



CapitaMalls Malaysia Trust

Main Market/ Syariah Compliant.

Recommendation : -

Expected Price = RM0.97 per unit.

Content : -

1.	Principal Activities	Pg -1
2.	Key Personnel	Pg -1
3.	Substantial Shareholders	Pg -2
4.	Revenue Segmentation	Pg -2
5.	Business Model	Pg -2
6.	Future Plan	Pg -2
7.	Selected Financial State. Analysis.	Pg -3
8.	Margin Analysis	Pg -3
9.	Dividend Policy	Pg -3
10.	Valuation	Pg -3

IPO Retail Price (revised)	RM0.98 per unit.
# IPO Offered Units	1,350,000,000
# Units for Institutional Investors	719,022,000
# New Units for Public	22,000,000
IPO Closing Date:	5 th July 2010
Listing Date:	16 th July 2010
Market Capitalization (estimate) (1,350,000,000 units x RM0.98)	RM1,323,000,000

Proceeds Utilization

	Amount (million)	Time Frame (month)
1. Listing expenses	RM14	Immediate
2. REIT financing	RM6	Immediate
3. Working capital	RM3.76	In 12 mths
Total	RM23.76	

Local investors are very familiar with stock investment and also knowing bonds have always been the safe place to park their money. There is one type of investment that often overlooked is the real estate investment trust or REIT.

So what exactly is a REIT? Well, it's a trust company that accumulates a pool of money, through an IPO, which is then used to buy, develop, manage and sell assets in real estate.

The owner of one REIT unit is buying a portion of a managed pool of real estate. This pool of real estate then generates income through renting, leasing and selling of property and distributes it directly to the REIT holder on a regular basis.

In other words, when one buy a unit of a REIT, he/she is essentially buying a physical asset with a long expected life span and the potential for income through rentals and property appreciations. Unlike stock investment, investors are buying the right to participate in the profitability of the company through ownership.

Thus, REIT creates a bit of a safety net for investors as they will always have rights to the property underlying the trust while enjoying the benefits of their income.

1. PRINCIPAL ACTIVITIES

CapitaMalls Malaysia Trust is a real estate investment trust formed to invest in a portfolio of long term income generating real estate primarily used for retail purposes in Malaysia. [The properties to acquire by CapitaMalls Malaysia Trust are Gurney Plaza \(Penang\), Sungai Wang Plaza \(Kuala Lumpur\) and The Mines \(Selangor\) with a purchase consideration of RM2,054 million.](#)

Its principal investment policy is to invest in retail, or other non-real estate assets permitted under Deed, REIT Guidelines or by Securities Commission. However, at least 50% of total asset value of CapitaMalls Malaysia Trust must be invested in real estate assets, and not more than 25% of the total asset value is invested in non-real estate related assets, cash, deposits and/or money market instruments.

2. KEY PERSONNEL

CapitaMalls Malaysia REIT Management Sdn Bhd will serve as the Manager of this REIT. CapitaLand Retail RECM Pte Ltd owns 70% stake in the Manager with Malaysian Industrial Development Finance Berhad (MIDF) owns the balance 30% equity interest. CapitaLand Retail RECM Pte Ltd is a

wholly owned subsidiary of CapitaMalls Asia Ltd incorporated in Singapore.

3. SUBSTANTIAL SHAREHOLDERS

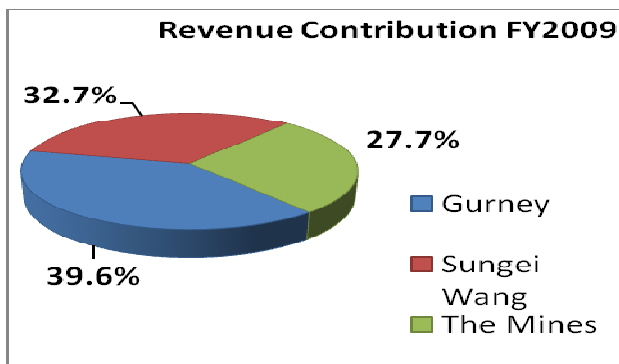
Name	Direct shareholding after IPO
CapitaMalls Asia Ltd	41.74%

CapitaMalls Asia has a network of 87 retail properties (31 Mar 2010) in 48 cities across 5 countries in Asia. The Manager will thus have access to CapitaMalls Asia's integrated retail and capital management platform.

Furthermore, with CapitaMalls Asia's 70% equity interest in the Manager, we know the kind of track record to be expected from the Manager. Management is one of the key criteria in choosing a good REIT.

4. REVENUE SEGMENTATION BY PROPERTIES

FYE 31 Dec. (RM'000)	2009	2008
Retail Properties		
Gurney Plaza	75,600	67,200
Sungei Wang Plaza	62,500	30,000
The Mines	53,000	42,500



Average Properties Net Lettable Area & Occupancy rate as of 30th April 2010

Retail Properties	Net Lettable Area	Occupancy Rate
Gurney Plaza	707,900 sqft	96.4%
Sungei Wang Plaza	450,200 sqft	98.8%
The Mines	719,300 sqft	97.5%

The keys to good performing REIT lie in quality and consistent rental incomes. Of course, the locations of retail properties must also be right along with the right facilities to attract the right crowd to the shopping malls.

In the past 2 years (2008 and 2009), the above-mentioned retail properties registered an increase in revenues. But, what caught the attention was the sharp rise in rental income at Sungei Wang Plaza from 2008 to 2009.

Given the same nettable area and 99.4% occupancy rate, a sudden sharp increase in rental rate psf was observed in 2009 from 2008, was it due to downward rental revision to retain tenants in 2008's economic down turn, and was subsequently revised back up in 2009 on better economy performance ? This would be an interesting piece of information to know, because with the European debt crisis and poor US economic indicators still lingering around at the time of writing, a repeat of history cannot be ruled out (I mean a downward revision on rental rates in attempt to retain tenants).

On occupancy rate, CapitaMalls Malaysia Trust's retail spaces in Gurney Plaza, Sungei Wang Plaza, and The Mines were very well taken up with a near 100%.

5. BUSINESS MODEL

CapitaMalls Malaysia Trust derives its incomes **PURELY** from properties rental on shopping malls.

6. FUTURE PLAN

In the prospectus, the Manager would adopt proactive asset management and asset enhancement strategy, capital management optimization strategy and acquisition growth strategy externally for CapitaMalls Malaysia Trust. These strategies sound good as it would help to improve net asset value per unit.

7. SELECTED FINANCIAL STATE ANALYSIS

Selected Bal Sheet (RM 000)	4-m ended 30 April 2010		
Current Assets	53,068		
Cash in Hand	53,068		
LT Assets	2,132,297		
Total Assets	2,185,365		
Current Liabilities	20,441		
LT Liabilities	775,164		
LT Debts	744,000		
Total Liabilities	795,605		
S/holders Equity	1,389,760		
Selected Income State. (RM 000)	FY 2011	(f) 8m to 31Dec10	4m to 30Apr10
Revenue	211,288	134,620	66,708
Finance costs			
NPI (excl. other income)	148,396	93,880	44,585
Distributable income	101,292	64,695	
# units (million)	1,360.9	1,354.1	
NAV per share		RM1.03	
Distribution per unit	7.45 sen	7.16 sen	
Ratio Analysis	4-m ended 30 April 2010		
Table 1.1	Leverage Ratio		
1. Debt / Capital	50.6%		

Leverage Ratio (Table 1.1)

Like other REITs, CapitaMalls Malaysia Trust also carries debts in its balance sheet. In the forecasted FYE 2011, it is expected to carry 50.6% debt, meaning that every Ringgit Malaysia of asset would be financed with 50.6 sen of debt.

8. MARGIN ANALYSIS

FYE Dec	FY 2011	(f) 8m to Dec 10	4m to Apr 10	FY 2009
RM'000				
Rev.	211,288	134,620	66,708	191,098
NPI	148,396	93,880	44,585	134,366
NPI/Rev	70.2%	69.7%	66.8%	70.3%

NPI = Net Property Income Rev = Revenue

The table above showed that CapitaMalls Malaysia Trust is in an industry of high net profit margin. However, REIT could face risks such as lease defaults or non-renewal in shopping malls, low occupancy

rate in retail industry should a tough economic environment fall in.

On this note, CapitaMalls Malaysia Trust must strive to look for tenants with high profitable margin business to ensure a continuing high rental income.

9. DIVIDEND POLICY

Dividend is to be made by the Manager on quarterly basis. In the first 2 years, the Manager intends to pay out at least 100% of its distributable income; but, in years thereafter, the Manager intends to distribute at least 90% of its distributable income per year.

A note on this point, the Manager is thus likely looking at using this small portion of this undistributed income (10%) to invest in properties that can add more value to its unit holders. But, the Manager must always be cognizant of the risk involved in taking up much debt to invest in new properties as we are at risk of entering into a deflationary period, a spillover effect from US and European crisis.

According to the prospectus, an estimate of 7.45 sen dividend income per unit to be payable to unit holders based on the forecasted income statement for FYE 30 June 2011. This is equivalent to a dividend yield of 7.6%.

10. VALUATION

FYE	31/12/09	31/3/10	31/12/09	31/12/11 (forecast)
7/7/10	Atrium	AmFirst	Hektar	CMMT
Price	RM0.95	RM1.18	RM1.24	RM0.98
NAV	1.03	1.40	1.27	1.03
P/NAV	0.92	0.84	0.97	0.95
Dividend	6.95sen	9.75sen	10.3sen	7.45sen
Div Yield	7.3%	8.2%	8.3%	7.6%

NAV = Net Asset Value. CMMT = CapitaMalls Malaysia Trust

Based on the information provided in the prospectus, CapitaMalls Malaysia Trust is considered a real estate trust with an above low average risk rating in terms of financial and operational.

Financial – CapitaMalls Malaysia Trust saw a stable revenue income from all of its 3 investment properties in FYE 2008 and FYE 2009. Going forward, we can are likely to see some variations in income rental stability in view of current state of global economic woes.

Operational – CapitaMalls Malaysia Trust currently has a relatively stable cost structure; but, without a balanced business model in a real estate industry.

A valuation analysis in determining expected unit price of CapitaMalls Malaysia Trust indicated a level of RM0.97.