

THIS CIRCULAR IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF CMMT'S UNITHOLDERS. IF UNITHOLDERS ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, THEY SHOULD CONSULT THEIR RESPECTIVE STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

The approval of the Securities Commission ("SC") for the valuation pursuant to the Proposed Acquisition (as defined herein), the Proposed Placement (as defined herein) and the Proposed Increase in Fund Size (as defined herein) shall not be taken to indicate that the SC recommends the said proposals. Unitholders should rely on their own evaluation to assess the merits and risks of the proposals herein.

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### CAPITAMALLS MALAYSIA TRUST

(established in Malaysia under the deed dated 7 June 2010 and registered with the Securities Commission on 9 June 2010, entered into between CapitaMalls Malaysia REIT Management Sdn. Bhd. (formerly known as CapitaRetail Malaysia REIT Management Sdn. Bhd.), a company incorporated in Malaysia under the Companies Act, 1965 and AmTrustee Berhad, a company incorporated in Malaysia under the Companies Act, 1965)

#### CIRCULAR TO UNITHOLDERS

##### IN RELATION TO

##### PART A

- (I) PROPOSED ACQUISITION BY AMTRUSTEE BERHAD, ON BEHALF OF CAPITAMALLS MALAYSIA TRUST ("CMMT") OF GURNEY PLAZA EXTENSION PROPERTY (AS DEFINED HEREIN) FROM GURNEY PLAZA SDN. BHD. FOR A PURCHASE CONSIDERATION OF RM215.0 MILLION, TO BE SATISFIED BY CASH;
- (II) PROPOSED PLACEMENT OF UP TO 167.1 MILLION NEW UNITS IN CMMT ("UNITS"), BY WAY OF BOOKBUILDING, AT A PRICE TO BE DETERMINED LATER, TO RAISE GROSS PROCEEDS OF UP TO RM167.1 MILLION, AND ACCEPTANCE OF CMMT INVESTMENT LIMITED'S UNDERTAKING TO SUBSCRIBE FOR SUCH NUMBER OF UNSUBSCRIBED NEW UNITS SUBSEQUENT TO THE CLOSE OF THE BOOKBUILD;
- (III) PROPOSED EXEMPTION FOR CMMT INVESTMENT LIMITED FROM THE OBLIGATION TO MAKE A MANDATORY TAKEOVER OFFER ON ALL UNITS IN CMMT NOT ALREADY HELD BY CMMT INVESTMENT LIMITED AFTER THE PROPOSED PLACEMENT;
- (IV) PROPOSED PLACEMENT OF UP TO 69.7 MILLION NEW UNITS TO CMMT INVESTMENT LIMITED, AT A PRICE TO BE DETERMINED LATER, TO RAISE GROSS PROCEEDS OF UP TO RM69.7 MILLION, WHICH REPRESENTS 41.74% (BEING THE CURRENT UNITHOLDING OF CMMT INVESTMENT LIMITED IN CMMT) OF THE TOTAL GROSS PROCEEDS TO BE RAISED FROM THE PROPOSED PLACEMENT;
- (V) PROPOSED PLACEMENT OF NEW UNITS TO PUBLIC INSTITUTIONAL INVESTORS (AS DEFINED HEREIN), FOR WHICH THE NUMBER OF NEW UNITS TO EACH PUBLIC INSTITUTIONAL INVESTOR MAY EXCEED 10% OF THE TOTAL NEW UNITS TO BE ISSUED PURSUANT TO THE PROPOSED PLACEMENT, AT A PRICE TO BE DETERMINED LATER;
- (VI) PROPOSED AUTHORITY TO ALLOT AND ISSUE NEW UNITS OF UP TO 20% OF THE APPROVED FUND SIZE OF CMMT PURSUANT TO CLAUSE 14.03 OF THE SECURITIES COMMISSION'S GUIDELINES ON REAL ESTATE INVESTMENT TRUSTS; AND
- (VII) PROPOSED INCREASE IN THE EXISTING APPROVED FUND SIZE OF CMMT FROM 1,350.0 MILLION UNITS UP TO A MAXIMUM OF 2,000.0 MILLION UNITS

##### PART B

#### INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED UNITHOLDERS OF CMMT IN RELATION TO THE PROPOSED EXEMPTION

##### AND

#### NOTICE OF UNITHOLDERS' MEETING

Principal Adviser and Placement Agent



**CIMB Investment Bank Berhad (18417-M)**  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Placement Agent



**JPMorgan Securities (Malaysia) Sdn Bhd (18146-X)**

Independent Adviser



**Hong Leong Investment Bank Berhad (43526-P)**  
A Member of the Hong Leong Group

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The notice convening the unitholders' meeting ("**Meeting**") of CMMT and the Form of Proxy for the Meeting are set out in this Circular. CMMT's Meeting will be held as follows:

Venue of the Meeting : Eastin Hotel, 13, Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan  
Date and time of the Meeting : Thursday, 10 March 2011, 10.00 a.m.  
Last date and time for lodging of Form of Proxy : Tuesday, 8 March 2011 on or before 10.00 a.m.

A unitholder who is entitled to attend and vote at the Meeting, and holds 10,000 units or less, shall be entitled to appoint one (1) proxy to attend and vote for him or on his behalf at the Meeting. A unitholder holding more than 10,000 units shall be entitled to appoint a maximum of two (2) proxies to attend and vote at the same Meeting. The completed form of proxy for the Meeting should be lodged at the registered office of the AmTrustee Berhad's office at Level 22, Bangunan AmBank Group, 55, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia not later than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof. The Form of Proxy once deposited will not preclude a unitholder from attending and voting in person at the Meeting should a unitholder subsequently wish to do so.

This Circular is dated 23 February 2011

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## CORPORATE INFORMATION

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- Board of Directors of the Manager** : Mr Kee Teck Koon (Chairman and Non-Independent Non-Executive Director)  
Mr Lim Beng Chee (Non-Independent Non-Executive Director)  
Mr Ng Kok Siong (Non-Independent Non-Executive Director)  
Mr Lock Wai Han (Non-Independent Non-Executive Director)  
Datuk Mohd Najib Bin Abdullah (Non-Independent Non-Executive Director)  
Mr IG Chandran (Gnanachandran S Ayadurai) (Independent Non-Executive Director)  
Ms Tan Siew Bee (Independent Non-Executive Director)  
Mr Peter Tay Buan Huat (Independent Non-Executive Director)  
Ms Sharon Lim Hwee Li (Non-Independent Executive Director)
- Registered office of the Manager** : Level 2, Ascott Kuala Lumpur,  
No. 9 Jalan Pinang  
50450 Kuala Lumpur  
Telephone No.: +60 3 2279 9888  
Facsimile No.: +60 3 2279 9889
- Trustee** : AmTrustee Berhad  
(*Company Number: 163032-V*)  
Level 22, Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Telephone No.: +60 3 2036 2633  
Facsimile No.: +60 3 2032 4303  
Website: [www.ambankgroup.com](http://www.ambankgroup.com)
- Principal Adviser** : CIMB Investment Bank Berhad  
(*Company Number: 18417-M*)  
10<sup>th</sup> Floor Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur  
Telephone No.: +60 3 2084 8888  
Facsimile No.: +60 3 2084 8899  
Website: [www.cimb.com](http://www.cimb.com)
- Placement Agents** : CIMB Investment Bank Berhad  
(*Company Number: 18417-M*)  
10<sup>th</sup> Floor Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur  
Telephone No.: +60 3 2084 8888  
Facsimile No.: +60 3 2084 8899  
Website: [www.cimb.com](http://www.cimb.com)
- JPMorgan Securities (Malaysia) Sdn Bhd  
(*Company Number: 18146-X*)  
Level 27, Menara Dion  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Telephone No.: +60 3 2270 4700  
Facsimile No.: +603 2270 4740  
Website: [www.jpmorgan.com](http://www.jpmorgan.com)

## CORPORATE INFORMATION (CONT'D)

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- Legal Adviser** : Zul Rafique & Partners  
D3-3-8, Solaris Dutamas  
No 1, Jalan Dutamas 1  
50480 Kuala Lumpur  
Telephone No.: +60 3 6209 8228  
Facsimile No.: +60 3 6209 8221/ 8331/ 8381  
Website: www.zulrafique.com.my
- Registrar** : MIDF Consultancy and Corporate Services Sendirian Berhad  
(Company Number: 11324-H)  
Level 8, Menara MIDF  
82, Jalan Raja Chulan  
50200 Kuala Lumpur  
Telephone No.: +60 3 2173 8888  
Facsimile No.: +60 3 2173 8677  
Website: www.midf.com.my
- Reporting Accountants** : KPMG  
(Firm No. AF 0758)  
Chartered Accountants  
Level 10, KPMG Tower  
8, First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan  
Telephone No.: +60 3 7721 3388  
Facsimile No.: +60 3 7721 3399  
Website: www.kpmg.com.my
- Independent Property Valuer** : PPC International Sdn. Bhd.  
(Company Number: 405011-U)  
8th Floor, Campbell Complex  
98 Jalan Dang Wangi  
50100 Kuala Lumpur  
Telephone No.: +60 3 2692 3236  
Facsimile No.: +60 3 2692 6457  
Website: www.ppc.com.my
- Independent Adviser** : Hong Leong Investment Bank Berhad  
(Company Number: 43526-P)  
Level 23, Menara HLA  
No. 3, Jalan Kia Peng  
50450 Kuala Lumpur  
Telephone No.: +60 3 2168 1168  
Facsimile No.: +60 3 2164 8880  
Website: www.hlebroking.com.my

## TENTATIVE TIMEFRAME UNTIL COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisition and the Proposed Placement are expected to be completed by mid of April 2011.

The tentative timetable in relation to the Proposed Acquisition and the Proposed Placement is as follows:

Event	Date
Last date for lodgement of Form of Proxy	8 March 2011
Date of the Meeting	10 March 2011

Event	Tentative period
Price-fixing date	By early April 2011
Last day of payment of the Placement Units	By mid April 2011
Listing of and quotation for the Placement Units	By mid April 2011
Fulfilment of all conditions precedent of the Proposed Acquisition	By mid April 2011
Completion of the Proposed Acquisition	By mid April 2011

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## DEFINITIONS

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For the purpose of this Circular, except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Board	:	Board of Directors of the Manager
Bursa Securities	:	Bursa Malaysia Securities Berhad ( <i>Company No.: 635998-W</i> )
CGSB	:	CapitaRetail Gurney Sdn. Bhd. ( <i>Company No.: 778385-K</i> )
CIMB	:	CIMB Investment Bank Berhad ( <i>Company No.: 18417-M</i> )
CMA	:	CapitaMalls Asia Limited ( <i>formerly known as CapitaLand Retail Limited</i> ) ( <i>Company No.: 200413169H</i> ), a company incorporated in Singapore
CMMT Investment Limited	:	A wholly owned subsidiary of CMA, which as at LPD, owns a 41.74% stake in CMMT
CMMT	:	CapitaMalls Malaysia Trust
Code	:	Malaysian Code on Takeovers and Mergers 2010
Committed Lease	:	A lease is considered to be "committed" when the letter of offer, tenancy agreement or license agreement, as applicable, is signed
Deed	:	The trust deed dated 7 June 2010 constituting CMMT and registered with the SC on 9 June 2010, entered into between the Manager and the Trustee
Directors	:	Individual members of the Board
DPU	:	Distribution per Unit
Enlarged Portfolio	:	The Existing Portfolio and Gurney Plaza Extension Property
Existing Portfolio	:	Gurney Plaza, Sungei Wang Plaza Property and The Mines
Forecast Year 2011	:	Twelve (12)-month year ending 31 December 2011
FYE	:	Financial year ended/ending 31 December
GDP	:	Gross domestic product
GFA	:	The built-up area of the property. For properties under development, the GFA is based on an estimation by reference to, among other things, construction plans, which may change and/or be subject to regulatory approval and final verification by survey
GNI	:	Gross national income
GPSB	:	Gurney Plaza Sdn. Bhd. ( <i>Company No.: 141240-K</i> ), the vendor of Gurney Plaza Extension Property

## DEFINITIONS (CONT'D)

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Gross Rental Income	:	<p>The total amount payable by all tenants pursuant to a tenancy comprising base rents, service charges, turnover rents and, where applicable, advertising and promotion fees</p> <p>For the purpose of deriving property statistics pertaining to the lease expiry profile, trade sector analysis and contribution of the top ten tenants of the respective properties, Gross Rental Income is equal to the aggregate gross rental (excluding turnover rental) from Committed Leases, calculated on the basis of gross rental per sq ft per month multiplied by the area of the shop lot, as stated in the relevant property's tenancy schedule dated LPD. Gross Rental Income includes shop lots that are physically vacant as at LPD, but have Committed Leases. In such instances the gross rental per sq ft per month (excluding turnover rent) payable at the lease's commencement date, multiplied by the area of the shop lot, is used</p>
Gross Revenue	:	<p>In relation to any financial year or part thereof, means the gross revenue before expenses for the relevant period. Consists of gross rental income, car park income and other income derived from, among others, casual leasing, advertising panels/promotions and recovery of utilities and operations and maintenance works carried out for the tenants</p>
Gurney Plaza	:	<p>An eight (8) storey shopping mall known as "Gurney Plaza" with two levels of basements erected on the land held under Gurney Plaza Land Title comprising the following:</p> <ul style="list-style-type: none"><li>(i) retail space on Basement 1, and the Ground, 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> and 7<sup>th</sup> floors;</li><li>(ii) office/storage/al-fresco/miscellaneous space; and</li><li>(iii) approximately 1,075 car parking bays in Basements 1 and 2 and the 5<sup>th</sup> and 6<sup>th</sup> floors,</li></ul> <p>but excluding certain car parking bays located in Basement 2 which are retained by GPSB and GHotel Sdn Bhd and the common areas. The car parking bays retained by GPSB are part of Gurney Plaza Extension Property</p>
Gurney Plaza Extension	:	<p>A nine (9) storey retail extension block adjoining Gurney Plaza, with a NLA of approximately 139,964 sq ft as at LPD comprising:</p> <ul style="list-style-type: none"><li>(i) four (4) levels of retail space on the Ground, 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> floors; and</li><li>(ii) car parking bays located on Basement 1, the 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup> floors and the rooftop</li></ul>
Gurney Plaza Extension Property	:	<p>Gurney Plaza Extension together with 129 car parking bays located in Basement 2 of Gurney Plaza</p>
Gurney Plaza Extension Property SPA	:	<p>The conditional sale and purchase agreement dated 12 November 2010 entered into between the Trustee, CGSB and GPSB in relation to the Proposed Acquisition</p>
Gurney Plaza Land Title	:	<p>The separate land title in respect of the land upon which both Gurney Plaza and Gurney Plaza Extension Property are located, held under HSD 17259, Lot 5626, Seksyen 1, Bandar Georgetown, Daerah Timor Laut, Negeri Pulau Pinang</p>

## DEFINITIONS (CONT'D)

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HLIB or Independent Adviser	:	Hong Leong Investment Bank Berhad ( <i>Company No.: 43526-P</i> )
IAL	:	Independent Advice Letter dated 23 February 2011 attached together with this Circular
Interested Persons	:	Directors, major shareholders and the chief executive officer of the Manager
Issue Price	:	The issue price for each Placement Unit which will be determined by way of bookbuilding and announced closer to the implementation of the Proposed Placement
JPMorgan	:	JPMorgan Securities (Malaysia) Sdn Bhd ( <i>Company No.: 18146-X</i> )
LPD	:	31 January 2011, being the latest practicable date prior to the printing of this Circular
LTV Ratio	:	Loan to value ratio calculated as debt financing procured for the Proposed Acquisition divided by the appraised value of Gurney Plaza Extension Property of RM225.0 million. The appraised value of RM225.0 million is the market value of the Gurney Plaza Extension Property and is taken into consideration by the banks in determining the financing quantum. Further, by using the appraised value of RM225.0 million in determining the LTV Ratio, a higher financing limit is achievable
Manager	:	CapitaMalls Malaysia REIT Management Sdn. Bhd. ( <i>formerly known as CapitaRetail Malaysia REIT Management Sdn. Bhd.</i> ) ( <i>Company Number: 819351-H</i> )
Management Fee	:	The management fee payable to the Manager which comprises the base fee, the performance fee, the acquisition fee and the divestment fee
Maximum Gearing Scenario	:	Scenario where the Proposed Acquisition is fully funded through a combination of debt financing procured for the Proposed Acquisition at a LTV Ratio of 60.0% (being the maximum debt financing arrangements that the Manager has put in place) and the remaining via equity financing, and an illustrative Issue Price of RM1.03 per Unit, RM1.03 being CMMT's NAV per Unit after income distribution (as at 30 September 2010)
Meeting	:	Unitholders' meeting
Minimum Gearing Scenario	:	Scenario where the Proposed Acquisition is fully funded through a combination of debt financing procured for the Proposed Acquisition at a LTV Ratio of 25.0% (being the limit to the number of Placement Units to be issued so that the Proposed Acquisition will be yield accretive) and the remaining via equity financing, and an illustrative Issue Price of RM1.03 per Unit, RM1.03 being CMMT's NAV per Unit after income distribution (as at 30 September 2010)
NAV	:	Net asset value
Net Property Income	:	Net Property Income consists of Gross Revenue less Property Operating Expenses
NLA	:	Net lettable area, being the tenantable space in a property, which excludes space used for building and centre management functions and the common areas



## DEFINITIONS (CONT'D)

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Occupancy Rate	:	Equals the total area under Committed Leases divided by the NLA
Placement Units	:	New Units to be issued and allotted pursuant to the Proposed Placement
Price-Fixing Date	:	The date, to be determined later, by the Manager for the determination and announcement of the Issue Price
Property Operating Expenses	:	Consists of maintenance, utilities and other expenses such as property management fees, property management reimbursement, marketing expenses, quit rent and assessment and general and administrative expenses
Proposals	:	Collectively, the Proposed Acquisition, Proposed Placement, Proposed Exemption, Proposed Placement to CMMT Investment Limited, Proposed Placement to Public Institutional Investors Exceeding 10% of the Placement Units, Proposed Authority and Proposed Increase In Fund Size
Proposed Acquisition	:	Proposed acquisition of Gurney Plaza Extension Property by the Trustee, on behalf of CMMT, from GPSB for a cash consideration of RM215.0 million
Proposed Authority	:	Proposed authority to allot and issue new Units of up to 20% of the approved fund size of CMMT pursuant to Clause 14.03 of the REITs Guidelines
Proposed Exemption	:	Proposed exemption for CMMT Investment Limited from the obligation to make a mandatory takeover offer on all Units not already held by CMMT Investment Limited after the Proposed Placement
Proposed Increase in Fund Size	:	Proposed increase in the existing approved fund size of CMMT from 1,350.0 million Units up to a maximum of 2,000.0 million Units
Proposed Placement	:	Proposed placement of up to 167.1 million Placement Units, at the Issue Price, to raise gross proceeds of up to RM167.1 million, and acceptance of CMMT Investment Limited's undertaking to subscribe for such number of unsubscribed new Units subsequent to the close of bookbuild
Proposed Placement to Public Institutional Investors Exceeding 10% of the Placement Units	:	Proposed placement of Placement Units to Public Institutional Investors, for which the number of new Units to each Public Institutional Investor may exceed 10% of the total new Units to be issued pursuant to the Proposed Placement, at the Issue Price
Proposed Placement to CMMT Investment Limited	:	Proposed placement of up to 69.7 million new units to CMMT Investment Limited, at the Issue Price, to raise gross proceeds of up to RM69.7 million, which represents 41.74% (being the current unitholding of CMMT Investment Limited in CMMT) of the total gross proceeds to be raised from the Proposed Placement
Public Institutional Investors	:	Statutory institutions who are managing funds belonging to contributors or investors who are members of the public, unit trusts, insurance companies, mutual funds and charitable foundations

## DEFINITIONS (CONT'D)

Put Option	:	Put option granted to GPSB by CGSB, a wholly owned subsidiary of CMA, which requires CGSB to purchase and complete the acquisition of Gurney Plaza Extension Property for an aggregate consideration of RM215.0 million, by no later than 15 April 2011
Purchase Price	:	The sum of Ringgit Malaysia Two Hundred and Fifteen Million (RM215.0 million) only
Put Option Notice	:	The notice dated 25 June 2010 issued for and on behalf of GPSB to CGSB in relation to the exercise of the Put Option
REIT	:	Real estate investment trust
REITs Guidelines	:	The Guidelines on Real Estate Investment Trusts issued by the SC on 21 August 2008, and any subsequent amendments or updates thereof
RM and sen	:	Ringgit Malaysia and sen, respectively
SC	:	Securities Commission Malaysia
sq ft	:	Square foot/feet
Sungei Wang Plaza	:	The shopping mall known as Sungei Wang Plaza erected on Lot No. 1197, held under title No. Geran 11043, Section 67, Town and District of Kuala Lumpur, Wilayah Persekutuan, Malaysia  The postal address of Sungei Wang Plaza is Sungei Wang Plaza, Jalan Sultan Ismail, 50250 Kuala Lumpur
Sungei Wang Plaza Property	:	The 205 strata parcels within Sungei Wang Plaza (which, based on the total share units allocated to the 205 strata parcels, represents 62.8% of the voting rights in Sungei Wang Plaza Management Corporation) consisting of:  (i) retail space with an aggregate floor area of approximately 511,103 sq ft (representing approximately 61.9% of the aggregate retail floor area of Sungei Wang Plaza); and  (ii) approximately 1,298 car parking bays with an aggregate floor area of approximately 435,411 sq ft, which comprises 100.0% of the car parking bays in Sungei Wang Plaza
The Mines	:	All that piece of leasehold land held under H.S.(D) 59894 P.T. No. 16722 in the Mukim and District of Petaling, Selangor Darul Ehsan comprising an area of approximately 4.125 hectares on which has been erected a five-storey shopping mall known as The Mines together with approximately 1,282 car parking bays, bearing the address The Mines, Jalan Dulang, Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan
Trustee	:	AmTrustee Berhad, being the trustee for CMMT
Unit(s)	:	An undivided interest in CMMT as set out in the Deed
Unitholder(s)	:	Holder(s) of the Units of CMMT

## DEFINITIONS (CONT'D)

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In this Circular, words denoting the singular shall include the plural number and vice versa, words denoting any gender shall include all genders, words denoting persons shall include corporations, and a reference to a section is a reference to the relevant section of this Circular. Any reference in this Circular to any enactment or guidelines is a reference to that enactment or guidelines as for the time being amended or re-enacted. The terms "tenancy" and "lease" are used inter-changeably in this Circular and in certain circumstances include licenses, and do not denote any duration of the tenancy or lease, unless specifically stated. Any reference in this Circular to any lessee is based on the description of the party who enters into a Committed Lease to occupy or to use any part of the NLA, whereas any reference to any tenant is based on the trade name of the occupant of the NLA so leased by the relevant lessee. As such, a lessee may enter into separate Committed Leases for the occupation of several leased areas by different tenants, and, conversely, more than one lessee may enter into separate Committed Leases for tenants bearing the same trade name.

Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Any reference in this Circular to "**CMMT**" include references to AmTrustee Berhad, in its capacity as the trustee for CMMT, unless the context otherwise requires.

Figures and percentages are rounded to one or two decimal places, where appropriate. Percentage changes in this Circular have been calculated on the basis of relevant figures before rounding.

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## SUMMARY

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*The following summary is qualified in its entirety by, and should be read in conjunction with, the full text of this Circular. Meanings of defined terms may be found in the Definitions on pages iv to ix of this Circular.*

*Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.*

### **THE PROPOSED ACQUISITION OF GURNEY PLAZA EXTENSION PROPERTY (refer to Section 2 of this Circular for further details)**

The Manager seeks approval from Unitholders for the proposed acquisition of Gurney Plaza Extension Property from GPSB for a cash consideration of RM215.0 million.

Gurney Plaza Extension, which commenced operations in November 2008, is strategically located along the southern side of Gurney Drive (Persiaran Gurney), a promenade popular with both locals and tourists. Gurney Plaza Extension Property will contribute an additional 139,964 sq ft as at LPD to the existing NLA of Gurney Plaza, which is owned by CMMT. Combined, Gurney Plaza and Gurney Plaza Extension Property will have a total NLA of 845,536 sq ft as at LPD. Gurney Plaza Land Title is currently registered in the name of GPSB and upon full payment of the purchase consideration by CMMT, will be transferred to CMMT.

On 12 November 2010, on behalf of the Board, CIMB announced that the Trustee, on behalf of CMMT, and together with CGSB, had on 12 November 2010 entered into a conditional sale and purchase agreement with GPSB for the acquisition of Gurney Plaza Extension Property for a purchase consideration of RM215.0 million.

The purchase consideration of RM215.0 million was arrived after taking into consideration the market value of Gurney Plaza Extension Property of RM225.0 million as appraised by PPC International Sdn. Bhd. (being the independent registered valuer appointed by the Trustee and the Manager, on behalf of CMMT). PPC International Sdn. Bhd. has, in its valuation report dated 30 September 2010, assessed the market value of Gurney Plaza Extension Property using the income capitalisation and comparison method.

The estimated total acquisition cost is approximately RM223.3 million.

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

#### *Yield accretive*

The Proposed Acquisition is in line with the Manager's investment strategy to provide Unitholders with long-term and sustainable distribution of income and potential capital growth.

To illustrate, based on the closing price of the Units of RM1.09 as at 18 February 2011 (being the latest practicable date prior to the printing of this Circular) and at the LTV Ratio of 35.0%, the Proposed Acquisition is yield accretive and will result in a higher DPU.

#### *Larger shopping mall portfolio*

As at the LPD, CMMT is the largest "pure-play" shopping mall REIT by property asset value in Malaysia and the Proposed Acquisition will further strengthen this position. Following the completion of the Proposed Acquisition, CMMT's property asset value is expected to increase from approximately RM2,143.0 million as at 31 December 2010 (being the date of the latest valuation conducted on CMMT's Existing Portfolio) to approximately RM2,368.0 million.

### *Bright prospects for Penang's retail industry*

With Penang's strong projected GDP growth, affluent catchment, high population density and popularity as a tourist destination, the Manager views the prospects for Penang's retail industry to be bright. Although the retail property market is expected to be competitive, the Manager believes that the mall comprising Gurney Plaza and Gurney Plaza Extension Property will be able to maintain its leadership position in Penang, due to its competitive strengths.

### *Competitive strengths of Gurney Plaza Extension Property*

Gurney Plaza Extension, which commenced operations in November 2008, is strategically located along the southern side of Gurney Drive (Persiaran Gurney), a promenade popular with both locals and tourists. Gurney Plaza Extension Property will contribute an additional 139,964 sq ft as at LPD to the existing NLA of Gurney Plaza, which is owned by CMMT. Combined, Gurney Plaza and Gurney Plaza Extension Property will have a total NLA of 845,536 sq ft as at LPD.

The Manager believes that the competitive strengths of Gurney Plaza Extension Property include its prime location, high occupancy and complementary tenant mix and expects that Gurney Plaza Extension Property will contribute positively to the future performance of CMMT.

### *Operational efficiency and synergies*

The Proposed Acquisition will see Gurney Plaza and Gurney Plaza Extension Property operating as a single shopping mall, which will make it easier for the management to optimise the tenant mix and send a consistent brand message to retailers and shoppers.

Unitholders in CMMT will also potentially benefit from cost synergies from shared marketing and operating expenses.

### **Method of proposed financing**

The Manager intends to fund the Proposed Acquisition through debt and equity with the latter to be raised via the Proposed Placement.

### **THE PROPOSED PLACEMENT** (refer to Section 3 of this Circular for further details)

The Manager proposes to undertake the proposed placement of up to 167.1 million Placement Units to raise gross proceeds of up to RM167.1 million, where:

- (i) up to RM97.4 million shall be raised from the proposed placement of Placement Units to places to be identified during bookbuilding, at the Issue Price; and
- (ii) up to RM69.7 million shall be raised from the proposed placement of Placement Units to CMMT Investment Limited at the Issue Price.

The actual number of Placement Units to be issued will depend on the eventual financing plan adopted by the Manager and the Issue Price, which shall be determined after the close of the bookbuild. The basis to determine the actual number of Placement Units will be decided by the Manager based on the optimal debt to equity ratio so that the Proposed Acquisition will be yield accretive. The Maximum Gearing Scenario's LTV of 60% is based on the maximum debt financing arrangements that the Manager has put in place, while the Minimum Gearing Scenario's LTV of 25% is to limit the number of Placement Units so that the Proposed Acquisition can be yield accretive. Consequently, the Proposed Placement will raise total gross proceeds of between RM87.6 million and RM167.1 million, which corresponds to the amount of equity proceeds required if the debt financing procured is based on LTV Ratios of 60% and 25% respectively. The Minimum Gearing Scenario and Maximum Gearing Scenario are to illustrate the proforma effects using LTV ratios of 25% and 60% respectively.

To demonstrate its commitment to CMMT, CMMT Investment Limited, having an interest of approximately 41.74% in CMMT as at LPD, has committed to support the proposed placement of Placement Units at the Issue Price. CMMT Investment Limited has thus given an undertaking to subscribe for its pro-rata stake and additional unsubscribed Placement Units, if any, following the close of the bookbuild.

#### Rationale for the Proposed Placement

The rationale for the Proposed Placement is as follows:

- (i) The Proposed Placement will enable CMMT to raise equity to part finance the Proposed Acquisition, thus lowering the gearing level relative to funding the Proposed Acquisition wholly from debt. CMMT will have sufficient headroom to make future cash acquisitions, which is in line with the capital management and growth strategy of CMMT; and
- (ii) The Proposed Placement will involve the issuance of new Units which will increase the number of Units in circulation and may improve the trading liquidity of CMMT. The Proposed Placement should allow CMMT to attract more local and international institutional investors, thereby potentially enlarging its Unitholder base.

#### Utilisation of proceeds

The proposed gross proceeds from the Proposed Placement is expected to be utilised in the following manner:

Details of the utilisation	Amount of proceeds RM million		Expected timeframe for utilisation from the completion of the Proposed Placement
	Minimum Gearing Scenario	Maximum Gearing Scenario	
Purchase consideration <sup>(1)</sup>	158.8	80.0	Within one (1) month
Estimated expenses for the Proposed Acquisition and the Proposed Placement <sup>(2)</sup>	8.3	7.6	Within six (6) months
	167.1	87.6	

#### Notes:

- (1) To part finance the purchase consideration of RM215.0 million for the Proposed Acquisition. The balance of the purchase consideration is expected to be financed via debt.
- (2) The expenses of the Proposed Acquisition and the Proposed Placement comprise the estimated interest expense on the deposit sum, acquisition fee payable to the Manager, professional fees, fees payable to the relevant authorities and other incidental expenses incurred in relation to the Proposed Acquisition and the Proposed Placement. If the actual expenses are less than this estimated amount, the excess cash shall be used by CMMT for working capital purposes.

#### THE PROPOSED EXEMPTION

(refer to Section 4 of this Circular for further details)

In view of CMMT Investment Limited's commitment as described in Section 3.2 of this Circular, CMMT Investment Limited's unitholding in CMMT after the Proposed Placement may increase by more than 2.0% from 41.74% (as at the LPD). In accordance with the Code, CMMT Investment Limited would then be required to make a mandatory takeover offer on all Units not already held by CMMT Investment Limited after the Proposed Placement. Assuming CMMT Investment Limited subscribes for all the Placement Units and an illustrative Issue Price is RM1.03 per Unit, CMMT Investment Limited's unitholding in CMMT may increase by approximately 6.25% to 47.99% or by approximately 3.45% to 45.19% under the Minimum Gearing Scenario and Maximum Gearing Scenario respectively.

As the purpose of CMMT Investment Limited's undertaking to subscribe for its pro-rata stake and additional unsubscribed Placement Units is to demonstrate its commitment to CMMT, rather than to make a mandatory takeover offer on all Units not already held by CMMT Investment Limited after the Proposed Placement, CMMT Investment Limited will make an application to seek SC's approval for the Proposed Exemption subject to CMMT Investment Limited obtaining the approval of CMMT's non-interested Unitholders for the Proposed Exemption.

#### **Rationale for the Proposed Exemption**

The Proposed Exemption is to allow CMMT Investment Limited to demonstrate its commitment as described in Section 3.2 of this Circular without requiring it to make a mandatory takeover offer on all Units not already held by CMMT Investment Limited after the Proposed Placement, should its unitholding in CMMT increase by more than 2.0%. A mandatory takeover offer on all Units not already held by CMMT Investment Limited after the Proposed Placement could result in the privatisation of CMMT, which is not CMMT Investment Limited's intention.

#### **PROPOSED PLACEMENT TO CMMT INVESTMENT LIMITED**

(refer to Section 5 of this Circular for further details)

As part of the Proposed Placement, up to 69.7 million Placement Units to raise gross proceeds of up to RM69.7 million, representing 41.74% of the total gross proceeds to be raised from the Proposed Placement, will be placed to CMMT Investment Limited.

However, should CMMT Investment Limited not receive the necessary approvals to subscribe for the Placement Units, the number of Placement Units allocated to CMMT Investment Limited shall be placed out to placees by way of bookbuilding. The Placement Units to placees shall thereby increase accordingly, so that gross proceeds of up to RM167.1 million can be raised to part finance the Proposed Acquisition.

#### **Rationale for the Proposed Placement to CMMT Investment Limited**

The Proposed Placement to CMMT Investment Limited is to allow CMMT Investment Limited to retain at least its 41.74% unitholding in CMMT after the Proposed Placement.

#### **PROPOSED PLACEMENT TO PUBLIC INSTITUTIONAL INVESTORS EXCEEDING 10% OF THE PLACEMENT UNITS**

(refer to Section 6 of this Circular for further details)

#### **Details of the Proposed Placement to Public Institutional Investors Exceeding 10% of the Placement Units**

As part of the conditions set out in SC's approval letter to the Manager dated 14 January 2011, the proposed placement of Placement Units to any single placee should not exceed 10% of the total Placement Units to be issued pursuant to the Proposed Placement. Should the Manager intend to place to any single placee more than 10% of the total Placement Units, the Manager is required by the SC to, among other conditions, place it only to Public Institutional Investors as described in Section 9 of this Circular.

#### **Rationale for the Proposed Placement to Public Institutional Investors Exceeding 10% of the Placement Units**

The Proposed Placement to Public Institutional Investors Exceeding 10% of the Placement Units is to provide flexibility to the Manager to place more than 10% of the total Placement Units to any single Public Institutional Investors subsequent to the close of the bookbuild.

## **THE PROPOSED AUTHORITY**

**(refer to Section 7 of this Circular for further details)**

The Manager proposes to seek Unitholders' approval to empower the Board with the flexibility to allot and issue Units at any time and for such purposes as the Board may in its absolute discretion deem fit. Adhering with the REITs Guidelines, the aggregate number of Units to be issued pursuant to the Proposed Authority will not exceed 20% of the approved fund size of CMMT.

For illustrative purposes, based on CMMT's approved fund size of up to approximately 1,512.2 million Units under the Minimum Gearing Scenario, the Proposed Authority will enable the Manager to issue up to approximately 302.4 million Units at its absolute discretion. The Proposed Authority will be effective from the date of Unitholders' approval and shall continue to be in force until 31 December 2011. Thereafter, the general mandate to issue new Units up to 20% of the approved fund size of CMMT may be renewed yearly subject to the approval of the Unitholders.

### **Rationale for the Proposed Authority**

The Proposed Authority will allow CMMT the flexibility to allot and issue new Units to raise funds in the event that the Manager decides to make future acquisitions to enhance the value and attractiveness of CMMT and/or to manage its gearing levels as a result of the future acquisitions.

In addition to the above, the Proposed Authority is also expected to improve the trading liquidity of the Units when utilised.

## **THE PROPOSED INCREASE IN FUND SIZE**

**(refer to Section 8 of this Circular for further details)**

The Manager proposes to increase the existing approved fund size of CMMT from 1,350.0 million Units to a maximum of 2,000.0 million Units.

### **Rationale for the Proposed Increase in Fund Size**

The Proposed Increase in Fund Size will accommodate the increase in new Units to be issued pursuant to the Proposed Placement, Proposed Authority and any subsequent new issuance of Units (which shall include, among other things, the issuance of new Units in lieu of cash to pay Management Fees or arising from any future corporate proposals, subject to the relevant approvals, where applicable, having been obtained).

## **CONDITIONALITY OF THE PROPOSALS**

The Proposed Acquisition, the Proposed Placement and the Proposed Exemption are interconditional. The Proposed Placement to CMMT Investment Limited and the Proposed Placement to Public Institutional Investors Exceeding 10% of the Placement Units are conditional upon the Proposed Placement. The Proposed Placement and the Proposed Authority are conditional upon the Proposed Increase in Fund Size. Save as disclosed above, the Proposals are not conditional upon each other.



**PART A**  
**LETTER TO UNITHOLDERS IN RELATION TO THE PROPOSALS**

## LETTER TO UNITHOLDERS IN RELATION TO THE PROPOSALS

**CAPITAMALLS MALAYSIA REIT MANAGEMENT SDN. BHD.**  
*(Formerly known as CapitaRetail Malaysia REIT Management Sdn. Bhd.)*  
*(Company No.: 819351-H)*  
*(Incorporated in Malaysia under the Companies Act, 1965)*

**Registered Office:**

Level 2, Ascott Kuala Lumpur,  
No. 9 Jalan Pinang  
50450 Kuala Lumpur

23 February 2011

### The Board

Mr Kee Teck Koon *(Chairman and Non-Independent Non-Executive Director)*  
Mr Lim Beng Chee *(Non-Independent Non-Executive Director)*  
Mr Ng Kok Siong *(Non-Independent Non-Executive Director)*  
Mr Lock Wai Han *(Non-Independent Non-Executive Director)*  
Datuk Mohd Najib Bin Abdullah *(Non-Independent Non-Executive Director)*  
Mr IG Chandran (Gnanachandran S Ayadurai) *(Independent Non-Executive Director)*  
Ms Tan Siew Bee *(Independent Non-Executive Director)*  
Mr Peter Tay Buan Huat *(Independent Non-Executive Director)*  
Ms Sharon Lim Hwee Li *(Non-Independent Executive Director)*

To: Unitholders

Dear Sir / Madam,

- (I) Proposed Acquisition
- (II) Proposed Placement
- (III) Proposed Exemption
- (IV) Proposed Placement to CMMT Investment Limited
- (V) Proposed Placement to Public Institutional Investors Exceeding 10% of the Placement Units
- (VI) Proposed Authority
- (VII) Proposed Increase in Fund Size

### 1. INTRODUCTION

On 12 November 2010, on behalf of the Board, CIMB announced that the Trustee, on behalf of CMMT, and together with CGSB, had on 12 November 2010 entered into a conditional sale and purchase agreement with GPSB for the acquisition of Gurney Plaza Extension Property for a purchase consideration of RM215.0 million.

On the same date, on behalf of the Board, CIMB also announced that the Manager proposed to undertake the Proposed Placement, Proposed Placement to CMMT Investment Limited, Proposed Authority and Proposed Increase in Fund Size.

On 7 January 2011, on behalf of the Board, CIMB announced that CMMT Investment Limited will seek the approval for the Proposed Exemption from the non-interested Unitholders and the SC, in view of the Code which was introduced by the SC and effective on 15 December 2010. Please refer to Section 4 of this Circular for further details.

On 17 January 2011, on behalf of the Board, CIMB announced that CMMT has obtained the approval from the SC on the proposed value as tabled below for Gurney Plaza Extension Property through its letter dated 14 January 2011.

Details	Vendor	Purchase consideration
Gurney Plaza Extension Property	GPSB	RM215.0 million which shall be satisfied in cash, raised via debt financing and the Proposed Placement

In the same approval letter, SC had also approved the Proposed Placement and Proposed Increase in Fund Size, subject to conditions as set out in Section 9 of this Circular.

On 21 January 2011, on behalf of the Board, CIMB announced that pursuant to the Code, the Manager and its Board are now presumed to be persons acting in concert with CMMT Investment Limited. Therefore, the Board is required to abstain from deliberation and making a recommendation on the Proposed Exemption to the Unitholders. Please refer to Section 12.1 of this Circular for further details. In compliance with the requirements of the Code, the Trustee has appointed HLIB to act as the Independent Adviser to the non-interested Unitholders in respect of the Proposed Exemption. The IAL prepared by HLIB together with their recommendations are set out in Part B of this Circular.

Bursa Securities, through its letter dated 22 February 2011, approved the listing of and quotation for the new Units to be issued pursuant to the Proposed Placement on the Main Market of Bursa Securities.

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE UNITHOLDERS WITH THE DETAILS OF THE PROPOSALS. CMMT WILL BE SEEKING UNITHOLDERS' APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS, WHICH WILL BE TABLED AT THE FORTHCOMING MEETING. THE NOTICE OF THE MEETING TOGETHER WITH THE FORM OF PROXY IS ENCLOSED WITH THIS CIRCULAR.**

**THE INFORMATION CONTAINED IN THE APPENDICES FORMS PART OF THIS CIRCULAR. THE RESOLUTIONS PERTAINING TO THE PROPOSALS SET OUT HEREIN ARE TO BE READ TOGETHER WITH THIS CIRCULAR AND THE APPENDICES.**

**UNITHOLDERS ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR AND THE IAL SET OUT IN PART B OF THIS CIRCULAR IN RELATION TO THE PROPOSED EXEMPTION TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS, WHICH WILL BE TABLED AT THE FORTHCOMING MEETING.**

## **2. THE PROPOSED ACQUISITION**

### **2.1 Description of Gurney Plaza Extension Property**

Gurney Plaza Extension is a nine (9) storey retail extension block adjoining Gurney Plaza, which is owned by CMMT, with a NLA of approximately 139,964 sq ft as at LPD. Gurney Plaza Extension commenced operations in November 2008 and the approximate age of building is two (2) years. It is a shopping mall located approximately three (3) kilometres to the north-west of the heart of the commercial district of Georgetown centre with postal address of Gurney Plaza Extension, No. 170, Persiaran Gurney, Georgetown, 10050 Penang. Gurney Plaza Extension Property had an Occupancy Rate of 99.3% as at LPD.

The Proposed Acquisition will include 881 car parking bays which consist of 752 car parking bays in Gurney Plaza Extension and 129 car parking bays located in Basement 2 of Gurney Plaza.

Gurney Plaza Land Title is currently registered in the name of GPSB and upon full payment of the purchase consideration by CMMT, will be transferred to CMMT.

Other pertinent information on Gurney Plaza Extension Property is shown in **Appendix I** of this Circular.

### **2.2 Background of the Proposed Acquisition**

Pursuant to the terms of the sale and purchase agreement dated 15 August 2007 entered into between GPSB and CGSB, GPSB has been granted a put option by CGSB to require CGSB to purchase Gurney Plaza Extension Property by 15 August 2012. GPSB has correspondingly granted to CGSB a call option for CGSB to purchase Gurney Plaza Extension Property by 15 August 2013 in the event that GPSB does not exercise its put option by 15 August 2012.

On 5 July 2010, the Manager announced that GPSB had exercised the Put Option to require CGSB to purchase and complete the acquisition of Gurney Plaza Extension Property for an aggregate purchase consideration of RM215.0 million, no later than 15 April 2011 and pursuant to the right of first refusal granted by CMA to CMMT over Gurney Plaza Extension Property ("GPE ROFR"), CGSB would offer to CMMT the first right to purchase Gurney Plaza Extension Property after finalisation of all the terms and conditions for the sale and purchase. As stated in the same announcement, the Manager will seek Unitholders' approval for the Proposed Acquisition should the Manager, on behalf of CMMT, recommend to exercise the GPE ROFR.

Pursuant to the GPE ROFR, CGSB, by its letter dated 11 November 2010 ("Offer Notice") has granted CMMT a first right to purchase Gurney Plaza Extension Property for the purchase consideration of RM215.0 million and upon the terms and conditions contained in the Offer Notice. CMMT had, on 12 November 2010, accepted the offer and had, through the Trustee, entered into the Gurney Plaza Extension Property SPA.

Pursuant to the Put Option, CMA, via CMMT Investment Limited, has an interest in the outcome of the Proposed Acquisition which may be different from the interests of other Unitholders. As such, CMA and CMMT Investment Limited shall abstain from voting in respect of their direct and/or indirect unitholdings on the resolution pertaining to the Proposed Acquisition and have also undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect unitholdings on the resolution pertaining to the Proposed Acquisition.

## 2.3 Basis of purchase consideration for the Proposed Acquisition

The purchase consideration of RM215.0 million was arrived at after taking into consideration the market value of Gurney Plaza Extension Property of RM225.0 million as appraised by PPC International Sdn. Bhd. (being the independent registered valuer appointed by the Trustee and the Manager, on behalf of CMMT). PPC International Sdn. Bhd. has, in its valuation report dated 30 September 2010, assessed the market value of Gurney Plaza Extension Property at RM225.0 million using the income capitalisation and comparison methods.

## 2.4 Estimated total acquisition cost

The estimated total acquisition cost is approximately RM223.3 million, comprising the following:

Estimated total acquisition cost	RM million	Remarks
Purchase consideration		
- Deposit	21.5	Satisfied in cash. Paid by CGSB to GPSB's solicitors as stakeholders on 19 July 2010 and will be reimbursed by CMMT to CGSB on completion of the Proposed Acquisition <sup>(1)</sup>
- Balance	193.5	To be satisfied in cash and shall be paid on or before 15 April 2011 <sup>(2)</sup>
	215.0	
Acquisition fee	2.2	To be payable to the Manager <sup>(3)</sup>
Estimated expenses for the:		To be payable in cash from the proceeds of the Proposed Placement <sup>(4)</sup>
Proposed Acquisition	1.9	
Proposed Placement	4.2	
	223.3	

### Notes:

- (1) The deposit sum is paid to GPSB's solicitors as stakeholders. The deposit sum will be refunded to CMMT in the event the conditions precedent is not fulfilled and/or upon lawful termination of the Gurney Plaza Extension Property SPA by CMMT.
- (2) Subject to the fulfilment of all the conditions precedent, if CMMT does not pay the balance Purchase Price by 15 April 2011, CMMT is entitled to an extension of one (1) month from 15 April 2011 to pay the balance Purchase Price subject to CMMT paying late payment interest to GPSB at the rate of two per cent (2%) per annum above the prevailing base lending rate of Malayan Banking Berhad. In the event CMMT fails to pay the balance Purchase Price to complete the Proposed Acquisition on or before 15 May 2011, GPSB is entitled to terminate the Gurney Plaza Extension Property SPA and the deposit sum together with the accrued interest on the deposit sum will be forfeited by GPSB as agreed liquidated damages. The deposit sum will not be forfeited if CGSB step in as the "substitute" purchaser to complete the acquisition of Gurney Plaza Extension Property SPA on or before 15 May 2011. Please refer to Section 2.8 of this Circular on the conditions precedent of the Gurney Plaza Extension Property SPA.

- (3) The acquisition fee will represent not more than 1% of the purchase consideration of the Proposed Acquisition, as provided in the Deed. The acquisition fee will be payable as soon as practicable after the completion of the Proposed Acquisition.
- (4) The Proposed Acquisition expenses comprise the estimated interest expense on the deposit sum, estimated professional fees and fees payable to the relevant authorities in relation to the Proposed Acquisition. The Proposed Placement expenses comprise the estimated professional fees and fees payable to the relevant authorities in relation to the Proposed Placement, equity placement fees and other estimated incidental expenses.

## 2.5 Rationale for the Proposed Acquisition

### 2.5.1 Yield accretive

The Proposed Acquisition is in line with the Manager's investment strategy to provide Unitholders with long-term and sustainable distribution of income and potential capital growth.

To illustrate, based on the closing price of the Units of RM1.09 as at 18 February 2011 (being the latest practicable date prior to the printing of this Circular) and at the LTV ratio of 35.0%, the Proposed Acquisition is yield accretive and will result in a higher DPU.

The table below, which is purely for illustrative purposes, shows the overall yield accretion (assuming the completion of the Proposed Acquisition, combined with the proposed debt and equity financing plan) over the Existing Portfolio.

		Assumed gearing scenarios		
		LTV Ratio of 25.0%	LTV Ratio of 35.0%	LTV Ratio of 60.0%
		Yield accretion over the Existing Portfolio (%) <sup>(2)</sup>		
Issue Price (RM) <sup>(1)</sup>	1.00	~	–	1.17%
	1.01	–	–	1.23%
	1.02	–	–	1.29%
	1.03	–	0.04%	1.35%
	1.04	–	0.13%	1.40%
	1.05	–	0.22%	1.46%
	1.06	–	0.31%	1.52%
	1.07	–	0.39%	1.57%
	1.08	0.03%	0.48%	1.62%
	1.09	0.13%	0.56%	1.68%
	1.10	0.22%	0.64%	1.73%
	1.11	0.31%	0.72%	1.78%
	1.12	0.40%	0.80%	1.83%
	1.13	0.49%	0.88%	1.88%
	1.14	0.58%	0.95%	1.93%
1.15	0.66%	1.03%	1.98%	

**Notes:**

- (1) The assumed range of Issue Prices is shown for illustrative purposes only and is pursuant to the Proposed Placement.
- (2) The yield accretion is based on the DPU for Forecast Year 2011 of the Existing Portfolio of 7.45 sen, as disclosed in CMMT's initial public offering prospectus dated 28 June 2010.

## 2.5.2 The Proposed Acquisition will increase the size of CMMT's portfolio

As at the LPD, CMMT is the largest "pure-play" shopping mall REIT by property asset value in Malaysia and the Proposed Acquisition will further strengthen this position. Following the completion of the Proposed Acquisition, CMMT's property asset value is expected to increase from approximately RM2,143.0 million as at 31 December 2010 (being the date of the latest valuation conducted on CMMT's Existing Portfolio), to approximately RM2,368.0 million.

	Existing Portfolio	Gurney Plaza Extension Property	Enlarged Portfolio
NLA <sup>(1)</sup> (sq ft)	1,879,340	139,964	2,019,304
Number of leases <sup>(1)</sup>	1,043	57	1,100
Valuation (RM million)	2,143.0 <sup>(2)</sup>	225.0 <sup>(3)</sup>	2,368.0

### Notes:

- (1) As at LPD.
- (2) Based on the valuation of Existing Portfolio as at 31 December 2010.
- (3) Based on the valuation of Gurney Plaza Extension Property as at 30 September 2010.

## 2.5.3 Bright prospects for Penang's retail industry

The State of Penang is located at the north-western part of Peninsular Malaysia and comprises the island of Penang and Seberang Perai (Province Wellesley), a strip of land on mainland Peninsular Malaysia across the channel from the island. According to statistics obtained from the Socio-Economic & Environment Research Institute (SERI), Penang is expected to achieve economic growth of 4.7% in 2010, and GDP is projected to grow from a forecasted RM31 billion (2010) to RM72 billion (2020) at an average annual rate of 7.0%.

Penang State, which has a population of 1.6 million people, boasts a population density of 1,505 persons per square kilometer, ranking it second in Malaysia after the Federal Territory of Kuala Lumpur. Penang has been and is still the most urbanised and commercially active area in the northern region of Malaysia and acts as a main centre for commerce and the service sector, manufacturing, education and tourism. A popular tourist destination, tourist arrivals to Penang increased from 3.1 million in 2005 to 3.4 million in 2007 and were projected to reach 4.7 million in 2010 and 6.0 million in 2020 by SERI/the Penang Structural Plan 2020. Recent figures released by the Ministry of Tourism show about 6.0 million visitors for 2009, surpassing projections.

*(Source: Independent Property Market Report prepared by Knight Frank (Ooi & Zaharin Sdn Bhd) as disclosed in CMMT's initial public offering prospectus dated 28 June 2010)*

With Penang's strong projected GDP growth, affluent catchment, high population density and popularity as a tourist destination, the Manager views the prospects for Penang's retail industry to be bright. Although the retail property market is expected to be competitive, the Manager believes that the mall comprising Gurney Plaza and Gurney Plaza Extension Property will be able to maintain its leadership position in Penang, due to its competitive strengths (see Section 2.5.4 of this Circular).

See **Appendix V** of this Circular for the overview and outlook of Penang extracted from the independent property market report prepared by Knight Frank (Ooi & Zaharin Sdn Bhd) as disclosed in CMMT's initial public offering prospectus dated 28 June 2010.

#### **2.5.4 Competitive strengths of Gurney Plaza Extension Property**

Gurney Plaza Extension, which commenced operations in November 2008, is strategically located along the southern side of Gurney Drive (Persiaran Gurney), a promenade popular with both locals and tourists. Gurney Plaza Extension Property will contribute an additional 139,964 sq ft as at LPD to the existing NLA of Gurney Plaza, which is owned by CMMT. Combined, Gurney Plaza and Gurney Plaza Extension Property will have a total NLA of 845,536 sq ft as at LPD.

The Manager believes that the competitive strengths of Gurney Plaza Extension Property include its prime location, high occupancy and complementary tenant mix and expects that Gurney Plaza Extension Property will contribute positively to the future performance of CMMT. The competitive strengths are elaborated below.

##### ***Prime location***

Gurney Plaza Extension Property is strategically located along the southern side of Gurney Drive (Persiaran Gurney), a popular sea front promenade frequented by both locals and tourists with notable landmarks such as G Hotel and the Gurney Drive hawker centre, a popular tourist destination for local food, within walking distance. It is approachable from both Gurney Drive and Kelawei Road, thus enjoying two (2) frontages. There is also easy shopper access into the mall from the car parks, which are located both within the building and externally.

##### ***High occupancy***

As at LPD, Gurney Plaza Extension had an Occupancy Rate of 99.3% which is higher than the average occupancy for shopping malls in Penang Island and Malaysia, estimated to be 84.0% and 76.8% respectively in 2009.

*(Source: Independent Property Market Report prepared by Knight Frank (Ooi & Zaharin Sdn Bhd) as disclosed in CMMT's initial public offering prospectus dated 28 June 2010)*

##### ***Complementary tenant mix***

The shopping mall comprising both Gurney Plaza Extension and Gurney Plaza is widely regarded to be the premier lifestyle mall in Penang as well as in the northern region of Malaysia.

Major tenants within Gurney Plaza Extension include established Malaysian and international retailers, such as Parkson, Voir Gallery and Cortina Watch/Mont Blanc. GPE's tenant mix is complementary to that of Gurney Plaza and the two (2) properties combined offer more variety to shoppers in Penang and the northern region of Malaysia.

#### **2.5.5 Operational efficiency and synergies**

The Proposed Acquisition will see Gurney Plaza and Gurney Plaza Extension Property operating as a single shopping mall, which will make it easier for the management to optimise the tenant mix and send a consistent brand message to retailers and shoppers.

Unitholders in CMMT will also potentially benefit from cost synergies from shared marketing and operating expenses.



## 2.6 Method of proposed financing

The Manager intends to fund the Proposed Acquisition through debt and equity (to be raised via the Proposed Placement). See Section 3 of this Circular for details of the Proposed Placement. For the purposes of illustrating the effects of the Proposed Acquisition and Proposed Placement, see Section 2.7 of this Circular.

## 2.7 Effects of the Proposed Acquisition

*The Manager wishes to emphasise that the proforma effects as set out throughout this Circular are based on certain assumptions with the intention of demonstrating the potential financial effects of the Proposed Acquisition and Proposed Placement. They should not be regarded as an indication or reference to the final Issue Price, which will be determined by way of bookbuilding. Moreover, there is no assurance that the actual financing plan will be similar to either the Minimum Gearing Scenario or Maximum Gearing Scenario.*

### *Unitholders' capital*

The proforma effects of the Proposed Acquisition and the Proposed Placement on Unitholders' capital are shown below.

	Number of Units	
	Minimum Gearing Scenario (000)	Maximum Gearing Scenario (000)
As at LPD	1,350,000	1,350,000
To be issued under the Proposed Placement <sup>(1)</sup>	162,213 <sup>(2)</sup>	85,055 <sup>(3)</sup>
Enlarged Unitholders' capital	1,512,213	1,435,055

### **Notes:**

- (1) For illustrative purposes, Issue Price is assumed to be RM1.03.
- (2) The number of units to be issued under the Proposed Placement at the illustrative Issue Price of RM1.03 to raise RM167.1 million (under the Minimum Gearing Scenario).
- (3) The number of units to be issued under the Proposed Placement at the illustrative Issue Price of RM1.03 to raise RM86.7 million (under the Maximum Gearing Scenario).

### *Distribution income*

The Manager intends to distribute all of the distributable income of CMMT for the FYE 2010 and Forecast Year 2011. The Proposed Acquisition and the Proposed Placement are not expected to have any material effect on CMMT's distribution policy as determined by the Board. The decision to declare and pay distributable income in the future would depend on the financial performance and cash flow position of CMMT, and prevailing economic conditions.

### *DPU*

The Manager expects to complete the Proposed Acquisition and Proposed Placement by mid April 2011. As such the Proposed Acquisition and Proposed Placement are not expected to have a material effect on CMMT's distributable income for the FYE 2010. The overall yield accretion for Forecast Year 2011 resulting from the Proposed Acquisition and Proposed Placement is shown in the table in Section 2.5.1 of this Circular.

The table below summarises the profit forecast of the Enlarged Portfolio for the Forecast Year 2011, and must be read in conjunction with the detailed profit forecast together with the Reporting Accountants' letter in **Appendix II** of this Circular.

	Existing Portfolio	Gurney Plaza Extension Property	Enlarged Portfolio	
			Minimum Gearing Scenario	Maximum Gearing Scenario
	RM 000	RM 000	RM 000	RM 000
Gross Revenue	211,288	19,381	230,669	230,669
Property Operating Expenses	(62,892)	(4,200)	(67,092)	(67,092)
<b>Net Property Income</b>	<b>148,396</b>	<b>15,181</b>	<b>163,577</b>	<b>163,577</b>
Interest income	426		426	426
Other income <sup>(1)</sup>	-		5,842	5,842
<b>Net investment income</b>	<b>148,822</b>		<b>169,845</b>	<b>169,845</b>
Manager's Management Fee <sup>(2)</sup>	(14,318)		(15,791)	(15,789)
Trust expenses	(1,506)		(1,634)	(1,634)
Borrowing costs	(41,460)		(44,271)	(48,086)
<b>Profit before taxation</b>	<b>91,538</b>		<b>108,149</b>	<b>104,336</b>
Taxation	-		-	-
<b>Profit after taxation</b>	<b>91,538</b>		<b>108,149</b>	<b>104,336</b>
Add: Distribution adjustment <sup>(3)</sup>	9,744		4,735	4,770
<b>Distributable income</b>	<b>101,282</b>		<b>112,884</b>	<b>109,106</b>

**Notes:**

- (1) Other income comprises the fair value gain of Gurney Plaza Extension Property.
- (2) The Manager's Management Fee excludes the acquisition fee of RM2.2 million which is capitalised as part of the investment property.
- (3) Distribution adjustment comprise fair value gain of Gurney Plaza Extension Property, Manager's management fee payable in Units, depreciation and amortisation of transaction cost on borrowings.

### NAV per Unit and gearing

The table below summarises the proforma effects of the Proposed Acquisition and Proposed Placement on the NAV per Unit and gearing of CMMT and must be read in conjunction with the proforma statement of financial position together with the Reporting Accountants' letter in Appendix III of this Circular.

	Audited as at 30 Sep 2010	After the Proposed Acquisition, Proposed Placement and revaluation	
		Minimum Gearing Scenario	Maximum Gearing Scenario
NAV before income distribution (RM 000)	1,406,845	1,576,370	1,497,870
NAV after income distribution (RM 000) <sup>(1)</sup>	1,385,753	1,555,278	1,476,778
Number of Units (000)	1,350,000	1,512,213	1,435,055
NAV per Unit before income distribution (RM)	1.04	1.04	1.04
NAV per Unit after income distribution (RM)	1.03	1.03	1.03
Total borrowings (RM 000)	750,000	806,250	885,000
Gearing (%) (approximate) <sup>(2)</sup>	33.5%	32.7%	35.9%

#### Notes:

(1) The Manager intends to distribute all of the distributable income of CMMT for the FYE 2010 and Forecast Year 2011.

(2) Total borrowings divided by total assets.

#### Substantial Unitholders' direct unitholdings

The proforma effects of the Proposed Acquisition and Proposed Placement (for both Minimum Gearing Scenario and Maximum Gearing Scenario) on the substantial Unitholders' unitholdings are set out below based on the following minimum and maximum scenarios.

Scenario A: Assuming that CMMT Investment Limited maintains its 41.74% unitholdings after the Proposed Placement.

Scenario B: Assuming that CMMT Investment Limited were to subscribe for all the Placement Units pursuant to the Proposed Placement, as described in Section 3.2 of this Circular.

#### Minimum Gearing Scenario

Substantial Unitholder	As at 18 Feb 2011		After the Proposed Placement			
	Number of Units held	% of Units issued	Scenario A		Scenario B	
			Number of Units held	% of Units issued	Number of Units held	% of Units issued
CMMT Investment Limited	563,478,000	41.74	631,185,889	41.74	725,691,439	47.99
Employees Provident Fund Board <sup>(1)(2)</sup>	114,273,600	8.47	114,273,600	7.56	114,273,600	7.56
AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera <sup>(1)(3)</sup>	97,091,700	7.19	97,091,700	6.42	97,091,700	6.42
<b>Total</b>	<b>774,843,300</b>	<b>57.40</b>	<b>842,551,189</b>	<b>55.72</b>	<b>937,056,739</b>	<b>61.97</b>
<b>Total issued and paid-up Units</b>	<b>1,350,000,000</b>	<b>100.00</b>	<b>1,512,213,439</b>	<b>100.00</b>	<b>1,512,213,439</b>	<b>100.00</b>

### Maximum Gearing Scenario

Substantial Unitholder	As at 18 Feb 2011		After the Proposed Placement			
			Scenario A		Scenario B	
	Number of Units held	% of Units issued	Number of Units held	% of Units issued	Number of Units held	% of Units issued
CMMT Investment Limited	563,478,000	41.74	598,980,035	41.74	648,533,186	45.19
Employees Provident Fund Board <sup>(1) (2)</sup>	114,273,600	8.47	114,273,600	7.96	114,273,600	7.96
AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera <sup>(1) (3)</sup>	97,091,700	7.19	97,091,700	6.77	97,091,700	6.77
<b>Total</b>	<b>774,843,300</b>	<b>57.40</b>	<b>810,345,335</b>	<b>56.47</b>	<b>859,898,486</b>	<b>59.92</b>
<b>Total issued and paid-up Units</b>	<b>1,350,000,000</b>	<b>100.00</b>	<b>1,435,055,186</b>	<b>100.00</b>	<b>1,435,055,186</b>	<b>100.00</b>

#### Notes:

- (1) Assuming the substantial Unitholder will not be subscribing for any Placement Units.
- (2) Based on the notification of the change in substantial Unitholder's interest made by Employees Provident Fund Board received by the Manager on 11 February 2011.
- (3) Based on the notification of the change in substantial Unitholder's interest made by AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera received by the Manager on 19 January 2011.

## 2.8 Conditions precedent of the Gurney Plaza Extension Property SPA

The principal terms of the Gurney Plaza Extension Property SPA include, among other things, the following conditions precedent:

- (i) the approval of the SC on the valuation of Gurney Plaza Extension Property;
- (ii) the following being obtained in respect of the Proposed Placement:
  - (a) the approvals and/or waivers of the relevant authorities, including the SC, existing cornerstone investors and such other parties as may be required, for the issuance and allotment of Placement Units;
  - (b) the approval of the Unitholders authorising the purchase of Gurney Plaza Extension Property and the issuance and placement of the Placement Units; and
  - (c) the approval of Bursa Securities for the listing and quotation of the Placement Units on the Main Market of Bursa Securities; and
- (iii) the written confirmation by the Manager to GPSB confirming that the Trustee has obtained all requisite approvals for the acquisition of Gurney Plaza Extension Property and the requisite funds for settlement of the balance Purchase Price.

Please refer to Section 9 of this Circular on the status of the relevant approvals.

In the event the conditions precedent set out above are rejected or not obtained on or before 30 March 2011 (or such extended period as the parties may mutually agree), CGSB or a related entity of CMA nominated by CGSB shall step in as the "substitute purchaser" to complete the acquisition of Gurney Plaza Extension Property in lieu of the Trustee.

The other salient terms of the Gurney Plaza Extension Property SPA are shown in Appendix VI of this Circular.

## **2.9 Estimated additional financial commitment required of CMMT**

There is no requirement for any additional financial commitment from CMMT, except for capital expenditure which is incurred in the course of its normal operations, since Gurney Plaza Extension is already established and fully operational with an Occupancy Rate of 99.3% as at LPD.

## **2.10 Information on GPSB**

GPSB is a private company, incorporated and domiciled in Malaysia. As at LPD, its authorised share capital is RM100.0 million comprising 100.0 million ordinary shares of RM1.00 each while its issued and paid up share capital is RM73.4 million comprising 73.4 million ordinary shares of RM1.00 each. The principal activities of GPSB are that of investment in properties and letting of properties.

As at LPD, the directors of GPSB are Mr Phuah Choon Meng, Mr David Eng Hui Cheh, Mr Lai Tuck Meng, Mr Phuah Ken Lin, Mr Goh Leng Seng and Mr Lee Chin Yin.

As at LPD, the company is a wholly owned subsidiary of Etika Cekap Sdn Bhd, a company incorporated in Malaysia.

## **3. THE PROPOSED PLACEMENT**

### **3.1 Funds to be raised**

The Manager proposes to undertake the proposed placement of up to 167.1 million Placement Units to raise gross proceeds of between RM87.6 million to RM167.1 million.

#### *Minimum Gearing Scenario*

Under the Minimum Gearing Scenario, the Manager will undertake the proposed placement of Placement Units to raise gross proceeds of RM167.1 million, where:

- (i) RM97.4 million shall be raised from the proposed placement of Placement Units to places to be identified during bookbuilding, at the Issue Price; and
- (ii) RM69.7 million shall be raised from the Proposed Placement to CMMT Investment Limited at the Issue Price.

#### *Maximum Gearing Scenario*

Under the Maximum Gearing Scenario, the Manager will undertake the proposed placement of Placement Units to raise gross proceeds of RM87.6 million, where:

- (i) RM51.0 million shall be raised from the proposed placement of Placement Units to places to be identified during bookbuilding, at the Issue Price; and
- (ii) RM36.6 million shall be raised from the Proposed Placement to CMMT Investment Limited at the Issue Price.

The actual number of Placement Units to be issued will depend on the eventual financing plan adopted by the Manager and the Issue Price, which shall be determined after the close of the bookbuild. The basis to determine the actual number of Placement Units will be decided by the Manager based on the optimal debt to equity ratio so that the Proposed Acquisition will be yield accretive. The Maximum Gearing Scenario's LTV of 60% is based on the maximum debt financing arrangements that the Manager has put in place, while the Minimum Gearing Scenario's LTV of 25% is to limit the number of Placement Units so that the Proposed Acquisition can be yield accretive. Consequently, the Proposed Placement will raise total gross proceeds of between RM87.6 million and RM167.1 million, which corresponds to the amount of equity proceeds required if the debt financing procured is based on LTV Ratios of 60% and 25% respectively. The Minimum Gearing Scenario and Maximum Gearing Scenario are to illustrate the proforma effects using LTV ratios of 25% and 60% respectively. The proforma effects of the Proposed Acquisition and Proposed Placement for both the Minimum Gearing Scenario and Maximum Gearing Scenario on the substantial Unitholders' unitholdings are set out in Section 2.7 of this Circular.

### **3.2 CMMT Investment Limited's commitment**

To demonstrate its commitment to CMMT, CMMT Investment Limited, having an interest of approximately 41.74% in CMMT as at LPD, has committed to support the proposed placement of Placement Units at the Issue Price. CMMT Investment Limited has thus given an undertaking via a letter dated 12 November 2010, to subscribe for its pro-rata stake and additional unsubscribed Placement Units, if any, following the close of the bookbuild. Assuming CMMT Investment Limited subscribes for all the Placement Units and an illustrative Issue Price is RM1.03 per Unit, CMMT Investment Limited's unitholding in CMMT may increase by approximately 6.25% to 47.99% or by approximately 3.45% to 45.19% under the Minimum Gearing Scenario and Maximum Gearing Scenario respectively.

### **3.3 Rationale for the Proposed Placement**

The rationale for the Proposed Placement is as follows:

- (i) Clause 8.37 of the REITs Guidelines stipulates that the total borrowings of a fund (including borrowings through issuance of debt securities) should not exceed 50.0% of the total asset value of the fund at the time the borrowings are incurred, unless the sanction of the Unitholders by way of an ordinary resolution is obtained. The gearing level of CMMT is approximately 33.5% of the total asset value as at 30 September 2010. If the Proposed Acquisition is funded totally by debt financing, it will increase the gearing level to approximately 39.5% of total asset value. The Proposed Placement will enable CMMT to raise equity to part finance the Proposed Acquisition, thus lowering the gearing level, relative to funding the Proposed Acquisition wholly from debt. CMMT will have sufficient headroom to make future cash acquisitions, which is in line with the capital management and growth strategy of CMMT. Please refer to Section 2.7 of this Circular for the financial effects of the Proposed Placement at different gearing levels; and
- (ii) The Proposed Placement will involve the issuance of new Units which will increase the number of Units in circulation and may improve the trading liquidity of CMMT. The Proposed Placement should allow CMMT to attract more local and international institutional investors, thereby potentially enlarging its Unitholder base.

### 3.4 Utilisation of proceeds

The proposed gross proceeds from the Proposed Placement is expected to be utilised in the following manner:

Details of the utilisation	Amount of proceeds RM million		Expected timeframe for utilisation from the completion of the Proposed Placement
	Minimum Gearing Scenario	Maximum Gearing Scenario	
Purchase consideration <sup>(1)</sup>	158.8	80.0	Within one (1) month
Estimated expenses for the Proposed Acquisition and the Proposed Placement <sup>(2)</sup>	8.3	7.6	Within six (6) months
	167.1	87.6	

**Notes:**

- (1) *To part finance the purchase consideration of RM215.0 million for the Proposed Acquisition. The balance of the purchase consideration is expected to be financed via debt.*
- (2) *The expenses of the Proposed Acquisition and the Proposed Placement comprise the estimated interest expense on the deposit sum, acquisition fee payable to the Manager, professional fees, fees payable to the relevant authorities and other incidental expenses incurred in relation to the Proposed Acquisition and the Proposed Placement. See Section 2.4 of this Circular for details of the estimated total acquisition cost for the Proposed Acquisition. If the actual expenses are less than this estimated amount, the excess cash shall be used by CMMT for working capital purposes.*

### 3.5 Pricing of Placement Units

The Issue Price will be fixed at a date to be determined later by way of bookbuilding.

For the avoidance of doubt, CMMT Investment Limited will not influence the manner in which the book builds for the Proposed Placement nor the determination of the Issue Price. CMMT Investment Limited, as a price-taker, shall accept the final price for its Placement Units, being the Issue Price which shall be determined once the bookbuilding exercise is closed and shall be duly announced on Bursa Securities.

### 3.6 Placement of Units

The Placement Units will be placed out by way of bookbuilding by one or more placement agents appointed/to be appointed by the Manager and the placees (save for CMMT Investment Limited) will be identified at a later stage.

The Placement Units are not intended to be placed out to any Interested Persons, save for CMMT Investment Limited, which is a wholly owned subsidiary of CMA. The SC has granted the Manager an exemption from complying with Clauses 14.04 (a) (ii) and (iii) of the REITs Guidelines, in respect of the Proposed Placement to CMMT Investment Limited. See Section 3.8 of this Circular for further details.

The Placement Units may also be offered to CMMT's substantial Unitholders who are institutional fund managers.

CMMT and the placement agent(s) shall, in relation to the Proposed Placement, ensure full compliance with the provisions of the REITs Guidelines.

For such purpose, CMMT has appointed CIMB and JPMorgan as placement agents to procure prospective placees for the Placement Units, after the receipt of all relevant approvals (where applicable) for the Proposed Placement. CMMT will make a further announcement to Bursa Securities should it appoint any other placement agents (i.e. in addition to CIMB and JPMorgan) for the Proposed Placement.

The Placement Units may be offered to local and foreign institutional investors. However, the Proposed Placement will not be an offer of securities for sale into the United States of America (US). The Placement Units may not be offered or sold in the US or to or for the account or benefit of US persons (as such term is defined in Regulation S under the US Securities Act of 1933), unless they are registered or exempt from registration.

The Placement Units will be listed and quoted on the Main Market of Bursa Securities.

### **3.7 Status and ranking of the Placement Units**

The Placement Units shall, upon issue and allotment, rank equally in all respects with the existing Units. The Placement Units will not be entitled to any distributable income, right, benefit, entitlement and/or any other distributions that may be declared prior to the date of the issue and allotment of the Placement Units.

### **3.8 Waiver from the REITs Guidelines**

#### *Placees other than CMMT Investment Limited*

On 14 January 2011, the Manager, on behalf of CMMT, obtained the approval from the SC for an exemption from complying with Clauses 14.04(a)(i) to (iii) of the REITs Guidelines, as the Proposed Placement will be partly undertaken by way of bookbuilding.

Clauses 14.04(a)(i) to (iii) of the REITs Guidelines state that where an issue of units departs from any of the applicable requirements stipulated in Clause 14.03 (*See Section 7.1 of this Circular for the requirements of Clause 14.03*) of the REITs Guidelines, the management company must obtain unitholders' approval by way of an ordinary resolution for the precise terms and conditions of the issue, in particular on the following:

- (i) the persons to whom the units will be issued/placed;
- (ii) the amount of units to be placed to each of them; and
- (iii) issue price of the units or, in a situation where such prices are to be determined after the date of unitholders' approval, the basis or formula of determining such prices.

#### *CMMT Investment Limited as a placee*

An exemption was also obtained by the Manager, on behalf of CMMT, on 14 January 2011 from the SC from complying with Clauses 14.04(a)(ii) and (iii) of the REITs Guidelines, which require that unitholders' approval be obtained for the amount of Placement Units to be placed to CMMT Investment Limited and the issue price of the Placement Units or, in a situation where such prices are to be determined after the date of unitholders' approval, the basis or formula for determining such prices. The issue price of the Placement Units to CMMT Investment Limited will be fixed at the same Issue Price that the Placement Units are offered to the other placees.



### *Conditions imposed by the SC in relation to Proposed Placement to CMMT Investment Limited*

The conditions imposed by the SC for the abovementioned exemptions which the Manager will comply with are as follows:

- (i) The placement of up to 167.1 million Placement Units will be by way of bookbuilding and are not intended to be placed out to any interested persons of the Manager, save for CMMT Investment Limited;
- (ii) Placement of new Units to be allotted to CMMT Investment Limited are subject to Unitholders' approval; and
- (iii) The issue price of the Placement Units to be allotted to CMMT Investment Limited will be fixed at the same issue price of the Placement Units offered to the other places determined upon the close of the bookbuild.

### **3.9 Effects of the Proposed Placement**

Please refer to Section 2.7 of this Circular for the effects of the Proposed Placement.

## **4. THE PROPOSED EXEMPTION**

### **4.1 Details of the Proposed Exemption**

In view of CMMT Investment Limited's commitment as described in Section 3.2 of this Circular, CMMT Investment Limited's unitholding in CMMT after the Proposed Placement may increase by more than 2.0% from 41.74% (as at the LPD). In accordance with the Code, CMMT Investment Limited would then be required to make a mandatory takeover offer on all Units not already held by CMMT Investment Limited after the Proposed Placement. Assuming CMMT Investment Limited subscribes for all the Placement Units and an illustrative Issue Price is RM1.03 per Unit, CMMT Investment Limited's unitholding in CMMT may increase by approximately 6.25% to 47.99% or by approximately 3.45% to 45.19% under the Minimum Gearing Scenario and Maximum Gearing Scenario respectively.

As the purpose of CMMT Investment Limited's undertaking to subscribe for its pro-rata stake and additional unsubscribed Placement Units is to demonstrate its commitment to CMMT, rather than to make a mandatory takeover offer on all Units not already held by CMMT Investment Limited after the Proposed Placement, CMMT Investment Limited will make an application to seek SC's approval for the Proposed Exemption subject to CMMT Investment Limited obtaining the approval of CMMT's non-interested unitholders for the Proposed Exemption.

### **4.2 Rationale for the Proposed Exemption**

The Proposed Exemption is to allow CMMT Investment Limited to demonstrate its commitment as described in Section 3.2 of this Circular without requiring it to make a mandatory takeover offer on all Units not already held by CMMT Investment Limited after the Proposed Placement, should its unitholding in CMMT increase by more than 2.0%. A mandatory takeover offer on all Units not already held by CMMT Investment Limited after the Proposed Placement could result in the privatisation of CMMT, which is not CMMT Investment Limited's intention.

#### **4.3 Effects of the Proposed Exemption**

*Unitholders' capital, distribution income, DPU, NAV per Unit, gearing and substantial Unitholders' direct unitholdings*

The Proposed Exemption will not have any effect on the Unitholders' capital, distribution income, DPU, NAV per Unit, gearing and substantial Unitholders' direct unitholdings of CMMT.

### **5. THE PROPOSED PLACEMENT TO CMMT INVESTMENT LIMITED**

#### **5.1 Details of the Proposed Placement to CMMT Investment Limited**

As part of the Proposed Placement, up to 69.7 million Placement Units to raise gross proceeds of up to RM69.7 million, representing 41.74% of the total gross proceeds to be raised from the Proposed Placement, will be placed to CMMT Investment Limited.

However, should CMMT Investment Limited not receive the necessary approvals to subscribe for the Placement Units, the number of Placement Units allocated to CMMT Investment Limited shall be placed out to placees by way of bookbuilding. The Placement Units to placees shall thereby increase accordingly, so that gross proceeds of up to RM167.1 million can be raised to part finance the Proposed Acquisition.

#### **5.2 Rationale for the Proposed Placement to CMMT Investment Limited**

The Proposed Placement to CMMT Investment Limited is to allow CMMT Investment Limited to retain at least its 41.74% unitholding in CMMT after the Proposed Placement.

#### **5.3 Effects of the Proposed Placement to CMMT Investment Limited**

As the Proposed Placement to CMMT Investment Limited forms part of the Proposed Placement, please refer to Section 2.7 of this Circular for the effects of the Proposed Placement to CMMT Investment Limited.

### **6. THE PROPOSED PLACEMENT TO PUBLIC INSTITUTIONAL INVESTORS EXCEEDING 10% OF THE PLACEMENT UNITS**

#### **6.1 Details of the Proposed Placement to Public Institutional Investors Exceeding 10% of the Placement Units**

As part of the conditions set out in SC's approval letter to the Manager dated 14 January 2011, the proposed placement of Placement Units to any single placee should not exceed 10% of the total new Units to be issued pursuant to the Proposed Placement. Should the Manager intend to place to any single placee more than 10% of the total Placement Units, the Manager is required by the SC to, among other conditions, place it only to Public Institutional Investors as described in Section 9 of this Circular.

#### **6.2 Rationale for the Proposed Placement to Public Institutional Investors Exceeding 10% of the Placement Units**

The Proposed Placement to Public Institutional Investors Exceeding 10% of the Placement Units is to provide flexibility to the Manager to place more than 10% of the total Placement Units to any single Public Institutional Investors subsequent to the close of the bookbuild.

### 6.3 Effects of the Proposed Placement to Public Institutional Investors Exceeding 10% of the Placement Units

As the Proposed Placement to Public Institutional Investors Exceeding 10% of the Placement Units forms part of the Proposed Placement, please refer to Section 2.7 of this Circular for the effects of the Proposed Placement to Public Institutional Investors Exceeding 10% of the Placement Units.

## 7. THE PROPOSED AUTHORITY

### 7.1 Details of the Proposed Authority

Clause 14.03 of the REITs Guidelines, stipulates that:

*"Where the unitholders of a fund have, via a resolution in a general meeting, given a general mandate to the management company to issue units, any issue of units under such general mandate must comply with the following requirements:*

- (i) The number of units to be issued, when aggregated with the number of units issued during the preceding twelve (12) months, must not exceed 20% of the approved fund size;*
- (ii) Placement to one single placee for the number of units to be issued under subclause (a) must not exceed 10% of the approved fund size;*
- (iii) Units must not be placed at more than 10% discount to the weighted average market price of the units for the five (5) market days immediately prior to the price-fixing date;*
- (iv) The principal adviser must act as the placement agent for the placement of units; and*
- (v) Units must not be placed to-*
  - a) interested persons of the management company, whether in their own names or through nominees;*
  - b) persons connected to the interested persons mentioned in sub-clause (i) above; or*
  - c) nominee companies, unless the names of the ultimate beneficiaries are disclosed."*

Based on the REITs Guidelines, the Proposed Authority will empower the Board with the flexibility to allot and issue Units at any time and for such purposes as the Board may in its absolute discretion deem fit, provided that the aggregate number of Units to be issued pursuant to the Proposed Authority does not exceed 20% of the approved fund size of CMMT. For illustrative purposes, based on CMMT's approved fund size of up to approximately 1,512.2 million Units under the Minimum Gearing Scenario, the Proposed Authority will enable the Manager to issue up to approximately 302.4 million Units at its absolute discretion. The Proposed Authority will be effective from the date of Unitholders' approval and shall continue to be in force until 31 December 2011. Thereafter, the general mandate to issue new Units up to 20% of the approved fund size of CMMT may be renewed yearly subject to the approval of the Unitholders.

## **7.2 Rationale for the Proposed Authority**

The Proposed Authority will allow CMMT the flexibility to allot and issue new Units to raise funds in the event that the Manager decides to make future acquisitions to enhance the value and attractiveness of CMMT and/or to manage its gearing as a result of the future acquisitions.

In addition to the above, the Proposed Authority is also expected to improve the trading liquidity of the Units when utilised.

## **7.3 Effects of the Proposed Authority**

### *Unitholders' capital and substantial Unitholders' direct unitholdings*

The effects of the Proposed Authority on Unitholders' capital and substantial Unitholders' direct unitholdings will depend on the number of new Units to be issued in the future.

### *Distribution income*

The Manager intends to distribute all of the distributable income of CMMT for the FYE 2010 and Forecast Year 2011. The Proposed Authority is not expected to have any material effect on CMMT's distribution policy as determined by the Board. The decision to declare and pay distributable income in the future would depend on the financial performance and cash flow position of CMMT, and prevailing economic conditions.

### *DPU*

Any immediate dilution as a result of the increase in the number of Units issued is expected to be offset by the improved future earnings of CMMT attributable to the returns generated from the use of funds raised from any issuance of such new Units pursuant to the Proposed Authority.

### *NAV per Unit and gearing*

The effects of the Proposed Authority on the NAV per Unit and gearing of CMMT will depend on the Unit issue price and the number of Units to be issued under the Proposed Authority in the future.

## **8. THE PROPOSED INCREASE IN FUND SIZE**

### **8.1 Details of the Proposed Increase in Fund Size**

The Manager proposes to increase the existing approved fund size of CMMT from 1,350.0 million Units to a maximum of 2,000.0 million Units.

### **8.2 Rationale for the Proposed Increase in Fund Size**

The Proposed Increase in Fund Size will accommodate the increase in new Units to be issued pursuant to the Proposed Placement, Proposed Authority and any subsequent new issuance of Units (which shall include, among other things, the issuance of new Units in lieu of cash to pay Management Fees or arising from any future corporate proposals, subject to the relevant approvals, where applicable, having been obtained).

### **8.3 Effects of the Proposed Increase in Fund Size**

*Unitholders' capital, DPU, NAV per Unit, gearing and substantial Unitholders' direct unitholdings*

The effects of the Proposed Increase in Fund Size on Unitholders' capital, DPU, NAV per Unit, gearing and substantial Unitholders' direct unitholdings will depend on the number of new Units to be issued, resulting in the corresponding increase in fund size.

#### *Distribution income*

The Manager intends to distribute all of the distributable income of CMMT for the FYE 2010 and Forecast Year 2011. The Proposed Increase in Fund Size is not expected to have any material effect on CMMT's distribution policy as determined by the Board. The decision to declare and pay distributable income in the future would depend on the financial performance and cash flow position of CMMT, and prevailing economic conditions.

### **9. APPROVALS REQUIRED AND CONDITIONALITY OF THE PROPOSALS**

The Proposals are subject to and conditional upon approvals being obtained from the following parties:

- (i) the SC for the Proposed Placement, which was obtained on 14 January 2011, for the following:
  - (a) issuance of the Placement Units (and the corresponding increase in fund size) pursuant to the Proposed Placement;
  - (b) listing of and quotation for the Placement Units on the Main Market of Bursa Securities;
  - (c) valuation of Gurney Plaza Extension Property, given that CMMT intends to use the new proceeds from the Proposed Placement to part finance the Proposed Acquisition;
- (ii) the SC for the Proposed Increase in Fund Size, which was obtained on 14 January 2011;
- (iii) the SC for the Proposed Exemption;
- (iv) the SC for the Proposed Placement to Public Institutional Investors Exceeding 10% of the Placement Units;
- (v) Bursa Securities for the listing of and quotation for the Placement Units on the Main Market of Bursa Securities, which was obtained on 22 February 2011;
- (vi) Unitholders at the forthcoming Meeting for the Proposals; and
- (vii) any other relevant regulatory authorities or parties for the Proposals, if required.

#### *Conditions imposed by the SC*

The SC has set the following conditions in relation to the Proposed Placement which the Manager will comply:

- (i) The placees are not related parties (save for CMMT Investment Limited) of the Manager whether in their own names or through nominees;
- (ii) The number of new Units to be placed to a placee is capped at not more than 10% of the Placement Units to be issued; and
- (iii) The 10% limit can be increased, subject to the following:
  - (a) Unitholders' approval is required via resolution in a general meeting;

- (b) the placees are limited to Public Institutional Investors; and
  - (c) SC's specific approval is required for the increased allocation exceeding 10%.
- (iv) The Manager and its adviser are required to inform the SC prior to the listing of the Placement Units:
- (a) the actual number of Units issued;
  - (b) the date of issuance of the Units;
  - (c) the date of listing of, and the quotation for, the Placement Units on the Main Market of Bursa Securities.

The SC has also set the following conditions in relation to the payment of Management Fees and Proposed Authority which the Manager will comply:

- (i) Announcement to Unitholders must be made on the 180.0 million new Units that will be reserved for issuance to the Manager as Management Fee; and
- (ii) SC notes that an application will be made to the SC to seek approval for the listing of, and quotation for up to 482.9 million new Units prior to its issuance.

*Conditionality of the Proposals*

The Proposed Acquisition, the Proposed Placement and the Proposed Exemption are interconditional. The Proposed Placement to CMMT Investment Limited and the Proposed Placement to Public Institutional Investors Exceeding 10% of the Placement Units are conditional upon the Proposed Placement. The Proposed Placement and the Proposed Authority are conditional upon the Proposed Increase in Fund Size. Save as disclosed above, the Proposals are not conditional upon each other.

**10. RISK FACTORS**

Unitholders should consider the following risk factors (which represent the risks in relation to the Proposed Acquisition but may not be exhaustive) in addition to the other information contained in this Circular before voting on the ordinary resolution pertaining to the Proposals:

- (i) Increased competition from other retail properties or between retailers could have an adverse effect on CMMT's financial condition and results of operations;
- (ii) Decreases in the gross rental income and the value of Gurney Plaza Extension Property would have an adverse effect on CMMT's financial condition and results of operations;
- (iii) The valuation of Gurney Plaza Extension Property is based on various assumptions and the price at which CMMT is able to sell Gurney Plaza Extension Property may be different from the appraised value or the initial acquisition price of Gurney Plaza Extension Property;
- (iv) Due diligence on Gurney Plaza Extension Property may not identify all material defects, breaches of laws and regulations and other deficiencies;
- (v) CMMT may suffer material losses in excess of insurance proceeds;
- (vi) Compulsory acquisitions by the Malaysian Government could adversely affect the value of Gurney Plaza Extension Property, which would impair CMMT's financial condition and results of operations;
- (vii) Registration of transfer of Gurney Plaza Land Title may be delayed;

- (viii) Inaccuracy of the profit and distribution forecast and forward-looking statements could result in a decrease in the market price for the Units;
- (ix) CMMT is subject to risks inherent in its higher concentration of investment in Penang;
- (x) CMMT will depend on external financing to part finance the Proposed Acquisition and its ability to pay distributions may be adversely affected by this new loan agreement combined with CMMT's current financing arrangements and/or future loan agreements or any interest rates fluctuation;
- (xi) There are limitations on CMMT's ability to leverage; and
- (xii) There can be no assurance that the SC will grant the approval for the Proposed Exemption.

The details of the abovementioned risk factors are shown in **Appendix VII** of this Circular.

## 11. RELATED PARTY TRANSACTIONS

The Proposed Acquisition is not deemed to be a related party transaction under Chapter 9 of the REITs Guidelines.

## 12. INTERESTS OF THE DIRECTORS AND MAJOR SHAREHOLDER OF THE MANAGER, MAJOR UNITHOLDERS AND PERSONS CONNECTED

None of the Directors, major shareholders of the Manager, major Unitholders and persons connected to them is interested in the Proposed Placement to Public Institutional Investors Exceeding 10% of the Placement Units, Proposed Authority and Proposed Increase in Fund Size.

Save as disclosed below, the Manager is not aware of any other Directors, major shareholders of the Manager, major Unitholders and/or persons connected to them who has any interest, direct or indirect, in the Proposed Acquisition, the Proposed Placement, the Proposed Exemption and the Proposed Placement to CMMT Investment Limited.

### 12.1 Directors of the Manager

The table below sets out the Unitholdings of the Directors in CMMT:

Directors	As at LPD	
	Number of Units held	% of Units issued
Mr Kee Teck Koon	100,000	**
Mr Lim Beng Chee	100,000	**
Mr Ng Kok Siong	100,000	**
Mr Lock Wai Han	100,000	**
Datuk Mohd Najib Bin Abdullah	-	**
Mr IG Chandran (Gnanachandran S Ayadurai)	100,000	**
Ms Tan Siew Bee	100,000	**
Mr Peter Tay Buan Huat	100,000	**
Ms Sharon Lim Hwee Li	100,000	**
<b>Total</b>	<b>800,000</b>	<b>**</b>

Note:

\*\* Negligible

The following Directors are the Board representatives of CMA:

- (i) Mr Lim Beng Chee is a Non-Independent Non-Executive Director of the Manager. He is also a Director and the Chief Executive Officer of CMA.
- (ii) Mr Ng Kok Siong is a Non-Independent Non-Executive Director of the Manager. He is also the Chief Financial Officer of CMA.
- (iii) Mr Lock Wai Han is a Non-Independent Non-Executive Director of the Manager. He is also the Deputy Chief Executive Officer, CMA China.

In addition, Mr Ng Kok Siong and Ms Sharon Lim Hwee Li also sit on the board of CMMT Investment Limited as representatives of CMA.

Pursuant to the Put Option, CMA, via CMMT Investment Limited, has an interest in the outcome of the Proposed Acquisition which may be different from the interests of other Unitholders. As the Proposed Acquisition and the Proposed Placement are interconditional and the Proposed Placement includes the acceptance of CMMT Investment Limited's undertaking to subscribe for such number of unsubscribed new Units subsequent to the bookbuild, CMMT Investment Limited is also deemed to have an interest in the outcome of the Proposed Placement. Furthermore, pursuant to Clause 14.04(b) of the REITs Guidelines, where Placement Units are issued to Interested Persons or persons connected to them, such persons must abstain from voting on the resolution approving the allocation. In view of their directorships and/or roles in CMA and/or CMMT Investment Limited, Mr Lim Beng Chee, Mr Ng Kok Siong, Mr Lock Wai Han and Ms Sharon Lim Hwee Li will abstain from voting, and have undertaken to ensure that persons connected to them will abstain from voting, in respect of their direct and/or indirect unitholdings (if any) on the resolutions pertaining to the Proposed Acquisition, the Proposed Placement and the Proposed Placement to CMMT Investment Limited, which will be tabled at the forthcoming Meeting. The said Directors have all abstained and will also continue to abstain from deliberating and voting on the resolutions pertaining to the Proposed Acquisition, the Proposed Placement and the Proposed Placement to CMMT Investment Limited at the relevant Board meetings. The Proposed Acquisition, the Proposed Placement and the Proposed Placement to CMMT Investment Limited have been and will continue to be deliberated and voted on by the non-interested Directors, namely, Mr Kee Teck Koon, Datuk Mohd Najib Bin Abdullah, Mr IG Chandran, Ms Tan Siew Bee and Mr Peter Tay Buan Huat ("**Non-Interested Directors**") at the relevant Board meetings.

Pursuant to the Code, all the Directors are presumed to be persons acting in concert with CMMT Investment Limited and therefore not able to deliberate and vote on the resolution pertaining to the Proposed Exemption at the relevant Board meetings, nor make a recommendation on the Proposed Exemption. In view of this, the board of the directors of the Trustee shall table the Proposed Exemption for the consideration of the non-interested Unitholders at the forthcoming Meeting.

As the Proposed Acquisition, the Proposed Placement and the Proposed Exemption are interconditional as described in Section 9 of this Circular, all the Directors will abstain from voting, in respect of their direct and/or indirect unitholdings (if any) on the resolutions pertaining to the Proposed Acquisition, the Proposed Placement and the Proposed Exemption at the forthcoming Meeting.

## **12.2 Major Unitholder / major shareholder of the Manager**

As at LPD, CMA, through its 100% shareholding in CMMT Investment Limited, has a 41.74% indirect unitholding in CMMT. Pursuant to the Put Option and by virtue of the interconditionality of the Proposed Acquisition and the Proposed Placement, CMA, via CMMT Investment Limited, has an interest in the outcome of the Proposed Acquisition and Proposed Placement which may be different from the interests of other Unitholders.



As at LPD, CMA, through its 100% shareholding in CapitalLand Retail RECM Pte. Ltd., is also a major shareholder of the Manager (with an indirect interest of 70% in the Manager). Pursuant to Clause 14.04(b) of the REITs Guidelines, where Placement Units are issued to Interested Persons or persons connected to them, in which case CMA (via CMMT Investment Limited), as a major shareholder of the Manager, must abstain from voting on the resolution approving the allocation.

Therefore, CMA and CMMT Investment Limited shall abstain from voting in respect of their direct and/or indirect unitholdings on the resolutions pertaining to the Proposed Acquisition, the Proposed Placement, the Proposed Exemption and the Proposed Placement to CMMT Investment Limited, which will be tabled at the forthcoming Meeting. They have also undertaken to ensure that persons connected to them will abstain from voting, in respect of their direct and/or indirect unitholdings (if any) on the resolutions pertaining to the Proposed Acquisition, the Proposed Placement, the Proposed Exemption and the Proposed Placement to CMMT Investment Limited, which will be tabled at the forthcoming Meeting.

### **12.3 The Manager**

The Manager will not vote on any of the Proposals as doing so is prohibited under Clause 15.48 of the REITs Guidelines which states that "*a management company must not exercise the voting rights for the units it or its nominees hold in any unitholders' meeting, regardless of the party who requested for the meeting and the matter or matters that are laid before the meeting.*"

## **13. PROPOSALS ANNOUNCED BUT PENDING IMPLEMENTATION**

Save for the Proposals (which is the subject of this Circular), the Manager has not announced any corporate exercise/scheme which has yet to be completed as at the LPD.

## **14. RECOMMENDATION**

In view of the potential conflict of interest situation faced by Mr Lim Beng Chee, Mr Ng Kok Siong, Mr Lock Wai Han and Ms Sharon Lim Hwee Li as described in Section 12.1 of this Circular, the said Directors have abstained and shall continue to abstain from deliberating and voting on the resolutions pertaining to the Proposed Acquisition, the Proposed Placement and the Proposed Placement to CMMT Investment Limited at the relevant Board meetings. They are therefore unable to make a recommendation on the Proposed Acquisition, the Proposed Placement and the Proposed Placement to CMMT Investment Limited.

All the Directors have abstained and shall continue to abstain from deliberating and voting on the resolution pertaining to the Proposed Exemption at the relevant Board meetings (please refer to Section 12.1 of this Circular). They are therefore unable to make a recommendation on the Proposed Exemption. In view of this, the board of the directors of the Trustee shall table the Proposed Exemption at the forthcoming Meeting for the consideration of the non-interested Unitholders. The Independent Adviser, who is appointed by the Trustee to advise the non-interested Unitholders of CMMT, recommends that Unitholders vote in favour of the resolution pertaining to the Proposed Exemption. Please refer to Part B of this Circular for a copy of the IAL issued by the Independent Adviser.

The Board having considered all aspects of the Proposed Placement to Public Institutional Investors Exceeding 10% of the Placement Units, Proposed Authority and Proposed Increase in Fund Size and after careful deliberation, is of the opinion that the Proposed Placement to Public Institutional Investors Exceeding 10% of the Placement Units, Proposed Authority and Proposed Increase in Fund Size are in the best interest of CMMT. Accordingly, the Board recommends that Unitholders vote in favour of the resolutions pertaining to the Proposed Placement to Public Institutional Investors Exceeding 10% of the Placement Units, Proposed Authority and Proposed Increase in Fund Size which will be tabled at the forthcoming Meeting.

The Non-Interested Directors having considered all aspects of the Proposed Acquisition, Proposed Placement and Proposed Placement to CMMT Investment Limited and after careful deliberation, is of the opinion that the Proposed Acquisition, Proposed Placement and Proposed Placement to CMMT Investment Limited are in the best interest of CMMT. Accordingly, the Non-Interested Directors recommend that Unitholders vote in favour of the resolutions pertaining to the Proposed Acquisition, Proposed Placement and Proposed Placement to CMMT Investment Limited which will be tabled at the forthcoming Meeting.

**15. INDEPENDENT ADVISER**

In view of the interest of the persons named in Section 12 of this Circular, the board of directors of the Trustee had, on 18 January 2011, appointed HLIB to advise the non-interested Unitholders on the reasonableness and fairness of the Proposed Exemption and whether the Proposed Exemption is to the detriment of non-interested Unitholders. HLIB also advises non-interested Unitholders on whether they should vote in favour of the Proposed Exemption. Please refer to Part B of this Circular for the IAL from HLIB.

**16. MEETING**

The Meeting will be held at Eastin Hotel, 13, Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan on Thursday, 10 March 2011 at 10.00 a.m. or at any adjournment, for the purpose of considering and, if thought fit, passing the resolutions on the Proposals. The Notice of Unitholders' Meeting is enclosed in this Circular.

Any Unitholder who is unable to attend and vote in person at the Meeting should complete, sign and return the enclosed Form of Proxy, in accordance with the instructions printed on it, so as to arrive at the registered office of the Trustee at Level 22, Bangunan AmBank Group, 55, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia as soon as possible and in any event no less than 48 hours before the time set for the Meeting or any adjournment. Such Unitholder may still attend and vote in person at the Meeting if he/she wishes to do so, even after he/she has completed and returned the original Form of Proxy.

**17. FURTHER INFORMATION**

Unitholders are requested to refer to the attached appendices for further information.

Yours faithfully

For and on behalf of the Board of

**CAPITAMALLS MALAYSIA REIT MANAGEMENT SDN. BHD.**

*(formerly known as CapitaRetail Malaysia REIT Management Sdn. Bhd.) (Company No. 819351-H)*

Mr Kee Teck Koon  
Chairman

**PART B**  
**INDEPENDENT ADVICE LETTER FROM HLIB TO NON-INTERESTED UNITHOLDERS IN  
RELATION TO THE PROPOSED EXEMPTION**

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## EXECUTIVE SUMMARY

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*All definitions used in this IAL shall have the same meaning as the words and expressions defined in the Definitions section of this Circular except where the context otherwise requires or otherwise defined herein.*

We have prepared this IAL to provide the non-interested Unitholders of CMMT with an independent evaluation of the Proposed Exemption and our recommendation. This executive summary highlights the salient information on the Proposed Exemption. We advise you to read and understand both this IAL and the Circular and to consider carefully the recommendation contained in this IAL and the Circular before voting on the resolution pertaining to the Proposed Exemption to be tabled at the forthcoming Meeting of CMMT.

### 1. INTRODUCTION

On 12 November 2010, CIMB announced that the Board proposes to undertake the following on behalf of CMMT:

- (i) Proposed Acquisition;
- (ii) Proposed Placement;
- (iii) Proposed Placement to CMMT Investment Limited;
- (iv) Proposed Authority; and
- (v) Proposed Increase in Fund Size

On the same date, the Trustee, on behalf of CMMT, and together with CGSB had entered into a conditional sale and purchase agreement with GPSB for the acquisition of the Gurney Plaza Extension Property for a purchase consideration of RM215,000,000.

The Manager intends to fund the Proposed Acquisition through debt and equity with the latter via Proposed Placement of new units in CMMT by way of bookbuilding to raise gross proceeds of up to RM167.1 million and acceptance of CMMT Investment Limited's undertaking to subscribe for the unsubscribed Placement Units subsequent to the close of the bookbuild. Assuming CMMT Investment Limited subscribes for all the Placement Units and an illustrative Issue Price of RM1.03 per Unit, CMMT Investment Limited's current unitholding of 41.74% in CMMT may increase by approximately 6.25% to 47.99% or by approximately 3.45% to 45.19% under the Minimum Gearing Scenario and Maximum Gearing Scenario respectively.

The Code came into effect on 15 December 2010 and is now applicable to REITs. CMMT Investment Limited's unitholdings in CMMT may increase by more than 2.0% from 41.74% (as at the LD) (LD herein the IAL is defined as the "Latest Date" which is 18 February 2011) after the proposed placement. In accordance with the Code, CMMT Investment Limited would then be required to undertake a mandatory takeover offer on the remaining CMMT Units not held by CMMT Investment Limited after the Proposed Placement.

Accordingly, HLIB was appointed by the Trustee on 18 January 2011 to act as the Independent Adviser to advise the non-interested Unitholders of CMMT on the Proposed Exemption. HLIB had, on 21 January 2011, declared to the SC its independence to act as the Independent Adviser in respect of the Proposed Exemption. The SC had, on 18 February 2011, given its consent to the contents of this IAL.

## 2. EVALUATION AND RECOMMENDATION OF THE PROPOSED EXEMPTION

We have evaluated the Proposed Exemption after taking into consideration various factors, as discussed in Section 4 of this IAL. The key factors are summarised as follows:

Consideration factors	Evaluation by the Independent Adviser
Rationale for the Proposed Exemption	<p>We have considered the fact that CMMT Investment Limited has been the single largest Unitholder of CMMT with its current unitholding of approximately 41.74%. CMMT Investment Limited's unitholding may increase up to approximately 47.99% if it subscribes for all the Placement Units (based on the scenario where the Proposed Acquisition is fully funded through a combination of debt financing at a LTV Ratio of 25.0% and the remaining via equity financing, and an illustrative Issue Price of RM1.03 per Unit).</p> <p>CMMT Investment Limited has committed to support the proposed placement of the Placement Units and has given an undertaking to subscribe for its pro-rata stake and additional unsubscribed Placement Units, if any, subsequent to the close of the bookbuilding.</p>
Issue Price of the Placement Units	<p>As set out in Section 3.5, Part A of this Circular, the Issue Price of the Placement Units shall be determined via a bookbuilding exercise. Hence, the Issue Price for the Placement Units cannot be determined now and there is no assurance that the final Issue Price will be fixed at a discount or premium to the market value and/or NAV per Unit in CMMT.</p> <p>Assuming an illustrative Issue Price of RM1.03, CMMT Investment Limited's current unitholding of 41.74% in CMMT will increase to 47.99% or 45.19% under the Minimum Gearing Scenario and Maximum Gearing Scenario respectively.</p> <p>Nevertheless, we believe that the method used in determining the Issue Price for the Placement Units i.e. via a bookbuilding exercise is a market norm for determining pricing for large issues of equity.</p>
Effects of the Proposed Exemption	<p>CMMT is a REIT formed to invest, on a long-term basis, in a portfolio of income-producing real estate primarily used for retail purposes and located primarily in Malaysia. Therefore, the increase in unitholding by CMMT Investment Limited is not expected to affect CMMT's existing business.</p> <p>The Proposed Exemption has no impact on the estimated distribution income, DPU and the yield accretion analysis as set out in Section 2.5.1, Part A of this Circular.</p> <p>Based on the Proforma Statement of Financial Position of CMMT (as at 30 September 2010) as stated in Appendix III of this Circular, the NAV per Unit after the Proposed Placement remains at RM1.03. The Proposed Exemption has no impact on the NAV per Unit.</p>

Consideration factors	Evaluation by the Independent Adviser
Industry outlook and future prospects of CMMT	Based on the positive outlook of the retail industry, we are of the view that prospects of the CMMT's operations going forward are positive, given its competitive advantages held by CMMT in its strategic business locations. Whilst we note the positive outlook for CMMT, non-interested Unitholders should be aware of the risk factors contained in Section 10, Part A and Appendix VII of this Circular. For example, the increased competition from other retail properties or between retailers could have an adverse effect on CMMT's financial condition and results of operations.
Implications from the voting outcome of the Proposed Exemption	<p>(i) Assuming the non-interested Unitholders of CMMT vote <u>in favour</u> of the Proposed Exemption:</p> <p>Assuming the non-interested Unitholders of CMMT vote <u>in favour</u> of the Proposed Exemption, the SC may consider the application made by CMMT Investment Limited for the Proposed Exemption. If the SC approves the Proposed Exemption, this will exempt CMMT Investment Limited from the obligation to undertake a mandatory offer for the remaining CMMT Units not owned by them and allow for the implementation of the Proposed Acquisition and Proposed Placement. CMMT will stand to gain from any potential benefit arising from the Proposed Placement and Proposed Acquisition.</p> <p>(ii) Assuming the non-interested Unitholders of CMMT vote <u>against</u> the Proposed Exemption:</p> <p>Assuming the non-interested Unitholders of CMMT vote <u>against</u> the Proposed Exemption, CMMT will not be able to implement the Proposed Placement and the Proposed Acquisition as the Proposed Acquisition, Proposed Placement and Proposed Exemption are inter-conditional and any potential benefits arising from the Proposed Acquisition and Proposed Placement will not materialise.</p>

After taking into consideration the various factors included in our evaluation above, we recommend that you **vote in favour** of the ordinary resolution pertaining to the Proposed Exemption to be tabled at the forthcoming Unitholders' Meeting of CMMT.



# Hong Leong Investment Bank Berhad (43526-P)

A Member of the Hong Leong Group

(A Participating Organisation of Bursa Malaysia Securities Berhad)

**Registered Office:**  
Level 10, Wisma Hong Leong  
18, Jalan Perak  
50450 Kuala Lumpur

23 February 2011

**To: The Non-Interested Unitholders of CMMT**

Dear Sir/Madam,

**PROPOSED EXEMPTION FOR CMMT INVESTMENT LIMITED FROM THE OBLIGATION TO UNDERTAKE A MANDATORY TAKEOVER OFFER ON THE REMAINING CMMT UNITS NOT HELD BY CMMT INVESTMENT LIMITED AFTER THE PROPOSED PLACEMENT (“PROPOSED EXEMPTION”)**

## 1. INTRODUCTION

On 12 November 2010, CIMB announced that the Board proposes to undertake the following on behalf of CMMT:

- (i) Proposed Acquisition;
- (ii) Proposed Placement;
- (iii) Proposed Placement to CMMT Investment Limited;
- (iv) Proposed Authority; and
- (v) Proposed Increase in Fund Size

On the same date, the Trustee, on behalf of CMMT, and together with CGSB had entered into a conditional sale and purchase agreement with GPSB for the acquisition of the Gurney Plaza Extension Property for a purchase consideration of RM215,000,000.

The Manager intends to fund the Proposed Acquisition through debt and equity with the latter via proposed placement of new Units in CMMT by way of bookbuilding to raise gross proceeds of up to RM167.1 million and acceptance of CMMT Investment Limited’s undertaking to subscribe for the unsubscribed Placement Units subsequent to the close of the bookbuild. Assuming CMMT Investment Limited subscribes for all the Placement Units and an illustrative Issue Price is RM1.03 per Unit, CMMT Investment Limited’s current unitholding of 41.74% in CMMT may increase by approximately 6.25% to 47.99% or by approximately 3.45% to 45.19% under the Minimum Gearing Scenario and Maximum Gearing Scenario respectively.

The Code came into effect on 15 December 2010 and is now applicable to REITs. CMMT Investment Limited’s unitholdings in CMMT may increase by more than 2.0% from 41.74% (as at the LD) (LD herein the IAL is defined as the “Latest Date” which is 18 February 2011) after the Proposed Placement. In accordance with the Code, CMMT Investment Limited would then be required to undertake a mandatory takeover offer on the remaining CMMT Units not held by CMMT Investment Limited after the Proposed Placement.

As such, approval for the Proposed Exemption under Paragraph 16.1, Practice Note 9 of the Code is hereby sought from the non-interested Unitholders at the forthcoming Meeting.

On 7 January 2011, on behalf of the Board, CIMB announced that CMMT Investment Limited will seek the approval for the Proposed Exemption from the non-interested Unitholders and the SC.

In this respect, HLIB was appointed by the Trustee on 18 January 2011 to act as the Independent Adviser to advise the non-interested Unitholders of CMMT on the Proposed Exemption. HLIB had, on 21 January 2011, declared to the SC its independence to act as the Independent Adviser in respect of the Proposed Exemption. The SC had, on 18 February 2011, given its consent to the contents of this IAL. However, the consent of the SC for the despatch of this IAL does not imply that the SC concurs with the views and recommendations contained in this IAL but merely that this IAL has been prepared in compliance with the provisions of the Code.

The purpose of this IAL is to provide non-interested Unitholders with an independent evaluation of the Proposed Exemption and our recommendation in relation to the ordinary resolution pertaining to the Proposed Exemption to be tabled at the forthcoming Meeting.

**We advise you to read and fully understand this IAL and the information set out in Part A of this Circular together with the accompanying appendices and attachments and to consider carefully our evaluation and recommendation as contained in this IAL before voting on the ordinary resolution pertaining to the Proposed Exemption to be tabled at the forthcoming Meeting.**

**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 advisers immediately.**

## **2. LIMITATIONS TO THE EVALUATION OF THE PROPOSED EXEMPTION**

HLIB, as the Independent Adviser, has evaluated the Proposed Exemption and in rendering our advice, we have considered various factors which we believe are of relevance and general importance to an assessment, of the terms and conditions as well as implication of the Proposed Exemption and would be of general concern to the non-interested Unitholders.

We were not in any way involved in the formulation or any deliberation and negotiations pertaining to the terms and conditions of the Proposed Exemption. Our appointment does not require us to consider the specific investment objectives, financial situation and particular needs of any individual Unitholders or any group of Unitholders.

Our evaluation as set out in this IAL is rendered solely for the benefit of the non-interested Unitholders as a whole. We recommend that any individual Unitholders or group of Unitholders who are in doubt as to the action to be taken or require advice in relation to the Proposed Exemption in the context of their individual objectives, financial situation and particular needs, should consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers. We shall not be liable for any damage or loss of any kind sustained or suffered by any individual Unitholders or any group of Unitholders in reliance on the opinion and/or information stated in this IAL for any purpose which is particular to any individual Unitholders or any group of Unitholders.

In our evaluation and analysis and in formulating our opinion, we have relied mainly on the following:

- (i) information contained in Part A of this Circular and the accompanying appendices; and
- (ii) other publicly available information.



We have not, however, independently verified such information and documents for their validity, reliability, accuracy and/or completeness and have not undertaken any independent investigation into the business of CMMT and all relevant parties involved in the Proposed Exemption.

### 3. DETAILS OF THE PROPOSED EXEMPTION

The Manager intends to fund the Proposed Acquisition through debt and equity with the latter to be raised via Proposed Placement. Clause 8.37 of the REITs Guidelines stipulates that the total borrowings of a fund (including borrowings through issuance of debt securities) should not exceed 50.0% of the total asset value of the fund at the time the borrowings are incurred, unless the sanction of the Unitholders by way of an ordinary resolution is obtained. The gearing level of CMMT is approximately 33.5% of the total asset value as at 30 September 2010. If the Proposed Acquisition is funded totally by debt financing, it will increase the gearing level to approximately 39.5% of total asset value. The Proposed Placement will enable CMMT to raise equity to part finance the Proposed Acquisition, and thus lowering the gearing level, relative to funding the Proposed Acquisition wholly from debt. CMMT will have sufficient headroom to make future cash acquisitions, which is in line with the capital management and growth strategy of CMMT.

The Code came into effect on 15 December 2010 and is now applicable to the REITs. CMMT Investment Limited's unitholdings in CMMT may increase by more than 2.0% from 41.74% (as at the LD) after the Proposed Placement. In accordance with the Code, CMMT Investment Limited would then be required to undertake a mandatory takeover offer on the remaining CMMT Units not held by CMMT Investment Limited after the Proposed Placement.

The Proposed Exemption is sought as it is not the intention of CMMT Investment Limited to undertake a mandatory takeover offer under the Code but to extend their support for the Proposed Placement, which will allow CMMT to raise the necessary funds for the purpose of the Proposed Acquisition.

The Issue Price of the Placement Units is to be determined via bookbuilding. The actual number of the Placement Units and equity interest of CMMT Investment Limited will vary according to the Issue Price and the gearing.

The Manager intends to fund the Proposed Acquisition through debt and equity with the latter via proposed placement of new Units in CMMT by way of bookbuilding to raise gross proceeds of up to RM167.1 million and acceptance of CMMT Investment Limited's undertaking to subscribe for any unsubscribed Placement Units subsequent to the close of the bookbuild. The debt financing to be procured will be based on an LTV Ratio of between 25% and 60%. Consequently, the Proposed Placement will raise total gross proceeds of between RM87.6 million and RM167.1 million, which corresponds to the amount of equity proceeds required if the debt financing procured is based on LTV Ratios of 60% and 25% respectively. The actual amount of debt financing procured for the Proposed Acquisition will be determined during bookbuilding. The Minimum Gearing Scenario and Maximum Gearing Scenario are to illustrate the proforma effects in Part A of this Circular using LTV ratios of 25% and 60% respectively. The proforma effects of the Proposed Acquisition and Proposed Placement for both the Minimum Gearing Scenario and Maximum Gearing Scenario on the substantial Unitholders' unitholdings are set out below in Sections 3.1 and 3.2.

### 3.1 Minimum Gearing Scenario

The Proposed Placement will raise total gross proceeds of between RM87.6 million and RM167.1 million. Under the Minimum Gearing Scenario, the Manager will undertake the proposed placement of Placement Units to raise gross proceeds of RM167.1 million, where:

- (i) RM97.4 million shall be raised from the proposed placement of Placement Units to places to be identified during bookbuilding, at the Issue Price; and
- (ii) RM69.7 million shall be raised from the Proposed Placement to CMMT Investment Limited at the Issue Price.

CMMT Investment Limited has given an undertaking to subscribe for both its pro-rata stake and additional unsubscribed Placement Units, if any, following the close of the bookbuilding exercise. Assuming CMMT Investment Limited subscribes for all the Placement Units and an illustrative Issue Price is RM1.03 per Unit, CMMT Investment Limited's unitholding in CMMT shall increase by 6.25% to approximately 47.99%. The proforma effects of the Proposed Acquisition and Proposed Placement on the substantial Unitholders' unitholdings are set out below.

Scenario A: Assuming that CMMT Investment Limited maintains its 41.74% unitholdings after the Proposed Placement to CMMT Investment Limited to raise gross proceeds of up to RM69.7 million.

Scenario B: Assuming that CMMT Investment Limited was to subscribe for all the Placement Units pursuant to the Proposed Placement, as described in Section 3.2, Part A of this Circular.

Substantial Unitholder	As at LD		After the Proposed Placement			
			Scenario A		Scenario B	
	Number of Units held	% of Units issued	Number of Units held	% of Units issued	Number of Units held	% of Units issued
CMMT Investment Limited	563,478,000	41.74	631,185,889	41.74	725,691,439	47.99
Employees Provident Fund Board <sup>(1) (2)</sup>	114,273,600	8.47	114,273,600	7.56	114,273,600	7.56
AmanahRaya Trustees Berhad – Skim Amanah Saham Bumipulera <sup>(1) (3)</sup>	97,091,700	7.19	97,091,700	6.42	97,091,700	6.42
<b>Total</b>	<b>774,843,300</b>	<b>57.40</b>	<b>842,551,189</b>	<b>55.72</b>	<b>937,056,739</b>	<b>61.97</b>
<b>Total issued and paid-up Units</b>	<b>1,350,000,000</b>	<b>100.00</b>	<b>1,512,213,439</b>	<b>100.00</b>	<b>1,512,213,439</b>	<b>100.00</b>

**Notes:**

- (1) Assuming the substantial Unitholder will not be subscribing for any Placement Units.
- (2) Based on the notification of the change in substantial unitholder's interest made by Employees Provident Fund Board received by the Manager on 11 February 2011.
- (3) Based on the notification of the change in substantial unitholder's interest made by AmanahRaya Trustees Berhad – Skim Amanah Saham Bumipulera received by the Manager on 19 January 2011.

Assuming CMMT Investment Limited subscribes for all the Placement Units pursuant to the Proposed Placement, its unitholdings would increase from 41.74% to 47.99%. As a result, the unitholdings of CMMT Investment Limited will increase by more than 2% of the unitholdings of CMMT within a period of 6 months and hence CMMT Investment Limited will be obliged to extend a mandatory offer for the remaining CMMT Units not already held by them unless an exemption has been obtained under the Code.

In order to carry out the Proposed Acquisition, the proceeds of RM167.1 million to be raised from the Proposed Placement will provide CMMT with the necessary funds to part finance the Proposed Acquisition.

### **3.2 Maximum Gearing Scenario**

The Proposed Placement will raise total gross proceeds of between RM87.6 million and RM167.1 million. Under the Maximum Gearing Scenario, the Manager will undertake the proposed placement of Placement Units to raise gross proceeds of RM87.6 million, where:

- (i) RM51.0 million shall be raised from the proposed placement of Placement Units to places to be identified during bookbuilding, at the Issue Price; and
- (ii) RM36.6 million shall be raised from the Proposed Placement to CMMT Investment Limited at the Issue Price.

CMMT Investment Limited has given an undertaking to subscribe for both its pro-rata stake and additional unsubscribed Placement Units, if any, following the close of the bookbuilding exercise. Assuming CMMT Investment Limited subscribes for all the Placement Units and an illustrative Issue Price is RM1.03 per Unit, CMMT Investment Limited's unitholding in CMMT shall increase by 3.45% to approximately 45.19%.

The proforma effects of the Proposed Acquisition and Proposed Placement on the substantial Unitholders' unitholdings are set out below.

Scenario A: Assuming that CMMT Investment Limited maintains its 41.74% unitholdings after the Proposed Placement to CMMT Investment Limited to raise gross proceeds of RM36.6 million.

Scenario B: Assuming that CMMT Investment Limited was to subscribe for all the Placement Units pursuant to the Proposed Placement, as described in Section 3.2, Part A of this Circular.

Substantial Unitholder	As at LD		After the Proposed Placement			
			Scenario A		Scenario B	
	Number of Units held	% of Units issued	Number of Units held	% of Units issued	Number of Units held	% of Units issued
CMMT Investment Limited	563,478,000	41.74	598,980,035	41.74	648,533,186	45.19
Employees Provident Fund Board <sup>(1)(2)</sup>	114,273,600	8.47	114,273,600	7.96	114,273,600	7.96
AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera <sup>(1)(3)</sup>	97,091,700	7.19	97,091,700	6.77	97,091,700	6.77
<b>Total</b>	<b>774,843,300</b>	<b>57.40</b>	<b>810,345,335</b>	<b>56.47</b>	<b>859,898,486</b>	<b>59.92</b>
<b>Total issued and paid-up Units</b>	<b>1,350,000,000</b>	<b>100.00</b>	<b>1,435,055,186</b>	<b>100.00</b>	<b>1,435,055,186</b>	<b>100.00</b>

**Notes:**

- (1) Assuming the substantial Unitholder will not be subscribing for any Placement Units.
- (2) Based on the notification of the change in substantial unitholder's interest made by Employees Provident Fund Board received by the Manager on 11 February 2011.
- (3) Based on the notification of the change in substantial unitholder's interest made by AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera received by the Manager on 19 January 2011.

Assuming CMMT Investment Limited subscribes for all the Placement Units pursuant to the Proposed Placement, its unitholdings would increase from 41.74% to 45.19%. As a result, the unitholdings of CMMT Investment Limited will increase by more than 2% of the unitholdings of CMMT within a period of 6 months and hence CMMT Investment Limited will be obliged to extend a mandatory offer for the remaining CMMT Units not already held by them unless an exemption has been obtained under the Code.

In order to carry out the Proposed Acquisition, the proceeds of RM87.6 million to be raised from the Proposed Placement will provide CMMT with the necessary funds to part finance the Proposed Acquisition.

#### 4. EVALUATION OF THE PROPOSED EXEMPTION

HLIB has considered the following when evaluating the Proposed Exemption:

- (a) Rationale for the Proposed Exemption;
- (b) Issue Price of the Placement Units;
- (c) Effects of the Proposed Exemption;
- (d) Industry outlook and future prospects of CMMT; and
- (e) Implications from the voting outcome of the Proposed Exemption.

#### 4.1 Rationale for the Proposed Exemption

The rationale for the Proposed Exemption highlighted in Section 4.2, Part A of this Circular is to allow CMMT Investment Limited to demonstrate its commitment to subscribe any unsubscribed Placement Units without requiring it to make a mandatory takeover offer for all Units not held by CMMT Investment Limited after the Proposed Placement, should its unitholding in CMMT increase by more than 2.0%.

As the Proposed Exemption is inter-conditional with the Proposed Acquisition and Proposed Placement, without the Proposed Exemption, benefits to be derived from the Proposed Acquisition and Proposed Placement would not materialise.

Hence, in evaluating the rationale for the Proposed Exemption, we have also taken into cognisance the rationale for the Proposed Placement as highlighted in Section 3.3, Part A of this Circular which states that the Proposed Placement will enable CMMT to raise equity to part finance the Proposed Acquisition, thus lowering the gearing level, relative to funding the Proposed Acquisition wholly from debt. As such, CMMT will have additional capacity to make future cash acquisitions, which is in line with the capital management and growth strategy of CMMT. The Proposed Placement should allow CMMT to attract more local and international institutional investors, thereby potentially enlarging its Unitholder base.

We have considered the fact that CMMT Investment Limited has been the single largest Unitholder of CMMT and continues to remain as the single largest Unitholder of CMMT after the Proposed Placement. The Proposed Exemption is sought as it is not the intention of CMMT Investment Limited to undertake a mandatory takeover offer under the Code but to extend their support for the Proposed Placement, which will allow CMMT to raise the necessary funds for the purpose of the Proposed Acquisition without maximising its allowable gearing level. As CMMT Investment Limited already holds more than 33% of the voting Units in CMMT as at the LD, the Proposals are not a mechanism introduced to facilitate CMMT Investment Limited to gain control of CMMT.

We have taken into consideration the following reasons in our evaluation on the method of raising funds for the Proposed Acquisition:

- (i) The option of the Proposed Placement provides a shorter completion time for CMMT to raise necessary funds for the Proposed Acquisition;
- (ii) The Proposed Placement exercise can reach out to new targeted investors;
- (iii) Potential dilution of Unitholders' stake is still possible with the implementation of a rights issue if the existing Unitholders do not exercise the rights; and
- (iv) Rights issue will normally be offered at a discount to the market price.

#### **4.1.1 Risk factors**

In addition to the risk factors contained in Section 10, Part A and Appendix VII of this Circular, Unitholders should also consider the following risk factors (in relation to the Proposed Placement but may not be exhaustive):

- (i) The final Issue Price of the Placement Units is still uncertain; and
- (ii) The lower the Issue Price of the Placement Units, the lower the yield accretion over the Existing Portfolio.

#### **4.2 Issue Price of the Placement Units**

As set out in Section 3.5, Part A of this Circular, the Issue Price of the Placement Units will be fixed at a date to be determined later by way of bookbuilding. CMMT Investment Limited will not influence the bookbuilding process for the Proposed Placement nor the determination of the Issue Price. CMMT Investment Limited, as a price-taker, shall accept the final price for its Placement Units, being the Issue Price which shall be determined once the bookbuilding exercise is closed and shall be duly announced on Bursa Securities.

Bookbuilding is a mechanism where, during the period for which the book for the offer is open, the bids are collected from investors at various prices. The issue price is determined after the bid closure based on the demand generated in the process. Hence, we believe that the method used in determining the Issue Price for the Placement Units i.e. via a bookbuilding exercise is a market norm for determining pricing for large issues of equity.

The Issue Price of the Placement Units shall be determined by way of bookbuilding. Hence, the Issue Price cannot be determined now and there is no assurance that the final Issue Price will be fixed at a discount or premium to the market value and/or NAV per Unit in CMMT.

#### **4.2.1 Yield accretion**

As set out in Section 2.5.1, Part A of this Circular, the table shows the overall yield accretion (assuming the completion of the Proposed Acquisition, combined with the proposed debt and equity financing plan) over the Existing Portfolio for the range of Issue Prices from RM1.00 to RM1.15. For illustrative purpose, assuming that if the Issue Price is fixed at the market value of RM1.09 as at the LD, the Proposed Acquisition is yield accretive to Unitholders under both the Minimum Gearing Scenario and Maximum Gearing Scenario. Under the Minimum Gearing Scenario, the Proposed Acquisition is yield accretive if the Issue Price is equal to or above RM1.08 per Unit. Under the Maximum Gearing Scenario, the Proposed Acquisition is yield accretive for the entire range of the Issue Price from RM1.00 to RM1.15 per Unit.

The Proposed Acquisition is said to be yield accretive if the DPU of the Enlarged Portfolio is higher than the DPU of the Existing Portfolio.

#### 4.2.2 DPU yield of selected listed comparable REITs

For the purpose of assessing the Issue Price, we have compared the DPU yield of CMMT with those of selected REITs listed on Bursa Securities which are, in our opinion, broadly comparable to CMMT whose mandate is to invest in a portfolio of income-producing real estate primarily used for retail purposes ("Comparable REITs").

It should be noted that there is no REIT that is directly comparable to CMMT in terms of business objectives, size of operations, financial ability, track record, future prospects, risk profile and other relevant criteria. Any comparison made with respect to the Comparable REITs is, therefore, intended to serve as an illustrative guide and provide an indication of current market expectation with regards to the valuation of these businesses, as implied by their respective unit prices. The list of Comparable REITs set out below is not exhaustive.

A brief description of the Comparable REITs is set out below:

REIT	Principal business
Hektar Real Estate Investment Trust ("Hektar")	Hektar acquires and invests in income producing real estate in Malaysia primarily used for retail purposes.
Sunway Real Estate Investment Trust ("Sunway")	Sunway invests in retail, office, and hotel properties.

In our evaluation, we have considered the valuation measures of DPU and DPU yield.

As the final Issue Price is to be determined during the bookbuilding process, we have evaluated the yield accretion over the Existing Portfolio based on the range of illustrative Issue Prices in the table below as set out in Section 2.5.1, Part A of this Circular.

Issue Price (RM) <sup>(1)</sup>	Yield accretion over the Existing Portfolio (%) <sup>(2)</sup>	
	Minimum Gearing Scenario	Maximum Gearing Scenario
1.00	–	1.17%
1.01	–	1.23%
1.02	–	1.29%
1.03	–	1.35%
1.04	–	1.40%
1.05	–	1.46%
1.06	–	1.52%
1.07	–	1.57%
1.08	0.03%	1.62%
1.09	0.13%	1.68%
1.10	0.22%	1.73%
1.11	0.31%	1.78%
1.12	0.40%	1.83%
1.13	0.49%	1.88%
1.14	0.58%	1.93%
1.15	0.66%	1.98%

**Notes:**

- (1) The assumed range of Issue Prices is shown for illustrative purposes only and is pursuant to the Proposed Placement.
- (2) The yield accretion is based on the DPU for Forecast Year 2011 of the Existing Portfolio of 7.45 sen, as disclosed in CMMT's initial public offering prospectus dated 28 June 2010.

The DPU yield is calculated based on the DPU of the Enlarged Portfolio and closing price of the Units of RM1.09 as at the LD. For example, if the Issue Price is fixed at RM1.08 under the Minimum Gearing Scenario, the DPU of the Enlarged Portfolio will be equal to 7.45 sen times 100.03% which is equal to 7.50 sen.

Issue Price (RM)	Minimum Gearing Scenario		Maximum Gearing Scenario	
	DPU (sen)	DPU yield (%)	DPU (sen)	DPU yield (%)
1.00	-( <sup>(1)</sup> )	-	7.54	6.9
1.15	7.50	6.9	7.60	7.0

**Note:**

(1) *It is not yield accretive.*

Based on the DPU of 7.45 sen for Forecast Year 2011 of the Existing Portfolio and the closing price of the Units of RM1.09 as at the LD, the DPU yield is approximately 6.8%. With the Proposed Acquisition and Proposed Placement, the DPU yield of the Enlarged Portfolio is higher for the three scenarios that are accretive to the Existing Portfolio, and the resulting DPU yield is approximately 6.9% to 7.0%. We note that the Manager has illustrated the extent of yield accretion for various combinations of Issue Prices and LTV Ratios in table of Section 2.5.1, Part A of this Circular and emphasised that the Proposed Acquisition is in line with the Manager's investment strategy to provide Unitholders with long-term and sustainable distribution of income and potential capital growth.

REIT	Share price as at the LD	DPU (sen)	DPU yield (%)
Hektar	1.32	10.0 <sup>(1)</sup>	7.6
Sunway	1.06	6.7 <sup>(2)</sup>	6.3

**Notes:**

(1) *Based on the annualised DPU on the unaudited quarterly financial results as at 30 September 2010.*

(2) *Based on the DPU of the profit forecast for the financial year ending 30 June 2011.*

Based on the above, we observed that assuming the Issue Price is fixed at between RM1.00 to RM1.15, the DPU yield of the Enlarged Portfolio is approximately 6.9% to 7.0% which is lower than Hektar but higher than Sunway.

#### 4.3 Effects of the Proposed Exemption

The effects of the Proposed Exemption are set out in Section 4.3, Part A of this Circular.

CMMT is a REIT formed to invest, on a long-term basis, in a portfolio of income-producing real estate primarily used for retail purposes and located primarily in Malaysia. Therefore, the increase in unitholding by CMMT Investment Limited is not expected to affect CMMT's existing business.

The financial analysis on the pricing at Section 2.5.1, Part A of this Circular illustrates the yield accretion to the Existing Portfolio for Forecast Year 2011. The estimated distribution income and DPU (post-acquisition) for different combinations of issue price and gearing levels/LTV ratios is compared with the DPU for Forecast Year 2011 of the Existing Portfolio of 7.45 sen, as disclosed in CMMT's initial public offering prospectus dated 28 June 2010. The Proposed Exemption has no impact on the estimated distribution income, DPU and the yield accretion analysis as set out in Section 2.5.1, Part A of this Circular.

Based on the Proforma Statement of Financial Position of CMMT (as at 30 September 2010) as stated in Appendix III of this Circular, the NAV per Unit after the Proposed Placement remains at RM1.03. The Proposed Exemption has no impact on the NAV per Unit.



Upon the completion of the Proposed Placement which will increase the number of units in issue, the existing Unitholders' unitholdings in CMMT may be diluted.

The Proposed Exemption will allow CMMT Investment Limited to increase its unitholdings in CMMT up to 47.99% after the Proposed Placement under the Minimum Gearing Scenario. As such, the Proposed Exemption will allow CMMT Investment Limited to hasten its control of CMMT. In the event CMMT Investment Limited were to subsequently increase its unitholding to above 50% in CMMT, it can be done within a year without any implication of the Code. Moving forward, any acquisition of CMMT Units by CMMT Investment Limited after a 6-month period from the last acquisition will no longer be subject to the 2% creeping provision of the Code. Nevertheless, the Proposed Exemption is sought as it is not the intention of CMMT Investment Limited to undertake a mandatory takeover offer under the Code but to extend their support for the Proposed Placement, which will allow CMMT to raise the necessary funds for the purpose of the Proposed Acquisition.

#### **4.4 Industry outlook and future prospects of CMMT**

##### **4.4.1 Outlook of the Malaysian Economy**

The Malaysian economy registered a growth of 5.3% in the third quarter of 2010, driven by domestic demand amid slowing external demand. The expansion in domestic demand was supported by private sector spending. The slowdown in the global economy has led to the moderation in external demand. On the supply side, all major economic sectors, except mining, continued to expand during the quarter, but at a more moderate pace.

Domestic demand registered a growth of 5% in the third quarter (second quarter of 2010: 9%) led by a sustained expansion in both private consumption and capital spending. Private consumption recorded a growth of 7.1% (second quarter of 2010: 7.9%) supported by favourable labour market conditions and positive consumer confidence. Public consumption declined by 10.2% (second quarter of 2010: 6.9%) as a result of lower government spending on supplies and services. Gross fixed capital formation increased by 9.8% (second quarter of 2010: 12.9%) driven by capital expenditure from the private sector. Private sector capital spending was supported by the expansion in domestic production amidst high levels of capacity utilisation and positive business sentiments.

Going forward, there is increased uncertainty over the sustainability of global economic recovery. Amid the moderation in global recovery, the pace of growth of the Malaysian economy will be influenced by the expected continued slowdown in external demand. Overall growth will continue to be supported by robust domestic economic activity. Private consumption will benefit from the favourable employment situation, firm commodity prices and the accommodative financing environment. Capital spending in domestic-oriented sectors and the economic transformation programmes by the Government will underpin the continued growth of private investment.

*(Source: Quarterly Bulletin on Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2010, Bank Negara Malaysia)*

The Malaysian economy is projected to expand between 5.0% to 6.0% in 2011 (2010: 7.0%), mainly driven by domestic demand and supported by a favourable external sector. Private investment activity, which turned positive in 2010, is envisaged to contribute significantly to economic growth. This is in line with the expected commencement of 52 Private Finance Initiatives (PFIs) over the Tenth Malaysian Plan period as well as the implementation of private sector projects under the National Key Economic Areas.

*(Source: Economic Report 2010/2011, Ministry of Finance)*

Premised on the above, notwithstanding the Malaysian economy is susceptible to the moderation in global recovery and amidst concerns of weak labor market and fragile financial sectors of certain developed economies, we are of the view that the outlook and prospects of the Malaysian economy is expected to be favorable due to the positive third quarter of 2010 domestic demand and robust domestic economic activity.

#### 4.4.2 Overview of retail industry

During first half of 2010, the wholesale and retail trade sub-sector registered impressive growth of 9.0%. Similarly, distributive trade sales value increased 12.4% to RM185.3 billion, due to higher wholesale and retail activities at 12.0% and 12.1% respectively. The higher growth of the retail sector was attributed to aggressive expansion of hypermarkets and superstores. As at end September 2010, there was a total of 125 foreign-owned hypermarkets and superstores operating nationwide. The outlook for the wholesale and retail trade sub-sector is expected to remain encouraging with growth of 7.4% in 2010, supported by improved domestic consumption, particularly during the holiday and festive seasons. Private consumption is expected to increase at a higher pace of 6.7%, mainly on account of rising household disposable incomes following firm commodity prices and healthy labour market conditions amid the strong economic recovery. The strong economic fundamentals will continue to propel the growth momentum of domestic demand.

*(Source: Economic Report 2010/2011, Ministry of Finance Malaysia)*

Malaysia's wholesale and retail sector is a major contributor to the GNI. It contributed about RM57 billion to the GNI in 2009. The sector also contributed almost 500,000 jobs, according to the Department of Statistics. To achieve our 2020 GNI target, retail will be a key driver of domestic consumption, which in turn will lead to economic growth.

The retail landscape in Malaysia has been transformed over the past decade, with modern retail formats such as hypermarkets, supermarkets and department stores increasing in dominance over small shops owned and operated by families. More recently, the opening of large shopping malls has increased the lifestyle element of shopping in Malaysia, with retail concepts carefully chosen to appeal to specific consumer groups. Globalisation has also brought foreign players, franchises and new concepts into the Malaysian market. International retailers like IKEA and Mark & Spencer, hypermarkets like Tesco and Carrefour, and shopping mall managers like CapitaMalls have all ventured into Malaysia in last decade.

Despite the positive trends and government support described above, there is much room for improvement to further drive retail spending. Our annual expenditure per capita is RM3,154 (USD886) compared South Korea's RM8,170 (USD2,995), Taiwan's RM11,089 (USD3,115) and Singapore's RM12,185 (USD3,423). While this disparity is partly driven by differing income levels, it also points to the need to encourage higher levels of spending by meeting rising consumer expectations.

*(Source: Economic Transformation Programme, Prime Minister's Department)*

Based on the above, we are of the view that the outlook of the retail industry is expected to be positive, given that the retail spending will be boosted by the growth in wholesale and retail sub-sector as well as the strong domestic demand, continued growth in private consumption and strong fundamental of the Malaysian economy.

#### 4.4.3 Future plans and prospects of the CMMT

The Manager's principal investment strategy is to invest primarily in income-producing real estate located primarily in Malaysia which is primarily used for retail purposes or such other non-real estate investments as may be permitted under the Deed, the REIT's Guidelines or by the SC.

The Manager intends to acquire and own shopping malls for long-term investment purposes and will place strong emphasis on capital improvement, regular maintenance and periodic renovation to enhance the capital value, attractiveness and marketability of the shopping malls.

The Manager's key financial objective is to provide Unitholders with long term and sustainable distribution of income and potential capital growth.

Specifically, the Manager intends to seek to increase the cash flow, income and, consequently, the value of the Subject Properties, and to seek continued growth through the following:

- (i) enhancing value through its proactive asset management and asset enhancement strategies;
- (ii) actively pursuing acquisition opportunities, including opportunities provided by CMA;
- (iii) leveraging on CMA's extensive network of strategic and local partners, including its tenant network across 87 retail properties in 48 cities in five countries, as well as its local industry knowledge through its experienced staff in Malaysia; and
- (iv) optimising its capital management strategy.

*(Source: CMMT's initial public offering prospectus dated 28 June 2010)*

As set out in Appendix II of this Circular, the net investment income of CMMT for the Forecast Year 2011 is expected to increase from RM148.8 million to RM169.8 million. Similarly, distributable income for the Forecast Year 2011 is expected to increase from RM101.3 million to RM112.9 million and RM109.1 million under the Minimum Gearing Scenario and Maximum Gearing Scenario respectively.

We have reviewed the financial forecast for the Forecast Year 2011, the bases and assumptions together with the Reporting Accountants' letter which is enclosed in Appendix II, and we are of the opinion that the financial forecast for the Forecast Year 2011 is reasonable.

Based on the positive outlook of the retail industry, we are of the view that prospects of the CMMT's operations going forward are positive, given its competitive advantages held by CMMT in its strategic business locations. Whilst we note the positive outlook for CMMT, non-interested Unitholders should be aware of the risk factors contained in Section 10, Part A and Appendix VII of this Circular. For example, the increased competition from other retail properties or between retailers could have an adverse effect on CMMT's financial condition and results of operations.

#### **4.5 Implications from the voting outcome of the Proposed Exemption**

##### **4.5.1 If you vote in favour of the Proposed Exemption**

If you vote for the Proposed Exemption at your forthcoming Unitholders' Meeting, the SC may consider the application made by CMMT Investment Limited for the Proposed Exemption. If the SC approves the Proposed Exemption, this will exempt CMMT Investment Limited from the obligation to undertake a mandatory offer for the remaining CMMT Units not owned by them after the Proposed Placement, and allow the implementation of the Proposed Acquisition and Proposed Placement. CMMT will stand to gain from any potential benefit arising from the Proposed Placement and Proposed Acquisition. Unitholders of CMMT will stand to gain from potentially higher DPU derived from the implementation of the Proposed Placement and Proposed Acquisition. Under the Minimum Gearing Scenario, the Proposed Acquisition is yield accretive if the Issue Price is equal to or above RM1.08 per Unit. Under the Maximum Gearing Scenario, the Proposed Acquisition is yield accretive for the entire range of the Issue Price from RM1.00 to RM1.15 per Unit.

If the Placement Units are not subscribed subsequent to the close of the bookbuilding exercise and CMMT Investment Limited subscribes these Placement Units, the stakes held by the non-interested Unitholders of CMMT may be diluted as a result of an enlarged stake held by CMMT Investment Limited.

##### **4.5.2 If you vote against the Proposed Exemption**

If you vote against the Proposed Exemption, CMMT will not be able to implement the Proposed Acquisition and Proposed Placement as the Proposed Acquisition and Proposed Placement are inter-conditional with the Proposed Exemption and any potential benefits arising from the Proposed Acquisition and Proposed Placement will not materialise.

The potential benefits arising from the Proposed Acquisition are set out in Section 2.5, Part A of this Circular. The Proposed Acquisition is potentially yield accretive and could result in higher DPU to the Unitholders of CMMT. Hence, if the Unitholders of CMMT vote against the Proposed Exemption, they may forego the opportunity to benefit from potentially higher DPU derived from the implementation of the Proposed Placement and Proposed Acquisition.

## **5. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDER OF THE MANAGER, MAJOR UNITHOLDERS AND PERSONS CONNECTED AND DIRECTORS OF THE TRUSTEE**

The details of the Directors and major shareholders of the Manager, major Unitholders and persons connected to them who are interested in the Proposed Acquisition, Proposed Placement and Proposed Placement to CMMT Investment Limited are set out in Section 12, Part A of this Circular. In addition, Directors of the Trustee confirmed that they do not hold any Units in CMMT.

In view of their directorships and/or roles in CMA and/or CMMT Investment Limited, Mr Lim Beng Chee, Mr Ng Kok Siong, Mr Lock Wai Han and Ms Sharon Lim Hwee Li will abstain from voting, and have undertaken to ensure that persons connected to them will abstain from voting, in respect of their direct and/or indirect unitholdings (if any) on the resolution pertaining to the Proposed Exemption. In addition, the Manager will not vote on any of the Proposals as doing so is prohibited under the REITs Guidelines.

Pursuant to the Code, all the Directors are presumed to be persons acting in concert with CMMT Investment Limited and therefore not able to deliberate and vote on the resolution pertaining to the Proposed Exemption at the relevant Board meetings, nor make a recommendation on the Proposed Exemption. In view of this, the Board of Directors of the Trustee shall table the Proposed Exemption for the consideration of the non-interested Unitholders at the forthcoming Meeting.

As the Proposed Acquisition, the Proposed Placement and the Proposed Exemption are inter-conditional as described in Section 9, Part A of this Circular, all the Directors will abstain from voting, in respect of their direct and/or indirect unitholdings (if any) on the resolutions pertaining to the Proposed Acquisition, the Proposed Placement and the Proposed Exemption at the forthcoming Meeting.

## **6. FURTHER INFORMATION**

Non-interested Unitholders are required to refer to Attachment A of this IAL for information on CMMT, Attachment B of this IAL for information on CMMT Investment Limited, Part A of this Circular and its appendices for any other relevant information.

## **7. CONCLUSION AND RECOMMENDATION**

We have assessed and evaluated the Proposed Exemption and set out our evaluation in Section 4 of this IAL. In arriving at our recommendation on the Proposed Exemption, we have taken into consideration the following pertinent factors:

### **Rationale for the Proposed Exemption**

We have considered the fact that CMMT Investment Limited has been the single largest Unitholder of CMMT with its current unitholding of approximately 41.74%. CMMT Investment Limited's unitholding may increase up to approximately 47.99% if it subscribes for all the Placement Units (based on the scenario where the Proposed Acquisition is fully funded through a combination of debt financing at a LTV Ratio of 25.0% and the remaining via equity financing, and an illustrative Issue Price of RM1.03 per Unit).

The Proposed Placement will enable CMMT to raise equity funding to part finance the Proposed Acquisition, rather than funding the Proposed Acquisition wholly from debt.

CMMT Investment Limited has committed to support the proposed placement of the Placement Units and has given an undertaking to subscribe for its pro-rata stake and additional unsubscribed Placement Units, if any, subsequent to the close of the book building. As such, the Proposed Exemption will enable CMMT Investment Limited to carry out its commitment without having to do a mandatory takeover offer on CMMT Units, which may result in a privatisation of CMMT. The Proposed Exemption is sought as it is not CMMT Investment Limited's intention to make a mandatory offer.

#### **Issue Price of the Placement Units**

As set out in Section 3.5, Part A of this Circular, the Issue Price of the Placement Units shall be determined via a bookbuilding exercise. Hence, the Issue Price for the Placement Units cannot be determined now and there is no assurance that the final Issue Price will be fixed at a discount or premium to the market value and/or NAV per Unit in CMMT. The method used in determining the Issue Price for the Placement Units i.e. via a bookbuilding exercise is a market norm for determining pricing for large issues of equity.

CMMT Investment Limited will not influence the bookbuilding exercise for the Proposed Placement nor the determination of the Issue Price. CMMT Investment Limited, as a price-taker, shall accept the final price for its Placement Units, being the Issue Price which shall be determined once the bookbuilding exercise is closed and shall be duly announced on Bursa Securities.

#### **Effects of the Proposed Exemption**

As set out in Section 4, Part A of this Circular, the Proposed Exemption is undertaken to facilitate the Proposed Placement.

CMMT is a REIT formed to invest, on a long-term basis, in a portfolio of income-producing real estate primarily used for retail purposes and located primarily in Malaysia. Therefore, the increase in unitholding by CMMT Investment Limited is not expected to affect CMMT's existing business.

The Proposed Exemption has no impact on the estimated distribution income, DPU and the yield accretion analysis as set out in Section 2.5.1, Part A of this Circular.

Based on the Proforma Statement of Financial Position of CMMT (as at 30 September 2010) as stated in Appendix III of this Circular, the NAV per Unit after the Proposed Placement remains at RM1.03. The Proposed Exemption has no impact on the NAV per Unit.

Upon the completion of the Proposed Placement which will increase the number of units in issue, the existing Unitholders' unitholdings in CMMT may be diluted.

The Proposed Exemption will allow CMMT Investment Limited to increase its unitholdings in CMMT up to 47.99% after the Proposed Placement under the Minimum Gearing Scenario. As such, the Proposed Exemption will allow CMMT Investment Limited to hasten its control of CMMT. In the event CMMT Investment Limited was to subsequently increase its unitholding to above 50% in CMMT, it can be done within a year without any implication of the Code. Moving forward, any acquisition of CMMT Units by CMMT Investment Limited after a 6-month period from the last acquisition will no longer be subject to the 2% creeping provision of the Code. Nevertheless, the Proposed Exemption is sought as it is not the intention of CMMT Investment Limited to undertake a mandatory takeover offer under the Code but to extend their support for the Proposed Placement, which will allow CMMT to raise the necessary funds for the purpose of the Proposed Acquisition.

## Industry outlook and future prospects of CMMT

Based on the positive outlook of the retail industry, we are of the view that prospects of the CMMT's operations going forward are positive, given its competitive advantages held by CMMT in its strategic business locations. Whilst we note the positive outlook for CMMT, non-interested Unitholders should be aware of the risk factors contained in Section 10, Part A and Appendix VII of this Circular. For example, the increased competition from other retail properties or between retailers could have an adverse effect on CMMT's financial condition and results of operations.

Notwithstanding that the Malaysian economy is susceptible to the moderation in global recovery, we are of the view that the outlook and prospects of the Malaysian economy is expected to be favorable due to the positive third quarter of 2010 domestic demand and robust domestic economic activity.

The growth of the Malaysian economy is expected to be moderate with the introduction of stimulus packages by the government, which are expected to be favourable to the prospects of CMMT.

## Implications arising from the Proposed Exemption

Assuming the non-interested Unitholders of CMMT vote in favour of the Proposed Exemption, the SC may consider the application made by CMMT Investment Limited for the Proposed Exemption. If the SC approves the Proposed Exemption, this will exempt CMMT Investment Limited from the obligation to undertake a mandatory offer for the remaining CMMT Units not owned by them and allow for the implementation of the Proposed Acquisition and Proposed Placement. CMMT will stand to gain from any potential benefit arising from the Proposed Placement and Proposed Acquisition. Unitholders of CMMT will stand to gain from potentially higher DPU derived from the implementation of the Proposed Placement and Proposed Acquisition. Under the Minimum Gearing Scenario, the Proposed Acquisition is yield accretive if the Issue Price is equal to or above RM1.08 per Unit. Under the Maximum Gearing Scenario, the Proposed Acquisition is yield accretive for the entire range of the Issue Price from RM1.00 to RM1.15 per Unit.

If the Placement Units are not subscribed subsequent to the close of the bookbuilding exercise and CMMT Investment Limited subscribes these Placement Units, the stakes held by the non-interested Unitholders of CMMT may be diluted as a result of an enlarged stake held by CMMT Investment Limited.

Assuming the non-interested Unitholders of CMMT vote against the Proposed Exemption, CMMT will not be able to implement the Proposed Placement and the Proposed Acquisition as the Proposed Acquisition, Proposed Placement and Proposed Exemption are inter-conditional and any potential benefits arising from the Proposed Acquisition and Proposed Placement will not materialise.

The potential benefits arising from the Proposed Acquisition are set out in Section 2.5, Part A of this Circular. The Proposed Acquisition is potentially accretive and could result in higher DPU to the Unitholders of CMMT. Hence, if the Unitholders of CMMT vote against the Proposed Exemption, they may forego the opportunity to benefit from potentially higher DPU derived from the implementation of Proposed Placement and Proposed Acquisition.

After taking into consideration the various factors included in our evaluation above, we recommend that you **vote in favour** of the ordinary resolution pertaining to the Proposed Exemption to be tabled at the forthcoming Unitholders' Meeting of CMMT.

Yours faithfully,  
For and on behalf of  
**HONG LEONG INVESTMENT BANK BERHAD**

**LEE JIM LENG**  
Managing Director/Chief Executive Officer

**PHANG SIEW LOONG**  
Co-Head, Equity Markets



## INFORMATION ON CMMT

## 1. HISTORY AND PRINCIPAL ACTIVITIES

CMMT, constituted by the Deed dated 7 June 2010 and registered with the SC on 9 June 2010, is a REIT formed to invest, on a long term basis, in a portfolio of income-producing real estate primarily used for retail purposes and located primarily in Malaysia. CMMT was listed on the Main Market of Bursa Securities on 16 July 2010.

The principal activities of CMMT are to invest, on a long-term basis, in a portfolio of income-producing real estate primarily used for retail purposes and located primarily in Malaysia or such other non-real estate investments as may be allowed under the Deed, the REITs Guidelines or by the SC, with a view to providing Unitholders with long-term and sustainable distribution of income and potential capital growth.

## 2. FUND SIZE OF CMMT

As at the LD, the approved and issued and fully paid-up units for CMMT are as follows:

	Units
Approved	1,350,000,000
Issued and fully paid-up	1,350,000,000

## 3. SUBSTANTIAL UNITHOLDERS

The substantial Unitholders of CMMT as at the LD based on the Register of Substantial Unitholders are as follows:

Name	<----- Direct ----->		<----- Indirect ----->	
	Number of CMMT Units held	%	Number of CMMT Units held	%
CMMT Investment Limited	563,478,000	41.74	-	-
Employees Provident Fund Board <sup>(1)(2)</sup>	114,273,600	8.47	-	-
AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera <sup>(1)(3)</sup>	97,091,700	7.19	-	-

## Notes:

(1) Assuming the substantial Unitholder will not be subscribing for any Placement Units.

(2) Based on the notification of the change in substantial unitholder's interest made by Employees Provident Fund Board received by the Manager on 11 February 2011.

(3) Based on the notification of the change in substantial unitholder's interest made by AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera received by the Manager on 19 January 2011.

## INFORMATION ON CMMT (Cont'd)

## 4. PROFIT AND NET PROPERTY INCOME ("NPI") RECORD

The profit and NPI of CMMT based on the audited financial statements for the past 2 financial years and unaudited financial statements for the 9 months financial period ended 30 September 2010 as if the acquisitions of Gurney Plaza, Sungei Wang Plaza Property and The Mines had been completed by CMMT on 27 November 2007, 25 June 2008 and 19 December 2007 respectively are as follows:

	FYE 2008 RM'000	FYE 2009 RM'000	Nine-month period ended 30 September 2010 <sup>(1)</sup> RM'000
Gross Rental Income	113,535	161,252	36,936
Car park income	9,938	12,828	2,911
Other income	16,215	17,018	3,538
<b>Gross Revenue</b>	<b>139,688</b>	<b>191,098</b>	<b>43,385</b>
Maintenance expenses	(9,806)	(14,745)	(4,051)
Utilities	(15,240)	(21,469)	(4,734)
Other operating expenses	(14,722)	(20,518)	(4,293)
<b>Property Operating Expenses</b>	<b>(39,768)</b>	<b>(56,732)</b>	<b>(13,078)</b>
<b>NPI</b>	<b>99,920</b>	<b>134,366</b>	<b>30,307</b>
Interest income	-	-	288
Change in fair value of investment properties	-	-	76,000
<b>Net investment income</b>	<b>-</b>	<b>-</b>	<b>106,595</b>
Manager's management fee	-	-	(2,979)
Trustee's fee	-	-	(91)
Auditors' fee	-	-	(37)
Tax agent's fee	-	-	(11)
Valuation fee	-	-	(15)
Finance costs	-	-	(7,921)
Other non-operating expenses	-	-	(14,256)
<b>Profit before taxation</b>	<b>-</b>	<b>-</b>	<b>81,285</b>
Taxation	-	-	-
<b>Profit for the period</b>	<b>-</b>	<b>-</b>	<b>81,285</b>

Note:

(1) CMMT was established on 7 June 2010 and registered with the SC on 9 June 2010. The acquisition by CMMT on the properties was completed on 14 July 2010 and CMMT was listed on the Main Market of Bursa Securities on 16 July 2010. The financial results reported refer to the period from 14 July 2010 to 30 September 2010.

## INFORMATION ON CMMT (Cont'd)

## 5. STATEMENT OF ASSETS AND LIABILITIES

The following are the statements of assets and liabilities of CMMT, based on the unaudited condensed statement of financial position as at 30 September 2010:

	Unaudited as at 30 September 2010 RM'000
<b>Assets</b>	
Plant and equipment	1,165
Investment properties	2,130,029
<b>Total non-current assets</b>	<u>2,131,194</u>
Receivables, deposits and prepayments	17,717
Cash and bank balances	88,635
<b>Total current assets</b>	<u>106,352</u>
<b>Total assets</b>	<u>2,237,546</u>
<b>Equity</b>	
Unitholders' capital	1,325,560
Distributable and non-distributable income	81,285
<b>Total unitholders' funds</b>	<u>1,406,845</u>
<b>Liabilities</b>	
Borrowings	744,901
Payable and accruals	29,818
<b>Total non-current liabilities</b>	<u>774,719</u>
Payables and accruals	55,982
<b>Total current liabilities</b>	<u>55,982</u>
<b>Total liabilities</b>	<u>830,701</u>
<b>Total equity and liabilities</b>	<u>2,237,546</u>

**INFORMATION ON CMMT INVESTMENT LIMITED**
**1. HISTORY AND PRINCIPAL ACTIVITIES**

CMMT Investment Limited was incorporated in Malaysia on 8 June 2010 under Labuan Companies Act 1990 as a company limited by shares. The principal activity of CMMT Investment Limited is that of investment holding.

CMMT Investment Limited has an issued and paid-up share capital of USD318,655 comprising of 318,655 ordinary shares.

**2. SHARE CAPITAL**

As at the LD, the issued and paid-up share capital of CMMT Investment Limited is as follows:

	USD
<i>Issued and fully paid-up</i>	
318,655 ordinary shares	318,655

**3. SUBSTANTIAL SHAREHOLDERS**

The substantial shareholders of CMMT Investment Limited based on the Register of Members of CMMT Investment Limited as at the LD are as follows:

Name	Country of incorporation	Direct		Indirect	
		No. of CMMT Investment Limited Shares held	%	No. of CMMT Investment Limited Shares held	%
CLRMY	Singapore	318,655	100.0	-	-
CMA	Singapore	-	-	318,655	100.0 <sup>(1)</sup>

Note:

(1) Deemed interested through its shareholdings in CLRMY pursuant to the Companies Act, 1965.

**4. DIRECTORS**

Based on the Register of Directors and the Register of Directors' Shareholdings, none of the directors hold any share in CMMT Investment Limited as at the LD.

**5. SUBSIDIARIES AND ASSOCIATED COMPANIES**

As at the LD, CMMT Investment Limited does not have any subsidiary or associated companies. CMMT Investment Limited holds 41.74% interest in CMMT, a real estate investment trust established in Malaysia under the trust deed dated 7 June 2010 and registered with the SC on 9 June 2010.

**6. PROFIT AND DIVIDEND RECORD**

CMMT Investment Limited has no historical profit and dividend record.

**DISCLOSURE OF INTERESTS**

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**1. DIRECTORS' RESPONSIBILITY STATEMENT**

The attachments of Part B in this Circular has been seen and approved by the Board of Directors of the Trustee who collectively and individually, accept full responsibility for the accuracy of the information herein and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no other material facts the omission of which would make any statement in the attachments of Part B in this Circular false or misleading. The letter prepared by Hong Leong Investment Berhad remains the sole responsibility of Hong Leong Investment Bank Berhad in accordance with its terms.

**2. DISCLOSURE OF INTERESTS****2.1. By CMMT**

CMMT does not hold, directly or indirectly, any voting shares or convertible securities, in CMMT Investment Limited as at the LD.

**2.2. By the Directors of Trustee**

The Directors of Trustee does not hold, directly or indirectly, any voting shares or convertible securities, in CMMT Investment Limited as at the LD.

**3. DISCLOSURE OF DEALINGS****3.1 By CMMT**

CMMT has not dealt in any shares and/or convertible securities in CMMT Investment Limited during the period commencing from 15 December 2010, being the effective date of the Code, up to the LD.

**3.2 By the Directors of Trustee****3.2.1 In CMMT**

The Directors of Trustee has not dealt in any units and/or convertible securities in CMMT during the period commencing from 15 December 2010, being the effective date of the Code, up to the LD.

**3.2.2 In CMMT Investment Limited**

The Directors of Trustee has not dealt in any shares and/or convertible securities in CMMT Investment Limited during the period commencing from 15 December 2010, being the effective date of the Code, up to the LD.

I. DETAILS OF GURNEY PLAZA EXTENSION PROPERTY AND THE EXISTING PORTFOLIO

1. GURNEY PLAZA EXTENSION PROPERTY

Other pertinent information on Gurney Plaza Extension Property is as follows:

Postal address	Gurney Plaza Extension Property, No. 170, Persiaran Gurney, Georgetown, 10050 Penang
Title details	Part of Block Title HSD 17259, Lot 5626, Seksyen 1, Bandar George Town, Daerah Timor Laut, Negeri Pulau Pinang
Tenure	Freehold
Registered owner	GPSB
Property use	Shopping mall
Independent valuation	RM225.0 million
Purchase consideration	RM215.0 million
Commencement of operations	November 2008 (approximate age: two (2) years)
Number of car parking bays	881
GFA	211,004 sq ft
NLA as at LPD	139,964 sq ft
Number of leases as at LPD	57
Encumbrances as per land search dated 28 Sep 2010 <sup>(1)</sup>	(i) Two (2) land charges in favour of Malayan Banking Berhad registered under Charge Presentation No. 0799SC2004010268 and 0799SC2007035774; and  (ii) A lease over part of Gurney Plaza in favour of Parkson Corporation Sdn Bhd under Lease Presentation No. 0799SC2004029845.
Express conditions as per land search dated 28 Sep 2010	The Land comprised in the title:  (i) shall not be affected by any provision of the National Land Code limiting the compensation payable on the exercise by the State Authority of a right of access or use conferred by Chapter 3 of Part Three of the Code or on the creation of a Land Administrator's right of way; and

	(ii) subject to the implied condition that land is liable to be re-entered if it is abandoned for more than three years shall revert to the State only if the proprietor for the time being dies without heirs;  and the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract any such produce or deposit and remove it beyond the boundaries of the land).
Restriction in interest as per land search dated 28 Sep 2010	Nil
Forecast gross revenue for Forecast Year 2011	RM19.4 million (Refer to the profit forecast as set out in Appendix II of this Circular)
Audited net book value in the books of GPSB as at 31 March 2010	RM78.0 million
Shopper traffic for 2010 <sup>(2)</sup>	14.5 million
Population catchment in 2009 <sup>(3)</sup>	520,600
Occupancy Rate as at LPD	99.3%

**Notes:**

- (1) *The Gurney Plaza Extension Property will be purchased free from encumbrances but subject to the existing tenancy agreements and all conditions as stated in the Gurney Plaza Land Title and upon the terms and conditions contained in the Gurney Plaza Extension Property SPA.*
- (2) *Including Gurney Plaza and Gurney Plaza Extension Property.*
- (3) *Source: Independent Property Market Report prepared by Knight Frank (Ooi & Zaharin Sdn Bhd) as disclosed in CMMT's initial public offering prospectus dated 28 June 2010.*

### 1.1 Lease expiry profile of Gurney Plaza Extension Property

The table below illustrates the Committed Lease expiry profile of Gurney Plaza Extension Property as at LPD:

FYE	Number of Committed Leases expiring	Percentage (%) of committed NLA expiring	Percentage (%) of Gross Rental Income expiring
2011 <sup>(1)</sup>	46	80.4	82.4
2012	6	15.0	12.7
2013 onwards	5	4.6	4.9
<b>Total</b>	<b>57</b>	<b>100</b>	<b>100</b>

**Note:**

- (1) *Refers to the period from 1 February 2011 to 31 December 2011.*

## 1.2 Tenant profile of Gurney Plaza Extension Property

### 1.2.1 Top 10 tenants of Gurney Plaza Extension Property

The contribution of the top 10 tenants (disclosed based on their respective trade names) of Gurney Plaza Extension Property as at LPD is set out below:

Tenants	Trade sector	Lease expiry date	Percentage (%) of Gross Rental Income
1. Parkson	Department Store	2 Aug 2011	15.6
2. Voir Gallery	Fashion/ Accessories	18 Mar 2012	4.7
3. Cortina Watch/ Mont Blanc	Fashion/ Accessories	14 Nov 2011	4.1
4. Nike	Leisure/ Entertainment/ Sports/Fitness	14 Nov 2011	3.9
5. Nando's	Food/Beverages	14 Nov 2011	3.2
6. Topshop/Topman	Fashion/ Accessories	16 Apr 2012	3.0
7. House Of Leather	Fashion/ Accessories	14 Nov 2011	2.6
8. The Manhattan Fish Market	Food/Beverages	14 Dec 2011	2.6
9. Giordano	Fashion/ Accessories	14 Nov 2011	2.3
10. Elements	Fashion/ Accessories	14 Nov 2011	2.2
Top 10 tenants by Gross Rental Income			44.2
Other tenants			55.8
<b>Total</b>			<b>100.0</b>

The lease terms are generally for three (3) years. The rental rates are negotiated based on prevailing market rates and are pre-agreed over the lease tenure.

### 1.2.2 Trade sector analysis of Gurney Plaza Extension Property

The table below provides a breakdown of the different trade sectors represented in Gurney Plaza Extension Property as at LPD.

Trade sector	Percentage (%) of committed NLA	Percentage (%) of Gross Rental Income
Fashion/Accessories	33.2	50.6
Food/Beverages	20.5	20.4
Department Store	38.4	15.6
Services	1.8	5.4
Leisure/Entertainment/Sports/Fitness	2.2	4.3
Gifts/Specialty/Books/Hobbies/Toys/ Lifestyle	1.9	1.7
Electronics/IT	1.8	1.7
Others	0.2	0.3
	100.0	100.0