

**PART B**

**INDEPENDENT ADVICE LETTER BY  
AVENUE SECURITIES SDN BHD  
TO THE MINORITY SHAREHOLDERS OF RCE  
IN RELATION TO THE PROPOSED ACQUISITION**

**Independent Adviser**



AVENUE SECURITIES SDN BHD (682-X)



**AVENUE SECURITIES SDN BHD (682-X)**

(A Participating Organisation of Bursa Malaysia Securities Berhad)  
(Wholly Owned Subsidiary of Avenue Capital Resources Berhad)

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3 August 2005

To: **The Minority Shareholders of RCE Capital Berhad**

Dear Sir/ Madam

**RCE CAPITAL BERHAD ("RCE" or the "Company")**

- **THE PROPOSED ACQUISITION BY RCE SYNERGY SDN BHD (FORMERLY KNOWN AS VERBUNDSoft SDN BHD) ("RCE SYNERGY"), A WHOLLY-OWNED SUBSIDIARY OF RCE, OF 29,064,452 UNITS IN AMFIRST PROPERTY TRUST ("AMFPT") REPRESENTING APPROXIMATELY 21% OF THE TOTAL UNITS IN AMFPT FROM AMDB BERHAD, FOR A CASH CONSIDERATION OF RM31,970,897.20 ("PROPOSED ACQUISITION")**

**1. INTRODUCTION**

This Independent Advice Letter ("IAL") is prepared for inclusion in the Circular to Shareholders of RCE dated 3 August 2005 ("Circular") in relation to the Proposed Acquisition and should be read in conjunction with the same. All definitions used in this IAL shall have the same meanings as the words, expressions and abbreviations defined in the definitions section of the Circular, except where the content requires otherwise or otherwise defined herein.

On 29 April 2005, MIMB had, on behalf of the Board, announced that RCE Synergy, a wholly-owned subsidiary of RCE Resources Sdn Bhd (formerly known as Taifab Sdn. Bhd.) ("RCE Resources") which in turn is a wholly-owned subsidiary of RCE, had on 29 April 2005 entered into a conditional SPA with AMDB for the proposed acquisition of 29,064,452 units in AMFPT representing approximately 21% of the units in AMFPT for a cash consideration of RM31,970,897.20.

In view of the interest of certain Directors and major shareholders of RCE in the Proposed Acquisition as set out in Section 8.0 of Part A of the Circular and in compliance with Paragraph 10.08 of the Listing Requirements, Avenue Securities had, on 22 March 2005, been appointed as the Independent Adviser to advise the independent directors and minority shareholders of RCE on matters pertaining to the Proposed Acquisition. Avenue Securities had on 9 May 2005, confirmed to the SC and Bursa Securities of its eligibility to act as the independent adviser to the minority shareholders of RCE on matters pertaining to the Proposed Acquisition.

The purpose of this IAL apart from setting out the relevant information, is to provide the Independent Directors and minority shareholders of RCE with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition and our recommendation thereon.

**MINORITY SHAREHOLDERS ARE ADVISED TO READ BOTH PART A OF THIS CIRCULAR AND THIS IAL TOGETHER WITH THE APPENDICES THERETO AND TO CONSIDER CAREFULLY THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE PROPOSED ACQUISITION AT THE FORTHCOMING EGM OF THE COMPANY.**

**IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

## 2. DETAILS OF THE PROPOSED ACQUISITION

On 29 April 2005, MIMB had, on behalf of the Board, announced that RCE Synergy, a wholly-owned subsidiary of RCE had on 29 April 2005 entered into a conditional SPA with AMDB for the proposed acquisition of 29,064,452 units in AMFPT representing approximately 21% of the units in AMFPT for a cash consideration of RM31,970,897.20.

The purchase consideration for the Proposed Acquisition amounting to RM31,970,897.20 was arrived at on a "willing buyer-willing seller" basis negotiated between RCE Synergy and AMDB based on RM1.10 per unit after taking into consideration AMFPT's five (5) days weighted average market price of AMFPT up to 28 April 2005 of approximately RM1.10 per unit and the net asset value of AMFPT which stood at RM1.40 per unit as at 31 March 2005 based on the unaudited financial statement of AMFPT for the three (3) months financial period ended 31 March 2005.

The Acquisition Units shall be acquired free from all claims, charges, liens, encumbrances and equities whatsoever together with all rights attached thereto and all dividends, rights and distributions declared paid or made in respect thereof as at the completion date of the SPA, subject to the conditions contained in the SPA. There is no liability to be assumed by the RCE Group arising from the Proposed Acquisition.

The other salient terms of the SPA are as follows:

- (i) the sum equivalent to 10% of the Purchase Price as deposit and part payment of the Purchase Price, shall be paid by RCE Synergy to AMDB on the day of execution of the SPA, which has been paid;
- (ii) subject to the fulfilment of the conditions precedent in Section 7.0 of Part A for the Circular, on the Delivery Date<sup>(i)</sup>, the balance purchase price shall be paid by RCE Synergy to RCE Synergy's stockbrokers as stakeholders to hold and deal with in accordance with the terms of the SPA provided that AMDB shall have executed all documents and done all things necessary to enable the transfer of the Units to RCE Synergy free from all liens, charges and encumbrances and with full legal and beneficial title and with all rights attaching thereto (including all dividends and distributions declared in respect thereof) with effect from the date of the Completion Date<sup>(ii)</sup> of the SPA; and
- (iii) in the event that AMDB shall fail to execute all documents and do all things necessary to enable the transfer of the Acquisition Units to RCE Synergy free from all liens, charges and encumbrances and with full legal and beneficial title and with all rights attaching thereto (including all dividends and distributions declared in respect thereof) with effect from the Completion Date<sup>(ii)</sup> by the Delivery Date<sup>(i)</sup>, RCE Synergy shall be entitled to withhold payment to AMDB of the balance purchase price or any part thereof by the Delivery Date and RCE Synergy shall not be required to pay to AMDB the unpaid amount of the balance purchase price until and unless AMDB shall have executed all documents and done all things necessary to enable the transfer of the Units to RCE Synergy free from all liens, charges and encumbrances and with full legal and beneficial title and with all rights attaching thereto (including all dividends and distributions declared in respect thereof) with effect from the Completion Date.

*Notes:*

- (i) *The Delivery Date is the date which falls at least seven (7) market days after and not more than 30 days after the date where the last of the condition precedent is fulfilled, or as the case may be, the date for execution of the direct business transaction proposed to, and agreed by Bursa Securities.*
- (ii) *The Completion Date is a date which falls three (3) business days after the Delivery Date.*

Please refer to Section 2.0 of Part A of the Circular for further information pertaining to the Proposed Acquisition.

### **3. EVALUATION OF THE PROPOSED ACQUISITION**

Avenue Securities was not involved in the Board's deliberation on any aspect of the Proposed Acquisition. Accordingly, our evaluation is based on information contained in Part A of this Circular together with the appendices, the conditional SPA, other relevant information furnished to us by the management of RCE and other publicly available information. We have not, however, independently verified such information and expressed no opinion on any such information. Accordingly, we expressed no opinion on the fairness, reasonableness and completeness of the said information.

We have assumed that such information has been prepared in good faith and reflect the best judgment of the Directors and/or management of RCE. Nevertheless, the Board collectively and individually accept full responsibility for the accuracy of the information given to us and confirm that all information relevant to our evaluation of the Proposed Acquisition have been disclosed to us and there are no facts, the omission of which would make any information supplied to us misleading.

We are not in the possession of information relating to and we have not given any consideration to the specific investment objectives, financial situations and particular needs of any individual shareholders or any specific group of shareholders. As the Independent Adviser to the Independent Directors and minority shareholders of RCE for the Proposed Acquisition, we do not express any opinion on the commercial merits of the Proposed Acquisition, which is the sole responsibility of the Board. We recommend that any individual shareholder or any specific group of shareholders who may require advice in relation to the Proposed Acquisition in the context of their individual objectives, financial situations and particular needs, should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser without delay.

Avenue Securities, as the Independent Adviser, has evaluated the Proposed Acquisition and in rendering our advice, we have taken note of the pertinent issues that are considered important in enabling us to form an opinion in the fairness and reasonableness of the Proposed Acquisition in so far as they are not detrimental to the independent directors and minority shareholders of the Company.

In our evaluation of the Proposed Acquisition, we have specifically taken into consideration the following key areas:

- (a) Rationale for the Proposed Acquisition;
- (b) Basis of the purchase consideration for the Proposed Acquisition;
- (c) Financial effects of the Proposed Acquisition; and
- (d) Industry outlook, prospects and risk.

#### **3.1 Rationale for the Proposed Acquisition**

As stated in Section 3.0 of Part A of the Circular, the rationale for the Proposed Acquisition is as follows:-

*"The Board is continually striving to enhance the RCE Group's earnings base by diversifying into new investments which will give reasonable returns with acceptable risk profile."*

*"The Proposed Acquisition is expected to provide the RCE Group with a steady income stream based on a proven income distribution track record of AMFPT. AMFPT has been declaring gross income distribution of 6.5% p.a. to 7.5% p.a. for the past five (5) years."*

RCE Synergy is principally involved in investment holding. Currently, RCE Synergy holds 29,199,074 units in AMFPT, representing 21.1 % of the total units in AMFPT. The Proposed Acquisition will enable RCE to increase its indirect equity interest in AMFPT through RCE Synergy.



Upon completion of the Proposed Acquisition, RCE will have an effective interest of approximately 42.1% in AMFPT, which enables RCE Group to generate a stable income stream from AMFPT's average gross income distribution of 6.5% p.a. to 7.5% p.a. for the past five (5) years. As stated in Section 4.2 of Part A of the Circular, the Proposed Acquisition is expected to contribute to the EPS of the RCE Group for the financial year ending 31 March 2006.

Based on the above, we are of the opinion that the rationale for the Proposed Acquisition is fair and reasonable.

### 3.2 Basis of the purchase consideration for the Proposed Acquisition

Section 2.4 of Part A of the Circular states that the purchase consideration of RM31,970,897.20 for the Proposed Acquisition was determined after taking into consideration AMFPT's five (5) days weighted average market price of AMFPT up to 28 April 2005 of approximately RM1.10 per unit and the unaudited net asset value of AMFPT which stood at RM1.40 per unit as at 31 March 2005.

In evaluating the reasonableness of the purchase consideration for the Proposed Acquisition, we have considered the following:

#### (i) *Income Distribution of AMFPT*

Summary of the audited financial information of AMFPT for the past five (5) financial years ended 31 December 2004 are as follows:

Financial Year Ended 31 December	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000	2000 RM'000
Gross rental income	19,291	18,904	18,175	17,893	19,559
Income before taxation	**12,449	10,395	10,425	11,070	*4,325
Taxation	(3,233)	(2,575)	(2,911)	(3,064)	(3,019)
Income after tax for the year	9,216	7,820	7,514	8,006	1,306
Net distribution to unitholders	7,450	7,282	6,984	6,481	7,734
Gross distribution per unit (%)	7.5	7.0	7.0	6.5	7.0
Number of Units ('000)	138,400	138,400	138,400	138,400	138,400
Income after tax per Unit (sen)	6.66	5.65	5.43	5.78	0.94
Unitholders' Funds	194,930	192,778	181,941	181,682	#180,005
Net Asset Value per Unit (RM)	1.41	1.39	1.31	1.31	1.30

Notes:

\* After taking into consideration a portion of the revaluation deficit amounting to RM6,473,415 arising from the valuation performed on AmBank Group Leadership Centre (formerly known as Wisma Kimseah) by an independent professional valuer.

\*\* Inclusive of RM1.0 million revaluation surplus arising from the revaluation of AmBank Group Leadership Centre.

# Restated pursuant to Malaysian Accounting Standard Board 19 adopted in January 2002 where distributions have been disclosed as a component of unitholders' funds when proposed and will be accounted for as a liability only when the obligation to pay is established.

As illustrated above, the net distribution to unitholders has recorded an upward trend for the past five (5) years resulting in the declaration of gross income distribution of 6.5% p.a. in 2001 to 7.5% p.a. in 2004 by AMFPT. As at 31 December 2004, the distribution yield was 8.2% at the market price of RM0.91 with market capitalisation of RM125.9 million.

Similarly for the net asset value per unit where it has been increasing at an average growth rate of 1.93% for the past five (5) years since 2000 from RM1.28 to RM1.38 per Unit. The purchase consideration for each Unit of RM1.10 represents a discount of 21.43% based on the latest net asset value of RM1.40 per unit as at 31 March 2005.

The real properties investment portfolio of AMFPT comprises two (2) commercial properties i.e. Bangunan AmBank Group and AmBank Group Leadership Centre which are located within the Golden Triangle of Kuala Lumpur. Based on the Annual Report of AMFPT for the financial year 2004, Bangunan AmBank Group maintained almost full occupancy during 2004 despite the competitive office property market. The occupancy rate of AmBank Group Leadership Centre stood at 83% during the same period. The occupancy rate of AmBank Group Leadership Centre remained at 83% as at 15 July 2005. AMFPT's Annual Report 2004 also states "the Trust properties generated a net yield of 7.2% compared with the industry average of 6.0%".

## (ii) Comparative Analysis

In our evaluation of the purchase consideration of RM1.10 per Unit, we have compared the PE multiple, P/NAV multiple and distribution yield per Unit of AMFPT against the aforesaid multiples of selected property trusts by their traded market prices as at the latest practicable date prior to the issue of this IAL, which we set out below:

Property Trust	Stock Exchange	Last trading price @	PE multiple (times)	Net Asset Value per Unit for	P/NAV multiple (times)	Distribution yield per Unit (%)
		29 July 2005 RM		FYE 2004 RM		
(a) Amanah Harta Tanah PNB	Malaysia	0.76	19.34	1.27	0.60	7.46
(b) Ascendas Real Estate Investment Trust	Singapore	5.33	25.09	2.29	2.33	9.30
(c) CapitaMall Trust	Singapore	5.85	28.46	3.13	1.87	6.6
(d) CapitaCommercial Trust	Singapore	3.43	28.68	3.83	0.89	4.98
<b>AMFPT</b>	<b>Malaysia</b>	<b>1.10*</b>	<b>16.52</b>	<b>1.38</b>	<b>0.80</b>	<b>8.20</b>

(Source: Latest audited financial statements of the respective property trusts except for PE Multiple, which is sourced from Bloomberg)

Notes:

\* Purchase consideration per Unit based on purchase consideration of RM31,970,897.20 divided by 29,064,452 units in AMFPT.

Item (b) to (d) are property trusts listed in Singapore. For conversion purpose, the exchange rate of SGD1.00 : RM2.28 as at 29 July 2005 was used.

*It should be noted that the selected property trusts serve as an illustration only, as the property trusts selected may not be directly comparable to AMFPT in terms of marketability of its shares, size and diversity of businesses, profit track records, financial strength and prospects.*

As indicated in the table above, the PE multiple of approximately 16.52 times for the Proposed Acquisition is below the PE multiples of selected listed property trusts of 19.34 to 28.68 times. Meanwhile, the P/NAV multiple of 0.80 times for the Proposed Acquisition is within the range of the P/NAV multiple of selected listed property trusts of 0.60 to 2.33 times. At the same time, the distribution yield per unit of 8.2% is at the higher range as compared to the selected listed property trusts.

Based on the above analysis, we are of the opinion that the purchase consideration for the Proposed Acquisition is fair and reasonable.

### **3.3 Financial effects of the Proposed Acquisition**

The financial effects of the Proposed Acquisition on the issued and paid-up share capital, earnings, NTA and shareholdings of substantial shareholders of RCE are as follows:

#### **3.3.1 Share Capital and Substantial Shareholders' Shareholding**

The Proposed Acquisition will not have any effect on the share capital and the RCE's substantial shareholders' shareholdings as the Proposed Acquisition does not involve the issuance of new RCE shares.

#### **3.3.2 Earnings**

The Acquisition is expected to be completed by the fourth (4th) quarter of the calendar year 2005 and as such, is expected to contribute to the earnings per share of the RCE Group for the financial year ending 31 March 2006 based on the track record of AMFPT's income distribution.

#### **3.3.3 NTA**

The Proposed Acquisition is not expected to have any effect on the consolidated net tangible assets of the RCE Group.

### **3.4 Industry Outlook, Prospect and Risk**

#### **3.4.1 Industry Outlook and Prospect of RCE**

##### ***Economic Overview***

The Malaysian economy accelerated its growth momentum in the first half of 2004, after a strong take-off in 2003, and is expected to surpass earlier expectations with higher growth of 7% for the whole year. Positive signs of a firm economic recovery at the global front, particularly in the first six months as well as higher commodity prices, reinforced the 'feel-good' factor that contributed to further improvement in consumer and business sentiments. Growth has become more broad based with all sectors registering positive growth. Domestic demand, particularly private consumption, continued to sustain growth for five consecutive years, while private investment, which picked up in 2003, became more entrenched, resulting in a private sector led growth.

The broad-based growth is evident of the effective measures implemented by the Government to develop new sources of growth to reduce the nation's vulnerability to

the external environment. Expanding at 10.5%, the manufacturing sector, which has become more diversified with higher end, value-added and new emerging industries and products, remains a major contributor to growth. New growth areas in information and communication technology (ICT), strong expansion in financial services and revival in tourism activities supported growth in the services sector, enabling it to maintain its premier position in terms of share to gross domestic product (GDP) at 57%. Meanwhile, the Government's commitment to revitalise the agriculture sector as the third engine of economic growth, particularly in food production, has resulted in the expansion in output of fruits, aquaculture and livestock.

The synchronised upswing in the global economy and upsurge in electronics demand, as well as high prices for palm oil and crude oil, continued to propel export volume and earnings. Import growth was strong, particularly for intermediate and capital goods, reflecting robust domestic economic activities, fuelled by recovery in private investment and higher disposable income. The trade balance in July 2004 remained in surplus for 81 consecutive months since November 1997. Better export earnings and inflow of foreign funds increased the international reserves to USD54.4 billion as at 14 August 2004, sufficient to finance 7.2 months of retained imports and five times the short-term external debt.

The national resource position remains strong with gross national savings at 36.5% of gross national product (GNP), providing ample liquidity to finance both public and private sector initiatives.

*(Source: Economic Report 2004/2005)*

#### *Property Market Overview*

The construction sector contracted by 1.9% due to lower activity in the civil engineering sub-sector, which was partly mitigated by expansion in both residential and non-residential sub-sectors. Lower civil engineering activity was mainly attributed to the completion of several large infrastructure projects in recent years and the consequent reduction in public spending on infrastructure projects in 2004. In contrast, the residential sub-sector continued to grow due to sustained demand for residential property, which was supported by higher incomes as well as attractive housing mortgage financing packages.

Expansion in the non-residential sub-sector was due mainly to improved business and investment activity, which supported the demand in the office and retail space segments. With policy orientation supportive of private sector activity and with the improved economic conditions, the private sector contributed 6.2 percentage points to economic expansion. Private consumption expanded strongly by 10.1% in 2004 as consumer confidence was restored following the events of early 2003, including the Severe Acute Respiratory Syndrome (SARS) outbreak. Despite some moderation in activity towards the end of 2004, sentiments remained strong. Both the Consumer Sentiment and Retail Trade Indices, compiled by the Malaysian Institute of Economic Research, remained above the 100-point mark throughout the year. In addition, various tax rebates to sustain consumption announced during the 2004 Budget and the prevailing supportive interest rate and credit environment further supported consumption spending.

*(Source : Bank Negara Annual Report 2004)*



### *Property Outlook for 2005*

In the commercial property sub-sector, the shopping complex and purpose-built office are anticipated to improve further, through the setting up of the Real Estate Investment Trust (REIT). Budget 2005 promotes REIT as an instrument to enhance the contribution of the property sector to the economic development by introducing a more tax treatment under the income tax distribution. Notwithstanding this, there will be a moderate improvement in the office subsector with increased take up space and occupancy rates, amidst stable to lower rental levels.

*(Source: Property Market Report 2004)*

### *Purpose - Built Office*

The average occupancy rate of purpose-built office space rose to 82.2% in Q4 2004 from 81.9% in Q3 2004 despite the increase of the total existing stock by 0.2% to 13,460,210sm. The total incoming supply increased by 2.4%(58,592 square metres) whereas the total planned supply decreased by 3.9%(75,552sm) over the same period. Completions, starts and new planned supply decreased by 96.3%, 44.8% and 79.0% respectively in Q4 2004 over Q3 2004.

*(Source : Commercial and industrial property stock report Q4 2004, Valuation and Property Services Department)*

### *Property Trust Industry*

The investment management industry in Malaysia continued to expand and sustain its growth momentum in 2004. As at 31 December 2004, the total funds managed by fund management companies in Malaysia increased by 20% to RM114.13 billion compared to 2003.

The Malaysian government has also been promoting the development of Real Estate Investment Trusts ("REITS") through the Budget 2004 by exempting the real property gains tax on gains from disposal of property by individual or company to these funds and exempting stamp duty on instruments of transfer of real property from individual or company to these funds. In 2004, the Securities Commission continued to work towards introducing a more flexible regulatory environment to foster the development of REITs. Reflective of these efforts, the government had announced in Budget 2005 a more attractive tax treatment for REITs, which included giving tax exemption on income distributed to its unit holders and tax credits for income taxed and subsequently distributed.

*(Source: "Securities Commission Annual Report 2004")*

### **3.4.2 Risk Factors**

Section 6.0 of Part A of the Circular sets out the various risk factors in relation to the Proposed Acquisition (which may not be exhaustive) are summarised as follows:

- (i) Economic, political and regulatory risk;
- (ii) Property Investment Risks;
- (iii) Ability to distribute income; and
- (iv) Illiquidity of property investment;

The minority shareholders are advised to consider the risk factors as highlighted by the Board in Section 6.0 of Part A of the Circular

**4. FURTHER INFORMATION**

The minority shareholders of RCE are advised to refer to Part A of the Circular and the appendices for further information.

**5. DIRECTORS' RESPONSIBILITY STATEMENT**

This IAL has been seen and approved by the Board, who collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

**6. CONCLUSION**

In arriving at our view of the Proposed Acquisition, we have specifically taken into consideration the following key areas:

- (a) Rationale for the Proposed Acquisition;
- (b) Basis of the purchase consideration for Proposed Acquisition;
- (c) Financial effects of the Proposed Acquisition; and
- (d) Industry outlook, prospects and risk.

**Based on our evaluations set out above, we are of the opinion that the Proposed Acquisition is fair and reasonable and is not detrimental to the minority shareholders of RCE. Accordingly, we recommend that you VOTE IN FAVOUR of the ordinary resolution relating to the Proposed Acquisition to be tabled at the forthcoming EGM of RCE.**

Yours faithfully  
*for* **AVENUE SECURITIES SDN BHD**

**KOH TAT SENG**  
Head of Corporate Finance

**KEMAL RIZADI ARBI**  
Associate Director, Corporate Finance

## INFORMATION ON AMFPT

## 1. HISTORY AND BUSINESS

AMFPT was constituted in Malaysia pursuant to the execution of a Trust Deed dated 16 March 1989. It was the first property trust listed on Bursa Securities. Its present authorized unitholders' capital is RM1,000,000,000 comprising 1,000,000,000 units, of which 138,400,225 units representing a capital of RM138,545,827 have been issued and fully paid-up as at 15 July 2005. The principal activities of AMFPT are the acquisition and investment of prime properties in major growth areas in Malaysia, particularly in Kuala Lumpur.

Based on the audited accounts of AMFPT for the financial year ended 31 December 2004, the total investments of AMFPT as at 31 December 2004 amounted to RM200.83 million. The investments portfolio composition of AMFPT comprise the following:-

- a) Real properties in commercial buildings in Kuala Lumpur of RM189.00 million representing approximately 94.11% of the total investments.

The relevant information on the commercial properties on 15 July 2005 (unless otherwise stated) is as follows:

Property Name	Bangunan Ambank Group	Ambank Group Leadership Centre
Location address	55, Jalan Raja Chulan 50200 Kuala Lumpur	Lot 1153, Jalan Punchak Off Jalan P. Ramlee 50250 Kuala Lumpur
Description of Property	26-storey office tower with 3 basement levels	13-storey office tower with 3 levels of car parks.
Land Area	47,600 square feet	15,371 square feet
Gross Build-up Area / Net Lettable Area	700,500 square feet / 360,166 square feet	99,144 square feet / 57,801 square feet
Occupancy (rate)	*98% as at 31 December 2004	*83% as at 31 December 2004
Average Rental Rate per month (RM/per sq.ft.)	RM4.29 per square feet per month as at 31 December 2004	RM2.03 per square feet per month as at 31 December 2004
Rental income per annum	RM18.10 million per annum for the financial year ended 31 December 2004	RM1.20 million per annum for the financial year ended 31 December 2004
Approximate age of buildings	19 years old as at 31 December 2004	24 years old as at 31 December 2004
Tenure of property	Leasehold, expiring on 3 June 2084	Freehold
Net book value as at 31 December 2004	RM170 million	RM19 million
Encumbrances	Nil	Nil

Note.

\* All the properties are rented out to tenants and are not for self-occupancy.

- b) Real property-related assets of RM0.18 million representing approximately 0.09% of the total investments, consisting of quoted securities which are listed in the Property Sector of Bursa Securities;
- c) Non-real property assets of RM6.12 million representing approximately 3.05% of the total investments, consisting of quoted securities which are listed on sectors other than the Property Sector of Bursa Securities; and
- d) Cash, bank balances and cash deposits in financial institutions consisting of RM5.53 million, representing approximately 2.75% of the total investments.

## 2. (a) UNIT CAPITAL

The authorised and issued and paid-up unitholders' capital of AMFPT as at 15 July 2005 are as follows:

Type	No. of Units	Unitholders' Capital (RM)
Authorised	1,000,000,000	1,000,000,000
Issued and paid-up	138,400,225	138,545,827

## (b) CHANGES IN ISSUED AND PAID-UP UNITHOLDERS' CAPITAL

The changes in the issued and paid-up unitholders' capital of AMFPT since the date of establishment of AMFPT are as follows:

Date of issue	No. of units issued	Total Unitholders' Units	Issue Price per Unit RM	Total Issue Price RM	Total Unitholders' Capital RM
16.3.1989	135,000,000	135,000,000	1.00	135,000,000	135,000,000.00
26.2.1990	507,756	135,507,756	1.34	680,945.08	135,680,945.08
30.8.1990	143,496	135,651,252	1.38	198,164.15	135,879,109.23
28.2.1991	229,016	135,880,268	1.02	233,764.33	136,112,873.56
28.8.1991	35,925	135,916,193	1.07	38,722.68	136,151,596.24
12.3.1992	19,794	135,935,987	0.97	19,459.09	136,171,055.33
15.9.1992	2,170,975	138,106,962	0.94	2,040,940.76	138,211,996.09
23.3.1992	88,978	138,195,940	0.85	75,691.02	138,287,687.11
16.9.1993	37,641	138,233,581	1.04	39,228.90	138,326,916.01
23.3.1994	12,934	138,246,515	1.61	21,116.16	138,348,032.17
21.9.1994	15,356	138,261,871	1.52	23,523.37	138,371,555.54



Date of issue	No. of units issued	Total Unitholders' Units	Issue Price per Unit	Total Issue Price	Total Unitholders' Capital
23.3.1995	15,762	138,277,633	1.48	23,599.00	138,395,154.54
15.9.1995	20,067	138,297,700	1.41	28,575.06	138,423,729.60
8.3.1996	18,681	138,316,381	1.37	25,874.11	138,449,603.71
17.9.1996	22,792	138,339,173	1.34	30,636.76	138,480,240.47
20.3.1997	20,264	138,359,437	1.38	28,065.06	138,508,305.53
22.9.1997	16,204	138,375,641	1.22	19,859.71	138,528,165.24
18.3.1998	7,745	138,383,386	0.64	4,993.28	138,533,158.52
25.9.1998	6,175	138,389,561	0.54	3,370.54	138,536,529.06
22.3.1999	6,070	138,395,631	0.80	4,950.34	138,541,479.40
20.9.1999	4,594	138,400,225	0.92	4,347.24	138,545,826.64

### 3. SUBSTANTIAL UNITHOLDERS

The substantial unitholders (5% and above) of AMFPT as at 15 July 2005 were as follows:-

Unitholders	Direct Unitholdings-		Indirect Unitholdings	
	No. of units held	%	No. of units held	%
RCE Synergy	29,199,074	21.10	-	-
AMDB Berhad	29,064,452	21.00	-	-

### 4. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at 15 July 2005, AMFPT does not have any subsidiary or associated companies.

## 5. DIRECTORS OF THE MANAGER

AMFPT is managed by the Manager, AmProperty Trust Management Berhad, a wholly-owned subsidiary of AmMerchant Bank Berhad.

As at 15 July 2005, the Board of Directors of the Manager comprises the following:

- a. Y. Bhg. Tan Sri Dato' Azman Hashim, Non-Independent Non-Executive Chairman
- b. Y. Bhg. Dato' Azlan Hashim, Non-Independent Non-Executive Deputy Chairman
- c. Ross Bingham Shackell, Independent Non-Executive Director
- d. Murugiah MN Singham, Non-Independent Non-Executive Director
- e. Haji Mahlil Omar, Independent Non-Executive Director
- f. Soo Kim Wai, Non-Independent Non-Executive Director

## 6. FINANCIAL INFORMATION OF AMFPT

Details of the audited financial information of AMFPT for the past five (5) financial years ended 31 December 2004 and the unaudited three (3) month period ended 31 March 2005 are as follows:

Financial Year Ended 31 December	Unaudited 3 month period ended 31 March 2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000	2000 RM'000
Gross rental income	4,891	19,291	18,904	18,175	17,893	19,559
Income before taxation	2,594	**12,449	10,395	10,425	11,070	*4,325
Taxation	-	(3,233)	(2,575)	(2,911)	(3,064)	(3,019)
Income after tax for the year	2,594	9,216	7,820	7,514	8,006	1,306
Net distribution to unitholders	-	7,450	7,282	6,984	6,481	7,734
Gross distribution per unit (%)	-	7.5	7.0	7.0	6.5	7.0
Number of Units ('000)	138,400	138,400	138,400	138,400	138,400	138,400
Income after tax per Unit (sen)	^7.50	6.66	5.65	5.43	5.78	0.94
Unitholders' Funds	193,468	194,930	192,778	181,941	181,682	#180,005
Net Asset Value per Unit (RM)	1.40	1.41	1.39	1.31	1.31	1.30

Notes:

\* After taking into consideration a portion of the revaluation deficit amounting to RM6,473,415 arising from the valuation performed on Ambank Group Leadership Centre (formerly known as Wisma Kimseah) by an independent professional valuer.

^ Based on annualised figure

**\*\*** *Inclusive of RM1.0 million revaluation surplus arising from revaluation of Ambank Group Leadership Centre.*

**#** *Restated pursuant to Malaysian Accounting Standard Board 19 adopted in January 2002 where distributions have been disclosed as a component of unitholders' funds when proposed and will be accounted for as a liability only when the obligation to pay is established.*

*There were no exceptional items and extraordinary items throughout the financial years under review.*

## **7. AUDITED ACCOUNTS OF AMFPT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004**

Please refer to Appendix III attached.

## **8. HISTORICAL UNIT PRICES**

The monthly highest and lowest transacted market prices of AMFPT Units on Bursa Securities for the last twelve (12) months are as follows:

<b>2004</b>	<b>High RM</b>	<b>Low RM</b>
August	0.920	0.800
September	0.920	0.860
October	0.910	0.885
November	0.905	0.890
December	0.920	0.895
<b>2005</b>		
January	1.060	0.905
February	1.140	1.010
March	1.150	1.080
April	1.120	1.110
May	1.160	1.100
June	1.120	1.100
July	1.190	1.120

The last transacted price of the AMFPT Units on Bursa Securities on 28 April 2005  
( being the last market day prior to the announcement of the Proposed Acquisition) RM1.11

The last transacted price of the AMFPT Units on Bursa Securities on 29 July 2005 RM1.14  
( being the latest practicable date prior to the printing of this Circular)  
(Source: Bloomberg)

*[The rest of this page has been intentionally left blank]*



## **AmProperty Trust Management**

### ***DIRECTORS' REPORT***

### **APPENDIX II**

1 August 2005

The Shareholders  
**RCE Capital Berhad**

Dear Sir/Madam,

On behalf of the Board of Directors of AmProperty Trust Management Berhad ("ATMB"), I wish to report after making due enquiries during the period between 31 December 2004 (being the date to which the last audited accounts of AmFirst Property Trust ("AMFPT") have been made up) to the date hereof (being a date not earlier than fourteen (14) days before the issue of the Circular to Shareholders of RCE Capital Berhad) that:

- (a) the business of AMFPT has, in the opinion of the Directors of AMPTMB been satisfactorily maintained;
- (b) in the opinion of the Directors of AMPTMB, no circumstances have arisen since the last audited accounts of AMFPT which have adversely affected the trading or the value of the assets of AMFPT;
- (c) the current assets of AMFPT appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) no material contingent liabilities have arisen by reason of any guarantees or indemnities given by AMFPT;
- (e) there has been no default or any known event since the last audited accounts of AMFPT, that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of which the Directors of AMPTMB are aware of; and
- (f) there have been no material changes to the published reserves or any unusual factors affecting the profits of AMFPT since its last audited accounts.

Yours faithfully,  
For and on behalf of the Board of Directors of  
**AmProperty Trust Management Berhad**

**MURUGIAH MN SINGHAM**  
Director

### **AmProperty Trust Management Berhad**

A member of the AmBank Group (178289-D)

22nd Floor, Bangunan AmBank Group, 55 Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia. P.O. Box 10233, 50708 Kuala Lumpur, Malaysia.

Tel: (603) 2078 2633 /44 /55 Fax: (603) 2732 0644 ambg.com.my



**AUDITED ACCOUNTS OF AMFPT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004**

## **AMFIRST PROPERTY TRUST**

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## **AMFIRST PROPERTY TRUST**

### **REPORT BY THE DIRECTORS OF THE MANAGER FOR THE YEAR ENDED 31 DECEMBER 2004**

The Directors of AmProperty Trust Management Berhad, the Managers of AmFirst Property Trust ("the Trust"), have pleasure in presenting their report to the Unitholders of the Trust together with the audited financial statements of the Trust for the financial year ended 31 December 2004.

### **THE TRUST, THE MANAGER, THEIR PRINCIPAL ACTIVITIES AND POLICIES**

The Trust was constituted pursuant to the execution of a Trust Deed dated 16 March 1989 by the Manager, AmProperty Trust Management Berhad, and the Trustee, Mayban Trustees Berhad. The Manager, incorporated in Malaysia, is a wholly-owned subsidiary of AmMerchant Bank Berhad. The Trustee, also incorporated in Malaysia, is a subsidiary of Malayan Banking Berhad. A Trust Deed dated 8 August 1989 was subsequently made between the Manager and the Trustee to replace the Trust Deed dated 16 March 1989 and a Supplemental Deed dated 2 May 1989. A First Supplemental to the Trust Deed dated 8 August 1989 was issued on 6 December 1991. A Second Supplemental to the Trust Deed was issued on 23 December 2002 on the change of name of the Trust from Arab-Malaysian First Property Trust to its current name.

The principal activity of the Trust is the acquisition and investment of prime properties in major growth areas of Malaysia, particularly Kuala Lumpur. The Trust's investment policy is to continually improve its portfolio of investments to provide a secure income stream and capital growth for Unitholders.

The Trust is listed on Bursa Malaysia Securities Berhad.

The principal activity of the Manager is the management of property trusts. There has been no significant change in the nature of this activity during the year.

### **MANAGER'S FEE AND COMMISSIONS**

No initial service charge, fee or commission has been earned by the Manager in managing the Trust other than the Manager's fee of RM1,960,637 (2003 : RM1,947,768) as disclosed in Note 21 to the financial statements. As provided in the Deed of Trust, the Manager is entitled to a management fee of 0.5% of the Net Assets of the Fund (as defined in the Trust Deed) for each accounting period of six months.

### **TERM OF THE TRUST**

The Trust has no fixed termination date. However, the Trust Deed does provide for a number of circumstances under which the Trust may be terminated.

## INVESTMENT TYPE, OBJECTIVE AND STRATEGY

The Trust aims to provide Unitholders with a long term investment with the objective of providing a steady stream of income and capital growth.

The Manager has adopted a prudent management and investment strategy to achieve consistent returns during the financial year.

For the financial year ended 31 December 2004, the Trust declared a gross income distribution of 7.50 sen (2003 : 7.00 sen) per unit is in line with the objective of providing the unitholders with a steady stream of income. The net asset value of the Trust as at 31 December 2004 has improved by 41% to RM1.41 per unit from its issue price of RM1.00 since its launch on 28 September 1989.

## INVESTMENT OF THE TRUST

Total investments of the Trust as at 31 December 2004 was RM200.83 million (2003 : RM198.98 million), made up as follows:

	RM million	%
<b>Stated at valuation</b>		
Real properties - commercial buildings in Kuala Lumpur	189.00	94.11%
<b>Stated at market value/fair value</b>		
Real-property related assets		
- Quoted shares in the Property Sector of Bursa Malaysia Securities Berhad ("Bursa Malaysia")	0.18	0.09%
Non-real property assets		
- Quoted shares by sectors of Bursa Malaysia:		
- Construction	0.25	0.12%
- Consumer Products	0.47	0.23%
- Financial	1.06	0.53%
- Industrial Products	0.24	0.12%
- Infrastructure Project Companies	0.19	0.10%
- Plantations	0.06	0.03%
- Technology	0.12	0.06%
- Trading/Services	2.32	1.15%
- MESDAQ market	0.03	0.02%
- Units in unit trust funds	1.38	0.69%
Deposits with financial institutions	5.53	2.75%
Total	<u>200.83</u>	<u>100.00%</u>

There are no significant changes in the assets allocation since the last report.



## INVESTMENT OF THE TRUST (CONTD.)

The first investment of the Trust in real properties was the acquisition of Bangunan AmBank Group on 28 September 1989 for a total consideration of RM130,000,000. The purchase consideration was based on an independent professional valuation by Jones Lang Wootton.

In compliance with the Securities Commission's Guidelines on Property Trust Funds for real property to be revalued at least once in every 3 years, Bangunan AmBank Group was revalued on 1 October 2002 by independent professional valuer at an open market value of RM170,000,00. The previous valuation in October 1999 was RM160,000,000 and the surplus arising from the revaluation of RM10,000,000 was incorporated into the financial statements effective from the financial year ended 31 December 2002.

The second investment of the Trust was the purchase of a building known as the AmBank Group Leadership Centre on 30 December 1994 for a consideration of RM23,500,000. The purchase consideration was based on an independent valuation by Jones Lang Wootton.

AmBank Group Leadership Centre was revalued on 17 July 2003 by a professional valuer at an open market value of RM19,000,000 giving rise to a revaluation surplus of RM1,000,000 when compared with the previous valuation of RM18,000,000 in July 2000. This revaluation surplus was approved by the Securities Commission for incorporation into the financial statements of the Trust on 1 January 2004.

The trust properties generated a better net yield of 7.2% as compared with the industry average return of 6.0%.

## NET ASSET VALUE

	<b>2004</b> <b>RM</b>	<b>2003</b> <b>RM</b>
Total net asset value	<u>194,929,556</u>	<u>192,777,945</u>
Net asset value per unit	<u>1.41</u>	<u>1.39</u>
Market price per unit	<u>0.91</u>	<u>0.73</u>

The net assets as at 31 December 2004 of RM1.41 improved from RM1.39 recorded in the previous year mainly due to the incorporation of revaluation surplus on AmGroup Leadership Centre of RM1 million in the financial statements in the current financial year and undistributed income

## RESULTS OF THE OPERATIONS OF THE TRUST

	<b>2004 RM</b>
Income before taxation	12,449,133
Taxation	<u>(3,233,026)</u>
Income after taxation	<u>9,216,107</u>
Net income after taxation is made up as follows:	
Realised	8,620,639
Unrealised	<u>595,468</u>
	<u>9,216,107</u>

There were no material transfers to or from reserves or provisions during the financial year.

## DISTRIBUTION OF INCOME

The distributions paid since the previous financial year are as follows:

	<b>Per unit</b>		<b>Total</b>	
	<b>Gross Sen</b>	<b>Net of tax Sen</b>	<b>Gross RM</b>	<b>Net of tax RM</b>
In respect of the financial year ended 31 December 2003:				
- Final income distribution of 3.5% (less 28% taxation) paid on 28 February 2004	3.50	2.65	4,844,008	3,673,686
In respect of the financial year ended 31 December 2004:				
- Interim income distribution of 3.5% (less 28% taxation) paid on 28 August 2004	3.50	2.45	4,844,008	3,390,810
	<u>7.00</u>	<u>5.10</u>	<u>9,688,016</u>	<u>7,064,496</u>

## **DISTRIBUTION OF INCOME (CONTD.)**

A final distribution in respect of the current financial year ended 31 December 2004 of 4.00 sen per unit (less taxation of 28%) on 138,400,225 units amounting to RM4,059,240 (2.93 sen per unit) has been declared by the Directors of the Manager and approved by the Trustee on 25 January 2005. The financial statements for the current financial year do not reflect this proposed distribution which will only be accounted for in the Unitholders' Funds as an appropriation of undistributed income in the next financial year ending 31 December 2005.

The effect of the proposed final income distributions on the net asset value as at 31 December 2004 is as follows:

	<b>Before distribution RM</b>	<b>After distribution RM</b>
Net asset value per unit	<u>1.41</u>	<u>1.38</u>

## **BREAKDOWN OF UNIT HOLDING**

	<b>Number of Unitholders</b>	<b>Number of of Units Holdings</b>
5,000 and below	5,621	12,403,236
5,001 to 10,000	875	7,363,564
10,001 to 50,000	826	18,915,786
50,001 to 500,000	182	24,658,714
500,001 and above	14	75,058,925
	<u>7,518</u>	<u>138,400,225</u>

## **DIRECTORS OF THE MANAGER**

The names of the directors of the Manager since the date of the last report and at the date of this report are:

Tan Sri Dato' Azman Hashim  
Dato' Azlan Hashim  
Ross Bingham Shackell  
Murugiah MN Singham  
Mahlil Omar

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Manager or the Trust was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Manager or any other body corporate or of the acquisition of units of the Trust.

Since the end of the previous financial year, no director of the Manager has received or become entitled to receive a benefit (other than benefits which accrue from the fee paid to the Manager or from transactions made with companies related to the Manager as shown in the notes to the financial statements of the Trust) by reason of a contract made by the Manager or the Trust or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## DIRECTORS' INTEREST IN SHARES

According to the register of directors' shareholdings, the interests of directors of the Manager in office at the end of the financial year in units in the Trust during the financial year were as follows:

	<b>At 1 January 2004</b>	<b>Bought</b>	<b>Sold</b>	<b>At 31 December 2004</b>
Tan Sri Dato' Azman Hashim	500,199	-	-	500,199

Other than as stated above, none of the directors of the Manager in office at the end of the financial year had any interest in units in the Trust during the financial year.

The interests of directors of the Manager in AMMB Holdings Berhad ("AHB"), a company related to the Manager, at the end of the year were as follows:

	<b>Number of Ordinary Shares of RM1 Each</b>
Ross Bingham Shackell	15,000
Murugiah MN Singham	31,000

  

	<b>Number of warrants 2003/2008</b>
Ross Bingham Shackell	7,000
Murugiah MN Singham	26,186



## **DIRECTORS' INTEREST IN SHARES (CONTD.)**

In addition to the above, Tan Sri Dato' Azman Hashim is also deemed interested in the shares and warrants 2003/2008 of AHB at the end of the financial year through the following companies:

	<b>Number of Ordinary Shares of RM1 Each</b>	<b>Number of warrants 2003/2008</b>
Arab-Malaysian Corporation Berhad	563,826,825	75,214,328
Arab-Malaysian Equipment Trading Sdn. Bhd.	198,000	22,682
Azman Hashim Holdings Sdn. Bhd.	913,905	3,342,309
Regal Genius Sdn. Bhd.	21,750,000	2,989,936
Corporateview Sdn. Bhd.	-	22,531,638

Other than as stated above, none of the other directors of the Manager in office at the end of the financial year had any interest in related corporations of the Manager during the financial year.

During and at the end of financial year, no material contracts have been entered into involving any directors and major shareholders.

## **OTHER STATUTORY INFORMATION**

- (a) Before the distribution statement and balance sheet of the Trust were made out, the Manager took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Manager is not aware of any circumstances not otherwise dealt with in this report or financial statements of the Trust which would render:
- (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Trust; and
  - (ii) the values attributed to the current assets in the financial statements of the Trust misleading.

## **OTHER STATUTORY INFORMATION (CONTD.)**

- (c) At the date of this report, the Manager is not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Trust misleading or inappropriate.
- (d) At the date of this report, the Manager is not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Trust which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
  - (i) any charge on the assets of the Trust which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Trust which has arisen since the end of the financial year.
- (f) In the opinion of the directors of the Manager:
  - (i) no contingent or other liability of the Trust has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Trust to meet its obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Trust for the financial year in which this report is made.

## **AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors of the Manager.

Tan Sri Dato' Azman Hashim

Mahlil Omar

Kuala Lumpur, Malaysia  
Date : 25 January 2005

## **AMFIRST PROPERTY TRUST**

### **STATEMENT BY THE DIRECTORS OF THE MANAGER**

We, Tan Sri Dato' Azman Hashim and Mahlil Omar, being two of the Directors of the Manager, do hereby state that, in the opinion of the Directors, the financial statements of AmFirst Property Trust ("the Trust") as set out on pages 37 to 59 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia, applicable provisions of the Trust Deed and the Securities Commission's Guidelines on Property Trust Funds so as to give a true and fair view of the financial position of the Trust as at 31 December 2004 and of the results and the cash flows of the Trust for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors of the Manager.

Tan Sri Dato' Azman Hashim

Mahlil Omar

Kuala Lumpur, Malaysia  
Date : 25 January 2005

### **STATUTORY DECLARATION**

I, Murugiah MN Singham, being the Director of the Manager primarily responsible for the financial management of AmFirst Property Trust, do solemnly and sincerely declare that the financial statements set out on pages 37 to 59 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by  
the abovenamed Murugiah MN Singham  
at Kuala Lumpur in Wilayah Persekutuan  
on 25 January 2005

Murugiah MN Singham

Before me:

Commissioner for Oaths

## **AMFIRST PROPERTY TRUST**

### **TRUSTEE'S REPORT**

To the Unitholders of AmFirst Property Trust

We have acted as Trustee of AmFirst Property Trust ("the Trust") for the financial year ended 31 December 2004. To the best of our knowledge, AmProperty Trust Management Berhad, the Manager, has managed the Trust in accordance with the limitations imposed on the investment powers of the management company and the trustee under the Deed, other applicable provisions of the Deed, the Securities Commission's Guidelines on Property Trust Funds, the Securities Commission Act 1993 and other applicable laws during the financial year ended 31 December 2004.

For Mayban Trustees Berhad

Quek Yen Leng  
Head, Accounts and Administration

Kuala Lumpur, Malaysia  
Date : 25 January 2005



## **REPORT OF THE AUDITORS TO THE UNITHOLDERS OF AMFIRST PROPERTY TRUST**

We have audited the financial statements set out on pages 37 to 59. These financial statements are the responsibility of the Directors of the Managers of the Trust. Our responsibility is to express an opinion on the financial statements based on our audit.

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

In our opinion, the financial statements have been properly drawn up in accordance with applicable Approved Accounting Standards in Malaysia, applicable provisions of the Trust Deed and the Securities Commission's Guidelines on Property Trust Funds so as to give a true and fair view of the financial position of the Trust as at 31 December 2004 and of the results and the cash flows of the Trust for the year then ended.

Ernst & Young  
AF: 0039  
Chartered Accountants

Lim Saw Keng  
No. 2215/10/05(J)  
Partner

Kuala Lumpur, Malaysia  
Date : 25 January 2005

**AMFIRST PROPERTY TRUST**  
**BALANCE SHEET AS AT 31 DECEMBER 2004**

	Note	2004 RM	2003 RM
<b>ASSETS</b>			
<b>INVESTMENTS</b>			
Real property	5	189,000,000	188,000,000
Other investments	6	6,298,718	6,143,726
Deposits with financial institutions	7	5,526,683	4,735,995
Cash and bank balances	8	1,898	98,914
		<u>200,827,299</u>	<u>198,978,635</u>
<b>OTHER ASSETS</b>			
Plant and equipment	9	-	-
Stores and spares		171,712	175,848
Trade receivables	10	194,973	102,188
Other receivables	11	71,895	118,628
Cash and bank balances	8	125,263	401,885
		<u>563,843</u>	<u>798,549</u>
<b>TOTAL ASSETS</b>		<u>201,391,142</u>	<u>199,777,184</u>
<b>LIABILITIES</b>			
Rentals received in advance	12	151,141	386,114
Rental deposits	13	4,430,965	4,409,618
Other payables		1,650,642	2,203,507
Provision for taxation		228,838	-
<b>TOTAL LIABILITIES</b>		<u>6,461,586</u>	<u>6,999,239</u>
<b>NET ASSET VALUE</b>		<u>194,929,556</u>	<u>192,777,945</u>
<b>FINANCED BY:</b>			
Unit holders' capital	14	138,545,827	138,545,827
Undistributed income		12,124,323	9,972,712
Revaluation reserve	15	34,220,113	34,220,113
General reserve	16	10,039,293	10,039,293
<b>UNITHOLDERS' FUNDS</b>		<u>194,929,556</u>	<u>192,777,945</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	14	<u>138,400,225</u>	<u>138,400,225</u>
<b>NET ASSET VALUE PER UNIT</b>			
- before proposed final distribution		<u>1.41</u>	<u>1.39</u>
- after proposed final distribution		<u>1.38</u>	<u>1.37</u>

The accompanying notes form an integral part of this balance sheet.

# AMFIRST PROPERTY TRUST

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 RM	2003 RM
<b>TOTAL INCOME</b>			
Gross rental income from real property	17	19,290,543	18,904,458
Less: Real-property related operating expenses	18	(5,749,232)	(7,544,352)
Net rental income from real property		13,541,311	11,360,106
Interest income from placements with financial institutions		85,202	113,014
Realised gain on sale of quoted securities	19	355,651	190,930
Gross dividends from quoted securities	20	183,547	181,311
Writeback of unrealised loss on revaluation of quoted securities		-	903,220
		<u>14,165,711</u>	<u>12,748,581</u>
<b>TOTAL EXPENDITURE</b>			
Manager's fee	21	1,960,637	1,947,768
Trustee's fee	22	117,638	116,866
Valuation fee		5,500	25,000
Auditors' remuneration - statutory audit		10,000	10,000
Tax agent's fees		17,455	23,850
Printing, postage and general expenses		200,816	230,500
Provision for unrealised loss on revaluation of quoted securities		404,532	-
		<u>2,716,578</u>	<u>2,353,984</u>
<b>INCOME FROM OPERATIONS</b>		11,449,133	10,394,597
Revaluation surplus of investment property		1,000,000	-
<b>INCOME BEFORE TAXATION</b>		12,449,133	10,394,597
<b>TAXATION</b>	23	(3,233,026)	(2,574,916)
<b>NET INCOME FOR THE YEAR</b>		<u>9,216,107</u>	<u>7,819,681</u>
<b>EARNINGS PER UNIT (SEN)</b>			
- after managers' fees	24	6.66	5.65
- before managers' fees		<u>7.68</u>	<u>6.66</u>

The accompanying notes form an integral part of this statement.

**AMFIRST PROPERTY TRUST**

**STATEMENT OF CHANGES IN NET ASSET VALUE  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	Unitholders' capital RM	Distributable Undistributed income RM	Not- distributable Revaluation reserve RM	Distributable General reserve RM	Unitholders' fund RM
At 31 December 2002	138,545,827	9,136,168	24,220,113	10,039,293	181,941,401
Revaluation of real property	-	-	10,000,000	-	10,000,000
Net income for the year	-	7,819,681	-	-	7,819,681
Income distributions:					
- Final dividend (31 December 2002) (Note 25)	-	(3,375,313)	-	-	(3,375,313)
- Interim dividend (31 December 2003) (Note 25)	-	(3,607,824)	-	-	(3,607,824)
At 31 December 2003	138,545,827	9,972,712	34,220,113	10,039,293	192,777,945
Net income for the year	-	9,216,107	-	-	9,216,107
Income distributions:					
- Final dividend (31 December 2003) (Note 25)	-	(3,673,686)	-	-	(3,673,686)
- Interim dividend (31 December 2004) (Note 25)	-	(3,390,810)	-	-	(3,390,810)
At 31 December 2004	138,545,827	12,124,323	34,220,113	10,039,293	194,929,556

The accompanying notes form an integral part of this statement.

**AMFIRST PROPERTY TRUST****CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Income before taxation	12,449,133	10,394,597
Adjustments for items not involving the movement of funds:		
Provision/(writeback) of unrealised loss on revaluation of quoted securities	404,532	(903,220)
Realised gain on sale of quoted securities	(355,651)	(190,930)
Interest income from placements with financial institutions	(85,202)	(113,014)
Gross dividends from quoted shares	(183,547)	(181,311)
Revaluation surplus of investment property	(1,000,000)	-
Operating profit before working capital changes	11,229,265	9,006,122
(Increase)/decrease in trade and other receivables	(46,052)	242,282
Decrease/(increase) in stores and spares	4,136	(53,592)
Decrease in rentals received in advance	(234,973)	(31,150)
Increase in rental deposits	21,347	221,035
(Decrease)/increase in other payables	(552,865)	179,074
Cash generated from operating activities	10,420,858	9,563,771
Income taxes paid	(2,965,975)	(3,024,209)
Net cash generated from operating activities	7,454,883	6,539,562

**CASH FLOW FROM INVESTING ACTIVITIES**

Proceed from sale of quoted securities		
- real property-related assets	155,939	274,262
- non-real property assets	4,733,603	2,788,852
Purchase of quoted securities		
- real property-related assets	(153,544)	(107,937)
- non-real property assets	(4,939,871)	(3,268,161)
(Placement)/withdrawal of deposits with financial institutions and cash and bank balances with fund managers	(693,672)	675,338
Interest received	85,202	113,014
Net dividend received	145,334	147,653
Net cash (used in)/generated from investing activities	(667,009)	623,021



**AMFIRST PROPERTY TRUST**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTD.)**

	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Distribution of income to Unitholders representing net cash used in financing activities	<u>(7,064,496)</u>	<u>(6,983,137)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENT</b>	(276,622)	179,446
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<u>401,885</u>	<u>222,439</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u>125,263</u>	<u>401,885</u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u>125,263</u>	<u>401,885</u>

The accompanying notes form an integral part of this statement.

## **AMFIRST PROPERTY TRUST**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004**

#### **1. THE TRUST, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES**

The Trust was constituted pursuant to the execution of a Trust Deed dated 16 March 1989 by the Manager, AmProperty Trust Management Berhad, and the Trustee, Mayban Trustees Berhad. The Manager, incorporated in Malaysia, is a wholly-owned subsidiary of AmMerchant Bank Berhad. The Trustee, also incorporated in Malaysia, is a subsidiary of Malayan Banking Berhad. A Trust Deed dated 8 August 1989 was subsequently made between the Manager and the Trustee to replace the Trust Deed dated 16 March 1989 and a Supplemental Deed dated 2 May 1989. A First Supplemental to the Trust Deed dated 8 August 1989 was issued on 6 December 1991. A Second Supplemental to the Trust Deed was issued on 23 December 2002 on the change of name of the Trust from Arab-Malaysian First Property Trust to its current name.

The principal activity of the Trust is the acquisition and investment of prime properties in major growth areas of Malaysia, particularly Kuala Lumpur. The Trust's investment policy is to continually improve its portfolio of investments to provide a secure income stream and capital growth for Unitholders.

The Trust is listed on Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The principal activity of the Manager is the management of property trusts. There has been no significant change in the nature of this activity during the year.

The registered office of the Manager is located at 22nd Floor, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur.

The Trust does not have any employee as all operating and administrative functions are performed by the Manager.

The financial statements were authorised for issue by the Board of Directors of the Manager in accordance with a resolution of the directors on 25 January 2005.

#### **2. TERM OF THE TRUST**

The Trust has no fixed termination date. However, the Trust Deed does provide for a number of circumstances under which the Trust may be terminated.

### **3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Trust operates within clearly defined guidelines as set out in the Securities Commission's Guidelines for Property Trust Funds ("the Guidelines"). These Guidelines have been formulated with the objective of providing a regulatory framework that would protect the interests of the investing public. The Trust's risk management policies, which ensure compliance with the spirit of the Guidelines, are set out below. It is not the Trust's policy to engage in speculative transactions.

#### **(a) Interest rate risk**

The Trust is not exposed to significant interest rate risks as it does not have any financial liabilities which are subjected to fluctuation in interest rates. In addition, the Trust's investment in financial assets are mainly short term in nature and they are not held for speculative purposes.

#### **(b) Market risk**

The Trust's exposure to market risk relates primarily to fluctuations in the real property market, i.e possible upward and downward market value of real properties and the changing demand for rental of office space. To mitigate some of these risks, the Trust's investment in real properties are located in major growth areas of Kuala Lumpur. In addition, the quality of the real properties and level of service to its tenants are also being consistently improved. The Trust's exposure in quoted securities is subject to fluctuation of market prices.

#### **(c) Credit risk**

The Trust is not exposed to significant credit risks as it is not permitted to extend loans or any other forms of credit facilities. The risk of non-collectibility of monthly rental is also minimised as the Manager of the Trust assess the financial stability of existing and potential tenants. This is further mitigated with rental deposits collected from tenants in advance.

#### **(d) Liquidity risk**

The Trust manages its liquidity risk by maintaining a portion of its resources in deposits and balances with financial institutions to meet estimated commitments arising from financial liabilities.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **(a) Basis of Accounting**

The financial statements have been prepared under the historical cost convention modified by the revaluation of leasehold and freehold land; and building and quoted securities as mentioned, and comply with applicable Approved Accounting Standards in Malaysia, applicable provisions of the Trust Deed and the Companies' Act 1965 and the Securities Commission's Guidelines on Property Trust Funds.

##### **(b) Income Recognition**

- (i) Rental and interest income is recognised on an accrual basis.
- (ii) Dividends from quoted securities are recognised on a declared basis.

##### **(c) Real Property**

Real property consists of freehold and leasehold land; and building, and are stated at valuation.

In compliance with the Securities Commission's Guidelines on Property Trust Funds, real property are to be revalued at least once in every 3 years from the last valuation. All revaluation need to be approved by the Securities Commission.

Any increase arising from valuation is first credited to the revaluation reserve; any subsequent decrease is first offset against an increase on earlier valuation in respect of the same property and is thereafter charged to the income statement. Any subsequent increase is recognised as income to the extent that it reverses a revaluation decrease of the same property previously recognised as an expense. Upon the disposal of revalued assets, the amounts in the revaluation reserve relating to those assets are transferred directly to the income statement.

##### **(d) Real Property-Related Assets/Non-Real Property Assets**

Real property-related assets consist of quoted securities issued by property companies and which are listed in the Property Sector of Bursa Malaysia. Non-real property assets consist of quoted securities issued by non-property companies and which are listed on sectors other than the Property Sector of Bursa Malaysia.

All quoted securities are stated at market value. Increases or decreases in the value of quoted securities are credited or charged to the income statement as unrealised gains or losses.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

##### **(e) Plant and Equipment and Depreciation**

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 4(g).

Depreciation of plant and equipment is provided for on a straight line basis to write off the cost of each asset to their residual value over their estimated useful lives at the following annual rates:

Fixtures and fittings	20%
Tools and equipment	20%

Upon the disposal of plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

##### **(f) Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.



#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

##### **(g) Impairment of Assets**

At each balance sheet date, the Manager reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased.

The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

##### **(h) Financial Instruments**

Financial instruments are recognised in the balance sheet when the Trust has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

##### **(i) Trade and Other Receivables**

Trade and other receivables are carried at anticipated realisable values. Known bad debts are written off and specific provisions are made for any debts considered to be doubtful of collection.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

##### (h) Financial Instruments (Contd.)

##### (ii) Trade and Other Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

##### (i) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash and bank balances maintained by the Manager for operational purposes.

Deposits of the Trust placed with financial institutions and cash and bank balances managed by the Trust's fund manager are classified as investments.

#### 5. REAL PROPERTY

Description of Property	Cost RM	Last Valuation Date	Approved Valuation Amount		Basis of Valuation
			2004 RM	2003 RM	
(i) Bangunan AmBank Group - Leasehold land and building	133,002,652	1.10.2002	170,000,000	170,000,000	Open market value
(ii) AmBank Group Leadership Centre - Freehold land and building	24,473,415	17.7.2003	19,000,000	18,000,000	Open market value
	<u>157,476,067</u>		<u>189,000,000</u>	<u>188,000,000</u>	

Bangunan AmBank Group, acquired on 28 September 1989, is a 26-storey office tower with 3 basement levels located along Jalan Raja Chulan and at the junction with Jalan P.Ramlee, Kuala Lumpur. The remaining lease tenure at the date of acquisition was approximately 94 2/3 years and will expire on 3 June 2084. The age of the building is approximately 19 years as of 31 December 2004.

## 5. REAL PROPERTY (CONTD.)

AmBank Group Leadership Centre, acquired on 30 December 1994, is a 14-storey office tower with 3 levels of car parks on the Ground, 4th and 5th Floors located at Jalan Punchak, Kuala Lumpur. The age of the building is approximately 24 years as of 31 December 2004.

In the previous financial year, the AmBank Group Leadership Centre was revalued by a professional valuer at an open market value of RM19,000,000, giving rise to a revaluation surplus of RM1,000,000. This revaluation surplus was approved by the Securities Commission for incorporation into the financial statements of the Trust on 1 January 2004.

## 6. OTHER INVESTMENTS

	2004 RM	2003 RM
Quoted securities in Malaysia:		
Real property-related assets	179,158	203,536
Non-real property assets	4,740,942	5,248,622
Debt securities	-	178,592
Unit trust funds	1,378,618	512,976
	<u>6,298,718</u>	<u>6,143,726</u>

Sectorial analysis of quoted securities in Malaysia:

Sector of Bursa Malaysia	Quantity	Cost RM	Market Value RM	Percentage of net asset value %
<b>REAL PROPERTY- RELATED ASSETS</b>				
Property	<u>147,300</u>	<u>250,710</u>	<u>179,158</u>	<u>0.09</u>

## 6. OTHER INVESTMENTS (CONTD.)

Sectorial analysis of quoted securities in Malaysia (contd.):

Sector of Bursa Malaysia	Quantity	Cost RM	Market Value RM	Percentage of net asset value %
<b>NON-REAL PROPERTY ASSETS</b>				
Construction	58,200	251,799	248,475	0.13
Consumer Products	68,820	444,122	470,025	0.24
Financial	302,400	1,237,385	1,056,208	0.54
Industrial Products	180,800	568,198	236,696	0.12
Infrastructure Project Companies	103,100	162,730	185,580	0.10
MESDAQ market	37,950	44,491	30,550	0.02
Plantations	6,700	63,594	63,650	0.03
Technology	70,500	366,718	124,140	0.06
Trading/Services	367,925	2,498,499	2,325,618	1.19
	<u>1,196,395</u>	<u>5,637,536</u>	<u>4,740,942</u>	<u>2.43</u>

## 7. DEPOSITS WITH FINANCIAL INSTITUTIONS

	2004 RM	2003 RM
Placements maturing within three months placed with:		
A licensed bank	5,526,683	4,235,995
A licensed merchant bank	-	500,000
	<u>5,526,683</u>	<u>4,735,995</u>

The deposits have been placed with financial institutions related to the Manager of the Trust.

## 7. DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTD.)

The weighted average interest rates and the average maturities of deposits as at the balance sheet date were as follows:

	Weighted Average Interest Rates		Average Maturities	
	2004 %	2003 %	2004 Days	2003 Days
A licensed bank	2.89	2.89	30	30
A licensed merchant bank	-	2.66	-	31

## 8. CASH AND BANK BALANCES

The cash and bank balances which are classified as investments are managed by an investment management company related to the Manager of the Trust.

The cash and bank balances maintained by the Manager for operational purposes and classified as other assets are placed with a licensed bank related to the Manager of the Trust.

## 9. PLANT AND EQUIPMENT

All of the Trust's furniture and fittings; and tools and equipment, costing RM133,000 and RM8,115 respectively, have been fully depreciated since 31 December 1999. These assets are still in use.

## 10. TRADE RECEIVABLES

The normal trade credit term range from 30 to 90 days. Other credit terms are assessed and approved on case-by-case basis.

The Trust has no significant concentration of credit risk that may arise from exposures to a single debtor or groups of debtors other than trade receivables amounting to RM72,450 (2003: RM42,255) due from AMMB Holdings Berhad and its subsidiaries and associates.

## 11. OTHER RECEIVABLES

Included in other receivables for the year is tax recoverable amounting to RM Nil (2003 : RM46,733).



## 12. RENTALS RECEIVED IN ADVANCE

Included in this amount are rentals received in advance from companies related to the Manager amounting to RM56,201 (2003 : RM299,990).

## 13. RENTAL DEPOSITS

	2004 RM	2003 RM
Payable within 12 months	2,745,902	846,314
Payable after 12 months	1,685,063	3,563,304
	<u>4,430,965</u>	<u>4,409,618</u>

Included in the above are rental deposits received from companies related to the Manager amounting to:

	2004 RM	2003 RM
Payable within 12 months	2,636,002	846,314
Payable after 12 months	1,544,436	3,314,673
	<u>4,180,438</u>	<u>4,160,987</u>

## 14. UNIT HOLDERS' CAPITAL

	2004		2003	
	No. of Units	RM	No. of Units	RM
Authorised:				
At 1 January/				
31 December	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued and fully paid:				
At 1 January/				
31 December	<u>138,400,225</u>	<u>138,545,827</u>	<u>138,400,225</u>	<u>138,545,827</u>

## 15. REVALUATION RESERVE

This represents the surplus arising from the revaluation of the real property and is not distributable by way of cash dividends.

## **16. GENERAL RESERVE**

This represents income after taxation arising from a change in accounting policy in the financial year ended 31 December 1995.

Prior to 1995 depreciation was provided using the straight line method over the remaining tenure of the leasehold land and building. This policy was changed in the financial year ended 31 December 1995 to non depreciation pursuant to the new Property Trust Guidelines issued by the Securities Commission in June 1995, which removes the requirement for depreciation charges to be provided on investment properties. The effect of this change in accounting policy was credited as a general reserve.

## **17. GROSS RENTAL INCOME**

Gross rental income comprises rental and service charges earned from tenants of the Trust's real properties.

## **18. REAL-PROPERTY RELATED OPERATING EXPENSES**

Included in operating expenses are the following:

	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Land assessment	1,716,848	1,752,512
Quit rent	23,400	23,400
	<hr/>	<hr/>

## **19. REALISED GAIN ON SALE OF QUOTED SECURITIES**

	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Real property-related assets	10,895	4,264
Non-real property assets	344,756	186,666
	<hr/>	<hr/>
	355,651	190,930
	<hr/>	<hr/>

## **20. GROSS DIVIDENDS FROM QUOTED SECURITIES**

	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Real property-related assets	6,972	6,540
Non-real property assets	176,575	174,771
	<hr/>	<hr/>
	183,547	181,311
	<hr/>	<hr/>

## 21. MANAGER'S FEE

Manager's fee is payable to AmProperty Trust Management Berhad. This is computed at 0.5% of the Net Assets of the Trust (as defined in the Trust Deed) for each accounting period of six months. The current year covers the period from 1 January 2004 to 31 December 2004.

No other fees, commissions or initial service charges have been paid or are payable to the Manager in the current and previous financial years.

## 22. TRUSTEE'S FEE

Trustee's fee is payable to Mayban Trustees Berhad. This is computed at 0.03% of the Net Assets of the Trust (as defined in the Trust Deed) for each accounting period of six months. The current year covers the period from 1 January 2004 to 31 December 2004.

## 23. TAXATION

	2004 RM	2003 RM
Tax expense for the year	3,229,528	2,601,642
Under/(over) provision in prior years	3,498	(26,726)
	<u>3,233,026</u>	<u>2,574,916</u>

Income tax is calculated at the Malaysian statutory tax rate of 28% of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to net profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Trust is as follows:

	2004 RM	2003 RM
Net income before taxation	<u>12,449,133</u>	<u>10,394,597</u>
Taxation at Malaysian statutory rate of 28% (2003: 28%)	3,485,757	2,910,487
Interest and other income not subject to tax	(420,372)	(486,884)
Losses/expenses not deductible for tax purposes	164,143	178,039
Under/(over) provision of tax expense in prior years	3,498	(26,726)
Tax expense for the year	<u>3,233,026</u>	<u>2,574,916</u>

## 24. EARNINGS PER UNIT

- (a) The earnings per unit after managers' fees has been calculated based on the net income for the year and the weighted average number of units during the year of 138,400,225 (2003 : 138,400,225).
- (b) The earnings per unit before managers' fees has been calculated based on the net income for the year and adding back managers fees and the weighted average number of units during the year of 138,400,225 (2003 : 138,400,225).

## 25. INCOME DISTRIBUTION

	2004 RM	2003 RM
Income distribution paid and proposed for the year	7,450,050	7,282,343
(Over)/under provision in prior years	(833)	1,535
	<u>7,449,217</u>	<u>7,283,878</u>

- (a) Details of income distribution for the paid and proposed for the year are as follows:

	2004 Gross RM	Net RM	2003 Gross RM	Net RM
Interim distribution of 3.5% (2003: 3.5%) - paid in August 2004 / 2003	4,844,008	3,390,810	4,844,008	3,607,824
Proposed final distribution of 4.0% (2003: 3.5%) - payable on 27 February 2005*/ paid on 28 February 2004	5,536,009	4,059,240	4,844,008	3,674,519
	<u>10,380,017</u>	<u>7,450,050</u>	<u>9,688,016</u>	<u>7,282,343</u>
	Sen	Sen	Sen	Sen
Distribution per unit:				
Interim distribution	3.50	2.45	3.50	2.61
Proposed distribution	4.00	2.93	3.50	2.65
	<u>7.50</u>	<u>5.38</u>	<u>7.00</u>	<u>5.26</u>

## 25. INCOME DISTRIBUTION (CONTD.)

- (a) Details of income distribution for the paid and proposed for the year are as follows (contd.):

The distribution per unit is computed based on the weighted average number of units in circulation during the year of 138,400,225 (2003 : 138,400,225) units.

\* The final distribution in respect of the current financial year ended 31 December 2004 of 4.0% (less taxation of 28%) on 138,400,225 units amounting to RM4,059,240 (RM2.93 per unit) has been declared by the Directors of the Manager and approved by the Trustee on 25 January 2005. The financial statements for the current financial year do not reflect this proposed distribution which will only be accounted for in the Unitholders' Funds as an appropriation of undistributed income in the next financial year ending 31 December 2005.

- (b) Distribution to unitholders is from the following sources:

	2004 RM	2003 RM
Net rental income	14,886,929	16,696,959
Interest income from short-term investments	85,202	113,014
Realised gain on sale of real property-related assets	10,895	4,264
Realised gain on sale of non-real property assets	344,756	186,666
Gross dividend from quoted shares	183,547	181,311
	<u>15,511,329</u>	<u>17,182,214</u>
Less: Expenses	<u>(8,062,112)</u>	<u>(9,898,336)</u>
Total distribution	<u>7,449,217</u>	<u>7,283,878</u>
Gross distribution per unit (sen)	7.50	7.00
Net distribution per unit (sen)	<u>5.38</u>	<u>5.26</u>

The annual rate of net income distribution based on the weighted average number of units in issue during the year is 5.38% (2003 : 5.26%).

The income entitlement per unit before deduction of the Manager's fee for the financial year ended 31 December 2004 is 8.92 sen (2003 : 8.14 sen) gross or 6.41 sen (2003 : 6.27 sen) net of tax. For the six month period ended 31 December 2004, the income entitlement per unit before deduction of the Manager's fee is 3.62 sen (2003 : 4.13 sen) gross or 2.46 sen (2003 : 3.28 sen) net of tax.



## 26. TRANSACTIONS WITH STOCKBROKING COMPANIES

During the financial year, the Manager made purchases and sales of investments for the Trust with several stockbroking companies. The details of the transactions are as follows:

Stock broking company	Value of trade RM	Percent of total trade %	Brokerage fees/ Other commission RM	Percent of brokerage fees %
AmSecurities Sdn Bhd*	4,448,678	45.74	16,654	42.13
Affin-UOB Securities Sdn Bhd	1,775,360	18.25	7,846	19.85
Kuala Lumpur City Securities Sdn Bhd	1,171,897	12.05	5,111	12.93
Hwang-DBS Securities Sdn Bhd	804,463	8.27	3,190	8.07
CIMB Securities Sdn Bhd	594,799	6.12	2,622	6.63
JF Apex Securities Bhd	391,788	4.03	1,736	4.39
MIDF Sisma Securities Sdn Bhd	229,844	2.36	1,013	2.56
RHB Securities Sdn Bhd	165,934	1.71	732	1.85
Mayban Securities Sdn Bhd	135,240	1.38	597	1.51
ECM Libra Securities Sdn Bhd	8,400	0.09	33	0.08
<b>Total</b>	<b>9,726,403</b>	<b>100.00</b>	<b>39,534</b>	<b>100.00</b>

\* A stockbroking company related to the Manager. The Manager and the Trustee are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are not less favourable than those arranged with independent third parties.

## 27. TRANSACTIONS WITH COMPANIES RELATED TO THE MANAGER

	2004 RM	2003 RM
Rental earned from AMMB Holdings Berhad and its subsidiaries and associates ("AmBank Group")	15,999,319	15,633,288
Interest earned from AmBank Berhad	85,202	113,014
Insurance premium paid and payables to AmAssurance Berhad	156,481	194,792
Fund manager's fee paid and payables to AmInvestment Management Sdn. Bhd.	37,429	35,875

The above transactions have been entered into in the normal course of business and have been established under terms and conditions that are no less favourable than those arranged with independent third parties.

Also included in the financial statements are the following balances with companies related to the Manager:

	2004 RM	2003 RM
Cash and bank balances, and deposits placed with AmMerchant Bank Berhad, AmFinance Berhad and AmBank Berhad	5,651,946	5,347,885
Rentals received in advance from the AmBank Group	56,201	299,990
Rentals deposits received from the AmBank Group	4,180,438	4,160,987

## 28. UNIT HOLDING BY THE MANAGER

As at 31 December 2004, the Manager did not hold any units in the Trust.

## 29. UNIT HOLDERS RELATED TO THE MANAGER

	Number of units held at as at 31 December		Percentage of total units as at 31 December	
	2004	2003	2004	2003
Verbundsoft Sdn. Bhd.	29,199,074	-	21.10	-
AMDB Berhad	29,064,452	58,183,757	21.00	42.04
AmAssurance Berhad	2,025,500	284,000	1.46	0.21
AmMerchant Bank Berhad	2,008,000	2,008,000	1.45	1.45
RCE Venture Sdn. Bhd.	574,500	-	0.42	-
Tan Sri Dato' Azman Hashim	500,199	500,199	0.36	0.36
	<u>63,371,725</u>	<u>60,975,956</u>	<u>45.79</u>	<u>44.06</u>

## 30. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair values of the following classes of financial instruments:

### (i) Cash and Bank Balances, Deposits with Financial Institutions, Trade Receivables, Other Receivables, Rental Received in Advance, Rental Deposits Payable Within 12 Months, and Other Payables

The carrying balances of these financial instruments approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

### (ii) Rental Deposits Payable After 12 Months

The estimated fair value of rental deposits payable after 12 months, as disclosed in Note 13, is RM1,524,123. This estimate was derived by discounting the future cash flow streams using the Trust's current cost of funds.

### (iii) Real Property-Related Assets/Non-Real Property Assets

The fair value of quoted securities is determined by reference to stock exchange quoted market bid prices at close of the business on the balance sheet date.

## 31. CONTINGENT LIABILITY

The Inland Revenue Board is currently reviewing their earlier assessment of the Trust's income tax returns for the years of assessments 1995 to 2000 (current year basis). At the date of this report, there has been no additional assessment raised by the Inland Revenue Board in respect of those years of assessments.

## **32. CURRENCY**

All amounts are stated in Ringgit Malaysia.

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## 1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other material facts the omission of which would make any statement herein misleading.

The information pertaining to AMFPT and the AMDB has been obtained from publicly available documents and representations made by the Manager of AMFPT and AMDB, as the case may be. The responsibility of the Board is therefore restricted to the accurate reproduction of such relevant information in this Circular.

## 2. CONSENT

MIMB and Avenue Securities respectively have given and have not subsequently withdrawn their written consent for the inclusion of their names, letter and all references to them in the form and context in which they appear in this Circular.

## 3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

### (i) *RCE Group*

Neither RCE nor its subsidiaries are engaged in any material litigation, claims and arbitration either as plaintiff or defendant, and the Directors of RCE are not aware of any proceedings pending or threatened against RCE and/or its subsidiaries or of any other facts likely to give rise to any proceedings which may materially or adversely affect the position or business or title to or possession of any of the properties of the Company and/or its subsidiaries.

### (ii) *AMFPT*

AMFPT is not engaged in any material litigation, claims and arbitration either as plaintiff or defendant, and the Directors of AMFPT are not aware of any proceedings pending or threatened against AMFPT or of any other facts likely to give rise to any proceedings which may materially or adversely affect the position or business or title to or possession of any of the properties of AMFPT.

## 4. MATERIAL CONTRACTS

### (i) *RCE Group*

Save as disclosed below, the RCE Group has not entered into any material contracts (other than contracts entered into in the ordinary course of business) during the past two (2) years preceding the date of this Circular.

- (a) Sale and Purchase Agreement dated 24 February 2004 between RCE and Rekaweb.com Sdn Bhd for the disposal of 10,269,000 ordinary shares of RM1.00 each in POS AD Sdn Bhd or approximately 70% of the issued and paid up share capital in POS AD Sdn Bhd by RCE for a cash consideration of RM11.0 million;
- (b) Sale and Purchase Agreement dated 29 April 2004 between RCE and Effusion.Com Sdn Bhd, a wholly-owned subsidiary company of RCE ("Effusion"), for the disposal of all the pieces of freehold vacant land bearing postal address of No. 17, Jalan Pahang, 53000 Kuala Lumpur held under Title Nos. Geran 24607 to 24613, Grant 37511, Grant 33223, Grant 33227 and Grant 18617, corresponding to Lot Nos. 109 to 115, 435, 443 to 447 and 471 respectively, Jalan Pahang, Section 47, Kuala Lumpur ("Property"), having a total area measuring approximately 30,870 square feet at a total cash consideration of RM10.2 million.

RCE ("Borrower"), Effusion and Malayan Banking Berhad ("Bank") entered into a supplementary agreement dated 31 March 2005 wherein the Bank agreed, amongst others, to consent to transfer the Property from the Borrower to the Effusion, being the chargor on the condition that the Borrower shall cause Effusion to create a third party first legal charge over the Property in favor of the Bank as security for the payment and repayment of the facilities together with interest thereon due and payable by the Borrower to the Bank;

- (c) Sale and Purchase Agreement dated 29 April 2005 between RCE Synergy and AMDB in relation to the Proposed Acquisition which is the subject matter of this Circular.
- (d) Sale and Purchase Agreement dated 21 October 2004 between RCE and E-Drama Sdn Bhd (now known as RCE Enterprise Sdn. Bhd.) for the disposal by RCE, Meridian Mode Sdn Bhd and RCE Ventures Sdn Bhd of 100% of the issued and paid up share capital in RCE Marketing Sdn Bhd pursuant to an internal re-organisation at a total consideration of RM63.165 million to be satisfied by the issuance and allotment of 69,998 ordinary shares of RM1.00 each in E-Drama Sdn Bhd to RCE, 10,000 ordinary shares of RM1.00 each in E-Drama Sdn Bhd to Meridian Mode Sdn Bhd and 387,800 redeemable convertible and non-cumulative preference shares of RM1.00 each in E-Drama Sdn Bhd to RCE Ventures Sdn Bhd; and
- (e) Sale and Purchase Agreement dated 24 June 2005 between Effusion and ABI's Land and Properties Sdn Berhad in relation to the proposed disposal of land held under Grant 24607 to 24613, Grant 33223 to 33227, Grant 18617 and Grant 37511, corresponding to the Lot Numbers 109 to 115, 443 to 447, 471 and 435, in the Town and District of Kuala Lumpur for a cash consideration of RM7,717,500;

**(ii) AMFPT**

AMFPT has not entered into any material contracts (other than contracts entered into in the ordinary course of business) during the past two (2) years preceding the date of this Circular.

**5. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents are available for inspection at the Registered Office of RCE at 7<sup>th</sup> Floor, Wisma Tan Kim San, No. 518A, 3<sup>rd</sup> Mile, Jalan Ipoh, 51200 Kuala Lumpur from Mondays to Fridays (except public holidays) during business hours from the date of this Circular up to and including the date of the EGM: -

- a) the Memorandum and Articles of Association of RCE;
- b) the audited financial statements of the RCE Group for the past two (2) financial years ended 31 March 2004 and 31 March 2005;
- c) letters of consent referred to in paragraph 2 above;
- d) material contracts referred to in paragraph 4 above;
- e) Trust Deed dated 16 March 1989 constituting AMFPT;
- f) the audited financial statements of the AMFPT for the past two (2) financial years ended 31 December 2003 and 31 December 2004;
- g) unaudited financial statements of AMFPT for the three (3) month period ended 31 March 2005; and
- h) the IAL from Avenue Securities as reproduced in Part B of this Circular





**RCE CAPITAL BERHAD**

(Company No. 2444-M)  
(Incorporated in Malaysia)

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of RCE Capital Berhad ("RCE" or the "Company") will be held at Dewan AmBank Group, 7<sup>th</sup> Floor, Bangunan AmBank Group, 55, Jalan Raja Chulan, 50200 Kuala Lumpur on Thursday, 25 August 2005 at 10.00 a.m. or immediately after the conclusion or adjournment of the Fifty-First Annual General Meeting of RCE held on the same date and venue, whichever is the earlier or at any adjournment thereof, for the purpose of considering, and, if thought fit, passing the following ordinary resolution, with or without any modifications:-

**ORDINARY RESOLUTION**

**PROPOSED ACQUISITION BY RCE SYNERGY SDN BHD (FORMERLY KNOWN AS VERBUNDSDT SDN BHD) ("RCE SYNERGY"), A WHOLLY-OWNED SUBSIDIARY OF RCE CAPITAL BHD ("RCE"), OF 29,064,452 UNITS IN AMFIRST PROPERTY TRUST ("AMFPT") REPRESENTING APPROXIMATELY 21% OF THE TOTAL UNITS IN AMFPT FROM AMDB BERHAD ("AMDB"), FOR A CASH CONSIDERATION OF RM31,970,897.20 ("PROPOSED ACQUISITION")**

"**THAT**, subject to the approval(s) of any relevant authorities, if required, approval is hereby given to RCE's wholly-owned subsidiary, RCE Synergy, to acquire 29,064,452 units in AMFPT representing approximately 21% of the total units in AMFPT for a cash consideration of RM31,970,897.20, subject to the terms and conditions as set out in the conditional Sale & Purchase Agreement dated 29 April 2005 ("SPA") entered into between RCE Synergy, being the purchaser, and AMDB, being the vendor, pursuant to the Proposed Acquisition **AND THAT** the aforesaid SPA be and is hereby approved, ratified and confirmed **AND FURTHER THAT** authorization and approval be and is hereby given to the Board of Directors of RCE for the delivery and performance by RCE of the terms and conditions contained in the SPA;

**AND FURTHER THAT** the Directors of the Company be and are hereby authorized to take all such steps and to enter into all other agreements, undertakings, indemnities and/or guarantees with any party or parties as the Directors may deem fit, necessary, expedient and/or appropriate in order to implement, finalise and give full effect to the SPA with full powers to the Directors of the Company to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant regulatory authorities."

**BY ORDER OF THE BOARD**

**JOHNSON YAP CHOON SENG (MIA 20766)**  
**SELENA LEONG SIEW TEE (MAICSA 7017630)**  
Company Secretaries

Kuala Lumpur  
3 August 2005

Notes:

1. A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints more than two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its Common Seal or under the hand of the attorney.
5. This instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Registered Office of the Company at 7<sup>th</sup> Floor, Wisma Tan Kim San, No. 518A, 3<sup>rd</sup> Mile, Jalan Ipoh, 51200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Extraordinary General Meeting or at any adjournment thereof.

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**RCE CAPITAL BERHAD**

(Company No. 2444-M)  
(Incorporated in Malaysia)

**FORM OF PROXY**

I/We .....

(NRIC No. / Company No. :.....) of.....

being (a) member(s) of RCE CAPITAL BERHAD, hereby appoint .....

of .....

or failing him/her, .....

of .....

or failing him/her, the Chairman of the Meeting as my/our proxy to attend and vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company to be held at Dewan AmBank Group, 7<sup>th</sup> Floor, Bangunan AmBank Group, 55, Jalan Raja Chulan, 50200 Kuala Lumpur on Thursday, 25 August 2005 at 10.00 a.m., or immediately after the conclusion or adjournment of the Fifty-First Annual General Meeting of RCE held on the same date and venue, whichever is the earlier or at any adjournment thereof, in the manner as indicated below:-

RESOLUTION	FOR	AGAINST
ORDINARY RESOLUTION - PROPOSED ACQUISITION		

Please indicate with an "X" in the space provided on how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2005

No. of Shares Held

Signature of Shareholder(s)/Common Seal

**Notes:**

1. A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints more than two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
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4. This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its Common Seal or under the hand of the attorney.
5. This instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Registered Office of the Company at 7<sup>th</sup> Floor, Wisma Tan Kim San, No. 518A, 3<sup>rd</sup> Mile, Jalan Ipoh, 51200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Extraordinary General Meeting or at any adjournment thereof.



Fold this flap for sealing

Then fold here

AFFIX  
STAMP

THE COMPANY SECRETARY  
RCE CAPITAL BERHAD (2444-M)  
7<sup>TH</sup> FLOOR, WISMA TAN KIM SAN  
NO. 518A, 3<sup>RD</sup> MILE, JALAN IPOH  
51200 KUALA LUMPUR

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