

UOA REAL ESTATE INVESTMENT TRUST (“UOA REIT”)

- I. PROPOSED ACQUISITION OF UOA CORPORATE TOWER (AS DEFINED HEREIN) FOR A CASH CONSIDERATION OF RM700.0 MILLION; AND
 - II. PROPOSED PRIVATE PLACEMENT TO RAISE GROSS PROCEEDS OF UP TO RM280.0 MILLION AT THE ISSUE PRICE TO BE DETERMINED LATER BY WAY OF A BOOKBUILDING EXERCISE
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1. INTRODUCTION

On behalf of the board of directors of UOA Asset Management Sdn. Bhd. (“**Board**”), being the manager of UOA Real Estate Investment Trust (“**UOA REIT**”) (“**Manager**”), RHB Investment Bank Berhad (“**RHB Investment Bank**”) wishes to announce that RHB Trustees Berhad, as the trustee of UOA REIT (“**Trustee**”), upon the recommendation of the Manager:

- (i) had on 28 September 2020 entered into a conditional sale and purchase agreement (“**SPA**”) with Distinctive Acres Sdn. Bhd. (“**Vendor**” or “**Distinctive Acres**”), a wholly-owned indirect subsidiary of UOA Development Bhd (“**UOA Development**”) and Paramount Properties Sdn. Bhd., a wholly-owned subsidiary of UOA Development (“**Proprietor**” or “**Paramount Properties**”) for the proposed acquisition of UOA Corporate Tower (as defined in Section 2.1.1 below) for a cash consideration of RM700.0 million (“**Purchase Consideration**”) (“**Proposed Acquisition**”); and
- (ii) proposes to undertake a proposed private placement of such number of new units in UOA REIT (“**Placement Units**”) to raise gross proceeds of up to RM280.0 million at an issue price to be determined later by the Board by way of a bookbuilding exercise (“**Placement Price**”) (“**Proposed Private Placement**”).

The Proposed Acquisition and Proposed Private Placement are collectively referred to as the “**Proposals**”.

Further, the Proposed Acquisition is deemed to be a related party transaction due to the interests of directors and major shareholders of the Manager, and major unitholders of UOA REIT (a person who has an interest or interests in UOA REIT of 10.0% or more of the total number of issued units in UOA REIT, or 5.0% or more of the total number of issued units in UOA REIT if such person is the largest unitholder) (“**Major Unitholder(s)**”), and/or persons connected with them as set out in Section 8 of this announcement. Accordingly, Mercury Securities Sdn. Bhd. (“**Mercury Securities**” or “**Independent Adviser**”) has been appointed as the independent adviser to advise the non-interested directors of the Manager and the non-interested unitholders of UOA REIT on the Proposed Acquisition, and whether the non-interested unitholders should vote in favour of the Proposed Acquisition.

2. DETAILS OF THE PROPOSALS

2.1. Proposed Acquisition

2.1.1. Description of UOA Corporate Tower

The Proposed Acquisition entails the acquisition of a stratified 38-storey office building with a penthouse level (“**Building**”) erected on a provisional parcel of property identified as Vertical 38 Block A measuring 22,927 square feet (“**Provisional Parcel**”), which forms part of the Proprietor’s development on the land held under master title no. Pajakan Negeri 46338, Lot 58190, Mukim and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur (“**Master Land**”). The Building and Provisional Parcel are collectively known as “**UOA Corporate Tower**”.

UOA Corporate Tower is located within an integrated mixed development known as Bangsar South. Bangsar South has been granted the status of MSC Malaysia Cybercentre, and offers a product mix of commercial offices, retail shops, hotels, healthcare centre, conference and event centre, and service residences which were developed by UOA Development and its subsidiaries ("**UOA Group**"). Further, UOA Corporate Tower sits on top of a 6-storey partial basement car park and 4-storey basement car park ("**Car Park**"), but such Car Park does not form part of the Proposed Acquisition. Please refer to Section 2.1.7 of this announcement for further details of UOA Corporate Tower.

As at 28 August 2020, being the latest practicable date before the date of this announcement ("**LPD**"), the strata title for UOA Corporate Tower ("**Strata Title**") has yet to be issued. As such, in conjunction with the Proposed Acquisition and as stated in the SPA, a deed of assignment has also been entered into between the Trustee and Vendor on the same date of the SPA to assign all of the Vendor's rights and interests in UOA Corporate Tower and the Provisional Parcel under the principal sale and purchase agreement dated 15 October 2014 (as amended by a supplemental agreement dated 21 September 2020) ("**Principal SPA**") entered into between the Vendor and Proprietor ("**Deed of Assignment**"). The Proprietor has also provided its consent for such assignment on the same date of the SPA. The Deed of Assignment will take effect on the completion date of the SPA. Please refer to Appendix I of this announcement for the salient terms of the SPA for the Proposed Acquisition.

Further, as at the date of the SPA, the Vendor has entered into various tenancy and licence agreements with the tenants for the tenancies of office units and licensees for the utility rooms in UOA Corporate Tower. The tenancy and licence agreements will be novated or assigned to the Trustee upon the completion of the Proposed Acquisition for the tenants and licensees to continue the existing tenancies and licences under similar terms as per the tenancy and licence agreements.

2.1.2. Basis and justification in arriving at the Purchase Consideration

The Purchase Consideration for UOA Corporate Tower of RM700.0 million was arrived on a willing buyer willing seller basis after taking into consideration the following:

- (i) the market value of UOA Corporate Tower of RM718.0 million, as ascribed in the valuation certificate dated 28 September 2020 ("**Valuation Certificate**") issued by PA International Property Consultants (KL) Sdn. Bhd., being the independent registered valuer jointly appointed by the Trustee and Vendor ("**Valuer**"). The material date of inspection for the valuation was on 7 August 2020 ("**Material Date of Valuation**").

In arriving at the market value of UOA Corporate Tower, the Valuer has adopted the Income Capitalisation Approach by Investment Method and supported by the Comparison Approach.

The following is a summary of the valuation approaches adopted by the Valuer in arriving at its assessment of the market value of UOA Corporate Tower:

Valuation approaches	Methodology explanation
Income Capitalisation Approach by Investment Method	Gross annual rental income received or expected to command over a period of time relating to the lease of the property is estimated in deducting therefrom the expenses or outgoings incidental to the ownership of the property to obtain the net annual income. This net annual income is then capitalised by an appropriate capitalisation rate or yield to arrive at the market value of the property.
Comparison Approach	This approach entails comparing the property with similar properties that have been sold recently and those that are currently being offered for sale in the vicinity or other comparable localities. The characteristics, merits and demerits of these properties are noted and appropriate adjustments are then made to reflect the differences and to arrive at the market value of the property.

The Valuer has adopted the market value derived from the Income Capitalisation Approach by Investment Method as fair representation of the market value of UOA Corporate Tower after taking into consideration that UOA Corporate Tower is a commercial and income generating property, supported by the market value derived from the Comparison Approach.

The market value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing, and where the parties had each acted knowledgeably, prudently and without compulsion.

- (ii) the net book value of UOA Corporate Tower of RM586.0 million as at 31 December 2019.

The Purchase Consideration is justifiable after taking into consideration the following:

- (i) the Purchase Consideration represents approximately 2.5% discount to the market value of UOA Corporate Tower of RM718.0 million as appraised by the Valuer;
- (ii) the rationale of the Proposed Acquisition which includes opportunity to acquire a property that is strategically located with comprehensive building services and facilities;
- (iii) the effects of the Proposed Acquisition that will result in an immediate net unrealised gain of approximately RM16.4 million to UOA REIT, as computed below:

	<u>RM' mil</u>
Market value of UOA Corporate Tower	718.00
Purchase Consideration	(700.00)
Estimated expenses of the Proposals which are allowed to be capitalised as part of investment properties	(1.59)
Net unrealised gain	<u>16.41</u>

- (iv) the prospects of UOA Corporate Tower as set out in Section 4.3 of this announcement.

2.1.3. Method of financing the Purchase Consideration

The Purchase Consideration will be funded via the following:

- (i) RM70.0 million, being the 10.0% deposit of the Purchase Consideration payable upon execution of the SPA (“**Deposit**”), of which the Trustee has provided the Vendor with a bank guarantee procured from Hong Leong Bank Berhad (“**BG**”) equivalent to the Deposit amount (“**BG Amount**”); and
- (ii) RM630.0 million, being the remaining amount after the Deposit, (“**Balance Purchase Consideration**”) is expected to be satisfied via:
 - (a) cash proceeds to be raised from the Proposed Private Placement amounting to RM278.0 million; and
 - (b) UOA REIT’s debt programme, which entails a 5-year RM422.0 million revolving credit facility (“**Debt Facility**”). The Debt Facility includes the BG Amount for the Deposit as stated above. In this regard, the remaining amount under the Debt Facility of RM352.0 million is to be utilised to part fund the Balance Purchase Consideration.

For further details on the manner of payment, please refer to Section 4, Appendix I of this announcement.

2.1.4. Liabilities to be assumed

There are no contingent liabilities and/or guarantees to be assumed by the Trustee (other than the liabilities set out in the existing tenancies and existing contracts that are to be novated from the Vendor to the Trustee) pursuant to the Proposed Acquisition.

2.1.5. Date and original cost of investment of the Vendor

On 15 October 2014, Paramount Properties has sold the Provisional Parcel located within the development on the Master Land to the Vendor for a consideration of RM48.0 million vide the Principal SPA, of which UOA Corporate Tower has been built on the Provisional Parcel by the Vendor.

The Vendor completed the construction of UOA Corporate Tower in November 2016. The total cost of investment of UOA Corporate Tower (including other costs for refurbishments and renovations) up to the LPD was RM244.0 million.

2.1.6. Information on the Vendor

Distinctive Acres was incorporated in Malaysia under the Companies Act 1965 on 4 January 1984 as a private limited company. The principal activities of Distinctive Acres are property development and property investment.

As at the LPD:

- (i) the directors of Distinctive Acres are Kong Chong Soon @ Chi Suim and Kong Pak Lim;
- (ii) the issued share capital of the Vendor is RM2.00 comprising two ordinary shares; and
- (iii) the Vendor is wholly-owned by UOA Properties Sdn. Bhd., which in turn is a wholly-owned subsidiary of UOA Development.

2.1.7. Further information on UOA Corporate Tower

As at the LPD, the Strata Title has not been issued. The property is currently situated within the development on the Master Land that is currently held by Paramount Properties, a wholly-owned subsidiary of UOA Development.

The details of the Master Land are as follows:

Title details	: Pajakan Negeri 46338, Lot 58190, Mukim and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur
Master Land area	: About 111,400 square meters
Tenure	: Leasehold for a term of 99 years, expiring on 16 August 2106 (unexpired term of 86 years)
Category of land use	: Building
Express condition	: Commercial building only
Restriction in interest	: Nil
Encumbrances	: (i) The lease registered in favour of Tenaga Nasional Berhad (200866-W) of No. 129, Jalan Bangsar, 50732 Wilayah Persekutuan, Kuala Lumpur vide Presentation No. PDSC 32594/2011 registered on 9 September 2011, for an area measuring 82.17 square metres for the total duration of 30 years, commencing from 31 July 2011 and ending on 30 July 2041 (" TNB Lease ").

Others	<ul style="list-style-type: none"> (ii) The easements registered vide the Presentation No. PDSC 40871/2012, PDSC 40872/2012, PDSC 52846/2016 and PDSC 12711/2018 in respect of two link pedestrian bridges connecting the public pedestrian overhead bridge located at Federal Highway in front of Plaza Pantai and the building known as Nexus ("Link Pedestrian Bridges Easements"). <p>: The application to subdivide the master title and change the express condition of the master title vide presentation no. PDN2479/2018.</p> <ul style="list-style-type: none"> (i) the registered Proprietor has applied to subdivide the master title into two separate individual titles and change the express condition of the two individual titles, which has been approved by the Land and Mines Office of the Federal Territories pursuant to the letter dated 22 October 2018; and (ii) the registered Proprietor has further appealed to the Land and Mines Office of the Federal Territories to amend the change in express condition of the individual title on which the Property has been erected, to read as "<i>This land is to be used for commercial spaces, serviced apartments, hotel, offices, car parks and food plaza only</i>" via the letter dated 19 August 2019, which has been approved by the Land and Mines Office of the Federal Territories pursuant to its letter dated 18 September 2020.
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We set below the information on UOA Corporate Tower as at the Material Date of Valuation (unless otherwise stated):

Postal address	: UOA Corporate Tower, Avenue 10, The Vertical, Bangsar South City, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur
Age of buildings	: Approximately 4 years from the original certificate of completion and compliance dated 16 November 2016
Commencement of operations	: 3 June 2016 (based on the certificate of practical completion dated 3 June 2016)

Gross floor area	:	959,764 square feet
Net lettable are (“ NLA ”)	:	732,871 square feet
NLA occupied by tenants related/affiliated with UOA Group	:	154,257 square feet
Occupancy rate	:	93.09%
Gross rental income per annum ⁽¹⁾	:	RM44.4 million
Other information		
Net book value ⁽²⁾	:	RM586.0 million
Market value	:	RM718.0 million
Chargee ⁽³⁾	:	Not applicable
Others ⁽³⁾	:	Refer to the Encumbrances and Others stated in the table above

Notes:

- (1) Based on the statement of profit or loss and other comprehensive income of the Vendor for financial year ended (“**FYE**”) 31 December 2019.
- (2) Based on the statement of financial position of the Vendor as at 31 December 2019; and
- (3) Based on the land search conducted on the Master Land on 3 September 2020.

2.2. Proposed Private Placement

2.2.1. Size of Proposed Private Placement

The Proposed Private Placement entails the issuance of Placement Units to raise gross proceeds of up to RM280.0 million at the Placement Price. The actual number of Placement Units to be issued cannot be determined at this juncture and would depend on the Placement Price to be determined upon completion of the bookbuilding exercise.

The Trustee had appointed RHB Investment Bank and Hong Leong Investment Bank Berhad as the Placement Agents to procure prospective placees for the Placement Units. The Placement Units will be placed out by way of a bookbuilding exercise to investors that will be identified at a later stage. The Placement Agents will work with the Manager to determine the most appropriate time to launch the Proposed Private Placement so as to ensure the success of the Proposed Private Placement, having considered the then prevailing market conditions and other factors that the Manager and the Placement Agents may consider relevant.

2.2.2. Basis and justification of determining the Placement Price

The Placement Price will be determined by the Board after the close of the bookbuilding exercise and announced at a later date by the Board.

The Placement Price shall be fixed after the relevant approvals for the Proposals have been obtained and it will be based on a premium or discount (if any) to the 5-day volume weighted average price (“**VWAP**”) of UOA REIT immediately before the price-fixing date to be determined later. The Placement Price will be fixed after taking into consideration, amongst other, the prevailing market conditions, market price of UOA REIT’s units, and investors’ interests during the bookbuilding exercise.

2.2.3. Placement arrangement

The Placement Units are intended to be placed out to investors who fall within the ambit of Schedules 6 and 7 of the Capital Markets and Services Act 2007 (“**CMSA**”), which will be identified at a later date.

Pursuant to the bookbuilding exercise, the Placement Units may be allocated to the Major Unitholders and/or persons connected with them (which may include the Vendor) (“**UOA Interested Parties**”). Further, following the close of bookbuilding exercise, the UOA Interested Parties may also subscribe for additional unsubscribed Placement Units, if any, to ensure that the Equity Portion (as defined in Section 2.2.6 of this announcement) is raised.

In this regard, the Trustee and/or the Manager will seek the approval of the unitholders of UOA REIT (“**Unitholders**”) at a Unitholders’ meeting to be convened (“**Unitholders’ Meeting**”) for any proposed placement to its Major Unitholders and/or persons connected with them (“**Specific Allotment**”), in compliance with Paragraph 6.06 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”).

2.2.4. Ranking of the Placement Units

The Placement Units shall, upon allotment and issuance, rank equally in all respects with the then existing units in UOA REIT, save and except that the Placement Units shall not be entitled to the Advance Distribution (as defined in Section 2.2.7 of this announcement) and any other distributable income, rights, benefits, entitlements and/or any other distributions that may be effected before the date of allotment and issuance of the Placement Units.

2.2.5. Listing and quotation of the Placement Units

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

2.2.6. Utilisation of proceeds

The exact amount of proceeds to be raised from the Proposed Private Placement cannot be determined at this juncture as the amount would depend on the actual number of Placement Units to be issued and the Placement Price.

The intended gross proceeds of RM280.0 million is firstly to be utilised to fund the remaining amount of the Balance Purchase Consideration as set out below, with the remaining amount raised from the Proposed Private Placement to be utilised for working capital of UOA REIT:

	<u>RM 'mil</u>
Balance Purchase Consideration	630.0
Minus: Amount to be funded via Debt Facility	352.0
Remaining amount of Balance Purchase Consideration to be funded via Proposed Private Placement (“Equity Portion”)	<u>278.0</u>

The estimated expenses of the Proposals are approximately RM5.41 million, which are to be funded via internally generated funds of UOA REIT.

Pending the full utilisation of the gross proceeds received, if any, the Manager will place the proceeds raised from the Proposed Private Placement (including accrued interest, if any) or the balance thereof in deposits or short-term money market instruments, or placements in money-market unit trust funds and/or cash unit trust funds in Malaysia with bank backed-fund management companies licensed under the CMSA.

2.2.7. Advance Distribution

Pursuant to the terms of UOA REIT's deed, the Manager shall, with the approval of the Trustee, distribute the distributable income of UOA REIT at the quantum and intervals to be determined in its absolute discretion. The Board intends to declare an advance distribution of UOA REIT's distributable income (“**Advance Distribution**”) for the relevant financial period up to such date to be determined by the Board which is before the date on which the Placement Units will be allotted to identified investors pursuant to the Proposed Private Placement (“**Advance Distribution Period**”). The Placement Units will not be entitled to the Advance Distribution and hence the entitlement date for the Advance Distribution will be before the date of allotment of the Placement Units.

The Advance Distribution is being proposed as a means to ensure fairness to the existing Unitholders and is intended to be implemented to ensure that the distributable income accrued during the Advance Distribution Period is only distributed to existing Unitholders. For the avoidance of doubt, the Advance Distribution will not be undertaken if the Proposed Private Placement is not approved by Unitholders at the Unitholders' Meeting to be convened.

The next distribution after the Advance Distribution will comprise UOA REIT's distributable income for the period from the day immediately after the Advance Distribution Period until the end of the relevant semi-annual period determined by the Board. Semi-annual distribution will resume thereafter.

3. RATIONALE AND BENEFITS FOR THE PROPOSALS

3.1. Proposed Acquisition

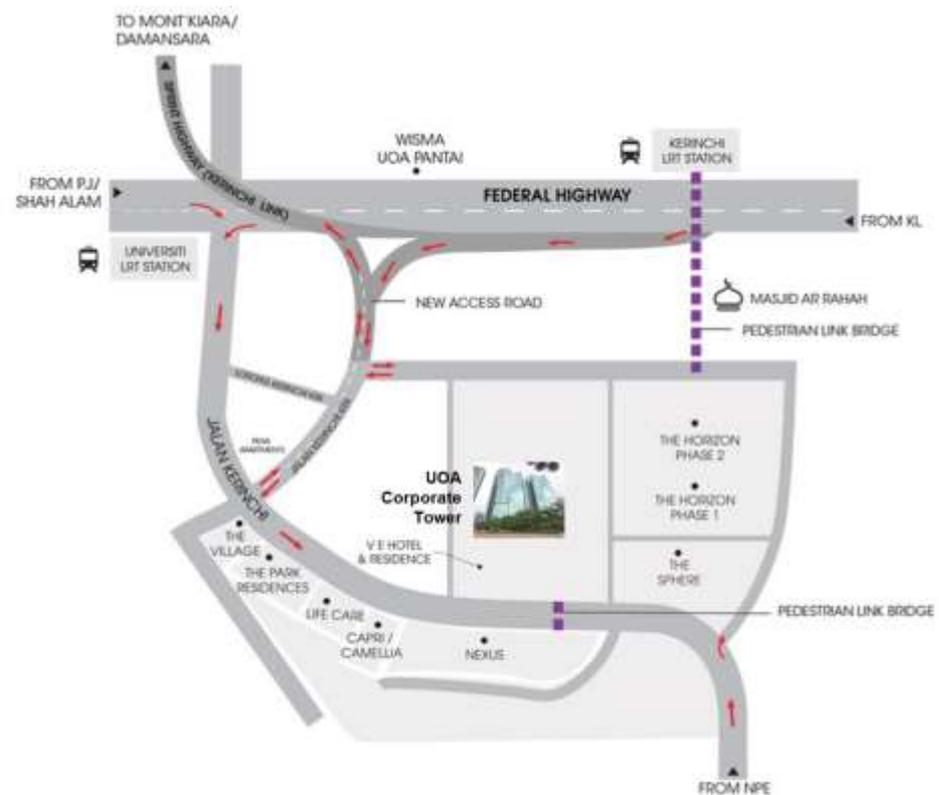
The Proposed Acquisition is in line with the acquisition strategy of the Manager to continuously pursue an acquisition strategy to acquire and invest in properties that are able to contribute to the long-term growth in UOA REIT's distribution per unit (“DPU”) and/or net asset value (“NAV”) per unit. The acquisition strategy includes acquiring a property that is strategically located as well as has a high occupancy rate and diverse tenant mix.

The rationale for the Proposed Acquisition is further elaborated below:

(i) Strategic location with comprehensive building services and facilities

UOA Corporate Tower is located within an integrated mixed development known as Bangsar South, which is located off the Federal Highway and Jalan Kerinchi.

Bangsar South has been granted the status of MSC Malaysia Cybercentre, and offers a product mix of commercial offices, retail shops, hotels, healthcare centre, conference and event centre, and service residences. The development is equipped with supporting amenities and has excellent connectivity to various major transportation links and good access to major roads and expressways, as shown below:



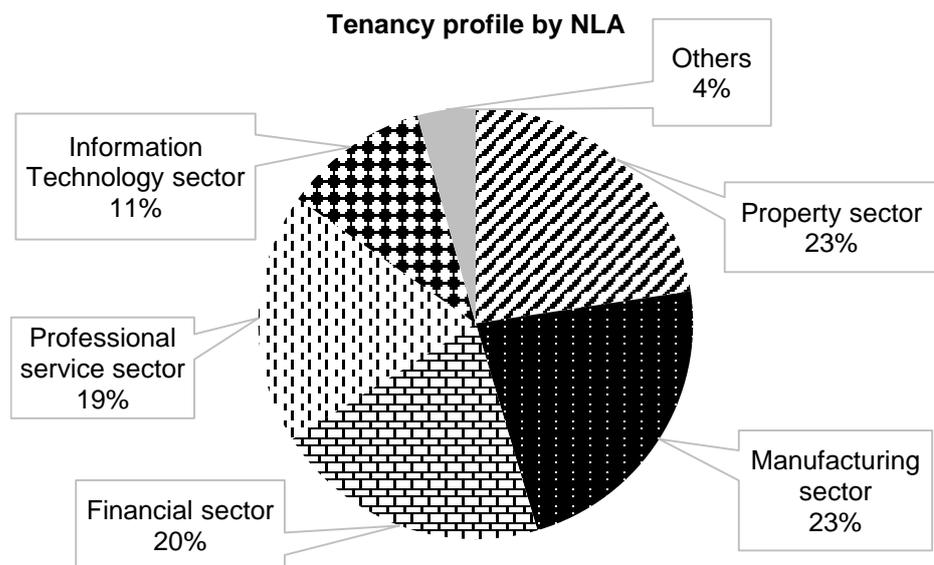
(Source: Manager and Valuation Certificate)

(ii) Complementing the existing portfolio

UOA Corporate Tower will complement the existing property portfolio of UOA REIT that comprises purely office buildings. The acquisition of UOA Corporate Tower (which was completed in 2016) will also lower the average building age of UOA REIT's property portfolio from approximately 18 years as at 31 December 2019 to approximately 16 years. The Manager believes that by remaining a pure-play office REIT with a younger property portfolio would likely attract more investors' interest in UOA REIT.

(iii) Growth in occupancy rate and diverse tenant mix

UOA Corporate Tower has managed to achieve an average occupancy rate of over 80% over the past three years from 2017 to 2019. As at the Material Date of Valuation, UOA Corporate Tower has an occupancy rate of 93.09% as well as a diverse tenant mix as shown in the diagram below:



The tenant diversification improves cash flow stability by minimising each tenant's overall contribution to revenue and therefore, minimising the effect that any individual tenant's default would have on UOA REIT.

(Source: Manager and Valuation Certificate)

(iv) Enhances the size of UOA REIT's portfolio

UOA REIT's property portfolio size will increase from approximately RM1.0 billion as at 31 December 2019 to RM1.7 billion after the Proposed Acquisition, as shown in the table below:

	As at 31 December 2019	UOA Corporate Tower	After the Proposed Acquisition
Value of investment properties (RM'mil)	1,036.0	718.0 ⁽¹⁾	1,754.0
No. of properties	5	1	6
NLA ('000 sq. ft.)	1,339.2	732.8	2,072.0

Note:

- (i) After taking into consideration the following:
 - (a) Purchase Consideration of RM700.0 million;
 - (b) estimated expenses of the Proposals which are allowed to be capitalised as part of investment properties of approximately RM1.59 million; and
 - (c) net unrealised gain of approximately RM16.4 million.

(v) Earnings and DPU accretive to Unitholders

UOA Corporate Tower is income-generating and is 93.09% occupied as at the Material Date of Valuation. After taking into consideration the prospects of UOA Corporate Tower as set out in Section 4 of this announcement, the Manager believes that the Proposed Acquisition will help to improve the earnings and the DPU to Unitholders upon the completion of the Proposed Acquisition. Please refer to Section 6.3 of this announcement for further details.

(vi) Opportunistic investment

The Trustee is able to acquire UOA Corporate Tower at the Purchase Consideration of RM700.0 million, which is at an approximately 2.5% discount to the current market value of UOA Corporate Tower of RM718.0 million as appraised by the Valuer. Pursuant to this, the Proposed Acquisition is value accretive as there will be an immediate unrealised gain of approximately RM16.4 million to be recognised by UOA REIT from the Proposed Acquisition.

3.2. Proposed Private Placement

The Proposed Private Placement will enable the Manager to raise funds and channel them towards the proposed utilisation as set out in Section 2.2.6 of this announcement, which is expected to improve the earnings and the DPU to the Unitholders when the benefits from the utilisation of proceeds from the Proposed Private Placement are realised.

Further, the Proposed Private Placement will also enable the following:

(i) Strengthen the financial position and capital base of UOA REIT

The Proposed Private Placement is expected to reduce the impact of Debt Facility taken to fund the Balance Purchase Consideration, which in turn provides UOA REIT with greater financial flexibility to obtain further financing facilities as and when required in the future.

(ii) Expand Unitholders' base

The Proposed Private Placement allows UOA REIT to attract more institutional investors to invest in UOA REIT, thereby enlarging its Unitholders' base and serves as a testament to investors' confidence in the future prospects of UOA REIT.

(iii) Improve trading liquidity

The Proposed Private Placement will increase the total number of issued units in UOA REIT, and hence, may improve the trading liquidity of units in UOA REIT.

Further, after due consideration of the various funding options available to UOA REIT, the Board is of the opinion that the Proposed Private Placement is the most appropriate avenue to raise funds for UOA REIT as it allows the Manager to raise funds expeditiously and cost effectively (i.e. able to implement immediately upon obtaining Unitholders' approval) as compared with other fundraising exercises involving pro-rata issuance of securities such as rights issue, which would typically entail a longer implementation time and generally require a higher discount to the prevailing market price. This would mitigate any risks associated with market movements and investors' sentiments.

There is no other equity fund-raising exercise undertaken by the Manager and/or the Trustee on behalf of UOA REIT in the 12 months before the date of this announcement.

4. INDUSTRY OVERVIEW AND OUTLOOK, AND PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy was confronted by concurrent supply and demand shocks arising from weak external demand conditions and strict containment measures in the 2nd quarter of 2020. As a result, the economy registered its first contraction since the Global Financial Crisis (2nd quarter of 2020: -17.1%, 3rd quarter of 2009: -1.1%).

On the supply side, this was reflected in a contraction across most sectors. From the expenditure side, domestic demand declined, while exports of goods and services registered a sharper contraction. On quarter-on-quarter seasonally-adjusted basis, the economy declined by 16.5% (1st quarter of 2020: -2.0%).

A contraction was recorded in most economic sectors amidst the imposition of the movement control order implemented by the Malaysian government to curb the outbreak of infectious diseases which include the coronavirus disease 2019 (“**COVID-19**”) pandemic which took effect from 18 March 2020 to 3 May 2020 (“**MCO**”), followed by the conditional MCO from 4 May 2020 up to 9 June 2020 (“**CMCO**”) and the recovery MCO from 10 June 2020 to 31 August 2020 (“**RMCO**”). The services sector contracted by 16.2% (1st quarter of 2020: 3.1%). The sector was affected by the implementation of a nationwide restrictive MCO, with only essential services such as food-related retail, utilities, banking, transportation as well as information and communication entities allowed to operate with very limited capacity. The subsequent transition to CMCO in May 2020 and RMCO in June 2020 provided some relief to businesses in the sector. The lockdown had substantially affected consumer spending and tourism activity, as shown by the significant decline in the wholesale and retail trade, as well as food and beverages and accommodation sub-sectors. The transport and storage sub-sector was impacted by a sudden stop in tourist arrivals due to travel restrictions imposed domestically as well as the international border closures. Growth in the finance and insurance sub-sector was weighed down by lower net interest income, and lower fee-based income amidst subdued capital market activity. Meanwhile, growth in the information and communication sub-sector was relatively sustained by the continued high demand for data communication services especially during this period of remote working arrangements.

Domestic demand declined by 18.7% in the 2nd quarter of 2020 (1st quarter of 2020: 3.7%), mainly due to weaker private sector expenditure. Spending by the private sector was impacted by lower income, movement restrictions and subdued consumer and business sentiments. While net exports continued to decline, the contribution of the external sector to the economy improved mainly due to the larger contraction in imports vis-à-vis the previous quarter.

Private consumption growth declined by 18.5% in the 2nd quarter of 2020 (1st quarter of 2020: 6.7%). Household spending was particularly impacted by the strict movement restrictions in the early part of the quarter and income losses amidst weak economic conditions. As movement restrictions were gradually relaxed towards the end of the quarter, retail and financing data indicated some improvement in spending, albeit remaining subdued. During this challenging period, stimulus measures such as the disbursement of Bantuan Prihatin Nasional cash transfers, Employees Provident Fund Board i-Lestari withdrawals and the implementation of the loan moratorium helped to cushion consumption spending.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index, declined to -2.6% during the quarter (1st quarter of 2020: 0.9%). The lower headline inflation was primarily due to the substantial decline in retail fuel prices (average RON95 petrol price per litre in 2nd quarter of 2020: RM1.37, 1st quarter of 2020: RM1.96) and the implementation of the tiered electricity tariff rebate beginning the month of April 2020.

Labour market conditions weakened as containment measures and weak demand led firms to undertake cost-cutting actions. Measures such as retrenchments, pay-cuts and unpaid leave weighed on employment and income conditions. Employment declined by 1.3% (1st quarter of 2020: 1.6%). Job losses were concentrated in the tourism-related industries as demand weakened considerably amidst border closures. As a result, the unemployment rate rose to 5.1% (1st quarter of 2020: 3.5%). In addition to the job losses, shorter working hours and pay-cuts among those who remained in employment resulted in a contraction in sector wage growth in the 2nd quarter of 2020 of -5.6% (1st quarter of 2020: 2.1%). The contraction in private services wage growth in the 2nd quarter of 2020 of -6.4% (1st quarter of 2020: 1.4%) was driven mainly by tourism related services, such as wholesale and retail trade, food and beverage, and accommodation (2nd quarter of 2020: -3.5%, 1st quarter of 2020: 1.9%) as well as transportation and storage (2nd quarter of 2020: -29.7%, 1st quarter of 2020: -3.5%) sub-sectors. In the manufacturing sector, wages contracted by 4.0% (1st quarter of 2020: 3.4%). This was mainly due to a contraction in the transport equipment and other manufactures sub-sector (2nd quarter of 2020: -13.3%; 1st quarter of 2020: 1.3%) and the textiles, wearing apparel, leather and footwear sub-sector (2nd quarter of 2020: -15.3%; 1st quarter of 2020: 2.4%) that were unable to operate during the MCO period.

Economic activity in Malaysia contracted sharply in the 1st half of the year (-8.3%) as the measures introduced to contain the pandemic globally and domestically resulted in a concurrent supply and demand shock to the economy. However, growth is expected to have troughed in the 2nd quarter of 2020. Economic activity has resumed significantly since the economy began to reopen in early May 2020. Monthly indicators such as wholesale and retail trade, industrial production, electricity generation, and gross exports all grew faster in June 2020 than in the period between March 2020 and May 2020. The improvement in growth in the 2nd half of 2020 will also be supported by the recovery in global growth and continued policy support. In particular, consumption and investment activities are expected to benefit from the wide-range of measures in the fiscal stimulus packages, continued financial measures and low interest environment. Growth could potentially be lifted by a larger-than-expected impact from stimulus measures.

While there is upside potential to growth, the pace and strength of the recovery remain susceptible to downside risks emanating from domestic and external factors. The prospect of secondary COVID-19 pandemic outbreaks leading to the re-imposition of containment measures, more persistent weakness in labour market conditions, and a weaker-than- expected recovery in global growth pose downside risks to growth.

(Source: Bank Negara Malaysia, Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2020)

4.2 Overview and outlook of the office sector in Malaysia

The overall performance of office sub-sector was less promising as the overall occupancy rate declined to 80.6% in 2019, down from 82.4% in 2018. The private office buildings recorded average occupancy rate at 74.8%, Wilayah Persekutuan Kuala Lumpur and Pulau Pinang secured higher occupancy rate at 76.9% and 76.5% respectively, whereas Selangor and Johor lower than national level at 70.0% and 65.7% respectively. Private office buildings in Putrajaya recorded the lowest occupancy rate at 37.6%.

As at the end of 2019, there was a total of 22.59 million square metres existing office space from 2,549 buildings, while another 51 buildings with 2.38 million square metres in the incoming supply and 15 buildings with nearly 0.4 million square metres in the planned supply. Wilayah Persekutuan Kuala Lumpur dominated all three categories of supplies.

The office segment is forecasted to remain under pressure in 2020. If all 11 of the office buildings under construction in Klang Valley were to be completed in 2020 as scheduled, around 0.5 million square metres of net lettable office space will be released into the market in the near term, which will likely lead to lower occupancy rates and further downward rental pressure. As a result, some of the older buildings with high vacancy rate might be closed down for upgrading, refurbishment, conversion to other usage or redevelopment.

(Source: Property Market Report 2019, Ministry of Finance Malaysia)

The outbreak of COVID-19 pandemic and current economic slowdown have affected some industries including the property market. In terms of office market, older office buildings and smaller office spaces, which are mainly occupied by small and medium-sized enterprises, in particular, were badly hit due to the increase of work from home arrangements during MCO and CMCO and RMCO (“**Control Order**”). Meanwhile, the newer office buildings, especially those which are strategically located with good accessibility as well as occupied by large corporations and multinational corporations are less affected.

(Source: Valuer)

4.3 Prospects of UOA Corporate Tower

UOA Corporate Tower, a stratified 38-storey office building with a penthouse level is strategically located within an integrated mixed development known as Bangsar South, which is located off the Federal Highway and Jalan Kerinchi. Bangsar South has been granted the status of MSC Malaysia Cybercentre, which is one of the requirements by many multinational and local corporate companies. The strategic location of UOA Corporate Tower allows it to benefit from the broader components of Bangsar South which currently offers a variety of product mix such as retail shops, hotels, healthcare centre, conference and event centre, and service residences. Such benefits include capitalising from:

- (i) the growing and affluent residential catchment within the vicinity as well as the broader Klang Valley region;
- (ii) the excellent connectivity to various major transportation links (i.e. Kerinchi Light Rail Transit (“**LRT**”) station and KL Gateway – University LRT station, both of which have direct access to the Kuala Lumpur City Centre and the Kuala Lumpur International Airport), with good access to major roads and expressways like Federal Highway, Sprint Expressway (Kerinchi Link) and New Pantai Expressway (NPE);
- (iii) complementary business support from the traffic generated from the various components of Bangsar South; and
- (iv) robust talent pool supported by University of Malaya and other higher learning institutions within the vicinity.

UOA Corporate Tower was completed in 2016 with a total gross floor area of 959,764 square feet. It has a sizeable plate area ranging from approximately 18,000 square feet to 21,000 square feet that allow for space flexibility. Further, UOA Corporate Tower has a total NLA of 732,871 square feet as at the Material Date of Valuation. As at the Material Date of Valuation, UOA Corporate Tower has high quality specifications which includes speed performance lifts control for low, mid and high zone levels, and computerised visitor management system and building control system which monitors and controls the installed building services such as mechanical service (such as chiller, and fan coil unit), mechanical ventilation system and fire protection services.

The occupancy rate of UOA Corporate Tower has been increasing over the past years as shown below:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>As at Material Date of Valuation</u>
Occupancy rate	65.69%	87.51%	92.79%	93.09%

Additionally, as at the Material Date of Valuation, UOA Corporate Tower has a diverse tenant mix (please refer to Section 3.1(iii) of this announcement for further details of tenancy profile of UOA Corporate Tower). Such tenant diversification is expected to improve UOA REIT's cash flow stability as well as minimising the effect that any individual tenant's default would have on UOA REIT.

Notwithstanding that the outlook of the office sector in Malaysia is challenging due to the upcoming supply of office buildings as explained in Section 4.2 of this announcement, the Manager believes that UOA Corporate Tower is able to maintain and attract a wide variety of quality tenants which includes multinational corporations and companies due to, amongst others, its (i) strategic location which includes its connectivity to the broader components of Bangsar South, (ii) designation as MSC Malaysia Cybercentre office building, and (iii) high quality building specifications. Hence, the addition of UOA Corporate Tower in UOA REIT's property portfolio mix will add value to the Unitholders in the form of providing a sustainable income to UOA REIT.

(Source: The Manager and Valuation Certificate)

5. RISK FACTORS

Unitholders should consider the following risk factors (which may not be exhaustive) pertaining to the Proposed Acquisition:

- (i) inability of the tenants to pay rental to UOA REIT during the tenure of the tenancies due to, amongst others, the following reasons that could have an adverse effect on the Tenants operationally and financially:
 - (a) outbreak of infectious diseases which include the COVID-19 pandemic;
 - (b) Control Order;
 - (c) general downturn in the global and Malaysia economy; and
 - (d) changes in statutory laws, regulations or government policies.
- (ii) physical damage caused by fire, terrorism, acts of God such as natural disasters like earthquake, and floods that may be uninsurable, or the cost of insurance may be prohibitive when compared to the risk. Should an uninsured loss or loss in excess of insured limits occur, UOA REIT could be required to pay compensation and/or lose capital invested in UOA Corporate Tower;
- (iii) susceptibility of the office sector to external factors outside the control of the Manager including amongst others, the oversupply in office space in Malaysia and increased competition from other office properties resulting in termination of tenancies, non-renewal of expired tenancies, or existing tenancies being renewed or new tenancies being entered into on less favourable rental rates and terms;
- (iv) completion of the Proposed Acquisition is subject to various conditions (which include the listing and quotation of the Placement Units on Bursa Securities that is subjected to, among others, market sentiments and volatility as well as the effects of COVID-19 pandemic and the Control Order) that may not be fulfilled within the timeframe anticipated by the Manager;

- (v) the valuation of UOA Corporate Tower is based on certain assumptions and the price at which the Trustee is able to dispose UOA Corporate Tower in the future may be less than the Purchase Consideration;
- (vi) introduction or changes in laws, building by-laws, codes and regulations issued by the relevant regulatory bodies that may require extensive renovation to UOA Corporate Tower in ensuring compliance with such changes;
- (vii) delays in the issuance and transfer of strata title to the Building ("**Strata Title**"); and
- (viii) UOA REIT's proforma distribution income and DPU (please refer to Section 6.3 of this announcement for further details) showing the effects of the Proposals have been prepared based on certain assumptions of the Manager. Such proforma figures are not necessarily indicative of the results of the operations that could have been attained, and do not purport to predict UOA REIT's future results.

6. EFFECTS OF THE PROPOSALS

For illustration purposes only, the proforma effects of the Proposals have been prepared based on the following assumptions:

- (i) the Placement Price is fixed at RM1.21 per unit, which is equivalent to the 5-day VWAP of UOA REIT up to and including the LPD of RM1.21;
- (ii) the number of Placement Units is 229,800,000, representing approximately 54.3% of the total number of issued units in UOA REIT of 422,871,776 as at LPD to raise gross proceeds of RM278,058,000;
- (iii) UOA REIT distributes approximately 97.43%, being the percentage of realised income distributed for the financial year ended ("**FYE**") 31 December 2019 ("**2019 Distribution Policy**"); and
- (iv) only the substantial unitholders of UOA REIT, namely Damai Positif Sdn. Bhd. ("**Damai Positif**"), Desa Bukit Pantai Sdn. Bhd. ("**Desa Bukit Pantai**"), Rich Accomplishment Sdn. Bhd. ("**Rich Accomplishment**") and Wisma UOA Sdn. Bhd. ("**Wisma UOA**") subscribe for such number of Placement Units on a pro-rata basis resulting in the collective unitholdings of UOA Interested Parties in UOA REIT to be approximately 55.0% after the completion of the Proposals.

6.1. Unitholders' capital

For illustration purposes only, the proforma effects of the Proposals on the Unitholders' capital of UOA REIT are as follows:

	No. of units	RM
As at the LPD	422,871,776	476,062,161
Issuance of Placement Units	229,800,000	274,238,000 ⁽¹⁾
Enlarged Unitholders' capital	652,671,776	750,300,161

Note:

- (1) After taking into consideration the estimated expenses of the Proposals which are allowed to be capitalised from Unitholders' capital amounting to approximately RM3.82 million.

6.2. Substantial unitholders' unitholdings

For illustration purposes only, the proforma effects of the Proposals on the unitholdings of the substantial unitholders as at 17 September 2020 are as follows:

Substantial unitholders	As at 17 September 2020				After the Proposals			
	Direct		Indirect		Direct		Indirect	
	No. of units	%	No. of units	%	No. of units	%	No. of units	%
Damai Positif	48,000,000	11.4	-	-	53,590,927	8.2	-	-
Desa Bukit Pantai	102,261,538	24.2	-	-	114,172,721	17.5	-	-
Rich Accomplishment	74,661,538	17.7	-	-	83,357,938	12.8	-	-
Wisma UOA	77,729,000	18.4	-	-	86,782,691	13.3	-	-
UOA Holdings Sdn. Bhd. (“ UOAH ”)	-	-	323,717,276 ⁽¹⁾	76.6	-	-	358,969,477 ⁽¹⁾	55.0
United Overseas Australia Ltd (“ UOAL ”)	-	-	323,717,276 ⁽¹⁾	76.6	-	-	358,969,477 ⁽¹⁾	55.0
Transmetro Sdn. Bhd. (“ Transmetro ”)	-	-	323,717,276 ⁽²⁾	76.6	-	-	358,969,477 ⁽²⁾	55.0
Griyajaya Sdn. Bhd. (“ Griyajaya ”)	-	-	323,717,276 ⁽³⁾	76.6	-	-	358,969,477 ⁽³⁾	55.0
Kong Chong Soon @ Chi Suim	-	-	323,767,276 ⁽⁴⁾	76.6	-	-	359,019,477 ⁽⁴⁾	55.0
Kong Pak Lim	-	-	323,717,276 ⁽²⁾	76.6	-	-	358,969,477 ⁽²⁾	55.0
Employees Provident Fund Board	40,866,500	9.7	-	-	40,866,500	6.3	-	-

Notes:

- (1) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 (“**Act**”) held through Damai Positif, Desa Bukit Pantai, Dynasty Portfolio Sdn. Bhd. (“**Dynasty Portfolio**”), LTG Development Sdn. Bhd. (“**LTG Development**”), Rich Accomplishment and Wisma UOA.
- (2) Deemed interested by virtue of Section 8(4) of the Act held through Griyajaya, UOAL and UOAH.
- (3) Deemed interested by virtue of Section 8(4) of the Act held through UOAL and UOAH.
- (4) Deemed interested by virtue of Section 8(4) of the Act held through Transmetro, Griyajaya, UOAL and UOAH.

6.3. Earnings, Earnings per unit (“EPU”) and DPU

The Proposals are not expected to have any effect on the earnings, EPU and DPU of UOA REIT for the FYE 31 December 2020 since the transactions are only expected to be completed in the fourth quarter of 2020. Nevertheless, the Manager believes that when the benefits from the utilisation of proceeds from the Proposed Private Placement as set out in Section 2.2.6 of this announcement are realised, they will contribute positively to the future earnings, EPU and DPU of UOA REIT.

For illustrative purposes only, assuming that the Proposals were completed on 1 January 2019 (being the beginning of the FYE 31 December 2019), the proforma effects of the Proposals on the distributable net income and DPU of UOA REIT for the FYE 31 December 2019 are set out below:

	Audited for the FYE 31 December 2019	After the Proposals
	RM'000	RM'000
Income distribution ⁽¹⁾	38,524	38,524
Add: Annual incremental net distributable income contribution ⁽²⁾	-	21,710
Proforma distributable income	38,524	60,234
Units in circulation ('000)	422,872	652,672
Proforma DPU (sen)	9.11	9.23

Notes:

- (1) Based on UOA REIT's realised income.
- (2) Computation in arriving at the annual incremental net distributable income contribution is as follows:

Description	Basis of computation	RM'000
Net property income (“NPI”)	Annual NPI from UOA Corporate Tower	35,922
Manager's and trustee's fees	Manager fees are computed at a base rate of 0.67% per annum (being the actual base rate for FYE 31 December 2019) of the incremental total asset value. Trustee fee is computed based on 0.03% per annum (being the actual rate for FYE 31 December 2019) of the incremental NAV	(2,034)
Cost of financing	Indicative finance cost of 2.75% for the Debt Facility (including Deposit)	(11,605)
Sub-total		<u>22,283</u>
Annual incremental net distributable income contribution calculated based on 2019 Distribution Policy		<u>21,710</u>

The Manager wishes to highlight that the computation above is merely for illustration purposes and have been prepared based on certain assumptions of the Manager, which do not include the impact of, amongst others, COVID-19 pandemic and Control Order. The above illustration is not necessarily indicative of the results of the operations of UOA REIT that would have been attained had the Proposed Acquisition and Proposed Private Placement actually occurred in the aforesaid period. Further, the Manager cannot provide assurance that the assumptions used by them will be realised and the actual distributions/yields will be as projected.

6.4. NAV and NAV per unit

For illustration purposes only, assuming that the Proposals were completed on 31 December 2019, the proforma effects of the Proposals on the NAV of UOA REIT per unit as at 31 December 2019 are as follows:

	Audited as at 31 December 2019	After the Proposals
	RM'000	RM'000
Unitholders' capital	476,062	750,300 ⁽¹⁾
Undistributed income	230,493	246,903 ⁽²⁾
Total Unitholders' fund / NAV	706,555	997,203
No. of UOA REIT units in circulation ('000)	422,872	652,672
NAV per UOA REIT unit (RM)	1.67	1.53

Notes:

- (1) After taking into consideration the following:
 - (a) gross proceeds raised from the Proposed Private Placement of RM278,058,000; and
 - (b) estimated expenses of the Proposals which are allowed to be capitalised from Unitholders' capital amounting to approximately RM3.82 million.
- (2) After taking into consideration the unrealised gain of approximately RM16.4 million to be recognised by UOA REIT from the Proposed Acquisition, which is not distributable.

6.5. Gearing

For illustration purposes only, assuming that the Proposals were completed on 31 December 2019, the proforma effects of the Proposals on the gearing level of UOA REIT as at 31 December 2019 are as follows:

	Audited as at 31 December 2019	Movement	After the Proposals
	RM'000	RM'000	RM'000
Total gross borrowings	274,800	422,000 ⁽¹⁾	696,800
Total asset value	1,046,826	712,648 ⁽²⁾	1,759,474
Gearing (%) ⁽³⁾	26.3		39.6

Notes:

- (1) Net increase in total borrowings after taking into consideration the Debt Facility (including Deposit) to part fund the Proposed Acquisition;
- (2) Increase in total asset value after taking into consideration the following:
- (a) Net decrease in cash and bank balances by approximately RM5.35 million:
 - (i) inflow of gross proceeds raised from the Proposed Private Placement of RM278,058,000;
 - (ii) outflow of total estimated expenses of the Proposals of approximately RM5.41 million, which consists of the following:
 - 1. approximately RM3.82 million, which is allowed to be capitalised from Unitholders' capital; and
 - 2. approximately RM1.59 million, which is allowed to be capitalised as part of investment properties; and
 - (iii) settlement of the Equity Portion of the Balance Purchase Consideration of RM278.0 million.
 - (b) Increase in investment properties by approximately RM718.0 million;
 - (i) Purchase Consideration of RM700.0 million;
 - (ii) estimated expenses of the Proposals which are allowed to be capitalised as part of investment properties of approximately RM1.59 million; and
 - (iii) net unrealised gain of approximately RM16.4 million.
- (3) Gearing is calculated as total gross borrowings divided by total asset value.

6.6. Convertible securities

As at the LPD, UOA REIT does not have any outstanding convertible securities.

7. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:

- (i) Bursa Securities for the listing and quotation of the Placement Units on the Main Market of Bursa Securities;
- (ii) the approval of the Unitholders for the Proposed Acquisition and Proposed Private Placement (including any proposed Specific Allotment to UOA Interested Parties, if any; and
- (iii) any other relevant authority and/or party, if required.

The Proposed Acquisition and Proposed Private Placement are inter-conditional upon each other.

8. INTERESTS OF A DIRECTOR, MAJOR SHAREHOLDERS AND CHIEF EXECUTIVE OF THE MANAGER AND/OR MAJOR UNITHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Saved as disclosed below, none of the directors, major shareholders and chief executive of the Manager and/or Major Unitholders and/or persons connected with them have any interest, direct or indirect, in the Proposals.

8.1. Interested Major Unitholders

The details of the unitholdings of the interested Major Unitholders as at 17 September 2020 (collectively, the “Interested Major Unitholders”) are as follows:

Unitholders	Direct		Indirect	
	No. of units	%	No. of units	%
Damai Positif	48,000,000	11.4	-	-
Desa Bukit Pantai	102,261,538	24.2	-	-
Rich Accomplishment	74,661,538	17.7	-	-
Wisma UOA	77,729,000	18.4	-	-
UOAH	-	-	323,717,276 ⁽¹⁾	76.6
UOAL	-	-	323,717,276 ⁽¹⁾	76.6
Transmetro	-	-	323,717,276 ⁽²⁾	76.6
Griyajaya	-	-	323,717,276 ⁽³⁾	76.6
Kong Chong Soon @ Chi Suim	-	-	323,767,276 ⁽⁴⁾	76.6
Kong Pak Lim	-	-	323,717,276 ⁽²⁾	76.6

Notes:

- (1) Deemed interested by virtue of Section 8(4) of the Act held through Damai Positif, Desa Bukit Pantai, Dynasty Portfolio, LTG Development, Rich Accomplishment and Wisma UOA.
- (2) Deemed interested by virtue of Section 8(4) of the Act held through Griyajaya, UOAL and UOAH.
- (3) Deemed interested by virtue of Section 8(4) of the Act held through UOAL and UOAH.
- (4) Deemed interested by virtue of Section 8(4) of the Act held through Transmetro, Griyajaya, UOAL and UOAH.

As at 17 September 2020, UOAH, being the immediate holding company of UOA Development (a listed company on the Main Market of Bursa Securities), has a 76.6% indirect interest in UOA REIT and a 70.1% indirect interest in the Vendor (an indirect wholly-owned subsidiary of UOA Development). Furthermore, the Placement Units may be offered to UOA Interested Parties. Accordingly, the Interested Major Unitholders are deemed interested in the Proposed Acquisition and proposed Specific Allotment to the UOA Interested Parties.

The Interested Major Unitholders will abstain from voting on the resolutions pertaining to the Proposed Acquisition and proposed Specific Allotment to the UOA Interested Parties for their direct and/or indirect unitholdings (if any) in UOA REIT at the Unitholders' Meeting. They will also ensure that persons connected with them will abstain from voting on the resolutions pertaining to the Proposed Acquisition and proposed Specific Allotment to the UOA Interested Parties for their direct and/or indirect unitholdings (if any) in UOA REIT at the Unitholders' Meeting.

8.2. Interested director of the Manager

As at the LPD, Kong Sze Choon is a Chief Executive Officer of the Manager and also the Alternate to the Managing Director of UOA Development. Meanwhile, Alan Charles Winduss is an Independent Non-Executive Director of the Manager and also an Independent Non-Executive Director of UOA Development. Further, Yap Kang Beng is a Non-Independent Non-Executive Director of the Manager and also a person connected with Interested Major Unitholders (collectively, the "**Interested Directors**"). As at 17 September 2020, the Interested Directors' unitholdings in UOA REIT are as follows:

Interested Directors	Direct		Indirect	
	No. of units	%	No. of units	%
Kong Sze Choon	39,000	*	24,000 ⁽¹⁾	*
Alan Charles Winduss	100,000	*	-	-
Yap Kang Beng	-	-	-	-

Notes:

* Negligible.

(1) Deemed interested by virtue of Section 8 of the Act held through Global Transact Sdn. Bhd..

Accordingly, the Interested Directors are deemed interested in the Proposed Acquisition and proposed Specific Allotment to the UOA Interested Parties. The Interested Directors have abstained and will continue to abstain from the Board deliberations and voting for the Proposed Acquisition and proposed Specific Allotment to the UOA Interested Parties. The Interested Directors will also abstain from voting on the resolutions pertaining to the Proposed Acquisition and proposed Specific Allotment to the UOA Interested Parties for their direct and/or indirect unitholdings (if any) in UOA REIT at the Unitholders' Meeting. The Interested Directors have also undertaken to ensure that persons connected with them will abstain from voting on the resolutions pertaining to the Proposed Acquisition and proposed Specific Allotment to the UOA Interested Parties for their direct and/or indirect unitholdings (if any) in UOA REIT at the Unitholders' Meeting.

8.3. Interested major shareholders of the Manager

The details of the shareholdings of the interested major shareholders of the Manager as at the LPD (collectively, the “Interested Major Shareholders”) are as follows:

Major Shareholder	Direct		Indirect	
	No. of shares	%	No. of shares	%
UOA Corporation Bhd (“ UOA Corporation ”)	700,000	70.0	-	-
LTG Development	-	-	700,000 ⁽¹⁾	70.0
UOAH	-	-	700,000 ⁽²⁾	70.0
UOAL	-	-	700,000 ⁽³⁾	70.0
Transmetro	-	-	700,000 ⁽⁴⁾	70.0
Griyajaya	-	-	700,000 ⁽⁵⁾	70.0
Kong Chong Soon @ Chi Suim	-	-	700,000 ⁽⁶⁾	70.0
Kong Pak Lim	-	-	700,000 ⁽⁴⁾	70.0

Notes:

- (1) Deemed interested by virtue of Section 8(4) of the Act held through UOA Corporation.
- (2) Deemed interested by virtue of Section 8(4) of the Act held through LTG Development and UOA Corporation.
- (3) Deemed interested by virtue of Section 8(4) of the Act held through UOAH, UOA Corporation and LTG Development.
- (4) Deemed interested by virtue of Section 8(4) of the Act held through Griyajaya, UOAL and UOAH.
- (5) Deemed interested by virtue of Section 8(4) of the Act held through UOAL and UOAH.
- (6) Deemed interested by virtue of Section 8(4) of the Act held through Transmetro, Griyajaya, UOAL and UOAH.

The Interested Major Shareholders will abstain from voting on the resolutions pertaining to the Proposed Acquisition and proposed Specific Allotment to the UOA Interested Parties for their direct and/or indirect unitholdings (if any) in UOA REIT at the Unitholders’ Meeting. They have also undertaken to ensure that persons connected with them will abstain from voting on the resolutions pertaining to the Proposed Acquisition and proposed Specific Allotment to the UOA Interested Parties for their direct and/or indirect unitholdings (if any) in UOA REIT at the Unitholders’ Meeting.

9. PERCENTAGE RATIO

The percentage ratio applicable for the Proposed Acquisition pursuant to Paragraph 10.02(g)(vi) of the Listing Requirements is approximately 66.87%, computed based on the Purchase Consideration compared with the total asset value of UOA REIT as at 31 December 2019.

10. RELATED PARTY TRANSACTIONS

The aggregate total amount transacted between UOA REIT and UOA Group in the 12 months preceding 31 August 2020, being the latest practicable date of which such amount can be computed is approximately RM1.1 million.

11. STATEMENT BY THE BOARD

The Board (save for the Interested Directors) having considered the rationale, proforma effects and all aspects of the Proposals, and the evaluation and recommendation by the Independent Adviser, and after careful deliberation, is of the opinion that the Proposals are in the best interests of UOA REIT and its Unitholders.

12. THE MANAGER'S AUDIT COMMITTEE'S RECOMMENDATION

The Audit Committee of the Manager, having considered the rationale, proforma effects and all aspects of the Proposals, and the evaluation and recommendation by the Independent Adviser, and after careful deliberation, is of the opinion that the Proposals are:

- (i) in the best interest of UOA REIT;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interests of the non-interested Unitholders.

13. SUBMISSION TO THE RELEVANT AUTHORITIES AND ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances:

- (i) the submissions to the relevant authorities for the Proposals are expected to be made within two months from the date of this announcement; and
- (ii) the Proposals are expected to be completed in the 4th quarter of 2020.

14. ADVISERS

RHB Investment Bank has been appointed as the Sole Principal Adviser for the Proposals.

RHB Investment Bank and Hong Leong Investment Bank Berhad have been appointed as the Placement Agents for the Proposed Private Placement.

Mercury Securities has been appointed by the Board to act as the Independent Adviser in view of the interests of the interested parties as disclosed in Section 8 of this announcement. The role of the Independent Adviser is as follows:

- (i) to comment as to whether the Proposed Acquisition is:
 - (a) fair and reasonable so far as the Unitholders are concerned; and
 - (b) to the detriment of the non-interested Unitholders,and set out the reasons for such opinion, the key assumptions made and the factors taken into consideration in forming that opinion;
- (ii) to advise the non-interested Unitholders whether they should vote in favour of the Proposed Acquisition; and
- (iii) to take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice for items (i) and (ii) above.

15. DOCUMENTS AVAILABLE FOR INSPECTION

The SPA and the Valuation Certificate are available for inspection at the registered office of the Manager at No. 9, Jalan Indah 16, Taman Cheras Indah, 56100 Kuala Lumpur, Malaysia during normal business hours from Mondays to Fridays (except public holidays) for a period of three months from the date of this announcement.

This announcement is dated 28 September 2020.

SALIENT TERMS OF THE SPA

The salient terms of the SPA are as follows:

(1) Purchase and disposal

Subject to the terms and conditions of the SPA:

- (a) the Vendor agrees to sell and assign its rights, title and interest in the Building and the Provisional Parcel under the Principal SPA to the Trustee; and
- (b) the Trustee agrees to purchase and accept the assignment of the Vendor's rights, title and interest in the Building and the Provisional Parcel under the Principal SPA from the Vendor;

free from any form of encumbrance or condition whatsoever or any other arrangement having similar effect ("**Encumbrances**") with vacant possession to those parts of the Building which are vacant and legal possession of those parts of the Building which are subject to the various subsisting tenancies and licenses entered into by the Vendor as at the date of completion of the SPA ("**Completion Date**") ("**Existing Tenancies and Licences**").

(2) Conditionals of the purchase and disposal

The sale, purchase and assignment of the of the Vendor's rights, title and interest in the Building and the Provisional Parcel under and pursuant to the Principal SPA are subject to, amongst others, the following conditions:

- (a) the Building is free from all Encumbrances;
- (b) the sale of the Building shall include all lifts, air-conditioning plant, equipment, machineries and other fixtures and fittings therein or on the Building (except those equipment, fixtures and fittings belonging to the tenants in or on their respective premises) and such other assets as more particular set out in the SPA ("**Assets**");
- (c) the Building is subject to all category of land use and conditions express or implied in the Strata Title when issued or to which the Building is subject;
- (d) the Building and the Strata Title upon issuance, will not be subjected to the TNB Lease and the Link Pedestrian Bridges Easements;
- (e) the Building is subject to any easements under the Strata Titles Act, 1965 and temporary rights of way or easements in favour of the Vendor and/or the Proprietor to all utility service facilities and drainage in or under the Building and drainage, as well as an easement of support to maintain any party walls to the Building;
- (f) on the Completion Date, there will be no change to the state and condition of the Building that it is in as at the date of the SPA, fair wear and tear excepted;
- (g) that each of the Vendor's and Proprietor's warranties given under the SPA remains true and accurate in all respects;
- (h) the Vendor continuing to maintain and keep in good repair the Building until the delivery of legal and vacant possession of the Building to the Trustee, fair wear and tear excepted.

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- (i) the sale of the Building shall include all the benefit of Existing Tenancies and Licences such that the Trustee shall have good and valid rights to the revenue to be derived thereof save and except those Existing Tenancies and Licences which have been terminated or expired, and ensure that the respective novation or assignment of the Existing Tenancies and Licences in favour of the Trustee taking effect upon the Completion Date;
- (j) on an “as is where is” basis with regards to the condition of the Building in terms of the layout and portioning of the premises within the Building as at the date of the SPA; and
- (k) the observance and performance the covenants and obligations in the Terms and Conditions Relating to MSC Malaysia Designated Premises as set out in the SPA.

(3) Conditions precedent (“Conditions Precedent”)

The sale, purchase and assignment of the of the Vendor’s rights, title and interest in the Building and the Provisional Parcel under and pursuant to the Principal SPA are to only take effect upon:

- (a) the approval of the directors and shareholders of the Vendor and the approval of the shareholders of UOA Development for the proposed disposal of UOA Corporate Tower to the Trustee having been obtained;
- (b) the approval of Bursa Securities for the listing and quotation of the Placement Units having been obtained;
- (c) the concurrence of the Securities Commission Malaysia (“**SC**”) in respect of the requirements under Chapter 8, Paragraph 8.09(b) of the Guidelines on Listed Real Estate Investment Trusts issued by the SC which has been obtained on 28 September 2020;
- (d) the approval of the Unitholders at a Unitholders’ Meeting for the following having been obtained:
 - (i) the Proposed Acquisition by the Trustee;
 - (ii) the Proposed Private Placement; and
 - (iii) any proposed Specific Allotment to UOA Interested Parties;
- (e) the approval or consent of any relevant third party or any relevant public authority having been obtained, if required;
- (f) the listing and quotation of the Placement Units on Bursa Securities; and
- (g) the Trustee being satisfied with the results of the due diligence on the Building and further being satisfied with the fulfilment of any further conditions that the Trustee considers necessary based on the findings of the due diligence on the Building.

SALIENT TERMS OF THE SPA

(4) Manner of payment of the Purchase Consideration

The Purchase Consideration shall be satisfied by way of cash consideration by the Trustee as follows:

- (a) the Trustee shall pay the Deposit to the Vendor within three market days from the date of fulfilment of all Conditions Precedent (“**Unconditional Date**”). Pending that, the Trustee shall furnish to the Vendor the BG, for the Deposit upon the execution of the SPA; and
- (b) the Trustee shall pay the Balance Purchase Consideration to the Vendor on or before the expiry of completion period of the SPA of one month from the Unconditional Date or such extended period as may be mutually agreed by the parties to the SPA (“**Completion Period**”).

(5) Adjustment of the Purchase Consideration

If there is any revision to the market value of the Building pursuant to any comments provided by the relevant authorities on the valuation report, the Vendor and the Trustee shall enter into bona fide discussions to determine whether there is a need to revise the Purchase Consideration within 30 days from the date the matter is first brought to the attention of both parties or such longer period as both parties may mutually agree. If:

- (a) the Vendor and the Trustee accepts the revised purchase consideration, the relevant Conditions Precedent shall be deemed to have been obtained and the parties shall enter into a supplemental agreement to reflect the revision to the Purchase Consideration;
- (b) the Vendor and the Trustee cannot agree to the revised purchase consideration, the SPA will be rescinded and the Vendor will refund the Deposit or return the BG for cancellation.

(6) Termination and breach

- (a) Trustee’s default
 - (i) The Trustee shall fail to satisfy or settle the Purchase Consideration or any part thereof in accordance with the provisions of the SPA.
 - (ii) The Trustee breaches any material terms or conditions of the SPA or the Trustee neglects, refuses and/or fails to comply with or perform or observe all or any of the Trustee’s material covenants under the SPA.
 - (iii) A liquidator receiver, receiver and manager, special administrator, trustee or similar official is appointed over any of the assets or undertaking of the Trustee.
 - (iv) The Trustee enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, their respective creditors or any class of them.
 - (v) A resolution is passed or an application or order is made for the winding up or dissolution of the Trustee otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of the Vendor.

SALIENT TERMS OF THE SPA

- (vi) The Trustee attempts to sell, dispose of or assign the Building or any part thereof before completion and/or settlement in full of the Purchase Consideration and such other monies payable under the SPA.
- (b) Vendor's and/or Proprietor's default
 - (i) The Vendor and/or the Proprietor breaches any material terms, conditions or any of the Vendor's and Proprietor's warranties, set out in the SPA or fails to complete the sale.
 - (ii) A liquidator, receiver, receiver and manager, special administrator, trustee or similar official is appointed over any of the assets or undertaking of the Vendor and/or the Proprietor.
 - (iii) The Vendor and/or the Proprietor enter into or resolve to enter into any arrangement, composition or compromise with, or assignment for the benefit of, their respective creditors of any class of them.
 - (iv) A resolution is passed or an application or order is made for the winding up or dissolution of the Vendor and/or the Proprietor otherwise than for the purpose of an amalgamation or reconstruction.

(c) Consequences of termination by the Vendors

The Vendor shall be entitled to either:

- (i) the remedy of specific performance together with all such legal remedies and all costs and expenses incurred by the Vendor in connection therewith shall be borne by the Trustee; or
- (ii) terminate the SPA by giving a notice in writing to the Trustee without prejudice to any other right of the Vendor to enforce without prejudice to any other rights or remedies the Vendor may be entitled to against the Trustee.

(d) Consequences of termination by the Trustee

The Trustee shall be entitled to either:

- (i) the remedy of specific performance together with all such legal remedies and all costs and expenses incurred by the Trustee in connection therewith shall be borne by the Vendor and/or the Proprietor; or
- (ii) to terminate the SPA by giving a notice in writing to the Vendor and/or the Proprietor without prejudice to any other right of the Trustee to enforce without prejudice to any other rights or remedies the Trustee may be entitled to against the Vendor and/or the Proprietor.

(7) Vendors' obligations for the service contracts

For any service, maintenance, supply, agency, advertising, licensing and management agreements or contracts relating to the Building and/or the Assets that are still subsisting immediately before the Completion Date, the parties agree and the Vendor covenants that:

- (a) the Vendor shall terminate all such service, maintenance and management agreements or contracts as at the Completion Date; and

SALIENT TERMS OF THE SPA

- (b) as at the Completion Date, none of such agreements or contracts shall be binding on or enforceable against the Trustee, whether as purchaser or successor in title of the Building and/or will be binding for the Building and/or the Assets and the Trustee shall in no way be liable to the counterparties to such agreements or contracts, whether such agreements or contracts remain subsisting or otherwise vis-a-vis the Vendor.

(8) Delivery of legal possession of the Vendor

Upon payment of the Balance Purchase Consideration by the Trustee to the Vendor within the Completion Period, the Vendor shall within five market days from the Completion Date, deliver to the Trustee legal possessions of those parts of the Building which are subject to the Existing Tenancies and Licences which are then still subsisting and deliver vacant possession for the remaining parts of the Building which are untenanted as at the Completion Date, in the state and condition in which it is in as at the date of the SPA (fair wear and tear excepted);

(9) Indemnity by the Vendors

The Vendor indemnifies and agrees to keep the Trustee indemnified against all losses, damage, costs, expenses and outgoing which the Trustee that may incur or be liable for any claim, demand, liability, action, proceedings or suits arising out of or in connection with:

- (a) a breach of a Vendor's and Proprietor's warranties in the SPA; or
- (b) any Vendor's and Proprietor's warranties in the SPA not being true and correct in all respect.