hotels in the vicinity are as follows:-</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Hotel</th> <th>Status</th> <th>Standard</th> <th>Deluxe</th> <th>Executive</th> <th>Suite</th> </tr> </thead> <tbody> <tr> <td>Holiday Villa</td> <td>4-Stars</td> <td>RM195/-</td> <td>RM210/-</td> <td>-</td> <td>RM480/- to RM585/-</td> </tr> <tr> <td>Grand Crystal Hotel</td> <td>3-Stars</td> <td>RM135/-</td> <td>RM145/-</td> <td>-</td> <td>RM450/-</td> </tr> <tr> <td>Grand Continental</td> <td>2-Stars</td> <td>RM138/-</td> <td>RM148/-</td> <td>RM158/-</td> <td>RM388/-</td> </tr> <tr> <td>Seri Malaysia</td> <td>2-Stars</td> <td>RM130/-</td> <td>RM150/- to RM180/-</td> <td>-</td> <td>-</td> </tr> </tbody> </table>	Hotel	Status	Standard	Deluxe	Executive	Suite	Holiday Villa	4-Stars	RM195/-	RM210/-	-	RM480/- to RM585/-	Grand Crystal Hotel	3-Stars	RM135/-	RM145/-	-	RM450/-	Grand Continental	2-Stars	RM138/-	RM148/-	RM158/-	RM388/-	Seri Malaysia	2-Stars	RM130/-	RM150/- to RM180/-	-	-
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Occupancy Status	<p>The hotel is operated by Alor Setar Holiday Villa Sdn. Bhd.</p> <p>(Source of Information : Title deeds, approval / letters from the relevant authorities, profit &amp; loss accounts, etc.)</p>																														

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**12. VALUATION CERTIFICATE (Cont'd)**

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Our Ref. : KL052591, KL052594, KL052596, KL052629,  
PJ051143, PJ051156, VA2005/KED/1169 & VA2005/KED/1170

**COLLIERS**  
JORDAN LEE \* JAAFAR

**Valuation Rationale**

In arriving at the Market Values of the Subject Properties, we have considered the general economic performance, property market condition, rentals, income and expenditure, occupancy performance as well as the sale transactions of similar properties in the open market.

We have adopted the Comparison, Cost, Investment and Discounted Cash Flow Methods of Valuation to assess the Market Values of the Subject Properties.

For those properties which are held for investment and leasing purposes, namely Wisma Amanah Raya Berhad, Wisma UEP, Wisma AmanahRaya, SEGI College and Blocks A and B of South City Plaza, we have relied on the Investment Method of Valuation as the primary method with the Comparison Method (with the exception of SEGI College, where the Cost Method was used) used to produce a check valuation.

For the Permanis Factory, we have relied on the Cost and Investment Methods of Valuation as the methods to arrive at our Market Value.

For the hospitality properties comprising Holiday Villa Langkawi and Holiday Villa Alor Setar, we have relied on the Discounted Cash Flow Method of Valuation as the primary method with the Comparison Method used to produce a check valuation.

The **Comparison Method** of Valuation Approach entails comparing the subject property with similar properties that have been sold recently and those that are currently being offered for sale in the vicinity or other comparable localities. The characteristics, merits and demerits of these properties are noted and appropriate adjustments thereof are then made to arrive at the value of the subject property.

In the **Cost Method**, the value of the land is added to the replacement cost of the building and other site improvements. The value of the site is determined by comparison with similar lands that were sold recently and those that are currently offered for sale in the vicinity with appropriate adjustments made to reflect the dissimilarities and to arrive at the market value of the subject land as an improved site. The depreciated replacement cost of the building is derived from the estimated reproduction cost of constructing a new building of the same kind and design based on current market prices for materials and labour, other related fees and charges and present construction techniques and deducting therefrom the accrued depreciation due to use and disrepair, age and obsolescence though technology and market charges.

In the **Investment Method**, the annual rental income presently received or expected to command over period of time relating to the lease of the property is estimated and adjusted therefrom the inflation rate, void provision and outgoings incidental to the ownership of the property to obtain the net annual rental value. This net annual income is then capitalised using an appropriate capitalisation rate to convert the series of income into a single capital sum, which is the capital value of the property. The relevant capitalisation rate is chosen based on the investment rate of return to be expected from the type of property concerned taking into consideration such factors as risk, capital appreciation, security of income, ease of sale and management of the property.

In the **Discounted Cash Flow Method**, the value of the property is determined by the stream of present as well as the anticipated amount of cash inflow (gross income) that will be generated during the respective terms of the whole investment period. The stream of expenses, i.e. operating expenses, management fee, incentive fee and overheads are then deducted from this gross income to arrive at the net annual income. The net annual income is

12. VALUATION CERTIFICATE (Cont'd)

Our Ref. : KL052591, KL052594, KL052596, KL052629,  
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**COLLIERS**  
JORDAN LEE & JAAFAR

then discounted to the present value at an appropriate rate and the summation of these profits is the Market Value of the property.

Some of the salient facts and the summary of Market Values are as follows:-

Subject Properties	Net Lettable Area (NLA) / Gross Floor Area (GFA) (in square feet)	Yield (%)	Tenure	Market Value
Wisma Amanah Raya Berhad	NLA - 125,227	<u>Terms 1 to 9</u> 6.0% <u>Reversion</u> 7.0%	Leasehold interest for 99 years, expiring on September 21, 2072	RM55,000,000/-
Wisma UEP	NLA - 90,541	<u>Term 1 &amp; Term 2</u> 6.0% & 6.5% <u>Reversion</u> 7.0%	Freehold	RM36,000,000/-
Wisma AmanahRaya	NLA - 166,902	<u>Term 1 &amp; Term 2</u> 6.0% & 6.5% <u>Reversion</u> 7.0%	Leasehold interest for 99 years expiring on June 10, 2065	RM70,000,000/-
SEGI College	NLA - 131,386.76	<u>Terms</u> 7.0% <u>Reversion</u> 7.25%	Freehold	RM52,500,000/- *
Permanis Factory	GFA - 202,223	<u>Term 1</u> 7.0% <u>Reversion</u> 7.5%	Leasehold interest for 99 years expiring on February 9, 2089	RM24,000,000/-
Block A and Block B, South City Plaza	<u>Block A</u> NLA - 33,020.30 <u>Block B</u> NLA - 33,585.70	<u>Term 1 &amp; Term 2</u> 6.5% <u>Reversion</u> 7.0%	Leasehold interest for 99 years expiring on November 9, 2093	RM18,300,000/-
Holiday Villa Langkawi	GFA - 183,190	<u>Terms</u> 9.0% <u>Reversion</u> 9.0%	Freehold	RM55,000,000/-
Holiday Villa Alor Setar	GFA - 150,000	<u>Terms</u> 10.0% <u>Reversion</u> 10.0%	Portion freehold / portion leasehold interest for 99 years expiring on March 23, 2084	RM31,000,000/-

\* We note that as at the Date of our Valuation, SEGI College was undergoing construction. Our valuation for SEGI College was on the assumptions that the building was fully completed in accordance with the approved building plans and specifications and thereafter certified fit for occupation by the relevant authorities. At present, the building has been fully completed and has been issued with a Certificate of Fitness for Occupation by the relevant authorities. We further note that the purchase of SEGI College by Amanah Raya REIT is on the basis of the building being fully completed and thereafter certified fit for occupation by the relevant authorities.

Taking into consideration all relevant factors, we are of the opinion that the aggregate Market Value of the Subject Properties, in their existing condition, subject to the existing tenancies and free from all encumbrances, is **RM341,800,000/- (RINGGIT MALAYSIA: THREE HUNDRED FORTY ONE MILLION AND EIGHT HUNDRED THOUSAND ONLY).**

Yours faithfully,  
**COLLIERS**  
**JORDAN LEE & JAAFAR SDN. BHD.**

**SUBRAMANIAM A/L ARUMUGAM, B.Surv. (Hons), FISM**  
Registered Valuer (V-450)

JAS-ANZ



ISO 9001 : 2000  
Certification No. 1250

Our Ref: MS060003

**PRIVATE & CONFIDENTIAL**

December 28, 2006

**Messrs. Amanah Raya-JMF Asset Management Sdn. Bhd.**

Level 7, Wisma AmanahRaya  
2, Jalan Ampang,  
50450 Kuala Lumpur

**For the attention of: En. Mohamed Azahari Kamil**  
**Managing Director**

Dear Sirs,

**MARKET STUDY ON A PROPERTY PORTFOLIO IN RELATION TO THE ESTABLISHMENT OF AMANAHRAYA REITS**

We refer to your instructions on the above and append herewith our study on the matter.

The report is prepared in conjunction with the establishment of AmanahRaya REIT and its proposed listing. The opinions, estimations and information contained therein or otherwise in relation thereto are made by Colliers, Jordan Lee and Jaafar Sdn. Bhd. in utmost good faith and as far as possible based upon data or sources which we believe to be reliable in the context thereto. Any values or forecasts expressed herein are intended as informal opinions and should not be construed as formal valuations as in a Valuation Report.

Thank You.

**COLLIERS**  
**JORDAN LEE & JAAFAR SDN BHD**

**P.TANGGA PERAGASAM**  
Managing Director

**International Property Consultants • Chartered Valuation Surveyors • Registered Valuers & Real Estate Agents •  
Project & Property Managers • Plant & Machinery Valuers • Auctioneers**

Managing Director: P. TANGGA PERAGASAM, FISM, FRICS, Chairman CHIN LAI SITT, FISM, FRICS, LLB (Hons), CLP Executive Director: THOO SING CHOON, FRICS, IRRV, ACIARB, FPCC.  
Director / Advisor: JAAFAR ISMAIL, FISM, FRICS.

李 子 耀 華 化 估 計 師  	LEE YUN TSIR B.Sc. (Hons), MISM, A.SUBRAMANIAM B.Surv. (Hons), FISM, JEROME HONG BOON PENG, MISM(M), MRICS, SIEW KOK KONG B. Surv. (Hons), MISM, YAP KIAN ANN, MISM LEE THIAM SENG, MISM, CHIN KIM CHOY, MISM, Dip Est. Mgmt (U.K.), LIM CHANG MEE FISM, FRICS, BA. (Hons), B.Sc. (Hons).	高 利 德 地 產 估 價 師  
	Malaysian Headquarters : Level 6, Block G North, Pusat Bandar Damansara, Damansara Heights 50490 Kuala Lumpur, Tel: 03-20955811 (10Lines) Fax: 03-20955843 Agency Division : CIPC, Nox 109 & 209, Block C, Pusat Dagangan Phileo Damansara 1, No. 9 Jalan 16/11, 46350 Petaling Jaya, Tel: 03-76600220 Fax : 03-76600230	
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**A STUDY ON A PORTFOLIO OF PROPERTIES IN RELATION TO  
THE ESTABLISHMENT OF AMANAHRAYA REIT**

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 Prepared for AmanahRaya-JMF Asset Management Sdn. Bhd.

## 1.0 INTRODUCTION

### 1.1 PREFACE

AmanahRaya-JMF Asset Management Sdn. Bhd. has appointed Colliers Jordan Lee & Jaafar Sdn. Bhd. to conduct a study on a property portfolio in relation to the establishment of AmanahRaya REIT.

The property portfolio comprises 6 commercial and industrial properties located mainly in the Klang Valley. They also include 2 properties in the hospitality industry, namely Holiday Villa Alor Setar and Holiday Villa Langkawi. Other details of the properties are tabulated below:

Properties & Locations	Brief Description
<b>Properties in Kuala Lumpur</b>	
a) <b>Wisma AmanahRaya</b> Jalan Ampang	A 15-storey purpose-built office building
b) <b>Wisma Amanah Raya Berhad</b> Jalan Semantan, Damansara Heights	A 5-storey purpose-built office building with 6 lower ground levels inclusive of 4-level car park
<b>Properties in Selangor</b>	
c) <b>Wisma UEP</b> USJ 1 (Tai Pan Triangle)	An 11-storey purpose-built office building with 3 levels of basement car park
d) <b>SEGi College</b> Persiaran Kewajipan, USJ 1	A newly completed 12-storey commercial building with 3 levels of basement car park
e) <b>Block A &amp; Block B of South City Plaza</b> Taman Serdang Perdana	Two blocks of 5 ½ -storey office buildings within the comprehensive development of South City Plaza
f) <b>Permanis Factory</b> Kawasan Perusahaan Seksyen 13, Bandar Baru Bangi	2 plots of industrial land erected upon with: <ul style="list-style-type: none"> <li>▪ a single storey factory with an integral double storey office</li> <li>▪ a bottle manufacturing plant</li> <li>▪ a single storey warehouse with an integral double storey office known as the one stop-centre office</li> <li>▪ a single storey sales office building with canteen</li> <li>▪ a double storey office building with storage area</li> <li>▪ other ancillary buildings/structures</li> </ul>
<b>Properties in Kedah</b>	
g) <b>Holiday Villa Alor Setar</b> Jalan Tunku Ibrahim/Jalan Kolam Air Alor Setar	A 155-room hotel, situated within a multi-storey commercial complex known as City Plaza
h) <b>Holiday Villa Langkawi</b> Jalan Teluk Baru, Pulau Langkawi	A 238-room hotel in a locality known as Pantai Tengah

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## **1.2 RESEARCH OBJECTIVE**

The objective of the research is to provide an overview of the property market in the Klang Valley as well as Kedah/Langkawi and to highlight the investment prospects of the properties in the portfolio, which will be used as an investment literature to attract foreign investors.

## **1.3 SCOPE OF WORK**

In order to achieve the above research objectives, we propose the following scope of work:

### **A) Malaysian Economic Overview**

This section covers the macro factors that influence the property market in general. It includes a description/outlook of the economy, detailing the major indicators such as GDP, interest rates, inflation, etc.

### **B) Property Market Overview**

There will be three parts to the property market overview, namely:

- i) An Overview of Kuala Lumpur Office Market
- ii) An Overview of Selangor Office & Industrial Markets
- iii) An Overview of Kedah/Langkawi Tourism & Hotel Industries

The above sections provide an overview of the property market scenario and investment outlook, with particular reference to the relevant types of properties. It involves the analysis of the general trends of demand, supply, rental rates and other pertinent factors.

### **C) Investment Prospects of the Properties in the Portfolio**

Each property will be described in terms of location, development type, land and built-up areas, rental income/room rates, occupancy, tenants' profile, etc. The investment prospects of each property will be illustrated/projected based on the economy, general property market and the key investment features of each property, such as:

- Location, surrounding developments and accessibility
- Rental income/ room rates
- Occupancy
- Tenants' profile for relevant properties

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#### 1.4 STUDY LIMITATIONS & CONDITIONS

Our final report will be subject to the following standard limitations:

- A) This study has been prepared upon the instruction of AmanahRaya-JMF Asset Management Sdn. Bhd. (herein refers to as "Client") and henceforth, the responsibility of the company in connection with this study is limited to the Client. No liability or responsibility to any person(s) other than the aforesaid Client is recognized or accepted by us or by any associated company or representative.
- B) We shall not be required to update our findings and recommendations in response to changes in market conditions or the regulatory environment which may occur subsequent to the submission of our final report;
- C) The report is prepared in conjunction with the establishment of AmanahRaya REIT and its proposed listing. Neither the whole nor any part of our draft or final reports, nor any other plans, illustrations or documents which are produced by CJLJ Research in the course of this study, may be included in any other published document, circular, prospectus or statement nor published in any way in any connection with the sale of securities or public participation without the prior written approval of CJLJ Research;
- D) Our final report will not include the possible impact of zoning or environmental regulations, licensing requirements, or other such matters unless these have been brought to our attention and are disclosed in the report.
- E) Neither the whole nor any part of our report may be used in a Court of Law, Arbitration Panel or in any litigation proceedings of whatsoever nature.

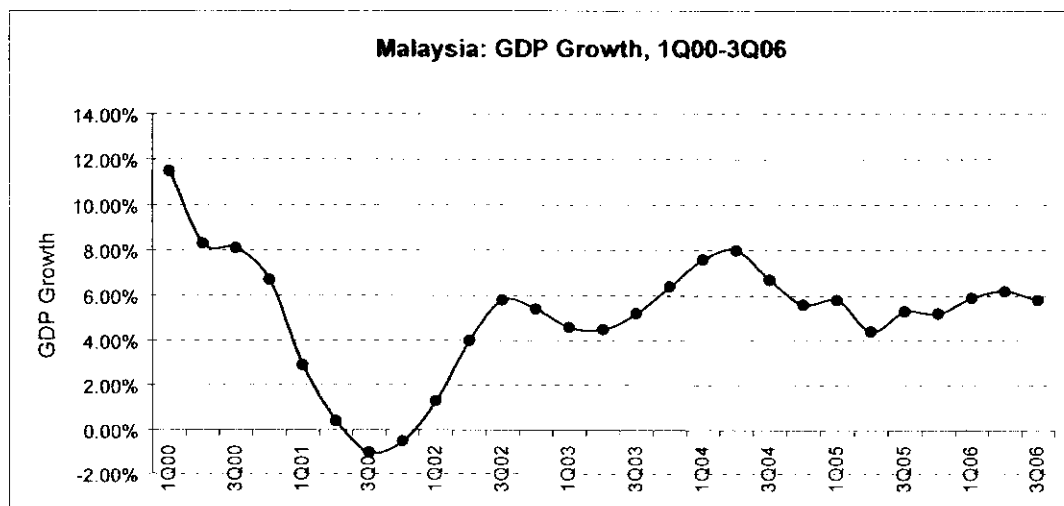
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## 2.0 MALAYSIAN ECONOMIC & PROPERTY MARKET OVERVIEW

### 2.1 MALAYSIAN ECONOMY

The Malaysian economy showed sustained growth during 2005 with growth rates of 5.8%, 4.4%, 5.3% and 5.2% in Gross Domestic Product (GDP) recorded from the first to the fourth quarters of 2005 respectively. Overall, the economy recorded a growth of 5.3% for 2005 as compared to a growth of 7.1% registered during 2004. The GDP continued to expand during 2006 with growth rates of 5.9%, 6.2% and 5.8% recorded for each of the first 3 quarters of the year respectively. For the first three quarters of the year, overall growth was noted to be 6.0% against 5.2% registered for the first three quarters of 2005. .

Chart1



Source: Bank Negara Malaysia

The Malaysian Institute of Economic Research (MIER) and Bank Negara Malaysia have each projected a growth rate in GDP by 5.5% and 6.0% respectively for the year 2006 indicating their positive forecast on the direction of the country's economy. Judging from growth level during the first 3 quarters of the year, the growth projection should be easily attainable.

The manufacturing sector was the strongest performer for the 3<sup>rd</sup> quarter of 2006 (3Q06) registering a growth rate of 7.1% as compared to 8.4% recorded for the quarter preceding. Growth within the manufacturing sector during the 3Q06 was mainly driven by domestic oriented industries which performed stronger than the export oriented industries. Growth within the sector was driven by the wood and paper products, printing and publishing group which boosted a double digit growth of 13.8% whilst basic metal industries also registered a strong growth of 9.2%.

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The services sector was also noted to have performed well for the 3Q06 recording a growth rate of 6.5% with the finance, insurance, real estate and business services sub-sector leading the way with a growth rate of 7.5%. The wholesale & retail trade and hotels & restaurants sub-sector continued on a strong path with a growth of 5.8%

The Ministry of Finance has projected a further growth of 6.5% in the Whole Sale & Retail Trade and Hotels & Restaurants sub-sector for the period of 2006 as consumer spending and tourist expenditure continues to increase.

Growth within the agricultural sector improved to 6.2% for the 3Q06 as compared to 5.6% recorded for the previous quarter. Growth within the sector was mainly attributed to higher production of oil palm, fishing, livestock and rubber. Oil palm production which recorded continuous negative growth for the 4<sup>th</sup> quarter of 2005 (4Q05) and 1Q06 rebounded with an expansion of 7.5% and 10.0% for the 2Q06 and 3Q06 respectively whilst rubber production expanded by 7.1% and 8.0% for the same periods. Other agricultural products, livestock, forestry and fishing however registered a moderate growth rate of 4.0% and 3.1% for the 2Q06 and 3Q06 respectively.

Both the mining and the construction sectors each recorded a marginal decline of 1.2% and 0.4% respectively for the 3Q06. Negative growth within the mining sector was mainly attributed to a decline of 7.8% in the production of crude oil.

On the expenditure side, the final consumption expenditure recorded a growth of 7.1% for 3Q06 as compared to 6.6% registered during the previous quarter. This was mainly caused by higher government and private final expenditure which increased by 8.3% and 6.8% year-on-year.

During the 3Q06, headline inflation as measured by the Consumer Price Index (CPI) moderated to 3.6% (2Q06:4.1%). The moderation was mainly due to stable oil prices and transport costs which were not revised upwards in recent months. The average headline inflation rate for the first three quarters of the year remained high at 3.8% as compared to 2.9% registered for the corresponding period of 2005. The moderation in inflation rates however have continued into the 4<sup>th</sup> quarter of 2006 (4Q06) with a further decline to 3.1% in October of 2006.

With continued moderation in inflation rates, the Overnight Policy Rate (OPR) was left unchanged at 3.5% throughout the 3<sup>rd</sup> quarter of 2006. As at the end of the 3Q06, average fixed deposit rates (FD) ranged between 3.13% and 3.77% for FD with 1-month to 12-month maturities respectively. With continued moderation in inflation rates, real FD rates were noted to be positive from August of 2006 onwards. The average base lending rate (BLR) of commercial banks remained stable at 6.72% whilst the average lending rate (ALR) peaked at 6.63% in July of 2006.

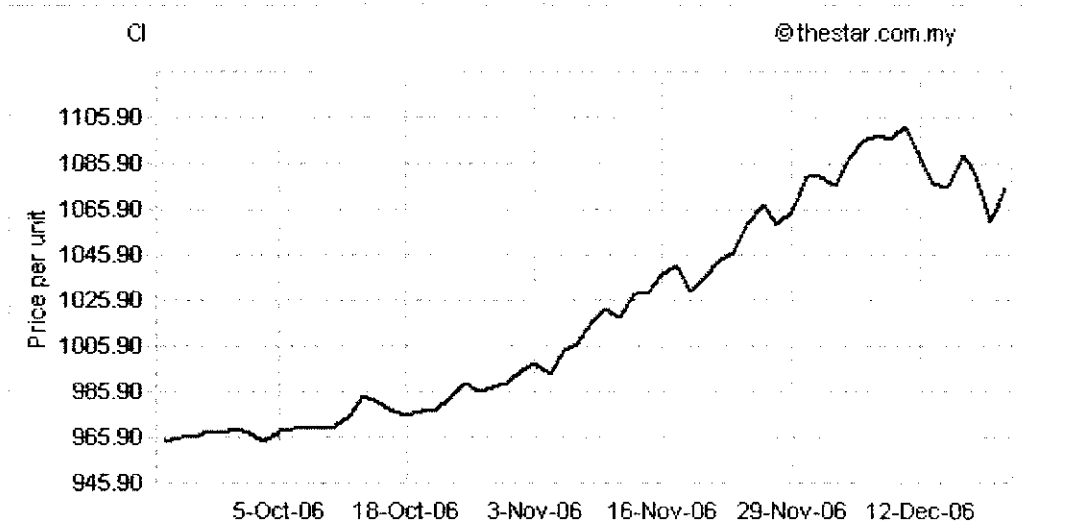
During the 3Q06, the ringgit depreciated against the US dollar whilst appreciating against the Japanese Yen due to the weakening of the currency amidst reduced expectations for further interest rate increases. The ringgit however was noted to have appreciated against most major currencies during the period of October to November 21, 2006. The same was noted for the

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ringgit against most regional currencies with the exception being depreciations recorded against the Thai baht (-1.6%) and the Singapore dollar (-0.9%).

With positive sentiments within the overall economy, the Kuala Lumpur Composite Index (KLCI) was noted to have breached the 1,080 point level and has continued to trend around this level since the beginning of December 2006.

**Chart 2: KLCI Trend (September to November 2006)**



Source: [www.thestar.com.my](http://www.thestar.com.my)

Sustainable growth within the GDP and with forward looking indicators in the domestic economy remaining positive, the property sector within Malaysia is expected to follow in tandem. It has been noted by Bank Negara Malaysia that the Business Conditions Index, Consumer Sentiments Index as well as the Employment Index continue to show an increasing trend which therefore provides an indication of continued expansion in private investment activity and household consumption activities going forward.

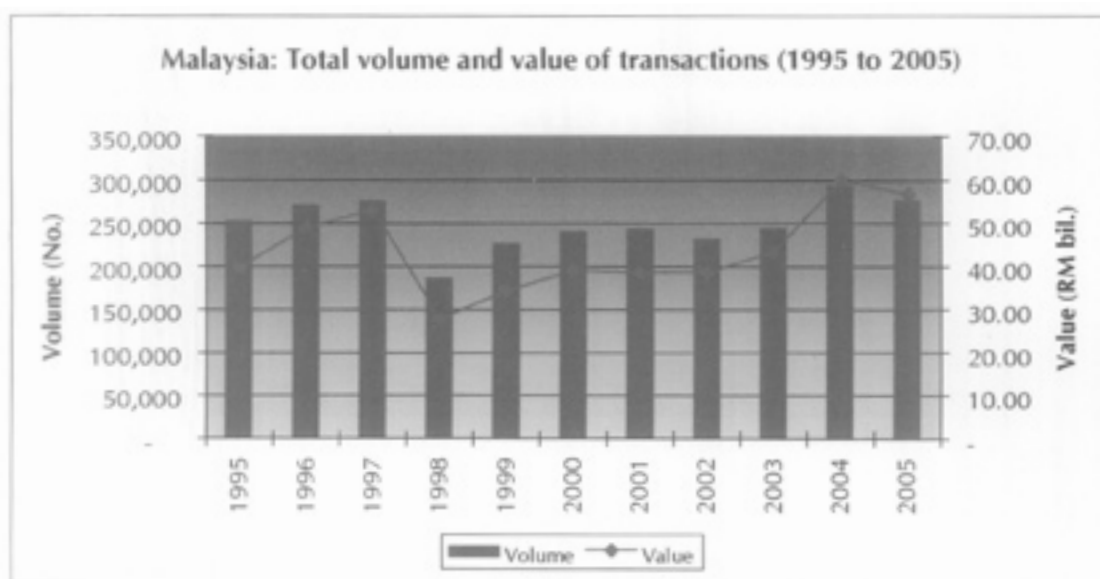
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## 2.2 MALAYSIAN PROPERTY MARKET

The sustained economic growth is set to continue with the property market following in tandem as well as being led by the robust residential property sector. Whilst interest rates have risen slightly during the first half of the year, most sectors of the Malaysian property market are expected to continue with sustainable growth for the final quarter of 2006 and 2007. Borrowing rates still remain relatively low and should continue to encourage the purchase of property during the year thus keeping the property market active.

The property market of Malaysia which has been performing strongly with a noticeable up-trend year-on-year from 1998 onwards appears to have slightly softened last year. Whilst transaction volumes and values were noted to have dropped slightly between 2004 and 2005, it is apparent that these figures still surpass the previous high achieved in 1997.

**Chart 4**



Source: Property Market Report

From the apparent strong performance of transactions activity during the course of 2004 and 2005, it is evident that government policies intended on boosting the economy and property market achieved its goal. Volume and value of transactions for 2004 increased by 20.5% and 38.1% respectively as compared to the total volume and value of transactions for the previous year but subsequently dropped by a marginal 5.3% and 5.7% respectively. As with previous years, the property market was led by the residential sub-sector which accounted for 65.7% of the total transaction volume during the course of 2005, whilst the agricultural, commercial, development land and industrial sub-sectors followed in descending order by contributing 18.8%, 8.7%, 4.1% and 2.6% respectively. The softening of the property market is generally attributed to an increase in interest rates which has prompted a 'wait and see' attitude within the market.

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The property market is expected to be more active during the second half of 2006 (2H06) after marginal decreases in transaction activity were noted for the first half of 2006 (1H06). Whilst a minimal easing of transaction activity within the residential sub-sector occurred during the 1H06 due to periodic increases in interest rates as well as a slackening of demand in certain locations, stable oil prices and prevailing low interest rates should increase positive sentiments within the sector which should in turn translate to growth in transactions activity during the 2H06.

The office sub-sector is expected to perform well with increases in occupancy attributed to prevailing low rental rates within the Klang Valley office sector as compared to countries in the region, and it is hoped that as occupancy rises, rental rates will follow in tandem.

The industrial property market on the other hand which has been generally lacklustre in the preceding years has remained monotonous for the 1H06 which is expected to continue during the 2H06 due to the overhang of industrial properties especially terraced factories used for light industrial purposes. Whilst the government has been trying to promote the setting up of light industries by locals within the country, the take-up of these properties still continues to remain slow. These properties considered to be poorly located should be taken-up in due time. However the prices are expected to remain at current levels until the overhang reduces and occupancy of industrial properties improve. Industrial properties located within choice locations, especially those with good advertisement-value and alternative uses however should continue to perform strongly as with previous years.

On the whole, the residential and commercial property sectors will continue to lead the overall property sector during 2006. The purpose built office sector is expected to be the main driving force behind the commercial property sector due to competitive rental rates being offered within the country. The high-end residential market will continue to remain strong as homeowners continue to take advantage of prevailing low interest rates to upgrade from their current accommodation. Landed residential property will continue to be in demand as new launches of exclusive housing units in prime locations have seen brisk sales. The only factor that could dampen activity within the residential property market during the course of the year is a sharp increase in interest rates, which would effectively increase borrowings costs and therefore cause a slow down in property purchases. The residential property market is therefore expected to remain active as long as interest rates remain at their current levels whilst the overall property market will continue to remain positive inline with the Malaysian economy.



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### **3.0 KUALA LUMPUR OFFICE PROPERTY MARKET**

#### **3.1 INTRODUCTION TO KUALA LUMPUR**

Kuala Lumpur, a city covering 243.6 sq km., is located at the confluence of the Klang and Gombak rivers. It is one of the three Federal Territories, and is an enclave within the state of Selangor, on the central west coast of Peninsular Malaysia.

Kuala Lumpur is the largest city and the focal point of Malaysia. It is the capital of Malaysia, which functions as the centre of Malaysia's political, commercial and social life. KL, as it is always called, has a population of over 1.3 million that leads the nation's fast pace development in trade and commerce. The city's strategic location near the heart of South-East Asia, along with excellent supporting infrastructure has made it a popular venue for international events, conventions, and exhibitions.

Kuala Lumpur is a modern and fast moving city. The city's bustling streets, and its skyscrapers project the progress the country has made. There are many large-scale commercial developments in the city that combine the convenience of living, shopping and working, all in one place. The prestigious Kuala Lumpur City Centre (KLCC) has become the nation's landmark and magnet to other property and infrastructure developments.

Areas outside the city centre are also growing at a steady pace. Prime areas outside the city centre include Damansara and its neighbouring areas such as Bangsar, Hartamas and KL Sentral. For example, our database shows that a significant portion of the future office supply would be located in the suburban area. This indicates the trend of office space moving out from the city centre, which could be due to its high land cost as well as the congestion faced by commuters. The establishment of commercial projects would eventually lead to further development of amenities and infrastructure.

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### 3.2 OFFICE MARKET

#### 3.2.1 SUPPLY & DEMAND

As at 2Q06, there were 373 office buildings in Kuala Lumpur, with a total floor area of about 63.81 million square feet. With an average occupancy of 81.1%, the total occupied space was 51.73 million square feet and the total vacant space was about 12.08 million square feet. Of the 373 buildings, there were 48 government offices, the space of which accounted for about 7.1% of the total 63.81 million sq. ft.

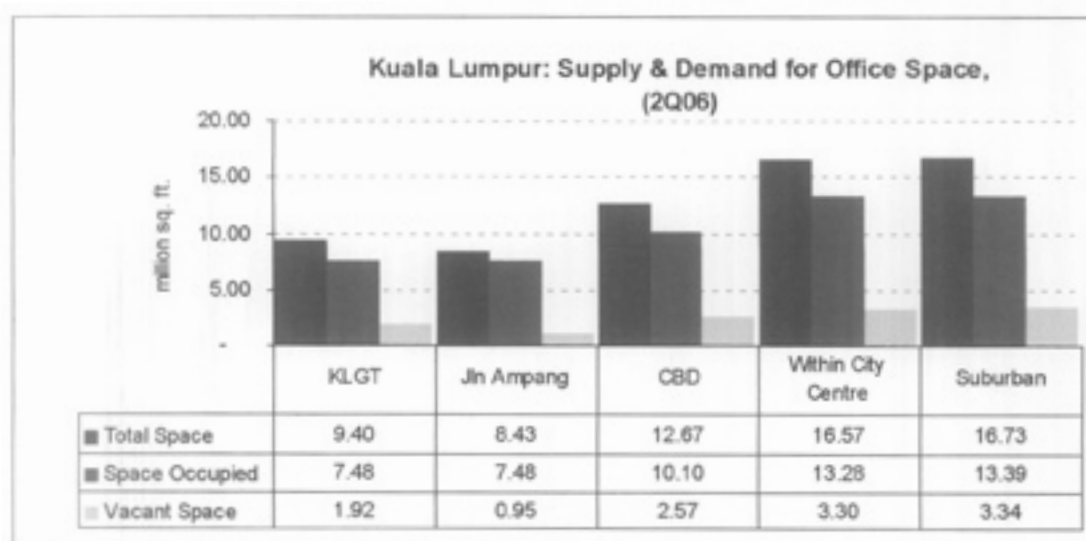
Table 1:

Supply & Demand of Office Space in Kuala Lumpur as at 2Q06					
	No. of Buildings	Total Space (sq. ft.)	Occupied Space (sq. ft.)	Occupancy Rate	Vacant Space (sq. ft.)
Private buildings	325	59.28 million	47.20 million	79.6%	12.08 million
Government buildings	48	4.52 million	4.52 million	100.0%	-
<b>TOTAL</b>	<b>373</b>	<b>63.81 million</b>	<b>51.73 million</b>	<b>81.1%</b>	<b>12.08 million</b>

Source: NAPIC, 2Q06

Based on National Property Information Centre's (NAPIC) data, amongst all areas in Kuala Lumpur, Jalan Ampang area had the lowest supply, the highest average occupancy rate and therefore the lowest vacant space. The following chart shows the demand and supply of office space in Kuala Lumpur in various locations.

Chart 5:



Source: NAPIC, 2Q06

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*Note: Please refer **Appendix 1** for definition of the various locations in Kuala Lumpur, as provided by NAPIC.*

From the above chart, it could be seen that the average occupancy rate was the highest in Jalan Ampang (88.8%), followed by the city centre (80.1%), suburban (80.0%), the CBD (79.7%) and KLGT (79.6%). Vacant office space was the highest in the suburban (3.34 million sq. ft.), followed by the city centre (3.30 million sq. ft.), CBD (2.57 million sq. ft.), KLGT (1.92 million sq. ft.) and Jalan Ampang with vacant space of 0.95 million sq. ft.

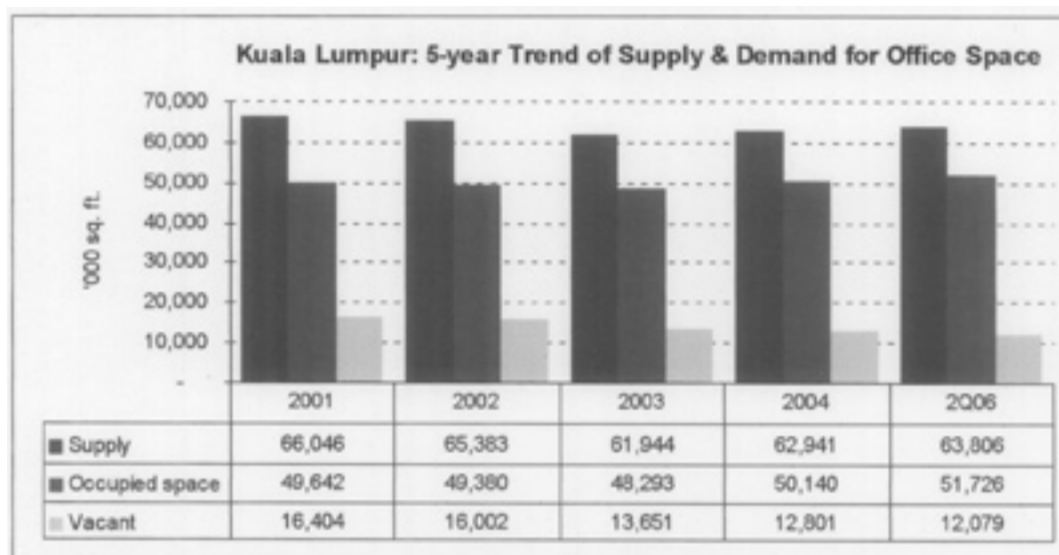
Within the locality of Bukit Damansara, the office supply stood at approximately 6.14 million sq. ft. as at 2Q06. With a total occupied space of about 5.10 million sq. ft., the average occupancy rate was 83.1%. Areas that registered an average occupancy rate of above 90% are Jalan Damaniela, Jalan Damansara, Jalan Dungun, Jalan Gelenggang, Jalan Medan Setia 1, Jalan Semantan 1, Lorong Dungun, Medan Damansara and Off Jln Semantan.

The newest building in the area is Wisma Perintis, which is located along Jalan Dungun. It is a 9 ½ -storey building with a gross built-up area of about 150,000 sq. ft. The building is targeted at medical specialists, with the aim of turning the building into consulting suites.

There has indeed been recovery in demand for office space in Kuala Lumpur. The amount of vacant office space was on the rise during 1997 to 2001. Improvements were noted from 2002 onwards, where the average occupancy rate increased from 75.2% in 2001 to 81.1% in 2Q06. As a result, the vacant office space in Kuala Lumpur dropped gradually from 16.31 million sq. ft. in 2001 to 12.08 million sq. ft. in 2Q06.

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**Chart 6:**



Source: Property Market Reports & NAPIC 2Q06

Note that there was a decrease in supply from 2002 to 2003. According to NAPIC, there were adjustments made due to the change in use of buildings

One possible explanation for the increase in occupancy rates of the offices in Kuala Lumpur is the slower pace of growth in the annual supply. In the mid 1990s to year 2000, the annual supply increased at an average rate of about 13% per annum. However, from year 2000 onwards, the annual supply was noted to increase at a slower rate of below 10% per annum. The slower growth was most likely due to deferment of some commercial projects during the 1997 financial crisis. The effect was profound as there was an increase in the number of new as well as business expansions, which led to higher requirement of office space.

The number of transactions of office lots may also indicate strong demand for office space. In 2005, a total of 843 office lot transactions were recorded, up from 473 in 2004. The total value increased from RM237.29 million in 2004 to RM421.74 million in 2005. Whilst transaction volume within Kuala Lumpur city centre appears to have decreased marginally in 1H06, transaction value was noted to have increased by a whopping 47.5%. The number of transactions indicates improvement in market activities compared with 1H05 and 1H06, as shown in the following table:

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Table 2:

Transactions of Office Lots in Kuala Lumpur		
Period	Volume	Value (RM million)
<b>Yearly</b>		
2003	286	103.29
2004	473	237.29
2005	843	421.74
<b>Quarterly</b>		
1H05	134	86.35
2H05	219	116.22
1H06	123	127.40

Source: NAPIC

It is expected that Kuala Lumpur will see a total of 29 new buildings in the future, which will add approximately 19.75 million sq. ft. of new office space. Jalan Ampang is the only location without any incoming supply whilst the suburban areas will see a total of 15 new buildings with a total space of 12.54 million sq. ft.

Table 3:

Future Supply of Office Space ('000 sq. ft.) in Kuala Lumpur, 2Q06							
Location	Incoming		Planned		Total		Proportion of New Office Space
	No.	Sq. ft.	No.	Sq. ft.	No.	Sq. ft.	
KLGT	1	106.8	1	450.0	2	556.8	2.80%
Jalan Ampang	0	0	0	0	0	0	0.00%
CBD	4	3,609.8	3	725.7	7	4,335.5	21.82%
Within city centre	4	1,063.7	2	1,708.5	6	2,772.2	13.95%
Suburban	8	2,242.5	7	9,959.7	15	12,202.2	61.42%
<b>TOTAL</b>	<b>17</b>	<b>7,022.8</b>	<b>13</b>	<b>12,843.9</b>	<b>30</b>	<b>19,866.7</b>	<b>100.00%</b>

Source: Property Market Report, 1H06

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 Prepared for AmanahRaya-JMF Asset Management Sdn. Bhd.

Our survey shows that future supply of office space includes the following developments:

**Table 4:**

Future Office Supply in Kuala Lumpur	
Building	Location
▪ Lot D1, KLCC	Jalan Ampang
▪ Lot C, KLCC	Jalan Ampang
▪ Avenue K	Jalan Ampang
▪ Menara YNH	Jalan Sultan Ismail
▪ UDA's office tower	Jalan Sultan Ismail
▪ Vision City Tower IV	Jalan Sultan Ismail
▪ KL Pavilion	Jalan Bukit Bintang
▪ Menara Commerce	Jalan Raja Laut
▪ Nas Pavilion	Jalan Imbi
▪ Lot 163 Office Tower	Jalan Perak
▪ CapSquare Tower	Jalan Munshi Abdullah

Source: C.JLJ, 2006

### 3.2.2 SELLING PRICES & RENTAL RATES

Recent transactions show that the selling prices of purpose-built office buildings in the city range from RM399 to RM534 per sq. ft. Details of selected office buildings which were transacted in 2006 are summarised in the following table.

**Table 5:**

Transactions of Selected Office Buildings in Kuala Lumpur City Centre					
Buildings & Location	Built-up area (sf)	Transacted Price		Transacted Date	Seller (S) Purchaser (P)
		RM	RM per sq. ft.		
Wisma Denmark Jalan Ampang	273,000	130,000,000	476	2006	S: Wisma Denmark Sdn Bhd P: Great Eastern Insurance
Menara Genesis Jalan Sultan Ismail	134,722	53,600,000	398	08.06.06	S: Classic Lane (M) Sdn. Bhd. P: Amsterling Sdn. Bhd.
Menara ING Jalan Raja Chulan	151,395	75,000,000	495	19.10.06	S: ING P: Tower REIT
Plaza Sentral II KL Sentral	150,000	80,040,000	534	02.12.06	S: Malaysian Resources Corporation Berhad P: Employee Provident Fund

Source: C.JLJ Research

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Bangunan MAS located along Jalan Sultan Ismail was transacted at RM130 million in June of 2006. The 35-storey building which was put up for tender was purchased by Permodalan Nasional Berhad (PNB) at its reserve price which is equivalent to RM480 per sq. ft. based on the building's 270,071 sq. ft. nett lettable area.

In 2005 and 2006, besides Wisma AmanahRaya, there were several other office spaces/buildings transacted for the purpose of establishment of the REITs, as shown in the following table:

**Table 6:**

Transactions of Office Buildings in Kuala Lumpur City Centre For REITs					
Buildings & Location	Net Lettable area (sq. ft.)	Transacted Price (RM)		Transacted Date	Seller (S) Purchaser (P)
		RM	RM per sq. ft.		
Menara HLA Jalan Kia Peng	396,820	221,000,000	557	16.11.05	S: Guocoland (Malaysia) Berhad P: GLM REITs
* UOA Centre Jalan Pinang	139,572	57,600,000	413	29.11.05	S: Wisma UOA Sdn Bhd P: UOA REITs
* UOA II Jalan Pinang	437,608	180,900,000	413	29.11.05	S: Wisma UOA Sdn Bhd P: UOA REITs
Menara Ambank Jalan Yap Kwan Seng	458,882	230,000,000	501	12.10.06	S: Ambank Berhad P: AmFirst REIT
Bangunan Ambank Group Jalan Raja Chulan	360,166	180,000,000	500	12.10.06	S: Mayban Trustees Berhad P: AmFirst REIT

Source: C.JLJ Research

\* Note that the transactions of UOA Centre and UOA II did not include the entire buildings.

In the locality of Damansara Heights, the most recent transaction is that of Wisma Socfin at Jalan Semantan. It was transacted at RM23.5 million or RM483 per sq. ft.

**Table 7:**

Transactions of Selected Office Buildings in the Locality of Damansara Heights					
Buildings & Location	Net Lettable area (sq. ft.)	Transacted Price (RM)		Transacted Date	Seller (S) Purchaser (P)
		RM	RM per sq. ft.		
Menara Millenium Jalan Damanlela	573,175	255,000,000	445	Feb 04	S: Hong Leong Properties Bhd P: Selangor Properties Berhad
TH One Jalan Damansara Endah	93,000	32,400,000	348	16.01.04	S: Tongkah Holdings Sdn Bhd P: Avenue Assets Berhad
Wisma Socfin Jalan Semantan	48,624	23,500,000	483	18.02.05	S: Socland Development Sdn Bhd P: Rich Accomplishment Sdn Bhd

Source: C.JLJ Research

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Besides the acquisitions by ARB (as trustee for KWB), office space/buildings transacted for REITs purposes were Wisma Semantan and UOA Damansara.

**Table 8:**

Transactions of Office Buildings in the Locality of Damansara For REITs					
Buildings & Location	Built-up area (sf)	Transacted Price (RM)		Transacted Date	Seller (S) Purchaser (P)
		RM	RM psf		
Wisma Semantan Jalan Gelenggang	350,056	130,000,000	371	16.11.05	S: Guocoland (Malaysia) Berhad P: GLM REITs
UOA Damansara Jalan Dungun	190,992	72,000,000	377	29.11.05	S: Wisma UOA Sdn Bhd P: UOA REITs

Source: CJLJ Research

\* Note that the transaction of UOA Damansara did not include the entire building; only space that belonged to Wisma UOA Sdn Bhd., was transacted.

The average rental rate of purpose-built office buildings in the city centre is around RM4.50 per sq. ft. Petronas Twin Towers and Menara Maxis remain the most expensive office space in the city, at RM7 to RM8 per sq. ft. Office buildings that are rented out at above RM5 per sq. ft. include Menara Citibank (Jalan Ampang), Menara Dion (Jalan Sultan Ismail), Menara Standard Chartered (Jalan Sultan Ismail) and Menara IMC (Jalan Sultan Ismail). In the vicinity of Wisma AmanahRaya, rental rates range from RM2.50 per sq. ft. in Wisma Lee Rubber to RM4.00 per sq. ft. in Wisma Hamzah-KwongHing and Wisma Denmark.

**Table 9:**

Asking Rental Rates of Office Buildings in the Vicinity of Jalan Ampang	
Office Buildings	Rental Rates (RM psf)
Wisma Lee Rubber, Jalan Melaka	2.50
Menara Chan, Jalan Ampang	3.50
Wisma Denmark, Jalan Ampang	4.00
Wisma Hamzah-KwongHing, Lebu Ampang	4.00

Source: CJLJ Research



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In the locality of Bukit Damansara, the average rental rate of office buildings is around RM3.20 per sq. ft. Menara Millenium is currently asking for RM5.00 per sq. ft. The asking rental rate for the newly completed Wisma Perintis is from RM3.50 per sq. ft. up to RM6.50 per sq. ft. for retail lots on the ground floor.

**Table 10:**

Asking Rental Rates of Office Buildings in the Vicinity of Damansara Heights	
Office Buildings	Rental Rates (RM psf)
Wisma Beringin	2.00
Bangunan Setia 1	2.50
Bangunan Malaysian RE	4.00
Menara Millenium	5.00
Wisma Perintis	3.50 (office space); 6.50 (retail lots)

Source: CJLJ Research

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### 3.2.3 MARKET OUTLOOK FOR PROPERTIES IN PORTFOLIO

#### a. Wisma AmanahRaya, Jalan Ampang



This is a 15-storey purpose-built office building with 2 basement levels located along Jalan Ampang. It has a net lettable area of approximately 166,902 sq. ft., with an estimated occupancy rate of about 93%. It is of leasehold tenure that expires on June 10, 2065.

The property is located within the Central Business District of Kuala Lumpur, fronting onto Jalan Ampang at its south-eastern boundary. Access to the property is easily available from Jalan Tun Perak, Jalan Hang Lekiu, Jalan Gereja and thence onto Jalan Ampang. The property is also accessible from Jalan Tun Razak.

The building was completed about 40 years ago. In terms of location, the property is outside the Kuala Lumpur Golden Triangle. Many of the buildings located in the immediate vicinity are considered secondary offices and shopping complexes. Office buildings in the area include Bangunan Takaful Malaysia, Bangunan Bank Muamalat, Bangunan Lee Rubber, Menara OCBC, Menara Tun Razak, Bangunan Dewan Bandaraya Kuala Lumpur, etc. Shopping centres in the area include Globe Silk Store, Semua House and Menara City One.

The building has the potential to sustain its high occupancy rate for the following reasons:

- i) Kuala Lumpur office market is generally improving, with declining vacant space. Furthermore, based on National Property Information Centre's (NAPIC) data, amongst the areas within Kuala Lumpur, the average occupancy rate was the highest in Jalan Ampang (88.8%), followed by the city centre (80.1%), suburban (80.0%), the CBD (79.7%) and KLGT (79.6%).
- ii) There is an on-going mixed development project by Bandar Raya Development Berhad, namely Capital Square, located near Wisma Amanah Raya. The mixed development, which comprises retail, office blocks and condominiums, will enhance the overall image of the surrounding areas.

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- iii) The building has a high profile tenant, i.e., Standard Chartered Bank. The Basement 2, Ground Floor and First Floor were leased to Standard Chartered Bank Malaysia Berhad vide a Tenancy Agreement dated May 4, 2001 for a term of 10 years which comprises two periods of 5 years each. The agreed monthly rental for the first lease term is RM222,181.15 inclusive of service charge of RM1.25 per square foot.
- iv) The recent upgrading works (Levels 1, 4-12 & 14-15) undertaken by the Client provides a better working environment and a competitive advantage to the building. The RM4.8 million (as at November 2005) renovation works involve mainly the upgrading of services (mechanical & electrical). Others include works on the receptionist area, toilets, backbone infrastructure, server for security system, PABX system, landscape, signage, etc.
- v) The rental income of the property has been secured for the next six (6) years. Vide a lease agreement between ARB and Kumpulan Wang Bersama (KWB), dated February 17, 2006, the former will be the Master Lessee of the entire property. The structure would enable ARB to fully manage the daily operations and maintenance of the property as well as manage the collection of rentals from the sub-tenants. The main terms of the Lease shall be as follows:

Property	The whole of Wisma AmanahRaya, No. 2 Jalan Ampang together with the land
Net lettable area	All lettable area from Basement Two to Fifteenth floor (total: 166,902 sq. ft.)
Tenure & rate	Year 1 to Year 3 - RM2.70 per sq. ft. Year 4 to Year 6 - RM3.30 per sq. ft. Thereafter - to be mutually agreed
Outgoings	ARB shall be responsible for all the outgoings of the property including service charges, statutory payments, insurances, capital expenditure and/or any other payments/costs related to the property during the tenure of the lease
Property upgrade	Upon official request by ARB and subject to mutual agreement by both parties, KWB shall bear the cost of enhancement or upgrading or increasing the net lettable area of the property subject to the increment of rental to be mutually agreed.

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**b. Wisma Amanah Raya Berhad (Wisma ARB), Jalan Semantan**



This is a 5-storey purpose-built office building with 6 lower ground levels inclusive of 4-levels of car park and cafeteria facilities located in the locality of Bukit Damansara. It has a net lettable area of approximately 125,227 sq. ft. The building sits on 2 plots of land, both of which are leasehold in tenure expiring in 2072.

Wisma ARB is located within the renowned commercial hub of Damansara Heights, approximately 4 kilometres west of the Kuala Lumpur city centre. It has frontages onto Jalan Semantan on the south-eastern border and Jalan Sri Semantan 1 on the western border. It is accessible from various parts of the city via Jalan Duta, Jalan Damansara and thence onto Jalan Semantan. Alternative access is available also from Bangsar across Jalan Damansara.

The property is 100% occupied, anchored by Commerce International Merchant Bankers Berhad (CIMB). It is reckoned that the property has good investment potential due to the following reasons:

- i) There has been growing interest in offices located outside the city centre, which is due to traffic congestion and land scarcity in the city centre. Within the locality of Bukit Damansara, the office supply stood at approximately 6.14 million sq. ft. as at 2Q06. With a total occupied space of about 5.10 million sq. ft., the average occupancy rate was 83.1%. Areas that registered an average occupancy rate of above 90% are Jalan Damaniela, Jalan Damansara, Jalan Dungun, Jalan Gelenggang, Jalan Medan Setia 1, Jalan Semantan 1, Lorong Dungun, Medan Damansara and Off Jln Semantan.
- ii) The potential of the property lies mainly in the location. It commands excellent visibility from Jalan Semantan, which is the main road connecting Damansara to the city centre. The property is located amongst prominent office buildings in Damansara. Notable office buildings in the vicinity include Wisma CIMB, Bangunan Commerce Square, Bangunan Institute Bank-Bank Malaysia, Wisma Prima, Wisma UOA Damansara, Wisma Damansara, Menara Millennium, Pusat Bandar Damansara and Wisma John Hancock. These properties are tenanted by many multinational companies and prominent institutions.

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Being located amongst other prime offices in Damansara, an area that is gaining popularity for office set-ups, upward movement in rental rates and continuous high/full occupancy can be expected.

- iii) The rental income of the property is secured for the next nine (9) years. ARB (as trustee for KWB) had entered into a Lease Agreement with CIMB (the Lessee), with the following terms:

Property	The land and building excluding the 7 <sup>th</sup> floor and roof top
Commencement of Lease Date	1 <sup>st</sup> day of November 2005
Lease Period	Fixed period of 9 years
Net Lettable Area (NLA)	Total: 109,533 sq. ft.
Car Park Rental	221 lots @ RM100 per lot per month

The rental income on the office space and car park lots during the lease period are shown in the following table:

Period	Rental Rate (RM per sq. ft.)	Increase per annum	Rental on NLA (RM per month)	Car Park Rental (RM per month)	Total Rental (RM per month)
1/11/05-30/11/05	Rent free period				
1/12/05-31/10/06	1.95	0.00%	213,589.35	22,100.00	235,689.35
1/11/06-31/10/07	2.02	3.50%	221,064.98	22,100.00	243,164.98
1/11/07-31/10/08	2.09	3.50%	228,802.25	22,100.00	250,902.25
1/11/08-31/10/09	2.16	3.50%	236,810.33	22,100.00	258,910.33
1/11/09-31/10/10	2.26	4.50%	247,466.80	22,100.00	269,566.80
1/11/10-31/10/11	2.36	4.50%	258,602.80	22,100.00	280,702.80
1/11/11-31/10/12	2.47	4.50%	270,239.93	22,100.00	292,339.93
1/11/12-31/10/13	2.59	5.00%	283,751.92	22,100.00	305,851.92
1/11/13-31/10/14	2.72	5.00%	297,939.52	22,100.00	320,039.52

According to the Lease Agreement, the Lessee will bear the costs of maintenance, cleaning and general servicing of the mechanical and electrical items of the property (which excludes any capital replacement costs and/or any mechanical and electrical repair and replacement costs for capital expenditure) and keep the property in good tenable repair and condition.

- iv) The property is occupied by a high profile tenant – Commerce International Merchant Bankers Berhad (CIMB). CIMB is the largest investment bank in Southeast Asia, offering a full range of integrated capital markets and advisory solutions tailored to a diverse client base, including large corporations, financial institutions, private individuals and institutional investors.

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## **4.0 SELANGOR OFFICE & INDUSTRIAL PROPERTY MARKETS**

### **4.1 INTRODUCTION TO SELANGOR**

Selangor extends along the west coast of Peninsular Malaysia at the northern outlet of the Straits of Malacca. It is bordered by Perak to the north, Pahang to the east, Negeri Sembilan to the south and the Straits of Malacca to the west. It totally surrounds the Federal Territories of Kuala Lumpur and Putrajaya. The capital city of Selangor is Shah Alam and the main commercial area is Petaling Jaya.

Selangor is the country's premier state with its huge resources, well-developed communications network, industrial estates, and skilled manpower. It is the heartland of the nation, which has the largest port and airport, most institutions of higher learning in Malaysia and excellent infrastructure and communications facilities. Its advantageous geographic position and rich natural resources have made Selangor a prosperous state. The Menteri Besar of Selangor announced in August 2005 that Selangor has achieved developed state status.

Selangor is Malaysia's most populous state, mainly due to the rapid economic growth that has taken place there, propelled mostly by industry and the growth of Kuala Lumpur conurbation (also known as Klang Valley), due to its sprawl within the floodplain of the Klang River. With a bustling economy of agricultural, industrial, commercial and tourism activities, Selangor is home to a population close to 4 million.

Selangor is divided into 9 administrative districts, namely:

- Klang
- Petaling
- Hulu Langat
- Sabak Bernam
- Kuala Selangor
- Hulu Selangor
- Gombak
- Sepang
- Kuala Selangor

Petaling is a district established on 1 January 1974, the same day Kuala Lumpur was declared a Federal Territory. Located in the centre of Klang Valley, this district is the most active in terms of commercial activities. The three main urban centres located in this district are Petaling Jaya, Subang Jaya and Shah Alam. The district is host to many thriving townships with many new residential and commercial developments.

Gombak is a district located to the northern boundary of Selangor/Kuala Lumpur, established on 1 January 1974. The administrative centre of Gombak District was relocated from Rawang to Bandar Baru Selayang in 1997. Both Gombak and Kuala Lumpur, along with several other Selangor's districts are situated within the Klang Valley. Gombak is administrated by Majlis Perbandaran Selayang (MPS).

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Hulu Langat is a district located at the outskirts of Kuala Lumpur and Putrajaya. It has a mix of urban and rural living, with a majority of the population living in towns near Kuala Lumpur city. Among the major towns in this district are Ampang, Kajang and Bangi. Towns located to the south such as Kajang and Bangi are seeing rapid development as a result of the relocation of the Government Administrative Centre to Putrajaya.

## 4.2 OFFICE MARKET

### 4.2.1 SUPPLY & DEMAND

As at 2Q06, the supply of office space in Selangor stood at approximately 19.70 million sq. ft. in 122 buildings. With an average occupancy rate of 84.0%, the total occupied and vacant space was 16.54 million sq. ft. and 3.16 million sq. ft. respectively. There were 110 private buildings with a total of 17.64 million sq. ft. of space, whilst the remaining 12 buildings and 2.06 million sq. ft. of space were government offices.

Table 11:

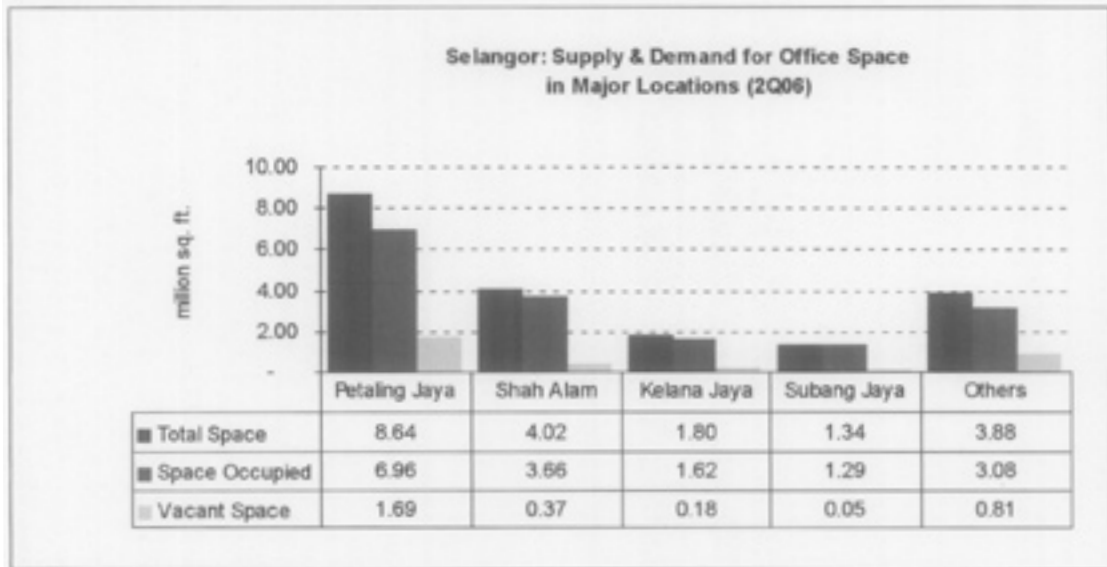
Supply & Demand of Office Space in Selangor as at 2Q06					
	No. of Buildings	Total Space (sq. ft.)	Occupied Space (sq. ft.)	Occupancy Rate	Vacant Space (sq. ft.)
Private buildings	110	17.64 million	14.51 million	82.3%	3.16 million
Government buildings	12	2.06 million	2.03 million	98.6%	0.03 million
<b>TOTAL</b>	<b>122</b>	<b>19.70 million</b>	<b>16.60 million</b>	<b>84.3%</b>	<b>3.19 million</b>

Source: NAPIC, 2Q06

By area, Petaling Jaya (8.64 million sq. ft.) has the highest supply of office space, followed by Shah Alam (4.02 million sq. ft.), Kelana Jaya (1.80 million sq. ft.) and Subang Jaya (1.34 million sq. ft.). Other areas (Sunway City, Seri Kembangan/Sungai Besi, Bandar Utama, Puchong, Klang, Kajang/Cheras, Ampang, Sepang, Kuala Selangor and Selayang) have an aggregate supply of 3.88 million sq. ft. of office space. Seri Kembangan/Sungai Besi locality has a total of 505,527 sq. ft. of office space in 3 private buildings.

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Chart 7:



Source: NAPIC, 2Q06

Others include Sunway City, Seri Kembangan, Bandar Utama, Puchong, Klang, Kajang/Cheras, Ampang, Sepang, Kuala Selangor & Selayang

The breakdown of average occupancy rates by location is as follows:

- Petaling Jaya 80.2%
- Shah Alam 90.7%
- Kelana Jaya 89.8%
- Subang Jaya 95.0%
- Others 78.7%

It appears that Subang Jaya offices registered the highest average occupancy rate, followed by Shah Alam and Kelana Jaya. Vacant space was the highest in Petaling Jaya (1.71 million sq. ft.), whilst the lowest was in Subang Jaya (about 70,000 sq. ft.). Meanwhile, in Seri Kembangan/Sungai Besi area, the average occupancy rate registered for the 3 private offices was 71.9%, indicating that there was a total of 141,954 sq. ft. of vacant office space. *Note: According to NAPIC, information on the names of buildings reported is confidential. From our survey, the three private offices in Seri Kembangan are Mines Business Park, South City Plaza and Wisma SSP.*

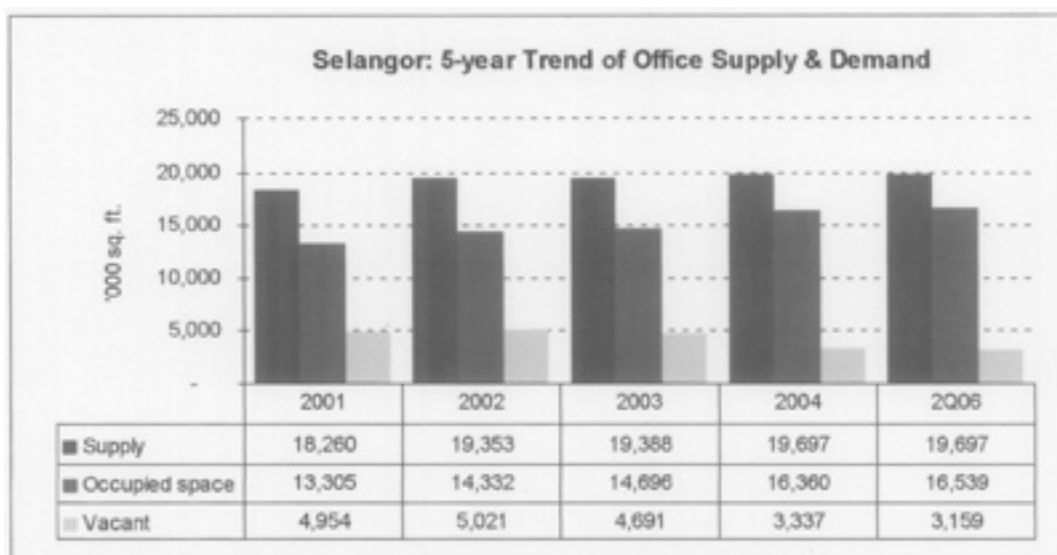
It is to be noted however that Shah Alam has the highest number of government buildings which were 99.1% occupied, which in turn boosts the overall average occupancy rate. The private buildings in Shah Alam were about 90.7% occupied.



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A 10-year trend of office supply and demand in Selangor shows that the average occupancy rate was the highest in 1996, at 99.8%. Downward trend was noted from 1997, where the average occupancy rate gradually dropped to 72.9% in 2001. From year 2002, there was an improvement in the demand for office space, resulting in an upward movement of the average occupancy rate and a gradual drop in vacant office space. As can be seen from the following chart, the vacant space decreased from about 5 million sq. ft. in 2001 to 3.16 million sq. ft. in 2Q06. Other than improvement in demand, the reduction in the vacant space could be due to the gradual increase in supply. From year 2001, the supply increased by less than 1.5 million sq. ft.

**Chart 8:**



Source: Property Market Reports & NAPIC 2Q06

In 2005, a total of 506 office lots were transacted, up from 334 registered in 2004. The total value increased from RM80.69 million in 2004 to RM151.81 million in 2005. Half yearly performance shows that the number of transactions of office lots decreased marginally from 267 in 1H05 to 225 in 1H06. Meanwhile the total value increased significantly from RM57.83 million registered for 1H05 to RM74.09 million in 1H06. Generally, the half yearly transaction figures indicate an upward movement in the average value of office lot transactions in Selangor.

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Table 12:

Transactions of Office Lots in Selangor		
Period	Volume	Value (RM million)
<b>Yearly</b>		
2003	223	61.47
2004	334	80.69
2005	506	151.81
<b>Quarterly</b>		
1H05	267	57.83
2H05	239	93.99
1H06	225	74.09

Source: JPPH, 1H06

Selangor is not expected to see significant increase in the office supply in the near future. Statistics provided by NAPIC show that there are 5 buildings that are currently under construction, 2 in Shah Alam and one each in Petaling Jaya, Subang Jaya and Seri Kembangan. The total space that will be provided by these 5 buildings is approximately 751,009 sq. ft. Meanwhile, there is another office building being planned in Petaling Jaya, with a floor area of 324,575 sq. ft. All in, there will be 6 new buildings in Selangor, with a total area of slightly above 1 million sq. ft.

Table 13:

Future Supply of Office Space ('000 sq. ft.) in Selangor, 2Q06						
Location	Incoming		Planned		Total	
	No.	Sq. ft.	No.	Sq. ft.	No.	Sq. ft.
Petaling Jaya	1	67,242.15	1	324,574.94	2	391,817.09
Shah Alam	2	91,654.69	0	0	2	91,654.69
Kelana Jaya	0	0	0	0	0	0
Subang Jaya	1	425,389.72	0	0	1	425,389.72
Seri Kembangan	1	166,722.20	0	0	1	166,722.20
Others	0	0	0	0	0	0
<b>TOTAL</b>	<b>5</b>	<b>751,008.76</b>	<b>1</b>	<b>324,574.94</b>	<b>6</b>	<b>1,075,583.70</b>

Source: NAPIC, 2Q06

Our research shows that there have been several office developments launched in Petaling Jaya. They include Jaya 33, Jaya 1, 8 Avenue and PJ8. Most of these developments comprise strata office space and are expected to be completed in year 2008 or 2009.

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#### 4.2.2 SELLING PRICES & RENTAL RATES

Indications of selling prices of office space in prime areas of Selangor are given below:

- In 2005, Menara Axis in Petaling Jaya was transacted for the establishment of Axis-REIT. The 14-storey building with a net lettable area of 171,967 sq. ft. was transacted between Prestigious Landmarks Sdn. Bhd. and Axis-REIT at RM71.44 million, or RM415.43 per sq. ft.
- In August of 2006, Menara Lien Hoe located in the northern section of Petaling Jaya was transacted for the consideration of RM54 million. With a net lettable area of 212,080, the transaction is analysed at RM255 per sq. ft.
- In October of 2006, Menara Merais located within Section 19 of Petaling Jaya was transacted for the establishment of Amfirst REIT. This 26 storey building with a net lettable area of 159,002 sq. ft. was transacted between Bescorp and Amfirst REIT at RM57 million or RM358 per sq. ft.
- Strata offices such as Kelana Business Centre, Glomac Business Centre, Phileo Damansara, Damansara Intan and Commerce Leisure Square were recently transacted at prices ranging from RM200 to RM300 per sq. ft. For the newly launched offices in Petaling Jaya, the asking prices are in the region of RM250 to RM400 per sq. ft.

Gross rental rates of offices in major locations in Selangor range from about RM2.00 to RM3.50 per sq. ft. In USJ area, the asking rentals of office space in Menara Summit is in the region of RM2.00 to RM2.50 per sq. ft. In Subang Jaya, office buildings such as Wisma Consplant I, Wisma Consplant II, Wisma Integrated and Wisma Tractor are asking for RM2.40 to RM3.50 per sq. ft. Meanwhile in the Seri Kembangan area, office space in Mines Business Park is being rented out at an average rate of RM2.00 per sq. ft.

**Table 14:**

Asking Rental Rates of Office Buildings in the Vicinity of USJ / Subang Jaya	
Office Buildings	Rental Rates (RM psf)
Menara Summit	2.00 – 2.50
Menara HeiTech Village	2.80
Wisma Consplant I	3.00 – 3.50
Wisma Consplant II	2.40 – 3.40

Source: CJLJ Research

**Table 15:**

Asking Rental Rates of Office Buildings in the Vicinity of Seri Kembangan	
Office Buildings	Rental Rates (RM psf)
Mines Waterfront Business Centre	2.00
Wisma SSP	2.00

Source: CJLJ Research

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### 4.2.3 MARKET OUTLOOK FOR PROPERTIES IN PORTFOLIO

#### a. Wisma UEP, Subang Jaya



Wisma UEP is a freehold 11-storey purpose built office building with 3 levels of basement car park with a total net lettable area of 90,541 sq. ft.

The property is located in a thriving area of USJ 10 (commonly referred as Tai Pan Triangle), within the township of UEP Subang Jaya. This township forms part of the development of Sime UEP Properties Berhad which comprises the township of Subang Jaya, Putra Heights, Bukit Lanchong Estate, Taman Perindustrian UEP Subang Jaya, Seafield Estate, Jalan Acob Estate and Bukit Rajah Estate.

The property is easily accessible from Kuala Lumpur and Petaling Jaya via the following roads:-

- Federal Highway
- Shah Alam - Kuala Lumpur Expressway
- Lebuhraya - Damansara Puchong (LDP)
- North - South Expressway Central Link
- North Klang Valley Expressway
- New Pantai Expressway

Wisma UEP would be able to provide investment security due to the following reasons:

- i) The commercial property market in Subang Jaya is growing mainly due to its central location and accessibility to other parts of Klang Valley. NAPIC reported that Subang Jaya offices registered the highest average occupancy rate in 2Q06, followed by Shah Alam and Kelana Jaya. Vacant space was the highest in Petaling Jaya (1.71 million sq. ft.), whilst the lowest was in Subang Jaya (about 70,000 sq. ft.). The average occupancy rates by location are as follows:
- |                 |       |
|-----------------|-------|
| ▪ Petaling Jaya | 80.2% |
| ▪ Shah Alam     | 90.7% |
| ▪ Kelana Jaya   | 89.8% |
| ▪ Subang Jaya   | 95.0% |
| ▪ Others        | 78.7% |

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- ii) The property is the only purpose-built office building in Taipan USJ. Other commercial properties in the immediate surrounding areas are mostly 4-storey shop offices. Due to the limited space of purpose-built office building within this area, the sustainability of the high occupancy rate of Wisma UEP could be expected. It is noted that the area has limited number of car park bays. Sufficient number of car park bays in Wisma UEP may become an attractive feature of the property.
- iii) The property is located within a prime commercial area. Notable commercial developments in the vicinity include Wisma Hi Tech Village, The Summit Shopping cum Entertainment Complex, Giant Hypermarket, The Summit Hotel and SEGi College.

It is also located to the north of USJ is the Subang Jaya township which include the premises of Majlis Daerah Petaling, Subang Parade Shopping Complex, Wisma Consplant I, Wisma Consplant II, Wisma Mesiniaga, Sheraton Hotel, Holiday Villa, Subang Jaya Medical Centre, Sunway Pyramid Shopping Complex, Sunway Lagoon Theme Park, Sunway Lagoon Resort Hotel, Carrefour Hypermarket, Sunway Medical Centre, Metropolitan College and Sunway College.

These properties are occupied prime buildings that serve as the centre of commercial activities for the state of Selangor.

- iv) The property has an impressive occupancy rate of 94%. Sime UEP Development Sdn. Bhd. occupies the entire 3<sup>rd</sup> and 5<sup>th</sup>-10<sup>th</sup> floors. Other parts of the building are sublet to the following tenants:-

Floor	Tenant	Net Lettable Area (sq.ft.)	Rental (incl of Service charge) (per month/p.s.f)	Commencement Date	Expiry Date	Term (years)
Ground	HSBC Bank Malaysia Berhad	7,517	RM5.35	1-May-05	30-Apr-08	3.0
1st Floor	K&N Kenanga Berhad	7,138	RM3.45	1-Aug-04	30-Jul-06	2.0
2nd Floor	Boehringer Ingelheim (M) S/B	10,184	RM3.30	23-Nov-04	22-Oct-06	3.0
4th Floor	Goldtech Access Sdn. Bhd.	3,641	RM3.00	1-Sep-04	31-Aug-06	2.0
	Vacant	5,688	-	-	-	-

- v) The building is currently tenanted by a high profile tenant, Sime UEP Development Sdn. Bhd. Sime UEP is a public listed company that was established in 1964. Over the years, Sime UEP has acquired the strong reputation for building homes of innovative designs. Two of its flagship developments are Subang Jaya and the adjoining UEP Subang Jaya (USJ).

Vide the Sale and Purchase Agreement dated June 16, 2004, made between Sime UEP Development Sdn. Bhd. (the Vendor) and ARB (as trustee for KWB) (the Purchaser), the Purchaser purchased the property subject to a sale and lease back arrangement based on terms and conditions that include the following:

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- The Purchaser will let the whole of the property to the Vendor for a period of 3 years commencing on the Completion Date (i.e., within 90 days from and including the date of the Sale and Purchase Agreement).
- The yearly rental (partially net) is RM2,100,000/- and the monthly rental of RM175,000/- is payable in advance on or before the 14<sup>th</sup> day of each month.
- There is an option to renew for a further term of 3 years at the same rent and terms and conditions.
- The Vendor shall be responsible for the payment of all quit rent, assessments or other rates imposed on and payable in respect of the property during the tenancy period, the payment of all utilities supplied to and/or in connection with the property including water, electricity and sewerage, and the general upkeep and maintenance of the property.

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**b. SEGi College, Subang Jaya**



The property is a newly completed 12-storey commercial building with 3 levels of basement car park known as SEGi College. It is a freehold property located in Subang Jaya. The land area and net lettable area are 61,042.13 sq. ft. and 131,386.76 sq. ft. respectively.

SEGi College is located within the renowned commercial/residential zone of USJ / Subang Jaya, with direct frontage onto Persiaran Kewajipan within USJ 1. It is sited approximately 15 kilometres to the south-west of the Kuala Lumpur city centre. Access to the property is available from the Federal Highway, Lebuhraya Shah Alam, Lebuhraya Pantai Baru and Lebuhraya Damansara-Puchong.

The property possesses features of a good investment asset for the following reasons:

- i) The buildings in the vicinity are prime commercial and institutional properties with high occupancy rates. They include Menara Hei Tech Village, The Summit Subang USJ shopping complex, The Summit hotel, Maxis Logistics warehouse and Giant Hypermarket.

To the north are Menara Sungei Way, Sunway Medical Centre, Sunway Lagoon Resort Hotel, Mentari Business Centre, Subang Medical Centre, Sheraton Subang Hotel and Holiday Villa Hotel. Other prominent buildings located to the north-west of the property include Wisma Consplant 1 & 2, Subang Parade shopping centre, and the premises of Carrefour, Mesiniaga and the Petaling District Land Office.

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- ii) The rental of the property is secured for the next fifteen (15) years. ARB (as trustee for KWB) acquired the property (SPA dated February 20, 2006) from Shaw Commercial Institution Sendirian Berhad (The Vendor). Subsequently, ARB (as trustee for KWB) has entered into a lease agreement with SEG International Bhd. (the holding company of the Vendor), who will lease the property for a term of 15 years, commencing on the completion date of the SPA, at the following rental rates:

Period	Rental Term	
	RM per annum	RM per month
Year 1 to Year 3	3,139,500.00	261,625.00
Year 4 to Year 6	3,284,400.00	273,700.00
Year 7 to Year 9	3,622,500.00	301,875.00
Year 10 to Year 12	3,960,600.00	330,050.00
Year 13 to Year 15	4,105,500.00	342,125.00

SEG International Bhd. will be responsible and liable to pay all outgoings.

- iii) The property will be used as the new campus of three SEGi's colleges, namely PRIME College, MSC International College and Summit International College. According to Tourism Malaysia Promotion Board, Malaysia is increasingly recognized by students from around the world as the preferred choice for tertiary education. The prospects for private colleges in the country, particularly in the prime areas of the Klang Valley, are therefore positive.

It is reckoned that the property is an appropriate premise for higher learning institutions as it is located within a college belt comprising prominent colleges such as Taylor's College, Inti College, Sunway College and Metropolitan College.

- iv) The property will be occupied by a high profile institution. A public-listed company on the Bursa Malaysia (Main Board), SEG International Bhd. is one of the largest education groups in Malaysia with a network of 14 college campuses and 6 training centres located in 11 major cities and towns in Malaysia. It has an impressive offering, from foundation and diploma courses to undergraduate and postgraduate programmes by prestigious partner universities in the UK, USA, Australia and other countries.



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**c. Block A & Block B of South City Plaza**



Block A

Block B

The properties are 2-years old 5½-storey leasehold office buildings located in Taman Serdang Perdana, Seri Kembangan, which is about 12 kilometres to the south of Kuala Lumpur city centre. Block A and Block B has net lettable areas of approximately 33,020.30 sq. ft. and 33,585.70 sq. ft. respectively. Block A is tenanted to the Institute of Graduate Studies Sdn. Bhd., whilst Block B is tenanted to NEP Holdings (Malaysia) Berhad.

The office buildings are situated within a larger development scheme known as South City Plaza. Other components of South City Plaza are a 5-storey shopping complex, an 11-storey office block, a 14-storey hotel cum service apartment block and a 5-storey car park building. Both the 11-storey office block and the 14-storey hotel cum service apartment block have yet to be constructed.

Access to South City Plaza is easily available from the Kuala Lumpur city centre via Jalan Loke Yew, Lebuhraya Kuala Lumpur – Seremban and Lebuhraya Sungai Besi. With a frontage onto Persiaran Serdang Perdana, it is highly visible from Lebuhraya Kuala Lumpur – Seremban.

The outlook of the properties is positive, and this is due to the following points:

- i) Seri Kembangan is one of the main growth areas in Selangor's southern corridor. It is a fast developing area, developed with international class hotels, shopping complexes, business / technology parks, apartments / condominiums and residential houses, sports and recreational facilities.

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There are many commercial properties in the surrounding areas that are highly occupied. Prominent developments within the locality include Cheong Hin Commercial Centre, the Selangor Turf Club, the Palace of Golden Horses, Mines Beach Hotel and Mint Hotel, the high-end residential development by Country Heights within the Mines Resort & Golf Club, the Mines Waterfront Business Centre, Mines Shopping Fair, Mines Wonderland and the site of MIECC.

- ii) The property has the potential to maintain good occupancy rates and see rental growth, as there are not many purpose-built office buildings in the immediate surrounding area. NAPIC reported that there is one office building that is under construction in Seri Kembangan (166,722.20 sq. ft.); and none in the planning stage.
- iii) A 10-year lease has been secured. ARB (as trustee for KWB) acquired Block A and Block B from Binary Mark Sdn. Bhd. and Prestige Front Sdn. Bhd. (the Vendors) respectively. Both SPAs are dated February 20, 2006.

Subsequently, ARB (as trustee for KWB) has entered into a lease agreement with SEG International Bhd (the holding company of the Vendors), who will lease the property for a term of 10 years, commencing on the completion date of the SPA at the following rental rates:

Period	Rental Term	
	RM per year	RM per month
Year 1 to Year 3	1,206,000.00	100,500.00
Year 4 to Year 6	1,332,000.00	111,000.00
Year 7 to Year 9	1,440,000.00	120,000.00
Year 10	1,566,000.00	130,500.00

SEG International Bhd. will be responsible and liable to pay all outgoings.

- iv) Being located in a larger mixed development scheme enhances its potential. South City Plaza shopping centre has several prominent tenants such as Parkson Ria Departmental Store, Giant Hypermarket and Popular Bookstore. These retailers would keep the place active, the effect of which would spill over to other components of the development.

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### 4.3 INDUSTRIAL MARKET

#### 4.3.1 SUPPLY & DEMAND

Selangor has the highest number of industrial properties in Malaysia. There were 86,757 units of industrial properties in the country as at 2Q06, 36.57% (31,729 units) of which were located in Selangor. The following table shows the existing supply of industrial properties in Selangor, by type and location.

Table 22:

Existing Supply of Industrial Properties in Selangor, 2Q06						
Districts	Number of Industrial Properties					TOTAL
	Terraced	Semi-detached	Detached	Flatted Factory	Industrial Complex	
Petaling	10,121	1,215	1,459	263	5	13,063
Klang	4,461	966	896	7	42	6,372
Kuala Langat	158	0	65	0	37	260
Kuala Selangor	54	18	10	0	0	82
Sabak Bernam	21	0	0	0	0	21
Gombak	2,581	75	447	0	8	3,111
Hulu Selangor	3,528	117	64	0	0	3,709
Hulu Langat	3,482	480	424	0	1	4,387
Sepang	533	175	16	0	0	724
<b>Total</b>	<b>24,939</b>	<b>3,046</b>	<b>3,381</b>	<b>270</b>	<b>93</b>	<b>31,729</b>

Source: NAPIC 2Q06

Of the 31,729 existing units in the state, majority were terraced factories, followed by detached, semi-detached, flatted factories, and industrial complexes. By location, majority of the units were located in District of Petaling, followed by Districts of Klang and Hulu Langat.

There will be a total of 6,309 units of new industrial properties in Selangor in the future. Majority of the new units will be located in District of Klang (2,311 units), followed by District of Petaling (1,444 units) and District of Hulu Langat (1,030 units). The future supply of industrial properties in the state is shown in the following table:

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Table 23:

Future Supply of Industrial Properties in Selangor, 2Q06			
Districts	Incoming	Planned	Total
Petaling	867	577	1,444
Klang	1,362	949	2,311
Kuala Langat	3	30	33
Kuala Selangor	727	21	748
Sabak Bernam	26	0	26
Gombak	395	141	536
Hulu Selangor	0	4	4
Hulu Langat	332	698	1,030
Sepang	130	47	177
<b>Total</b>	<b>3,842</b>	<b>2,467</b>	<b>6,309</b>

Source: NAPIC, 2Q06

In 2004, there were 3,030 industrial property transactions with a total value of RM3,027.24 million. There was a marginal decrease the following year, where 2,768 properties were transacted, worth RM2,533.17 million. However, it was noted that transaction activity subsequently rebounded and has been on an uptrend in Selangor for the last one and half years. Half yearly performance shows that the volume increased from 1,337 in 1H05 to 1,435 in 1H06, whilst the total value increased from RM1,230.70 million to RM1,460.18 million.

Whilst the industrial property market was noted to have been lackluster after the economic slowdown which occurred in 1997, it is apparent that interest within the sector has gradually increased over the last year. This is partly due to the strong performance within the manufacturing sector during the year.

Table 24:

Transactions of Industrial Properties in Selangor		
Period	Volume	Value (RM million)
<b>Yearly</b>		
2003	2,497	2,096.69
2004	3,030	3,027.24
2005	2,768	2,533.17
<b>Quarterly</b>		
1H05	1,337	1,230.70
2H05	1,431	1,302.47
1H06	1,435	1,460.18

Source: JPPH

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Selangor boasts of a wide range of investment projects, which has propelled the state into one of the most advanced states in the country. Its infrastructures include the airport, ports, roads, utilities, and communications and transportation facilities. These infrastructures have made it an investment haven that gives the investors a wide choice of where to locate their projects. Major foreign investors in Selangor include those from Japan, United States of America and Singapore.

Among all the states in the country, Selangor has the highest number of manufacturing projects establishments. Manufacturing activities in the state are generally on the rise, as indicated by the increasing number of approved manufacturing projects. In 2005, a total of 335 establishments were approved, with a total proposed investment of RM8.47 billion. From year 2000 to 2004, Selangor accounted for about 30% of the total number of establishments approved for Malaysia.

Bangi, which is located about 30km south of Kuala Lumpur, is a popular industrial area amongst electronic factories. Some of the big names include Hitachi, Denso, and Sony. Besides electronic based factories, other companies located in Bangi include Permanis Sdn. Bhd. (soft drinks manufacturer), Slumberland (M) Bhd. (mattress manufacturer) and Chemical Co of Malaysia Bhd. (pharmaceutical product manufacturer).

#### 4.3.2 SELLING PRICES & RENTAL RATES

As at 1H06, the prices of industrial land in Selangor ranged from RM12 per sq. ft. for land in Bukit Sentosa up to RM85 per sq. ft. for land in Bandar Sri Damansara. For 1 ½ storey semi-detached factories within Petaling Jaya, the prices were in the region of RM800,000 to RM2.5 million per unit depending on location. Price trends show improvements in prices since 2Q04. The following table provides samples of selling prices of 1-½ storey semi-detached factories in Selangor:

Table 25:

Samples Of Selling Prices Of 1-½ Storey Semi-Detached Factories In Selangor					
Scheme	Land Area (sq. ft.)	Built-up Area (sq. ft.)	Average Selling Prices (RM'000 per unit)		
			2Q04	2Q05	2Q06
Sri Edaran	5,400	3,175	819	880	900
Tmn Ind Puchong	7,200	4,230	805	860	868
Sunway D'sara	7,200	4,730	1,350	1,515	1,800
Hicom Ind Park	7,200	3,700	956	983	1,048
Sg Buloh Ind Park	8,400	3,320	810	814	803

Source: CJLJ Research

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In Bangi, the price of industrial land is in the region of RM20 per sq. ft. For industrial properties in Bangi, (e.g. semi-detached and terraced factories), depending on the land area and exact location, the asking prices range from RM100 per sq. ft. Meanwhile, the rental rate of industrial properties is about RM1 per sq. ft.

**Table 26:**

Asking Rental Rates of Industrial Properties in the Vicinity of Bangi			
Scheme	Land Area	Built-up Area (sq. ft.)	Rental Rates (RM per sq. ft.)
MIEL, Bangi	1 acre	13,500	1.00
Jalan Reko, Bangi	n.a	5,00	1.00

Source: CJLJ Research

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### 4.3.3 MARKET OUTLOOK FOR PROPERTY IN PORTFOLIO

#### a. Permanis Factory



The property consists of two contiguous plots of industrial land, erected upon with:-

- a single-storey factory with an integral double-storey office;
- a bottle manufacturing plant;
- a single-storey warehouse with an integral double-storey office known as the one stop-centre office;
- a single-storey sales office building with canteen;
- a double-storey office building with storage areas; and
- other ancillary buildings / structures

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It is a leasehold property located within Kawasan Perusahaan Seksyen 13, Bandar Baru Bangi. Its owner, Permanis Sdn Bhd, occupies the property. The approximate gross floor areas of the property's components are as follows:

Components of the Property	Approximate Gross Floor Area (sq. ft.)
<b>Main structures</b>	
a. Single storey factory with an integral double storey office	
Single storey factory	70,428
Integral double storey office	9,728
b. Bottle manufacturing plant	16,365
c. A single-storey warehouse with an integral double-storey office known as the one stop-centre office	
Single storey warehouse	80,838
Integral double storey "One Stop Centre" office	3,680
d. A single storey sales office with canteen	8,612
e. Double storey office building with storage areas	
Double storey office cum store	2,680
Store	9,892
<b>Other Ancillary structures</b>	
Bottle storage area	3,185
Double storey surau	144
Water treatment plant	2,880
Marketing store & can crasher	1,122
Waste water lab	413
Pump room	357
TNB substation	667
2 guardhouses	209

The property is located within the industrial area of Kawasan Perusahaan Seksyen 13, Bandar Baru Bangi, which is approximately 24 kilometres to the south-east of the Kuala Lumpur city centre. Bangi town centre lies about 10 kilometres from the property. Access to the property is easily available from Lebuhraya Kuala Lumpur – Seremban Highway.

The investment prospects of the property lie in the following factors:

- i) Bangi is one of the main industrial areas in Selangor. It forms part of the Selangor's southern corridor, which is experiencing rapid development as a result from the relocation of the Government Administrative Centre to Putrajaya.



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- ii) Properties in the immediate vicinity are predominantly industrial in nature, comprising mainly industrial lands and purpose-built detached factories. Prominent industrial concerns herein include the premises of Topaire Sdn. Bhd., Carrier International Sdn. Bhd., Hitachi Electronic Products (M) Sdn. Bhd., Sanko Kasei (M) Sdn. Bhd., Sony Logistics (M) Sdn. Bhd. and Matsushita Electric Co. (M) Bhd. Neighbouring industrial developments within the locality include the Selaman Industrial Area, Kawasan Perindustrian MIEL, Bukit Angkat Industrial Park and Taman Perindustrian Kajang.
- iii) The property has secured a tenant and rental income for the next ten (10) years. ARB (as trustee for KWB) acquired the property (SPA dated January 18, 2006) from Permanis Sdn. Bhd. (the Vendor), a wholly-owned subsidiary of C.I. Holdings Berhad.

Subsequently, ARB (as trustee for KWB) entered into a Lease Agreement with C.I. Holdings Berhad that stipulates that the latter shall lease the property for a fixed term of 10 years commencing on the completion date of the SPA, at the following rental terms:

Period	Monthly Rental
Year 1 to Year 5	RM132,250.00
Year 6 to Year 10	RM136,084.00

C.I. Holdings Berhad will be responsible and liable to pay all outgoings.

- iv) The property is occupied by Permanis Sdn. Bhd., a wholly owned subsidiary of C.I. Holdings Berhad (CIHB), a company listed on the main board of Bursa Malaysia. The principal activity of Permanis is selling, bottling and distribution of beverages. Permanis has three (3) Exclusive Bottling Agreements with PepsiCo, Inc. and Seven-Up International and Stokely-Van Camp, Inc. and Pepsi Lipton International Limited which grants it the exclusive rights to bottle, distribute and sell the Pepsi brand and other peripheral brands of soft drinks within Malaysia

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## **5.0 KEDAH/LANGKAWI TOURISM & HOTEL INDUSTRIES**

### **5.1 INTRODUCTION TO KEDAH & LANGKAWI**

The state of Kedah is located at the northwest corner of Peninsular Malaysia, covering an area of 9,425 sq km that consists mostly of expansive padi fields and gently rolling hills. The state is divided into 11 districts:- Baling, Bandar Baharu, Kota Setar, Kuala Muda, Kubang Pasu, Kulim, Pulau Langkawi, Padang Terap, Pendang, Sik and Yan.

The capital city of Kedah is Alor Setar, which is located at the northwest of the state. Alor Setar is the capital, administration and cultural centre of the state. The city is also the residence of the Sultan of Kedah. Other major towns include Sungai Petani, and Kulim on the mainland, and Kuah on Pulau Langkawi.

Kedah has the distinction of being the "Rice-bowl of Malaysia", as it produces most of the country's rice supply. Kedah aspires to achieve a developed state status by the year 2010. The Kedah Maju 2010 Action Plan which covers the period from 2001 - 2010 has been outlined to help fully realize the vision. Further development of the tourism sector is one of the core strategies that has been identified as a performance driver to achieve the vision.

Other than agriculture, tourism, particularly on the island of Langkawi is of growing importance. Langkawi comprises a group of 99 islands lying off the north-western coast of Peninsular Malaysia, about 30 km from Kuala Perlis and 51 km from Kuala Kedah on the mainland. The total land mass of the island is 47,848 hectares, while the main island of Langkawi itself has a total area of 32,000 hectares. Two thirds of the island is dominated by forest-covered mountains, hills and natural vegetation.

Only three of the 99 islands are inhabited - Pulau Langkawi (the main island), Pulau Tuba and Pulau Dayang Bunting. The main island is divided into the six districts viz; Mukim Kuah, Padang Matsirat, Ayer Hangat, Bohor, Ulu Melaka and Kedawang.

From mainland Malaysia, ferry services are operational from two locations; one from Kuala Kedah (in the state of Kedah) and one from Kuala Perlis (in the state of Perlis) which is the two northernmost states of Malaysia as well as from Penang island. There are also ferry services from Satun, Thailand.

Langkawi is also accessible by air via daily flights operated by Malaysian Airlines (MAS) and Air Asia between Kuala Lumpur and Langkawi. Flights are frequent and take a minimum of fifty minutes. The Langkawi International Airport is located at Padang Matsirat, about twenty kilometres from Kuah town.

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## 5.2 TOURISM INDUSTRY

### 5.2.1 TOURISM IN MALAYSIA

The tourism industry is a major contributor to the Malaysian economic growth for the foreign exchange it brings in as well as the economic opportunities and benefits to supporting industries. The industry has an extensive supply chain of services from accommodation, transportation, food and beverages, recreation and entertainment to shopping activities.

Malaysia recorded a total of 11.52 million tourist arrivals from January to August 2006 compared to 10.88million for the same period in 2005, indicating an increase of 5.9%. Singaporeans formed the bulk of tourists arrivals, followed by tourists from neighbouring countries like Thailand and Indonesia.

**Table 27:**

<b>Tourist Arrivals and Receipts to Malaysia</b>		
<b>Year</b>	<b>Arrivals</b>	<b>Receipts (RM)</b>
2000	10.22 million	17,335.4 million
2001	12.78 million	24,221.5 million
2002	13.29 million	25,781.1 million
2003	10.58 million	21,291.1 million
2004	15.70 million	29,651.4 million
2005	16.43 million	31,954.1 million
2006(Jan – Aug) : 2005 (Jan – Aug)	11.52 million : 10.88 million	N/a

*Source: Malaysia Tourism Promotion Board*

In December 2005, Visit Malaysia Year 2007 was launched. The campaign is marketing and promotions prelude to the actual Visit Malaysia Year 2007, which coincides with Malaysia's 50th year of independence. It is a major effort by the Ministry of Tourism to aggressively develop and market Malaysia as the preferred international tourist destination. It also aims to increase foreign tourist arrivals to the country. Malaysia is targeting 20.1 million tourist arrivals during the Visit Malaysia Year in 2007, with the total expenditure expected to hit RM44.5 billion. This is the third Visit Malaysia Year campaign following the previous two held in 1990 and 1994.

According to the Malaysian Association of Hotels' (MAH) president, hotels in Malaysia can look forward to better business in 2006, especially with the anticipated double-digit growth in the number of long-haul visitors as the government steps up efforts to promote tourism in the country. Promotions towards Visit Malaysia 2007 are already taking place, and hotels are poised to boost sales and attract long-haul visitors with competitive rates.

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### 5.2.2 TOURISM IN KEDAH & LANGKAWI

In Kedah, tourist attractions are mainly found in Langkawi. In Alor Setar, tourist attractions are mainly historical buildings, which include the following:

- Zahir Mosque
- Grand Audience Hall
- Balai Nobat
- High Court
- The Royal Musuem
- Wan Muhammad Saman Building
- The Clock Tower

Another attraction in the city is Menara Alor Setar. Located in the heart of Alor Setar, the tower is a prominent and modern landmark that functions as both a telecommunication tower and a tourist attraction. From the top, one can enjoy the sensational view of Alor Setar.

Tourism in Kedah concentrates in Langkawi islands, which are blessed with an intriguing heritage of myths and legends. There are fine beaches, clear waters around the islands that provide numerous opportunities for a host of water sports and recreational activities and enchanting marine life beneath the waters of Langkawi's islands that attracts diving enthusiasts.

Langkawi Development Authority (LADA) has been set up in 1990 to oversee the tourism development on the island. According to LADA, in 2005, a total of 1.83 million tourist arrivals was recorded in Langkawi. The number increased steadily from 107,973 in January to 172,592 in June and to 238,049 in December.

Attractions in Langkawi include the following:

**Nature:**

- Pulau Payar Marine Park
- Lake of The Pregnant Maiden
- Kilim Nature Park
- Seven Wells
- Durian Perangin Waterfalls
- Cave of Legends
- Cave of Bats

**Beaches:**

- Pantai Kok, Cenang
- Tengah,
- Datai
- Burau Bay
- Tanjung Rhu

**Yacht Facilities:**

- Royal Langkawi Yacht Langkawi
- Rebak Marina Resort
- Telaga Harbour Park
- Awana Porto Malai Langkawi

**Golf Courses:**

- Langkawi Golf Club
- Golf Club Datai Bay
- Gunung Raya Golf Resort

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**Others:**

- Underwater World
- Langkawi Crystal
- Langkawi Cable Car

**International Events:**

- Langkawi International Maritime and Aerospace Exhibition,
- Le Tour de Langkawi
- BMW Royal Langkawi International Regatta

Langkawi has the potential to be further developed. The attractions and international events mentioned above are catalysts that attract tourists, both local and foreign, to the island. Moreover, Langkawi is a duty-free haven, which offers fantastic prices on a wide choice of designer goods, crockery, textile and chocolates.

Statistics from year 2000 to 2003 by the Malaysia Tourism Promotion Board indicate that among the main island resorts in the country, Langkawi is the most popular one. The number of hotel guests in Langkawi has been the highest compared to Redang, Tioman and Pangkor. Hotel guests in Langkawi constituted more than 60% of the total guests in the major islands. The numbers also show that Langkawi is popular amongst foreign tourists. On average, foreigners formed about 40% of the hotels guests in Langkawi. The number of foreign hotel guests in Langkawi was significantly higher than other islands.

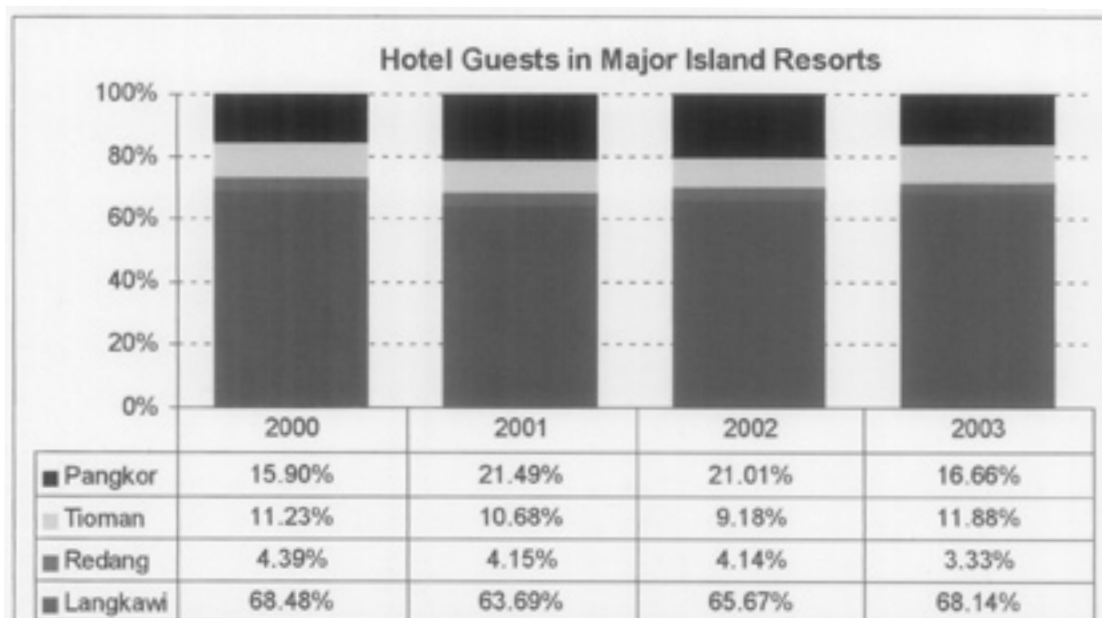
**Table 28:**

		<b>Number of Hotel Guests in Major Island Resorts in Malaysia</b>			
		<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Pulau Langkawi	Malaysians	566,692	799,263	850,124	1,191,014
	Foreigners	502,804	497,827	679,099	598,413
	<b>TOTAL</b>	<b>1,069,496</b>	<b>1,297,090</b>	<b>1,529,223</b>	<b>1,789,427</b>
Pulau Redang	Malaysians	31,435	39,990	52,441	58,464
	Foreigners	37,078	44,533	43,870	28,966
	<b>TOTAL</b>	<b>68,513</b>	<b>84,523</b>	<b>96,311</b>	<b>87,430</b>
Pulau Tioman	Malaysians	89,678	108,963	92,971	150,540
	Foreigners	85,755	108,514	120,795	161,315
	<b>TOTAL</b>	<b>175,433</b>	<b>217,477</b>	<b>213,766</b>	<b>311,855</b>
Pulau Pangkor	Malaysians	127,203	214,729	224,498	235,203
	Foreigners	121,133	222,882	264,857	202,229
	<b>TOTAL</b>	<b>248,336</b>	<b>437,611</b>	<b>489,355</b>	<b>437,432</b>
<b>GRAND TOTAL</b>		<b>1,561,778</b>	<b>2,036,701</b>	<b>2,328,655</b>	<b>2,626,144</b>

Source: Malaysia Tourism Promotion Board

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Chart 10:



Source: Malaysia Tourism Promotion Board

### 5.3 HOTEL MARKET

#### 5.3.1 SUPPLY, DEMAND & ROOMS RATES

In Kedah, there are 119 hotels with a total of 9,198 rooms. Of the total number of rooms, majority are below the 1-star category, followed by 4-star and 5-star hotel rooms. There are eight 5-star hotels in the state, with a total of 1,722 rooms.

Table 29:

Hotel Classification Statistics in Kedah, 2Q06		
Classification	No. of Hotels	No. of Rooms
5-star	8	1,722
4-star	9	1,756
3-star	16	1,716
2-star	7	633
1-star	5	396
Below 1-star	74	2,975
<b>TOTAL</b>	<b>119</b>	<b>9,198</b>

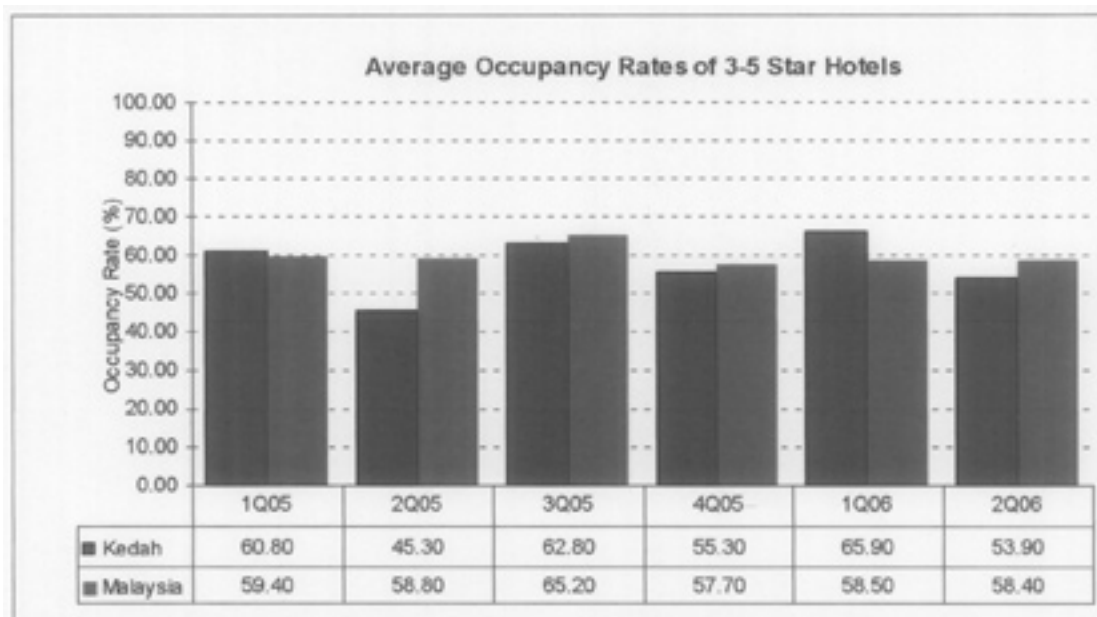
Source: NAPIC 2Q06

As at 2Q06, there were 3 hotels that were under construction in Kedah, with a total of 318 rooms. Two more hotels were under the planning stage, which will increase the number of hotel rooms by 2,285 rooms.

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The average occupancy rate of 3 to 5- star hotels in Kedah stood at 53.9% in 2Q06, marginally lower to the country's average of 58.4%. Compared to the same period in 2005, the average occupancy increased from 45.3% to 53.9%.

**Chart 11:**



Source: NAPIC 2Q06

The following table shows the number of rooms, tariff and average occupancy rate of hotels in major locations in Alor Setar and Langkawi.

**Table 30:**

Number of Rooms, Tariff & Average Occupancy Rates for Hotels in Alor Setar & Langkawi, 2Q06				
Locations	Star Rating	No. of Rooms	Tariff (RM/night)	Average Occupancy Rate (%)
Alor Setar	4	155	280 - 1,800	N/a
	3	346	160 - 1,800	54.7
	2	97	110 - 250	82.7
	1	65	65 -130	61.9
Langkawi	5	1,632	250 - 10,000	59.4
	4	1,194	240 - 4,180	56.9
	3	831	115 - 1,000	48.2
	2	442	65 - 550	36.7
	1	228	200 - 800	10.3

Source: NAPIC 2Q06

From the above table, it could be seen that in Alor Setar, majority of hotel rooms were under the category of 3-star. The highest room rate was that of a 4-star and 3-star hotel, at RM1,800 per

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night. It appears that the 2-star hotels were the most popular ones, registering an average occupancy rate of % in 2Q06.

In Langkawi, majority were 5-star hotel rooms, with tariff ranging from RM250 to RM10,000 per night. The average occupancy rate registered for 5-star hotels was 59.4%, the highest amongst all the hotel categories in Langkawi.

Hotel guests in Alor Setar have been mostly locals. Statistics show on the average, foreigners constituted less than 10% of the total number of hotel guests in Alor Setar.

**Table 31:**

<b>Hotel Guests in Alor Setar, 2000-2003</b>			
<b>Year</b>	<b>Malaysians</b>	<b>Foreigners</b>	<b>TOTAL</b>
2000	189,183	7,082	196,265
2001	194,852	32,682	227,534
2002	267,029	32,236	299,265
2003	297,568	24,115	321,683

*Source: Malaysia Tourism Promotion Board*



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### 5.3.2 MARKET OUTLOOK FOR PROPERTIES IN PORTFOLIO

#### a. Holiday Villa Alor Setar



The property is a 4-star hotel with a total of 155 rooms, located at Jalan Tunku Ibrahim, Alor Setar. The approximate gross floor area is about 149,995.08 sq. ft.

The hotel is located within a 21-storey commercial complex known as City Plaza. The property occupies the following portions of City Plaza:

- Part of lower ground, ground, first, eighth, ninth and nineteenth floors
- Entire thirteenth to eighteenth floors

The main entrance to the property is located on the ground floor. Access to the upper floors is via two passenger lifts, one service lift and concrete staircase.

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The published room rates according to the Hotel Management as at December 16, 2005 were as follows:

Type of Rooms	Room Rates (RM per room per night)
Superior	280.00
Deluxe	350.00
Prima	410.00
Executive Suite	600.00
Deluxe Suite	800.00
Muda Suite	1,500.00
Jerai Suite	1,800.00
Extra bed	50.00

There is a good opportunity for the property to be positioned as a premier business hotel in Alor Setar. The potential of the property can be seen from the following factors:

- i) The property is strategically located in a commercial district. The immediate neighbourhood is predominantly commercial in character. Found in the vicinity of City Plaza are shophouses as well as some modern buildings. Notable landmarks in the vicinity include the State Library, MBAS Building, Wisma Persekutuan and Bangunan Ukir.
- ii) Based on statistics, the average occupancy rate of 3 to 5- star hotels in Kedah improved quite significantly from 45.3% during the 1Q06 to 53.9% for the 2Q06. The number of hotel guests in Alor Setar increased significantly from 196,265 in year 2000 to 321,683 in 2003.
- iii) The property is the highest rating hotel in Alor Setar (Holiday Villa is the only 4-star hotel in Alor Setar). Hotel facilities include F&B outlets, a swimming pool, banquet/convention facilities and health & fitness centre. The banquet and convention facilities can accommodate up to 500 people. The property appears to be suitable for business travellers.
- iv) The property has been well maintained. During 2002 to 2005, a total of RM244,000.00 was spent on the upgrading of its services and facilities, including CCTV system, fire fighting panel, construction of a new gymnasium, etc.

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- v) The trend of average occupancy rate of the property indicates an improving performance. During the period of 2000 to 2002, the average occupancy rates registered ranged from 64.2% to 66.9%. In 2003 and 2004, the average occupancy dropped to below 60%. A higher average occupancy rate of 63.4% was recorded in 2005, the highest since year 2003.

Year	Average Occupancy Rate
2000	66.9%
2001	66.1%
2002	64.2%
2003	59.8%
2004	55.3%
2005	63.4%

- vi) The lease of Holiday Villa Alor Setar has been secured for a term of ten (10) years. ARB (as trustee for KWB) acquired the property (SPA dated February 20, 2006) from Alor Setar Holiday Villa Sdn. Bhd. (the Vendor), who will in turn lease the property from ARB (as trustee for KWB) for a term of ten years (and to be renewed for a further 5 years upon the expiry of the original 10-year lease) commencing on the date of full payment of the purchase price, at the following rental terms:

Period	Monthly Rental
Year 1 to Year 3	RM156,333.00
Year 4 to Year 7	RM163,333.00
Year 8 to Year 10	RM170,333.00

The Vendor will be responsible and liable to pay all outgoings during the lease or renewed lease periods.

- vii) The brand name of Holiday Villa enhances the market prospects of the property. It is an international brand name, a registered trademark in London and Malaysia. Holiday Villa Malaysia International is a leading Malaysian hotel chain and member of the Malaysian public-listed company, Advance Synergy group.

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**b. Holiday Villa Langkawi**


The property is a 4-star hotel with a total of 238 rooms, located in Pantai Tengah, Langkawi. It is a freehold property that sits on a parcel of land measuring approximately 13.17-acre.

The published room rates according to the Hotel Management as at December 16, 2005 were as follows:

Type of Rooms	Room Rates (RM per room per night)	
	Single	Twin
Superior	350.00	365.00
Deluxe	390.00	410.00
Deluxe Premium	480.00	480.00
Studio	500.00	500.00
Prima Suite	850.00	850.00
Deluxe Suite	900.00	900.00
Crystal Suite	1,200.00	1,200.00
Antara Suite	1,400.00	1,400.00
Royal Suite	2,800.00	2,800.00
Extra person	40.00	40.00

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The property's investment potential may be justified by the following factors:

- i) The property is strategically located on the south-western coastline of the main Langkawi Island and is situated along Jalan Teluk Baru, within a locality known as Pantai Tengah. The town of Kuah, which is the commercial and administrative centre for Langkawi Island is situated about 22km to the north-east of the property.

Situated immediately to the south of the property is the Federal Villa, which is the Federal Government's Rest House. The Langkawi International Airport and the venue of the Langkawi International Maritime and Aerospace Exhibition (LIMA) are situated about 6km to the north of the property.

- ii) The property is located in one the most popular tourist destinations in the country. Statistics from year 2000 to 2003 by the Malaysia Tourism Promotion Board indicate that among the main island resorts in the country, Langkawi is the most popular. The number of hotel guests in Langkawi has been the highest compared to Redang, Tioman and Pangkor. Hotel guests in Langkawi constituted more than 60% of the total guests in the major islands. The numbers also show that Langkawi is popular amongst foreign tourists. On average, foreigners formed about 40% of the hotels guests in Langkawi.
- iii) The property has been well maintained. During 2002 to 2005, a total of about RM3.8 million (RM2.5 million during 2000-2004, and a further RM1.3 million in 2005) has been spent on refurbishment works, which involved mainly the upgrading of services, furniture, interior design and amenities.
- iv) The average occupancy rate of the property dropped from 73.0% in 2000 to 66.6% in 2001. The performance in the subsequent years has been rather stable, except for 2002 and 2003.

<b>Year</b>	<b>Average Occupancy Rate</b>
2000	73.0%
2001	66.6%
2002	53.2%
2003	48.6%
2004	66.6%
2005	63.4%

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- v) There is a wide range of hotel facilities in the property that will attract visitors.

<b>Food &amp; Beverage Outlets</b>	
- 24-hour Lagenda Restaurant	- Sunset Karaoke & Discothèque
- Mario's Italian Restaurant	- Pool bar & sunset terrace
- Matahari Lobby Lounge	- Tropical beach & snack bar
<b>Conference Facilities</b>	
Can accommodate 300 persons for meetings & conventions	
<b>Recreational Facilities</b>	
- Swimming and wading pools	- Fitness & Health Centre
- Lady indoor pool	- Kiddies room
- Open air Jacuzzi	- Internet room
- Tennis courts	- Facilities for water sports activities
- Table tennis	- Traditional massage
<b>Other Services (by arrangements)</b>	
- Snorkeling & diving	- Baby sitting
- Golf & fishing	- Tour & car rental
- Island excursion & sight seeing	

- vi) The lease of the property has been secured for a period of ten (10) years. ARB (as trustee for KWB) acquired the property (SPA dated February 20, 2006) from En. Azman Shah Bin Haron as a trustee for Langkawi Holiday Villa Sdn. Bhd. (the Vendor), who in turn will lease the property from ARB (as trustee for KWB) for a term of ten years (and to be renewed for a further 5 years upon the expiry of the original 10-year lease) commencing on the date of full payment of the purchase price, at the following rental terms:

<b>Period</b>	<b>Monthly Rental</b>
Year 1 to Year 3	RM279,167.00
Year 4 to Year 7	RM291,667.00
Year 8 to Year 10	RM304,167.00

The Vendor will be responsible and liable to pay all outgoings during the lease or renewed lease

- vii) The brand name of Holiday Villa enhances the market prospects of the property. Considering the thriving tourism industry in Langkawi and its duty-free status, there is a great opportunity for the property to be positioned as one of the premier resort hotels in Langkawi and see higher occupancy rates.

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## 6.0 CONCLUSIONS

Overall, the economy recorded a growth of 5.3% for 2005 with a further growth of 6.0% posted for the first three quarters of 2006. Key economic indicators point towards strong economic growth during 2006 whilst economic activity has shown strong momentum during the year with a growth projection of 5.5% by the Malaysian Institute of Economic Research (MIER). The strong economic growth is set to continue with the property market following in tandem as well as being led by the robust residential property sector. Overall, the property market is expected to remain bullish heading into 2007 continuing from the strong performance of 2006.

Having analysed the economic and general property market conditions, we are of the opinion that property investment in selected sectors and locations is safe. For office buildings in Kuala Lumpur, demand and rental rates are noted to be improving, particularly for those located in prime and growing areas. Similarly, offices in prime areas within Selangor are seeing high occupancy and attractive rental rates. Furthermore, the supply in areas like Subang Jaya and Seri Kembangan is limited. Therefore, Wisma AmanahRaya, Wisma ARB, Wisma UEP, and Blocks B of South City Plaza are expected to sustain their occupancy and rental rates.

Selangor has long been established as a prime industrial state in the country. With Bangi being one of the prime industrial areas in the state, Permanis factory is expected to sustain its occupancy and rental rates.

Private education is increasingly important in the country's education system. The demand for private colleges is increasing, particularly in prime areas like Klang Valley. With the existence of established private colleges in the vicinity of Subang Jaya, SEGi College is expected to be as popular, which will in turn sustain the demand for the building. Another private college building in the portfolio is Block A of South City Plaza (Institute of Graduate Studies Sdn. Bhd.). Being located in a growth area of Selangor, the property is expected to sustain the demand and therefore rental rate.

The prospects for both Holiday Villa hotels in Kedah are equally good. Being the only 4-star hotel in the commercial and administrative district, Holiday Villa Alor Setar has a great opportunity to be a prime business hotel in Kedah. As for Holiday Villa Langkawi, the prospect is evident. Langkawi with its duty free status and being the most popular island resort destination, Holiday Villa Langkawi is expected to continue attracting local and foreign tourists.

It is foreseeable that AmanahRaya REIT will provide investors income security. The portfolio comprises a good mixture of properties, well diversified in terms of property sub-sectors and locations. This would minimize risks associated to a particular sector and location. All properties are located in established locations, a factor that will sustain the demand for each property. The occupancy and rental income for each property is secured by the sale and leaseback arrangements entered by ARB (as trustee for KWB) and the respective vendors. Moreover, all the properties are currently occupied by prime tenants. With good and professional management of these properties, we can expect values to be maintained in the short term as well as the medium and long terms.

**Appendix 1: DEFINITION OF AREAS WITHIN KUALA LUMPUR (BY NAPIC)**

<b>Golden Triangle</b>		
<ul style="list-style-type: none"> <li>▪ Jln Binjai</li> <li>▪ Jln Changkat Raja Chulan</li> <li>▪ Jln Kia Peng</li> <li>▪ Jln P Ramlee</li> </ul>	<ul style="list-style-type: none"> <li>▪ Jln Perak</li> <li>▪ Jln Pinang</li> <li>▪ Jln Puncak</li> <li>▪ Jln Raja Chulan</li> </ul>	<ul style="list-style-type: none"> <li>▪ Jln Sultan Ismail</li> <li>▪ Lorong P Ramlee</li> </ul>
<b>Jalan Ampang</b>		
<ul style="list-style-type: none"> <li>▪ Jln Ampang</li> </ul>	<ul style="list-style-type: none"> <li>▪ Jln Tun Razak</li> </ul>	<ul style="list-style-type: none"> <li>▪ Off Jln Kia Peng</li> </ul>
<b>Central Business District</b>		
<ul style="list-style-type: none"> <li>▪ Jln Ampang</li> <li>▪ Jln Bukit Kewangan</li> <li>▪ Jln Bukit Nenas</li> <li>▪ Jln Bunus</li> <li>▪ Jln Dang Wangi</li> <li>▪ Jln Gereja</li> <li>▪ Jln Hang Lekir</li> <li>▪ Jln Hang Lekiu</li> <li>▪ Jln Masjid India</li> <li>▪ Jln Medan Pasar</li> <li>▪ Jln Melaka</li> </ul>	<ul style="list-style-type: none"> <li>▪ Jln Melayu</li> <li>▪ Jln Munshi Abdullah</li> <li>▪ Jln Petaling</li> <li>▪ Jln Pudu</li> <li>▪ Jln Raja Chulan</li> <li>▪ Jln Raja Laut</li> <li>▪ Jln Silang</li> <li>▪ Jln Sultan Ismail</li> <li>▪ Jln Tiong Nam</li> <li>▪ Jln Tunku Abdul Rahman</li> <li>▪ Jln H S Lee</li> </ul>	<ul style="list-style-type: none"> <li>▪ Jln Tun Perak</li> <li>▪ Jln Tun Razak</li> <li>▪ Jln Yap Ah Shak</li> <li>▪ Leboh Ampang</li> <li>▪ Leboh Pasar Besar</li> <li>▪ Lorong Medan Tuanku</li> <li>▪ Jln Mahkamah</li> <li>▪ Jln Raja</li> <li>▪ Jln Raja Abdullah</li> </ul>
<b>Within City Centre</b>		
<ul style="list-style-type: none"> <li>▪ Changkat Raja Chulan</li> <li>▪ Jln 1/65A Off Jln Tun Razak</li> <li>▪ Jln 1/65C Pek.Business Centre</li> <li>▪ Jln Ampang</li> <li>▪ Jln Bukit Bintang</li> <li>▪ Jln Conlay</li> <li>▪ Jln Dato' Onn</li> <li>▪ Jln Dewan Bahasa</li> <li>▪ Jln Gurney</li> <li>▪ Jln Imbi</li> <li>▪ Jln Ipoh</li> <li>▪ Jln Kampar</li> <li>▪ Jln Kampung Attap</li> <li>▪ Jln Landak</li> <li>▪ Jln Lumut</li> <li>▪ Jln Pahang</li> </ul>	<ul style="list-style-type: none"> <li>▪ Jln Perdana</li> <li>▪ Jln Pudu</li> <li>▪ Jln Putra</li> <li>▪ Jln Raja Alang</li> <li>▪ Jln Raja Laut</li> <li>▪ Jln Raja Muda Abd Aziz</li> <li>▪ Jln Semarak</li> <li>▪ Jln Sentul</li> <li>▪ Jln Sungai Besi</li> <li>▪ Jln Sultan Ismail</li> <li>▪ Jln Sultan Sulaiman</li> <li>▪ Jln Tangsi</li> <li>▪ Jln Tiong Taman Million</li> <li>▪ Jln Tun Ismail</li> <li>▪ Jln Tun Razak</li> <li>▪ Jln Tun Sambanthan</li> </ul>	<ul style="list-style-type: none"> <li>▪ Jln Tunku Abdul Rahman</li> <li>▪ Jln Wisma Putra</li> <li>▪ Jln Yap Kwan Seng</li> <li>▪ Lorong Haji Hussien</li> <li>▪ Persiaran Raja Chulan</li> <li>▪ Jalan Bangsar</li> <li>▪ Jalan Chendarasari</li> <li>▪ Jalan Chendarawasih</li> <li>▪ Jalan Damansara</li> <li>▪ Jalan Genting Klang</li> <li>▪ Jalan Hang Tuah</li> <li>▪ Jalan Parlimen</li> <li>▪ Jalan Sulaiman</li> <li>▪ Jalan Sultan Hishamuddin</li> <li>▪ Jalan Sultan Salahuddin</li> <li>▪ Jln Pahang Barat</li> </ul>
<b>Suburban</b>		
<ul style="list-style-type: none"> <li>▪ Jln Desa Bahagia, Taman Desa</li> <li>▪ Jln Ipoh</li> <li>▪ Jln 3/27A Seksyen 1</li> <li>▪ Jln 4/83A, Off Jln Pantai Bharu</li> <li>▪ Jln Ampang</li> <li>▪ Jln Bangsar</li> <li>▪ Jln Bukit Kiara</li> <li>▪ Jln Bukit Kiara 1/70C</li> <li>▪ Jln Chempennai</li> <li>▪ Jln Cheras</li> <li>▪ Jln Damanlela</li> <li>▪ Jalan Damansara</li> <li>▪ Jln Damansara Endah</li> <li>▪ Jln Dewan Bahasa</li> <li>▪ Jln Dungun</li> </ul>	<ul style="list-style-type: none"> <li>▪ Jln Gelenggang</li> <li>▪ Jln Ipoh</li> <li>▪ Jln Kapas</li> <li>▪ Jln Kepong</li> <li>▪ Jln Liku</li> <li>▪ Jln Loke Yew</li> <li>▪ Jln Maarof</li> <li>▪ Jln Medan Setia</li> <li>▪ Jalan Pantai Bharu</li> <li>▪ Jln Pudu Ulu</li> <li>▪ Jalan Rejang Setapak Jaya</li> <li>▪ Jalan Robson</li> <li>▪ Jalan Semantan</li> <li>▪ Jln Semantan</li> <li>▪ Jln Sri Permaisuri</li> </ul>	<ul style="list-style-type: none"> <li>▪ Jln Stesen Sentral</li> <li>▪ Jln Tasik Permaisuri</li> <li>▪ Jln Tun Mohd Fuad</li> <li>▪ Lingkaran Syed Putra</li> <li>▪ Lrg. 6C/91 Trm. Shamelin Perkasa</li> <li>▪ Lorong Dungun</li> <li>▪ Lorong Dungun Kiri</li> <li>▪ Lorong Kapar</li> <li>▪ Medan Damansara</li> <li>▪ Off Jln Semantan</li> <li>▪ Pusat Bandar Damansara</li> <li>▪ Jalan Duta</li> <li>▪ Jalan Kelantan</li> <li>▪ Jalan Tunku Timur</li> <li>▪ Jalan Sri Petaling</li> </ul>