

## IMPORTANT NOTICE

### RESPONSIBILITY STATEMENTS

This Prospectus has been seen and approved by the Directors of Boustead Holdings Berhad (“Boustead Holdings”) and Boustead Properties Berhad (“Boustead Properties”), as the promoters to the Al-Hadharah Boustead REIT and the Directors of Boustead REIT Managers Sdn Bhd (“the Manager”) and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, after having made all enquiries, that to the best of their knowledge and belief, there were no false or misleading statements or other facts, the omission of which would make any statement herein misleading.

The Directors of the Manager hereby accept full responsibility for the profit forecast and projections of the Al-Hadharah Boustead REIT as included in this Prospectus and confirm that the profit forecast and projections of the Fund have been prepared based on the assumptions made.

MIMB Investment Bank Berhad (formerly known as Malaysian International Merchant Bankers Berhad), being the principal adviser (“Principal Adviser”), Affin Bank Berhad and Pacific Alliance Capital Sdn Bhd, being the joint financial advisers (“Joint Financial Advisers”) acknowledge that, based on all available information, and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the Public Offering (as defined herein) and are satisfied that the profit forecast and projections of the Fund (for which the Directors of the Manager are fully responsible), prepared for inclusion in the Prospectus have been stated by the Directors of Boustead REIT Managers after due and careful enquiry and have been duly reviewed by the Reporting Accountants (as defined herein).

### STATEMENTS OF DISCLAIMER

The Securities Commission (“SC”) has approved the issue, offer or invitation in respect of the Public Offering and that the approval shall not be taken to indicate that the SC recommends the Public Offering, the SC shall not be liable for any non-disclosure on the part of Boustead Holdings, Boustead Properties and/or the Manager and takes no responsibility for the contents of this Prospectus, makes no representations as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of the Prospectus.

**INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

The valuation approved or accepted by the SC shall only be utilised for the purpose of the proposals submitted to and approved by the SC and shall not be construed as an endorsement by the SC on the value of the Plantation Assets (as defined herein) for any other purposes.

No Units will be issued or sold on the basis of this Prospectus later than one (1) year after the date of the Prospectus.

A copy of this Prospectus has been registered and lodged with the SC. Investors may view and download a copy of this Prospectus from the website of Bursa Malaysia Securities Berhad (“Bursa Securities”) at [www.bursamalaysia.com](http://www.bursamalaysia.com).

## **ADDITIONAL STATEMENTS**

An application has been made to Bursa Securities for permission to deal in and for the listing of and quotation for all the Units (as defined herein) in Al-Hadharah Boustead REIT that are in issue as well as the Issue Units (as defined herein) which are the subject of this Public Offering. Such permission will be granted when Al-Hadharah Boustead REIT has been admitted to the Official List of Bursa Securities. Acceptance of applications for the Issue Units will be conditional upon permission being granted to deal in and quotation for all the issued Units of Al-Hadharah Boustead REIT. Monies paid in respect of any application for the Issue Units accepted will be returned if the said permission is not granted. Admission to the Official List is not to be taken as an indication of the merits of Al-Hadharah Boustead REIT or its Units.

This Prospectus has not been and will not be made to comply with the laws of any country (including its territories, all jurisdictions within that country and any possession areas subject to its jurisdiction), other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body or any jurisdiction other than Malaysia.

This Prospectus is not intended to be and will not be issued, circulated or distributed and the Public Offering will not be made or deemed to be made in any country or jurisdiction other than Malaysia or to persons who are made subject to the laws of any countries or jurisdiction other than the laws of Malaysia. The Public Offering to which this Prospectus relates is only available to persons receiving this Prospectus within Malaysia.

The Manager will not, prior to acting on any acceptance in respect of the Public Offering, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith. It shall be your sole responsibility if you are or may be subject to the laws of countries or jurisdictions other than Malaysia to consult your legal and/or other professional advisers as to whether the Public Offering would result in the contravention of any laws of such countries or jurisdictions.

Further, it shall also be your sole responsibility to ensure that your application for the Public Offering would be in compliance with the terms of the Public Offering and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected. The Manager will further assume that you have accepted the Public Offering in Malaysia and will at all applicable times be subjected only to the laws of Malaysia in connection therewith.

However, the Manager reserves the right, in its absolute discretion, to treat any acceptance as invalid if the Manager believes that such acceptance may violate any law or applicable legal or regulatory requirements.

No action has been or will be taken to ensure that the Prospectus complies with the laws of any countries or jurisdictions other than the laws of Malaysia. It shall be your sole responsibility to consult your legal and/or other professional advisers on the laws to which the Public Offering you are or might be subjected to. Neither the Manager nor the Joint Financial Advisers nor the Principal Adviser nor any other advisers in relation to the Public Offering shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

## FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus constitute “forward-looking statements”. This Prospectus also contains forward-looking financial information in Section 7. Such forward-looking statements and financial information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Al-Hadharah Boustead REIT or the Manager, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and financial information. Such forward-looking statements and financial information are based on numerous assumptions regarding the Manager’s present and future business strategies and the environment in which Al-Hadharah Boustead REIT or the Manager will operate in the future. Because these statements and financial information reflect the Manager’s current views concerning future events, these statements and financial information necessarily involve risks, uncertainties and assumptions. Actual future performance could differ materially from these forward-looking statements and financial information.

Among the important factors that could cause Al-Hadharah Boustead REIT’s or the Manager’s actual results, performance or achievements to differ materially from those in the forward-looking statements and financial information are the condition of, and changes in, the domestic, regional or global economy that result in reduced occupancy or rental rates for Al-Hadharah Boustead REIT’s Plantation Assets, changes in governmental laws and regulations affecting Al-Hadharah Boustead REIT, competition in the Malaysian plantation sector, interest rates, relations with service providers, relations with lenders and other matters not yet known to the Manager or not currently considered material by the Manager. Additional factors that could cause actual results, performance or achievements to differ materially include, but not limited to, those highlighted under Section 4 and Section 7 of this Prospectus. These forward-looking statements and financial information speak only as of the date of this Prospectus. The Manager expressly disclaims any obligations or undertaking to release publicly any updates or revisions to any forward-looking statements or financial information contained herein to reflect any change in the Manager’s expectations with regards thereto or any change in events, condition or circumstances on which any such statement or information is based, subject to compliance with all applicable laws and regulations and/or rules of the Bursa Securities and/or other regulatory or supervisory body or agency.

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## INDICATIVE TIMETABLE

The indicative timing of events leading to the listing of Al-Hadharah Boustead REIT on the Main Board of Bursa Securities is as follows:

Event	Tentative Dates
Opening of the Retail Offering and Institutional Offering	15 January 2007
Closing of the Retail Offering	26 January 2007
Closing of the Institutional Offering	26 January 2007
Balloting of applications for the Issue Units	30 January 2007
Allotment of Issue Units to successful applicants	2 February 2007
Listing of Al-Hadharah Boustead REIT on the Main Board of Bursa Securities	8 February 2007

*Note:*

*The Retail Offering and Institutional Offering will open and close at the times and dates as stated above or such future dates as the Directors of Boustead REIT Managers, Principal Adviser and the Managing Underwriter (in respect of the Retail Offering) and the Joint Placement Advisers/ Placement Agent (in respect of the Institutional Offering) at their absolute discretion may mutually decide. Should the closing date(s) of the Retail Offering or Institutional Offering be changed, the dates for the balloting, allotment of the Issue Units and the listing of the Fund would be changed accordingly (where relevant). Any change to the closing date of the Retail Offering will be published in a widely circulated daily Bahasa Malaysia and English newspapers in Malaysia.*

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This overview section is qualified in its entirety by, and should be read in conjunction with, the full text of this Prospectus. Words and expressions not defined herein have the same meaning as in the main body of this Prospectus, unless the context requires otherwise

## OVERVIEW OF AL-HADHARAH BOUSTEAD REIT

Al-Hadharah Boustead REIT is the first Islamic plantation-based real estate investment trust launched in Malaysia and to be listed on the Main Board of Bursa Malaysia Securities Berhad. The listing of Al-Hadharah Boustead REIT is expected to provide Malaysian investors with a new investment opportunity.

Its key investment objective is to invest primarily in plantation assets comprising oil palm estates and palm oil mills which will provide Unitholders with:

- a stable distribution of income/yield; and
- Long-term growth in NAV per Unit.

Pursuant to the SPAs entered into between the Vendors of the Plantation Assets and the Trustee (as trustee for the Fund), Al-Hadharah Boustead REIT had agreed to acquire the following Plantation Assets for a total purchase consideration of RM471.9 million as follows:

Vendors	Name of Plantation Assets/ Location	Land area (ha)	Market Value <sup>(1)</sup> (RM)	Purchase Consideration (RM)
<b>Plantation Assets beneficially owned by the Fund upon listing on the Main Board of Bursa Securities</b>				
Boustead Properties Berhad	Bekoh Estate, Johor	1,226.12	34,700,000	33,510,000
	Malaya Estate, Perak	922.14	21,500,000	20,770,000
	Kulai Young Estate, Johor	816.19	42,300,000	40,850,000
	Bukit Mertajam Estate, Kedah	2,173.22	100,400,000	96,970,000
	Batu Pekaka Estate, Kedah	968.73	40,000,000	38,630,000
	Chamek Estate, Johor	816.86	22,800,000	22,020,000
Boustead Heah Joo Seang Sdn Bhd	Telok Sengat Estate and Telok Sengat Palm Oil Mill, Johor	3,712.56	152,622,000	147,400,000
		<b>10,635.82</b>	<b>414,322,000</b>	<b>400,150,000</b>
<b>Plantation Assets which are subject to transfer of beneficial ownership (including all rights, interest and benefits) to the Fund within six (6) months from the date of listing of the Fund (or such other extended period as may be approved by the SC)</b>				
Boustead Plantations Berhad	Lepan Kabu Estate and Lepan Kabu Palm Oil Mill, Kelantan <sup>(2)</sup>	2,044.23	74,284,000	71,750,000
<b>TOTAL</b>		<b>12,680.05</b>	<b>488,606,000</b>	<b>471,900,000</b>

Note :

- (1) As per the respective valuation reports prepared by CH Williams Talhar & Wong Sdn Bhd dated 20 and 21 July 2006.

As at the Latest Practicable Date, the transfer of the legal and beneficial ownership of all the Plantation Assets (including all rights, interest and benefits accrued thereon) to Al-Hadharah Boustead REIT is still pending completion. The transfer of the beneficial ownership was completed on 29 December 2006, except for Lepad Kabu Estate and Lepad Kabu Palm Oil Mill in Kelantan whereby the beneficial ownership of the said estate and mill (including all rights, interest and benefits accrued thereon) shall be transferred to the Trustee within six (6) months from the date of listing of the Fund (or such other extended period as may be approved by the SC), subject to the terms of the relevant SPA. Applications to the Estate Land Board for approval in respect of the sale and transfer of the legal ownership of the Plantation Assets (other than Lepad Kabu Estate and Lepad Kabu Palm Oil Mill) in favour of the Purchaser have been made in December 2006 to the relevant land authorities. The Vendors shall obtain the said approval of the Estate Land Board for the transfer of legal ownership of the said Plantation Assets to the Fund and present the transfer in respect of the Plantation Assets for registration within three (3) years from the completion date of the SPAs, subject to the terms of the SPAs.

Upon completion of the acquisition of the beneficial ownership of the Lepad Kabu Estate and Lepad Kabu Palm Oil Mill in Kelantan, Al-Hadharah Boustead REIT's portfolio of plantation estates shall comprise eight (8) oil palm estates and two (2) palm oil mills with market value of RM488,606,000 and total land area of 12,680.05 hectares. All these estates are involved in planting of oil palm while the palm oil mills are involved in processing of palm oil.

#### **THE MANAGER**

- Boustead REIT Managers Sdn Bhd ("Manager" or "Boustead REIT Managers") will be responsible for the management and administration of Al-Hadharah Boustead REIT and the implementation of Al-Hadharah Boustead REIT's strategies.
- Presently, Boustead REIT Managers has experienced personnel comprising the Board of Directors, the Investment Committee members and its key management team.
- The Board of Directors comprising Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin, Daniel Ebinesan and Kamaludin bin Abdul Kadir have individual experience of more than 30 years each and two (2) others have individual experience of more than 20 years each, in the plantation, property and portfolio or asset investment industry. Collectively, the experience of the members of the Board and Investment Committee span more than 100 years in the relevant sectors and bring a wealth of industry and corporate experience to the Manager.
- The primary objectives of the Manager are to provide Unitholders with a stable distribution of income and achieve long-term growth in the NAV per Unit of the Fund.

#### **THE TRUSTEE**

- CIMB Trustee Berhad (formerly known as Bumiputra-Commerce Trustee Berhad ("CIMB Trustee" or the "Trustee"), appointed as the trustee for the Al-Hadharah Boustead REIT, will act as the custodian of the assets and title deeds of the Fund and safeguard the interests of the Unitholders.
- CIMB Trustee is a trust company registered under the Trust Companies Act, 1949.
- The Trustee will ensure that the Fund is managed and administrated by Boustead REIT Managers in accordance with the objective of the Fund, the Deed, REIT Guidelines and acceptance and efficacious business practices within the real estate investment trust industry.

## PLANTATION ADVISER

- Mohd Jani Hashim (the "Plantation Adviser") will be responsible to monitor the overall state and condition of all aspects of the Plantation Assets.
- He has more than thirty (30) years of experience in the plantation sector.

## DIVIDEND DISTRIBUTION/ EXPECTED YIELD

- The Manager intends to distribute at least 98% of the distributable earnings of the Al-Hadharah Boustead REIT for the first three (3) financial period/years ending 31 December 2007 to 31 December 2009.
- Barring any unforeseen circumstances, the Directors of the Manager forecast and project that the Manager will be in a position to propose the following dividend distribution for the financial period ending ("FPE") 31 December 2007 and financial years ending ("FYE") 31 December 2008 and 31 December 2009 based on the forecast and projected earnings before tax of the Fund for the said financial period/years, as follows:

	<b>Forecast FPE 2007<sup>(1)</sup></b>	<b>Projection FYE 2008</b>	<b>Projection FYE 2009</b>
Distribution per Unit	7.38 sen	7.38 sen	7.38 sen
No. of Units in issue	436,126,000 <sup>(2)</sup>	472,001,000	472,001,000
Gross distribution yield per Unit <sup>(3)</sup>			
- based on Retail Price of RM0.99 per Unit	7.45 %	7.45 %	7.45 %
- based on Institutional Price of RM1.05 per Unit	7.03 %	7.03 %	7.03 %

(1) *The first financial period of the Fund shall commence from 14 December 2006 being the date of establishment of the Fund to 31 December 2007.*

(2) *The weighted average number of Units in issue of 436.126 million Units is computed assuming the 71.75 million Units in relation to Lepadu Estate and Lepadu Palm Oil Mill which are expected to be issued on 1 July 2007.*

(3) *The gross distribution yield per unit is dependent on the purchase consideration, the number of new units to be issued as consideration for the acquisition of the Plantation Assets and may be changed accordingly if there are any variations to any of the above.*

## RETAINED EARNINGS

- Any undistributed earnings shall be retained by the Manager with the objective of maintaining a sustainable distribution yield to Unitholders in the future.

## **IJARAH ARRANGEMENTS**

- Under the Ijarah Arrangements, the Plantation Assets are let back to the Vendors as Tenants for a cumulative tenure of up to thirty (30) years.
- The Ijarah Arrangements for each of the estates and mills shall take the form of a three (3)-year tenancy which are automatically renewable four (4) times up to twelve (12) years and thereafter renewable for up to an additional fifteen (15) years comprising five (5) additional terms of not more than three (3) years each (save and except for the tenancy of the Malay Reserved Land which are not automatically renewable).
- The Ijarah Arrangements for the first two (2) tenancy periods of three (3) years each totaling (6) years cannot be terminated by the Tenants (save for any breaches by the Trustee), save and except for Malay Reserved Land.
- The tenancies of the Malay Reserved Land shall be for a period of not exceeding three (3) years. Upon expiry of the tenancies, the Tenants and the Trustee (on recommendation of the Manager) may enter into new tenancies not exceeding three (3) years on mutually agreeable terms.

## **INCOME TO AL-HADHARAH BOUSTEAD REIT**

Under the Ijarah Arrangements, the Tenants shall be obliged to pay the following payments to the Al-Hadharah Boustead REIT:-

### **(i) Fixed Rental**

The Tenants shall pay a fixed rental amounting to an aggregate of RM41.3 million per annum to be payable on a bi-monthly basis in arrears to the Fund for the first tenancy term of three (3) years commencing from 1 January 2007.

The rental payment for Lapan Kabu Estate and Lapan Kabu Palm Oil Mill would commence upon the date of completion of the SPA relating thereto, which is expected to take place within six (6) months from the date of listing of the Fund (or such other extended period as may be approved by the SC).

At the end of every three (3) years, the fixed rental shall be renewed and a new rental will be agreed between the Trustee (on recommendation of the Manager) and the Tenants. The new rental will be agreed upon with reference to the historical CPO prices, the prevailing and expected future CPO prices, the cost of production, the extraction rates, the yield per hectare and the mature area of the Plantation Assets as referred to in the relevant Ijarah Agreement(s).

### **(ii) Performance Based Profit Sharing**

In addition to the fixed rental, the Tenants shall also pay a yearly amount not later than two (2) months after the last business day of the financial period/year, based on an agreed formula which is correlated to the performance of CPO and FFB prices realised and the actual FFB and CPO productions of the Plantation Assets as provided for in the Ijarah Agreements. The amount will represent a 50:50 sharing between the Tenant and the Landlord of the net incremental income, based on CPO prices realised in the year when compared to the Reference CPO price of RM1,500 per MT or such other CPO price agreed for the subsequent additional tenancy terms.



In addition to the fixed rental and performance-based profit sharing income, throughout the existence of the Fund, Boustead REIT Managers may identify its Plantation Assets which have development potential for sale to third parties for development purposes. Accordingly, the Fund is also expected to realise potential capital gains from future disposals of its Plantations Assets, which can provide an enhanced yield to the Unitholders.

#### **REPLANTING COST**

- The cost of replanting will be borne by Al-Hadharah Boustead REIT based on a replanting programme which is acceptable to the Trustee and the Tenants.

#### **MAJOR COSTS OF INFRASTRUCTURE, UPGRADES AND BUILDINGS**

- Any cost of major infrastructure, major mill upgrades, new mills and/or buildings on the Plantation Assets exceeding RM1 million per transaction may be borne by Al-Hadharah Boustead REIT.
- An adjustment to the fixed rental will be made accordingly to reflect such capital expenditure incurred.

#### **INCOME TAX**

- The chargeable income of the Fund to the extent distributed to the Unitholders shall be exempted from income tax and is to be distributed to Unitholders within two (2) months from the Fund's financial year end. The undistributed chargeable income of the Fund for the basis period would be taxed at the prevailing tax rate of 28%. The 2007 Budget proposals modify this with effect from the Year of Assessment 2007 (see (v), (vi) and (vii) below)
- Unitholders who are qualifying tax residents of Malaysia will receive their income distributions from Al-Hadharah Boustead REIT without having tax deducted at source, for which they must pay income tax at their applicable individual or corporate tax rate. The 2007 Budget proposals introduce changes to this (see (i), (ii), (iii) below).
- Non-resident Unitholders will be subject to a withholding tax at the prevailing tax rate of 28% on the income distributed by the Fund. The 2007 Budget proposals introduce changes to this (see (iv) below).
- Pursuant to the Malaysian 2007 Budget proposals announced by the Prime Minister and Minister of Finance on 1 September 2006, the following have been proposed ("2007 Budget Proposals") for REITs:
  - (i) Non-corporate investors that receive distributions from REITs listed on Bursa Securities will be subject to a final withholding tax at the rate of 15% for 5 years;
  - (ii) Foreign institutional investors (meaning a pension fund, collective investment scheme or such other person approved by the Minister of Finance) that receive distributions from REITs listed on Bursa Securities will be subject to a final withholding tax at the rate of 20% for 5 years;
  - (iii) Local corporate investors will be subject to the existing tax treatment and tax rates;

- (iv) Foreign corporate investors will be subject to a final withholding tax at the rate of 27%;
- (v) REITs will be exempted from tax on all its income provided that at least 90% of its total income is distributed to the investors;
- (vi) Where the 90% distribution is not complied with, the undistributed chargeable income of the REITs will be subject to income tax at the prevailing tax rates; and
- (vii) For the Year of Assessment 2007, the prevailing tax rate for a company, trust body, an executor of an estate of an individual who was domiciled outside Malaysia at the time of his death and a receiver appointed by the court is proposed to be reduced to 27% and to 26% in the Year of Assessment 2008.

Please note that the above proposals are subject to changes or amendments in the legislation giving effect to the above 2007 Budget proposals. It is proposed that the above 2007 Budget proposals (i) and (ii) are to be effective from 1 January 2007 and the 2007 Budget proposals (iv), (v) and (vii) are to be effective from the Year of Assessment 2007.

## **BENEFITS TO UNITHOLDERS**

Al-Hadharah Boustead REIT aims to offer its Unitholders the following benefits:

- An opportunity to invest in the first Islamic plantation-based REIT in Malaysia.
- An investment strategy which provides Unitholders with a stable yield and upside from performance-based returns correlated to CPO and FFB prices.
- Experienced and professional management team.
- An alternative to direct real estate investment in the plantation sector.
- An opportunity to invest in high quality plantation assets.
- Opportunities for future capital growth through:-
  - i) active plantation and portfolio management;
  - ii) sale of Plantation Assets which have development potential; and
  - iii) acquisition of additional plantation assets that provide attractive yield.
- Conservative capital structure

The present REIT Guidelines restrict the financings of a REIT to 50% of total asset value of the fund at the time the financings are obtained. At the point of listing, Al-Hadharah Boustead REIT will be debt-free with no financings. As such, Boustead REIT Managers believes that by adopting an initial conservative capital structure, Al-Hadharah Boustead REIT has greater flexibility when considering future acquisition opportunities.

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## DEFINITIONS

Unless otherwise defined herein or where the context requires otherwise, the following terms used in this Prospectus and the Application Forms shall have the meanings set out below:

“Act”	:	Companies Act, 1965 as may be amended from time to time and any re-enactment thereof
“ADA(s)”	:	Authorised Depository Agent(s)
“Affin Bank”	:	Affin Bank Berhad
“Affin Investment Bank”	:	Affin Investment Bank Berhad ( <i>formerly known as Affin Merchant Bank Berhad</i> )
“Al-Hadharah Boustead REIT” or the “Fund”	:	The collective investment scheme constituted as a Shariah-compliant real estate investment trust and authorised under REIT Guidelines and constituted under the Deed
“Application Form(s)”	:	Printed application form(s) for the application of the Issue Units accompanying this Prospectus
“ATM”	:	Automated teller machine
“BEA” or the “Plantation Management Company”	:	Boustead Estates Agency Sdn Bhd, a subsidiary of Boustead Holdings
“Board”	:	Board of Directors
“Boustead Group”	:	Boustead Holdings and its subsidiaries
“Boustead Holdings”	:	Boustead Holdings Berhad
“Boustead Properties”	:	Boustead Properties Berhad, a subsidiary of Boustead Holdings
“BNM”	:	Bank Negara Malaysia
“Boustead REIT Managers” or the “Manager”	:	Boustead REIT Managers Sdn Bhd ( <i>formerly known as Emas Jeep Sdn Bhd</i> )
“Bursa Securities” or the “Exchange”	:	Bursa Malaysia Securities Berhad
“CDS”	:	Central Depository System
“CDS Account”	:	An account established at Bursa Depository for a depositor for the recording of deposit of securities and for dealing in such securities by the depositor
“CIMB Trustee” or the “Trustee”	:	CIMB Trustee Berhad ( <i>formerly known as Bumiputra-Commerce Trustee Berhad</i> ), being the trustee for Al-Hadharah Boustead REIT
“CEO”	:	Chief Executive Officer
“CPO”	:	Crude palm oil

“Deed”	:	The deed dated 11 December 2006 constituting Al-Hadharah Boustead REIT executed between the Trustee and the Manager and any supplemental deed thereto
“Depository”	:	Bursa Malaysia Depository Sdn Bhd
“Electronic Application(s)”	:	Electronic application(s) for the Issue Units under the Retail Offering through a Participating Financial Institution’s ATM
“Eligible Persons”	:	The Directors and employees of Boustead REIT Managers Sdn Bhd, Investment Committee members of Al-Hadharah Boustead REIT, Directors and employees of BEA and the Directors of Boustead Holdings and Boustead Properties who are eligible to apply for the Retail Offering under a pink form allocation
“FFB”	:	Fresh fruit bunches
“FIC”	:	Foreign Investment Committee
“FPE”	:	Financial period ending/ended
“FRS”	:	Financial Reporting Standard
“FYE(s)”	:	Financial year(s) ended/ending
“Ha”	:	Hectare(s)
“IBFIM”	:	Islamic Banking and Finance Institute Malaysia Sdn Bhd
“Ijarah Agreement(s)”	:	The tenancy agreement(s) entered into between the Tenants and the Trustee, on behalf of Al-Hadharah Boustead REIT, whereby Al-Hadharah Boustead REIT will let the Plantation Assets to the Tenants pursuant to the Ijarah Agreements
“Ijarah Arrangements”	:	The arrangements by Al-Hadharah Boustead REIT where the Trustee on behalf of Al-Hadharah Boustead REIT as landlord agrees to let the Plantation Assets to the Vendors as tenants for a period of three (3) years which are renewable four (4) times up to twelve (12) years and thereafter renewable for up to an additional fifteen (15) years comprising five (5) additional terms of not more than three (3) years each, save and except for the tenancy of the Malay Reserved Land, which are not automatically renewable.
“Institutional Offering”	:	The offering of 198,000,000 Issue Units to investors at the Institutional Price
“Institutional Price”	:	The issue price of RM1.05 per Issue Unit payable by investors pursuant to the Institutional Offering
“IPSB”	:	Irat Properties Sdn Bhd
“Issue Units”	:	The 220,000,000 new units in the Fund which are the subject of the Public Offering
“Joint Financial Advisers”	:	Affin Bank and Pacific Alliance Capital
“Joint Placement Advisers”	:	Affin Bank and Pacific Alliance Capital

- "Latest Practicable Date" : 15 December 2006, being the latest practicable date prior to printing of this Prospectus
- "Listing Requirements" : Listing Requirements of Bursa Securities
- "LTAT" : Lembaga Tabung Angkatan Tentera
- "Malay Reserved Land" : The following parcels of lands are held as Malay reserved land as provided under the relevant Malay Reservation Enactments:-

Plantation Assets	Lot/Titles details	Land area (Ha)
Bukit Mertajam Estate, Kedah	Lot Nos 3 (HSD 47425), 3 (GRN 96862), 4, 5, 6, 7, 8, 55, 60, 143, 476, 478, 479, 481, 482, 621, 1241 and 1244	745.96
Batu Pekaka Estate, Kedah	Lot No. 242	2.01
Lepan Kabu Estate, Kelantan	Lot Nos. 97, 735, 1483, 1484 and 1541	1,602.13

- "Managing Underwriter" : Affin Bank
- "Market Day" : Any day on which Bursa Securities is open for trading in securities
- "MER" : Management expenses ratio
- "MIDFCCS" or the "Issuing House" : MIDF Consultancy & Corporate Services Sendirian Berhad
- "MIMB" or the "Principal Adviser" : MIMB Investment Bank Berhad (*formerly known as Malaysian International Merchant Bankers Berhad*)
- "MT" : Metric tonne(s)
- "NAV" : Net asset value
- "Official List" : Official list of the Main Board of Bursa Securities
- "Pacific Alliance Capital" : Pacific Alliance Capital Sdn Bhd
- "Participating Financial Institution(s)" : Participating financial institution(s) for Electronic Applications as listed in Section 17.5.2 of this Prospectus
- "PFA" or the "Registrar" : PFA Registration Services Sdn Bhd
- "PK" : Palm kernel
- "Placement Agent" : Affin Investment Bank
- "Plantation Assets" : The plantation assets set out under Section 2.6 of this Prospectus



“Public Offering”	:	The offering of 220,000,000 Issue Units comprising the Retail Offering and Institutional Offering
“Promoters”	:	Boustead Holdings and Boustead Properties
“Purchaser”	:	CIMB Trustee
“REIT(s)”	:	Real estate investment trust(s)
“REIT Guidelines”	:	Guidelines on Real Estate Investment Trusts issued by the SC on 3 January 2005 and the Guidelines for Islamic Real Estate Investment Trusts issued by the SC on 21 November 2005 and any amendments issued thereafter
“Retail Offering”	:	The offering of 22,000,000 Issue Units to the Malaysian citizens, companies, societies, co-operatives and institutions and the Eligible Persons at the Retail Price
“Retail Price”	:	The initial issue price of RM0.99 per Issue Units payable by the applicants
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“SC”	:	Securities Commission of Malaysia
“SCA”	:	Securities Commission Act, 1993, as amended from time to time
“Shariah”	:	Islamic Law comprising the whole body of rulings pertaining to human conducts derived from the sources of the Shariah. The primary sources are the Quran, the Sunnah, Ijma’ and Qiyas while the secondary ones are those established sources such as Maslahah, Istihsan, Istishab, ‘Uruf and Sadd Zara’ie
“Shariah Adviser”	:	Islamic Banking and Finance Institute Malaysia Sdn. Bhd.
“Shariah Requirements”	:	A phrase or expression which generally means making sure that any human conduct must not involve any prohibition and that in performing that conduct all the essential elements that make up the conduct must be present and each essential element must meet all the necessary conditions required by the Shariah for that element
“SPA(s)”	:	The sale and purchase agreement(s) including any amendments thereto entered into between the Vendors and the Trustee, on behalf of Al-Hadharah Boustead REIT, in relation to the sale and purchase of the Plantation Assets
“Tenant(s)”	:	The Vendor(s) as tenants of the Plantation Assets under the Ijarah Arrangements
“Underwriter(s)”	:	Affin Bank, Affin Investment Bank and MIMB
“Underwriting Agreement”	:	The underwriting agreement entered into between the Manager, the Managing Underwriter and the Underwriters

“Unit(s)”	:	Undivided interest(s) in Al-Hadharah Boustead REIT as constituted by the Deed
“Unitholder(s)”	:	Holder(s) of the Units
“Vendors”	:	The vendors of the Plantation Assets, namely: (i) Boustead Properties (ii) Boustead Plantations Berhad (iii) Boustead Heah Joo Seang Sdn Bhd
“YWP”	:	Yayasan Warisan Perajurit

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**1. CORPORATE DIRECTORY**

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Manager	:	Boustead REIT Managers Sdn Bhd <i>(formerly known as Emas Jeep Sdn Bhd)</i>
Manager's Principal Place of Business and Registered Office	:	<u>Principal Place of Business</u> 2 <sup>nd</sup> Floor, Menara Boustead No. 69, Jalan Raja Chulan 50200 Kuala Lumpur Malaysia  <u>Registered Office</u> 28 <sup>th</sup> Floor, Menara Boustead No. 69, Jalan Raja Chulan 50200 Kuala Lumpur Malaysia  Tel: (03) 2141 9044 Fax: (03) 2141 9750 Website: <a href="http://www.boustead.com.my">http://www.boustead.com.my</a>
Board of Directors of the Manager	:	Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin (Non-Independent Director)  Daniel Ebinesan (Non-Independent Director)  Abdul Aziz Ismail (Non-Independent Director)  Kamaludin Abdul Kadir (Independent Director)  David Loo Kean Beng (Independent Director)
Investment Committee	:	Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin  Daniel Ebinesan  Y. Bhg. Dato' Ghazali Mohd Ali  Sharudin Jaffar
Shariah Adviser	:	Islamic Banking and Finance Institute Malaysia Sdn Bhd 3 <sup>rd</sup> Floor, Dataran Kewangan Darul Takaful Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel: (03) 2031 1010

- Company Secretary of the Manager : Suzana Binti Ahmad (Bar Council No. BC/S/356)  
AD-Consult Sdn Bhd  
Suite 13.02, 13th Floor  
Menara Tan & Tan  
207 Jalan Tun Razak  
50400 Kuala Lumpur  
Tel: (03) 2164 0206
- Plantation Adviser : Mohd Jani Hashim  
28<sup>th</sup> Floor, Menara Boustead  
No. 69, Jalan Raja Chulan  
50200 Kuala Lumpur  
Malaysia  
Tel: (03) 2141 9044
- Trustee : CIMB Trustee Berhad (formerly known as Bumiputra-Commerce Trustee Berhad)
- Business address:  
Level 3, Wisma Amanah Raya Berhad  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur  
Tel: (03) 2084 8888
- Registered address:  
5<sup>th</sup> Floor, Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur  
Tel: (03) 2084 8888
- Solicitors for the Joint Financial Advisers,  
Managing Underwriter and Underwriters : Albar & Partners  
Advocates & Solicitors  
6<sup>th</sup> Floor, Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel: (03) 2078 5588
- Solicitors for the Vendors : Lee Choon Wan & Co.  
Advocates & Solicitors  
No. 12, Lorong Dungun  
Damansara Heights  
50490 Kuala Lumpur  
Tel: (03) 2093 0078
- Solicitors for Land Matters : Azzat & Izzat  
Advocates & Solicitors  
No.9 Jalan Setiakasih 5  
Bukit Damansara  
50490 Kuala Lumpur  
Tel: (03) 2093 9299

Auditors / Reporting Accountants : Ernst & Young (AF:0039)  
Chartered Accountants  
Level 23A Menara Millennium  
Jalan Damansara  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Tel: (03) 7495 8000

Tax Consultant : KPMG Tax Services Sdn Bhd  
Wisma KPMG  
Jalan Dungun  
Damansara Heights  
50490 Kuala Lumpur  
Tel: (03) 2095 3388

Valuer : CH Williams Talhar & Wong Sdn Bhd  
32<sup>nd</sup> Floor, Menara Tun Razak  
Jalan Raja Laut  
50350 Kuala Lumpur  
Tel: (03) 2693 8888

Joint Financial Advisers : Affin Bank Berhad  
14<sup>th</sup> Floor, Menara Affin  
80, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: (03) 2055 9000

Pacific Alliance Capital Sdn Bhd  
No. 21-8, The Boulevard,  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel: (03) 2283 2823

Principal Adviser : MIMB Investment Bank Berhad (*formerly known as Malaysian International Merchant Bankers Berhad*)  
21<sup>st</sup> Floor, Menara EON Bank,  
288, Jalan Raja Laut  
50350 Kuala Lumpur  
Tel: (03) 2691 0200

Managing Underwriter for the Retail Offering : Affin Bank Berhad  
14<sup>th</sup> Floor, Menara Affin  
80, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: (03) 2055 9000

Underwriters	: Affin Bank Berhad 14 <sup>th</sup> Floor, Menara Affin 80, Jalan Raja Chulan 50200 Kuala Lumpur Tel: (03) 2055 9000
	MIMB Investment Bank Berhad ( <i>formerly known as Malaysian International Merchant Bankers Berhad</i> ) 21 <sup>st</sup> Floor, Menara EON Bank, 288, Jalan Raja Laut 50350 Kuala Lumpur Tel: (03) 2691 0200
	Affin Investment Bank Berhad ( <i>formerly known as Affin Merchant Bank Berhad</i> ) 27 <sup>th</sup> Floor, Menara Boustead No.69 Jalan Raja Chulan 50200 Kuala Lumpur Tel: (03) 2143 8668
Joint Placement Advisers for the Institutional Offering	: Affin Bank Berhad 14 <sup>th</sup> Floor, Menara Affin 80, Jalan Raja Chulan 50200 Kuala Lumpur Tel: (03) 2055 9000
	Pacific Alliance Capital Sdn Bhd No. 21-8, The Boulevard, Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur Tel: (03) 2283 2823
Placement Agent	: Affin Investment Bank Berhad ( <i>formerly known as Affin Merchant Bank Berhad</i> ) 27 <sup>th</sup> Floor, Menara Boustead No.69 Jalan Raja Chulan 50200 Kuala Lumpur Tel: (03) 2143 8668
Registrar	: PFA Registration Services Sdn Bhd Level 13, Uptown 1 No. 1, Jalan SS21/58 Damansara Uptown 47400 Petaling Jaya Tel: (03) 7725 4888
Issuing House	: MIDF Consultancy & Corporate Services Sendirian Berhad 12 <sup>th</sup> Floor, Bangunan MIDF, 195A, Jalan Tun Razak 50400 Kuala Lumpur Tel: (03) 2161 3355
Listing sought	: Main Board of Bursa Securities

## 2. EXECUTIVE SUMMARY

THIS SECTION OF THE PROSPECTUS REPRESENTS ONLY A SUMMARY OF THE SALIENT INFORMATION ON AL-HADHARAH BOUSTEAD REIT. INVESTORS SHOULD READ AND UNDERSTAND THE FULL TEXT OF THIS PROSPECTUS BEFORE DECIDING WHETHER TO INVEST IN THE ISSUE UNITS AND IF NECESSARY, CONSULT THEIR OWN PROFESSIONAL ADVISERS.

INVESTORS SHOULD BE AWARE THAT THE INCOME YIELDS OF THE PLANTATION ASSETS AS WELL AS OTHER PLANTATION ASSETS/ESTATES THAT AL-HADHARAH BOUSTEAD REIT MAY INVEST IN THE FUTURE ARE NOT EQUIVALENT TO THE YIELD OF THE UNITS AND THAT THE CURRENT RENTAL RECEIPTS AND YIELDS OF THE PLANTATION ASSETS MAY NOT BE SUSTAINABLE.

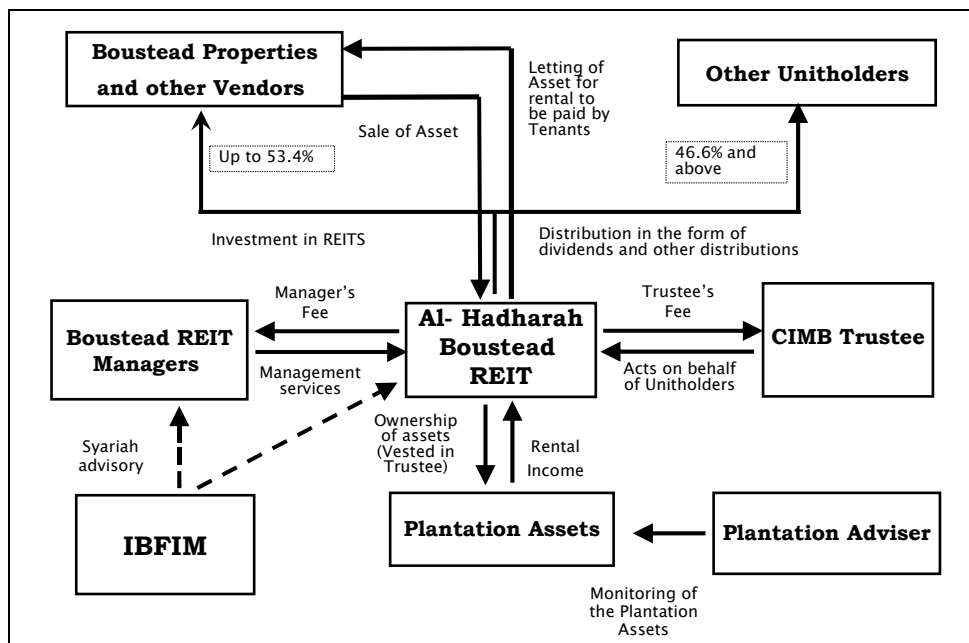
INVESTORS SHOULD ALSO NOTE THAT THE VALUE OF THE PLANTATION ASSETS (INCLUDING OTHER INVESTMENTS THAT AL-HADHARAH BOUSTEAD REIT MAY HAVE IN THE FUTURE), UNIT PRICES AND DISTRIBUTIONS PAYABLE, IF ANY, MAY GO DOWN AS WELL AS UP.

### 2.1 AL-HADHARAH BOUSTEAD REIT

Al-Hadharah Boustead REIT, constituted by the Deed entered between the Manager and the Trustee, is a REIT formed to own and invest primarily in plantation assets comprising plantation estates and mills. The primary objectives of the Fund are:

- (a) to provide Unitholders with stable distribution of income/yield; and
- (b) to achieve long-term growth in the NAV per Unit of the Fund.

The following diagram illustrates the structure of Al-Hadharah Boustead REIT. For further details on Al-Hadharah Boustead REIT, please refer to Section 6 of this Prospectus.



The salient features of the Fund are set out below:

Fund category	REIT
Fund type	Growth and income
Growth strategy	The Manager intends to achieve the primary objectives of the Fund by implementing investment and growth strategies which include strategies for organic growth and selective acquisitions of additional plantation estates. The details of the Fund's growth strategies are set out in Section 6.3 of this Prospectus.
Approved size of Fund	472,001,000 Units (including 71,750,000 Units to be listed and quoted within six (6) months from the date of listing of the Fund or such other extended period as may be approved by the SC)
Authorised investments	<p>(a) At least 75% of the total assets of Al-Hadharah Boustead REIT must be invested in Shariah-compliant plantation estates, single purpose companies which are Shariah-compliant, plantation estate-related assets or liquid assets which are Shariah-compliant;</p> <p>(b) At least 50% of the total assets of Al-Hadharah Boustead REIT must be invested in Shariah-compliant plantation or real estate or single-purpose companies; and</p> <p>(c) The remaining 25% of the total assets of Al-Hadharah Boustead REIT may be invested in other Shariah-compliant assets (i.e. plantation estate-related assets, non-plantation estate-related assets or asset backed securities).</p>
Retail Price	RM0.99 per Issue Unit.
Institutional Price	RM1.05 per Issue Unit.
FYE	31 December *

\*

*The first financial period for the Fund shall commence from 14 December 2006 being the date of establishment of the Fund to 31 December 2007.*



Distribution policy	<p>For each distribution period, the Manager shall distribute not less than 90% of the distributable earnings of Al-Hadharah Boustead REIT within two (2) months after the Fund's financial year end.</p> <p>Barring any unforeseen circumstances, Boustead REIT Managers intends to distribute at least 98% of the distributable earnings of Al-Hadharah Boustead REIT (other than income from capital gain) for the 3 financial period/years ending 31 December 2007 to 31 December 2009.</p> <p>Based on the forecast earnings before taxation of RM32.852 million for FPE 31 December 2007 and a distribution of at least 98% of the forecast earnings before taxation, the Directors of Boustead REIT Managers anticipate that, in the absence of unforeseen circumstances, the Manager will be in a position to declare a dividend of up to 7.38 sen per Unit for the FPE 31 December 2007 based on 436,126,000 Units (being the weighted average number of Units in relation to Lepad Kabu Estate and Lepad Kabu Palm Oil Mill which are expected to be issued on 1 July 2007).</p>
Financing limits	<p>The total financing of the Fund shall not exceed 50% of the total asset value of the Fund at the time the financing are obtained.</p> <p>Upon completion of the Public Offering, Al-Hadharah Boustead REIT will be debt-free with no financings.</p>
Revaluation policy	<p>The revaluation of the Plantation Assets held by the Fund shall be carried out at least once in every three (3) years from the last valuation date by an independent professional valuer. For purpose of complying with FRS 140, the Manager will also review the fair value of the Plantation Assets at each balance sheet date.</p>
No Redemption policy	<p>Unitholders have no right to request the Manager to repurchase their Units while the Units are listed. It is intended for Unitholders to only deal in their listed Units through trading on Bursa Securities.</p>
Minimum initial investment	<p>Minimum of 100 Units.</p>
Minimum additional investment	<p>Multiples of 100 Units.</p>
Investor profile	<p>Suitable for investors who understand the risks related to the plantation sector and expect to benefit from the periodic distribution of income and long-term growth of the Fund.</p>
Form	<p>The Units will be issued in registered form and shall be constituted by the Deed.</p>
Board lot	<p>100 Units per board lot.</p>
Quotation	<p>Main Board of Bursa Securities.</p>

## **2.2 THE MANAGER OF AL-HADHARAH BOUSTEAD REIT AND PLANTATION ADVISER OF THE PLANTATION ASSETS**

### **Manager**

Al-Hadharah Boustead REIT is managed and administered by Boustead REIT Managers. The Manager intends to achieve the objectives of the Fund by ensuring Al-Hadharah Boustead REIT continues to acquire and invest primarily in plantation assets and/or companies which own plantation estates and mills in future.

Boustead REIT Managers was incorporated in Malaysia under the Act on 7 October 1982 as a private limited company under the name of Emas Jeep Sdn Bhd. Following its change of name on 16 August 2006, the company assumed its present name. The present authorised share capital of Boustead REIT Managers is RM3,000,000 comprising 3,000,000 ordinary shares of RM1.00 each. The issued and fully paid capital is RM1,000,000 comprising 1,000,000 ordinary shares. The principal activity of Boustead REIT Managers is to manage and administer the Al-Hadharah Boustead REIT.

For further details on Boustead REIT Managers, please refer to Section 8 of this Prospectus.

### **Plantation Adviser**

The Manager has appointed Mohd Jani Hashim as the Plantation Adviser to be responsible to monitor the overall state and condition of all aspects of the Plantations Assets. He has more than thirty (30) years experience in managing oil palms estates and/or mills for Boustead Group which includes the management of Batu Pekaka Estate, Lapan Kabu Estate, Bukit Mertajam Estate and Bekoh Estate.

Currently he is also an external plantation adviser for Kumpulan Guthrie Berhad on a part-time basis.

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### 2.3 THE TRUSTEE OF AL-HADHARAH BOUSTEAD REIT

The trustee of Al-Hadharah Boustead REIT is CIMB Trustee Berhad (formerly known as Bumiputra-Commerce Trustee Berhad) who acts as custodian for all the Plantation Assets and the title deeds of Al-Hadharah Boustead REIT and who shall carry out its duties in accordance with the Deed for the benefit of the Unitholders.

CIMB Trustee was incorporated in Malaysia on 19 January 1988 under the Act with an authorised capital of RM1,000,000 and issued and paid up capital of RM500,000.

The shares in CIMB Trustee are held by the following members:-

<b>Shareholders</b>	<b>Percentage (%) Held</b>
CIMB Bank Berhad (formerly known as Bumiputra-Commerce Bank Berhad)	20%
BBMB Securities (Holdings) Sdn Bhd	20%
BBMB Properties Sendirian Berhad	20%
Bumiputra-Commerce Finance Berhad	20%
Bumiputra-Commerce Nominees Sdn Bhd	20%

CIMB Trustee has been acting as trustee to a property trust fund and unit trust funds for the past 14 years and 12 years respectively. As at 15 December 2006, CIMB Trustee acted as trustee for two (2) real estate investment trust fund and eleven (11) unit trust funds.

In addition to overseeing these funds, CIMB Trustee also acts as trustee for various loans and private debt securities issues like bonds and notes. Other than being the administrator of deceased's estates, executor of wills, trustee for minors or incapacitated persons, CIMB Trustee also acts as trustees for public, charitable, staff retirement and pension/gratuity fund scheme, custodian trustee for associations, clubs and others. It also acts as attorney for executors or administrators residing abroad.

For further details on the Trustee, please refer to Section 9 of this Prospectus.

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## 2.4 FEES, CHARGES AND EXPENSES OF AL-HADHARAH BOUSTEAD REIT

THERE ARE VARIOUS FEES, CHARGES AND EXPENSES PAYABLE BY THE FUND AND INVESTORS ARE ADVISED TO CONSIDER THE SAME BEFORE INVESTING IN AL-HADHARAH BOUSTEAD REIT.

The following is a summary of fees, charges and expenses that the Fund may incur:

<b>Manager's fee</b>	
<ul style="list-style-type: none"> <li>• <b>Base Fee</b></li> <li>• <b>Performance Fee</b></li> <li>• <b>Acquisition Fee</b></li> <li>• <b>Divestment Fee</b></li> </ul>	<p>Up to 0.30% per annum of the NAV of the Fund, payable monthly in arrears.</p> <p>A performance fee of up to 2.5% of the performance-based profit sharing receivable by the Fund pursuant to the Ijarah Arrangements, if any, is payable annually not later than two (2) months from the last business day of the financial period/ year.</p> <p>For any acquisition of plantation estates and mills (or any single-purpose company whose principal assets are plantation estates and mills) by the Fund, an acquisition fee of 1.0% of the acquisition price is payable by the Fund to the Manager. However, no acquisition fee was payable in respect of the acquisition of the Plantation Assets.</p> <p>For any sale or divestment of plantation estates and mills by the Fund, a divestment fee of 0.5% of the disposal price is payable by the Fund to the Manager.</p> <p>For further details on the annual manager's fee, please refer to Section 8.7 of this Prospectus.</p>
<b>Trustee's fee</b>	<p>0.03% per annum of the NAV of the Fund, payable monthly in arrears.</p> <p>For further details on the annual Trustee's fees, please refer to Section 9.6 of this Prospectus.</p>
<b>Plantation Operating Expenses</b>	<ul style="list-style-type: none"> <li>• Replanting cost</li> <li>• Quit rent and assessment</li> <li>• Takaful Contribution</li> <li>• Plantation Adviser fee</li> </ul>
<b>Shariah Adviser's Fee</b>	RM12,000 per annum
<b>A list of the Fund's expenses directly/ indirectly related to the Fund</b>	<ul style="list-style-type: none"> <li>• Auditor's fees;</li> <li>• Valuation fees;</li> <li>• Other relevant professional fees; and</li> <li>• Printing, posting and general expenses that are directly related and necessary for the administration of the Fund.</li> </ul>
<b>Any other fees payable directly/ indirectly by a Unitholder</b>	<ul style="list-style-type: none"> <li>• Nil (save for the usual costs related to the trading of the Units)</li> </ul>

The Manager is entitled to be reimbursed for all costs incurred in the course of exercising its powers and in fulfilling its obligations and in relation to the administration and management of Al-Hadharah Boustead REIT under the Deed. These costs include, amongst others, those incurred in communicating with Unitholders and maintaining Al-Hadharah Boustead REIT on the Official List.

The Manager may charge Unitholders fees for performing any service or undertaking any task at the request of the Unitholders where no obligation to perform that service or undertake that is expressly provided for in the Deed, SCA, REIT Guidelines and SC's Guidelines on Unit Trust Funds and such fees must be communicated to the Unitholders and accepted. However, if the Unitholder does not accept, the Manager is not bound to perform the service or task as requested by the Unitholders.

## 2.5 OWNERSHIP OF UNITS BY THE VENDORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL OF THE MANAGER

Prior to the date of this Prospectus, there are only 1,000 Units in circulation, all of which are held by the Manager as promoter's Units. All of these Units will be disposed off by the Manager on the Market Day immediately following the listing of Al-Hadharah Boustead REIT.

### 2.5.1 Ownership of Units by the Vendors and Promoters

The unitholdings of the Vendors and Promoters in Al-Hadharah Boustead REIT after the Public Offering and completion of the acquisition of Lapan Kabu Estate and Lapan Kabu Palm Oil Mill are as follows:

Promoter/ Vendor	Before the Public Offering				After the Public Offering				After the completion of acquisition of Lapan Kabu Estate and Lapan Kabu Palm Oil Mill			
	<---Direct --->		<-Indirect^-->		<---Direct --->		<-Indirect^-->		<---Direct --->		<---Indirect^-->	
	No. of Units (‘000)	%	No. of Units (‘000)	%	No. of Units (‘000)	%	No. of Units (‘000)	%	No. of Units (‘000)	%	No. of Units (‘000)	%
Boustead Holdings (Promoter)	-	-	1 <sup>(1)</sup>	-	-	-	180,251 <sup>(1)</sup>	45.0	-	-	252,000 <sup>(1)</sup>	53.4
Boustead Properties (Promoter & vendor)	-	-	-	-	117,006	29.2	-	-	117,006	24.8	-	-
Boustead Heah Joo Seang Sdn Bhd (Vendor)	-	-	-	-	63,244	15.8	-	-	63,244	13.4	-	-
Boustead Plantations Berhad (Vendor)	-	-	-	-	-	-	-	-	71,750	15.2	-	-

Note:

(1) Deemed interested pursuant to Section 6A of the Act by virtue of its substantial shareholdings in the Vendors and the Manager (which in turn holds 1,000 promoter's Units).

For further details on the ownership of Units by the Vendors as part of the purchase consideration for the acquisition of the Plantation Assets, please refer to Section 6.6.1 of this Prospectus.

## 2.5.2 Ownership of Units by Substantial Shareholders of the Manager

The unitholdings of the substantial shareholders of the Manager in Al-Hadharah Boustead REIT after the Public Offering and completion of the acquisition of Lepad Kabu Estate and Lepad Kabu Palm Oil Mill are as follows:

	Before the Public Offering		After the Public Offering				After the completion of acquisition of Lepad Kabu Estate and Lepad Kabu Palm Oil Mill					
	<---Direct --->		<-Indirect-->		<---Direct --->		<-Indirect-->		<---Direct --->		<---Indirect--->	
	No. of Units ('000)	%	No. of Units ('000)	%	No. of Units ('000)	%	No. of Units ('000)	%	No. of Units ('000)	%	No. of Units ('000)	%
Boustead Holdings	-	-	1 <sup>(1)</sup>	-	-	-	180,251 <sup>(1)</sup>	45.0	-	-	252,000 <sup>(1)</sup>	53.4
LTAT	-	-	1 <sup>(2)</sup>	-	-	-	180,251 <sup>(2)</sup>	45.0	-	-	252,000 <sup>(2)</sup>	53.4
IPSB	-	-	-	-	-	-	-	-	-	-	-	-
YWP	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

- (1) Deemed interested pursuant to Section 6A of the Act by virtue of its substantial shareholdings in the Vendors and the Manager (which in turn holds 1,000 promoter's Units).
- (2) Deemed interested pursuant to Section 6A of the Act by virtue of its substantial shareholdings in Boustead Holdings and the Manager (which in turn holds 1,000 promoter's Units).

## 2.5.3 Ownership of Units by the Directors of the Manager

The unitholdings of the Directors of the Manager in Al-Hadharah Boustead REIT after the Public Offering and completion of the acquisition of Lepad Kabu Estate and Lepad Kabu Palm Oil Mill are as follows:

	Before the Public Offering		After the Public Offering				After the completion of acquisition of Lepad Kabu Estate and Lepad Kabu Palm Oil Mill					
	<---Direct --->		<-Indirect-->		<---Direct --->		<-Indirect-->		<---Direct --->		<---Indirect--->	
	No. of Units ('000)	%	No. of Units ('000)	%	No. of Units ('000)	%	No. of Units ('000)	%	No. of Units ('000)	%	No. of Units ('000)	%
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	-	-	-	-	200*	0.05	-	-	200*	0.04	-	-
Daniel Ebinesan	-	-	-	-	100*	0.02	-	-	100*	0.02	-	-
Abdul Aziz Ismail	-	-	-	-	75*	0.02	-	-	75*	0.02	-	-
Kamaludin Abdul Kadir	-	-	-	-	75*	0.02	-	-	75*	0.02	-	-
David Loo Kean Beng	-	-	-	-	75*	0.02	-	-	75*	0.02	-	-

Note:

\* Assuming all pink form allocation is fully subscribed by the eligible Directors of the Manager.

## 2.5.4 Ownership of Units by key personnel of the Manager

The unitholdings of the key personnel of the Manager in Al-Hadharah Boustead REIT after the Public Offering and completion of the acquisition of Lepad Kabu Estate and Lepad Kabu Palm Oil Mill are as follows:

Name	Designation	Before the Public Offering				After the Public Offering				After the completion of acquisition of Lepad Kabu Estate and Lepad Kabu Palm Oil Mill			
		<---Direct --->		<-Indirect-->		<---Direct --->		<-Indirect-->		<---Direct --->		<----Indirect---->	
		No. of Units ('000)	%	No. of Units ('000)	%	No. of Units ('000)	%	No. of Units ('000)	%	No. of Units ('000)	%	No. of Units ('000)	%
Mohd Mokhtar bin Ghazali	Chief Executive Officer	-	-	-	-	100*	0.02	-	-	100*	0.02	-	-
Fahmy Ismail	Strategic Planning and Investor Relationship Manager	-	-	-	-	50*	0.01	-	-	50*	0.01	-	-
Ng Foong Khen	Finance Manager	-	-	-	-	50*	0.01	-	-	50*	0.01	-	-

Note:

\* Assuming all pink form allocation is fully subscribed by the eligible key personnel of the Manager.

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## 2.6 KEY INFORMATION ON THE PLANTATION ASSETS

Plantation Assets	Land Area (ha)	Planted Area (ha)/ Mill Capacity (MT/ hour)	Average FFB Production for the past five (5) years <sup>(3)</sup> (MT)	Market Value <sup>(1)</sup> (RM'000)	Tenure
<b>Plantation Assets beneficially owned by the Fund upon listing on the Main Board of Bursa Securities</b>					
Bekoh Estate, Johor	1,226.12	1,188.4	19,993	34,700	Freehold
Malaya Estate, Perak	922.14	727.9	19,751	21,500	Freehold
Kulai Young Estate, Johor	816.19	794.0	19,191	42,300	Freehold
Bukit Mertajam Estate, Kedah	2,173.22	2,009.6	42,888	100,400	Freehold
Batu Pekaka Estate, Kedah	968.73	899.4	16,347	40,000	Freehold
Chamek Estate, Johor	816.86	802.8	14,293	22,800	Freehold
Telok Sengat Estate, Johor	3,693.32	3,513.3	74,616	143,500	Freehold
Telok Sengat Palm Oil Mill, Johor	19.24	30 <sup>(2)</sup>	-	9,122	Freehold
<b>Sub-total</b>	<b>10,635.82</b>	<b>9,935.4</b>	<b>207,079</b>	<b>414,322</b>	
<b>Plantation Assets which are subject to transfer of beneficial ownership (including all rights, interest and benefits) to the Fund within six (6) months from the date of listing of the Fund (or such other extended period as may be approved by the SC)</b>					
Lepan Kabu Estate, Kelantan <sup>(4)</sup>	2,036.23	1,985.4	32,332	70,000	Freehold
Lepan Kabu Palm Oil Mill, Kelantan <sup>(4)</sup>	8.00	20 <sup>(2)</sup>	-	4,284	Freehold
<b>Sub-total</b>	<b>2,044.23</b>	<b>1,985.4</b>	<b>32,332</b>	<b>74,284</b>	
<b>Grand Total</b>	<b>12,680.05</b>	<b>11,920.8</b>	<b>239,411</b>	<b>488,606</b>	

*Notes:*

- (1) As per the valuation reports prepared by CH Williams Talhar & Wong dated 20 and 21 July 2006.
- (2) Telok Sengat Palm Oil Mill and Lepan Kabu Palm Oil Mill processed an average of 125,407 MT and 55,245 MT of FFB respectively for the past five (5) years.
- (3) Past five (5) years covers the period from FYE 2001 to 2005.
- (4) As at the Latest Practicable Date, the transfer of the legal and beneficial ownership of all the Plantation Assets (including all rights, interest and benefits accrued thereon) to Al-Hadharah Boustead REIT is still pending completion. The transfer of the beneficial ownership was completed on 29 December 2006, except for Lepan Kabu Estate and Lepan Kabu Palm Oil Mill in Kelantan whereby the beneficial ownership of the said estate and mill (including all rights, interest and benefits accrued thereon) shall be transferred to the Trustee within six (6) months from the date of listing of the Fund (or such other extended period as may be approved by the SC), subject to the terms of the relevant SPA. Applications to the Estate Land Board for approval in respect of the sale and transfer of the legal ownership of the Plantation Assets (other than Lepan Kabu Estate and Lepan Kabu Palm Oil Mill) in favour of the Purchaser have been made in December 2006 to the relevant land authorities. The Vendors shall obtain the said approval of the Estate Land Board for the transfer of legal ownership of the said Plantation Assets to the Fund and present the transfer in respect of the Plantation Assets for registration within three (3) years from the completion date of the SPAs, subject to the terms of the SPAs.

For further details on the Plantation Assets, please refer to Section 6.7 of this Prospectus.



## 2.7 FINANCIAL INFORMATION

### 2.7.1 Historical Financial Information

#### Proforma Income Statements for the FYE 31 December 2001 to 2005 and nine (9) months period ended 30 September 2006

The unaudited proforma income statements of Al-Hadharah Boustead REIT have been presented for illustrative purposes only based on the information extracted from the Vendors' audited financial statements for the past five (5) years ended 31 December 2005 and the unaudited management accounts for the nine (9) months period ended 30 September 2006 assuming that all the Plantation Assets have been beneficially owned by the Fund throughout the financial years/ period under review based on representations of the Directors of Boustead Holdings and Boustead Properties that the revenue and expenses stated below are directly related to the operations of the Plantation Assets.

	□----- Financial year ended 31 December-----□					9 months ended 30 September 2006
	2001 (RM'000)	2002 (RM'000)	2003 (RM'000)	2004 (RM'000)	2005 (RM'000)	(RM'000)
Revenue						
-Rental income	-	-	-	-	-	-
Operating expenses						
-Replanting cost	2,001	2,138	2,278	1,914	1,975	1,324
-Depreciation	1,292	1,217	1,181	1,149	902	602
-Quit rent and assessment	698	704	703	701	701	843
-Insurance	417	444	438	478	435	345
Total expenses	4,408	4,503	4,600	4,242	4,013	3,114

#### Notes:

*No rental revenue is recognised for the financial years/period under review as the Plantation Assets were occupied and used by the respective Vendors.*

*The above operating expenses consist of expenses directly related to the operations of the Plantation Assets. Since Al-Hadharah Boustead REIT was newly established, the unaudited proforma income statements do not include the expenses specifically incurred by Al-Hadharah Boustead REIT, such as trustee fee, management fee etc, and the purpose of the proforma income statements is mainly to illustrate the past performance of the Plantation Assets. The unaudited proforma income statements of Al-Hadharah Boustead REIT are prepared and presented for illustrative purposes only and are not indicative of the actual performance that would have been attained had Al-Hadharah Boustead REIT been established in the financial years/period under review.*

## 2.7.2 Proforma Balance Sheets

The table below sets out a summary of the proforma balance sheets of Al-Hadharah Boustead REIT assuming it is in existence on the date of its establishment adjusted for the effects of the completion of the acquisition by the Al-Hadharah Boustead REIT of the Plantation Assets (including the acquisition of Lepad Kabu Estate and Lepad Kabu Palm Oil Mill within six (6) months from the date of listing of the Fund or such other extended period as may be approved by the SC), the Public Offering and after application of the total proceeds to be raised from the Public Offering based on the Retail Price of RM0.99 per Unit and the Institutional Price of RM1.05 per Unit.

The proforma balance sheets of Al-Hadharah Boustead REIT are presented for illustrative purposes only and should be read in conjunction with the notes set out in Section 7.5 of this Prospectus.

	Proforma 1	Proforma 2	Proforma 3
	RM'000	RM'000	RM'000
<b>Non-current asset</b>			
Investment properties	-	400,150	471,900
<b>Current asset</b>			
Cash and bank balances	1	281	281
	<u>1</u>	<u>400,431</u>	<u>472,181</u>
<b>Current liability</b>	-	-	-
Net current asset	<u>1</u>	<u>400,431</u>	<u>472,181</u>
	<u>1</u>	<u>400,431</u>	<u>472,181</u>
Financed by:			
Unitholders' funds	1	400,431	472,181
	<u>1</u>	<u>400,431</u>	<u>472,181</u>
Proforma NAV (RM'000)	1	400,431	472,181
Number of Units in issue ('000)	1	400,251	472,001
Proforma NAV per unit (RM)	1.00	1.00	1.00

### Notes:

- Proforma 1* : *As at the date of establishment of the Al-Hadharah Boustead REIT*
- Proforma 2* : *After the acquisitions of the Plantation Assets (other than Lepad Kabu Estate and Lepad Kabu Palm Oil Mill) and the Public Offering*
- Proforma 3* : *After the acquisition of Lepad Kabu Estate and Lepad Kabu Palm Oil Mill*

For further details of the proforma balance sheets of the Al-Hadharah Boustead REIT, please refer to Section 7.5 of this Prospectus.

### 2.7.3 Profit Forecast and Projections

Barring any unforeseen circumstances, the Directors of Boustead REIT Managers forecast and project the earnings after taxation and the distribution to Unitholders for the FPE 31 December 2007 and the two (2) financial years ending 31 December 2008 to 31 December 2009 as follows:

	<b>Forecast<sup>(1)</sup></b>	<b>← Projections →</b>	
	<b>FPE 2007</b>	<b>FYE 2008</b>	<b>FYE 2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>			
Rental income <sup>(2)</sup>	38,108	41,300	41,300
<b>Other income</b>			
Profit earned from investment	200	298	293
	<u>38,308</u>	<u>41,598</u>	<u>41,593</u>
<b>Less:</b>			
<b>Plantation Operating Expenses</b>			
Replanting costs	2,329	3,707	3,252
Quit rent and assessment	976	1,017	1,017
Takaful contribution	369	435	435
Plantation Adviser's fee	200	200	200
	<u>3,874</u>	<u>5,359</u>	<u>4,904</u>
Plantation operating income	34,434	36,239	36,689
<b>Non-Plantation Operating Expenses</b>			
Manager's fee	1,310	1,418	1,418
Trustee's fee	130	142	142
Registrar's fee	12	12	12
Company secretary's fee	6	6	6
Shariah Adviser's fee	12	12	12
Other operating expenses <sup>(3)</sup>	112	132	278
	<u>1,582</u>	<u>1,722</u>	<u>1,868</u>
Earnings before taxation	32,852	34,517	34,821
Taxation	-	-	-
Earnings after taxation	<u>32,852</u>	<u>34,517</u>	<u>34,821</u>

**Notes:**

- (1) *The first financial period for the Fund shall commence from 31 December 2006 being the date of establishment of the Fund to 31 December 2007.*
- (2) *The rental contribution from the Lapan Kabu Estate and Lapan Kabu Palm Oil Mill is assumed to commence on 1 July 2007.*
- (3) *Valuation fee of RM 200,000 estimated and included for FYE 2009.*

For further details of the future financial information, please refer to Sections 7.2 & 7.3 of this Prospectus.

## 2.8 PRINCIPAL STATISTICS RELATING TO THE PUBLIC OFFERING

	<u>Units</u>	<u>Proforma NAV RM</u>	<u>Proforma NAV per Unit RM</u>
Fund size approved by the SC	<u>472,001,000</u>		
Promoter's Units as at the date of this Prospectus	1,000	1,000	1.00
To be issued pursuant to the acquisition of the Plantation Assets (other than Lepad Kabu Estate and Lepad Kabu Palm Oil Mill)	180,250,000	180,250,000	1.00
	<u>180,251,000</u>	<u>180,251,000</u>	<u>1.00</u>
To be issued pursuant to the Public Offering			
- Retail Offering	22,000,000	21,780,000	0.99
- Institutional Offering	198,000,000	207,900,000	1.05
Less : Estimated listing expenses		(9,500,000)	
	<u>220,000,000</u>	<u>220,180,000</u>	<u>1.00</u>
Upon listing of the Fund	400,251,000	400,431,000	1.00
To be issued and listed pursuant to acquisition of Lepad Kabu Estate and Lepad Kabu Palm Oil Mill within six (6) months from the listing of the Fund or such other extended period as may be approved by the SC	71,750,000	71,750,000	1.00
	<u>472,001,000</u>	<u>472,181,000</u>	<u>1.00</u>

There is only one class of Units in Al-Hadharah Boustead REIT. The Issue Units, provided that application monies are paid in full, will rank pari passu in all respects with the other existing issued Units of Al-Hadharah Boustead REIT and the Issue Units will be entitled to all distributions that may be declared subsequent to the date of allotment of the Units.

For further details on the Public Offering, please refer to Section 3 of this Prospectus.

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### 2.8.1 Issue Price for Retail Offering and Institutional Offering

Retail Price per Issue Unit	RM0.99
Institutional Price per Issue Unit	RM1.05

### 2.9 UTILISATION OF PROCEEDS

The total gross proceeds arising from the Public Offering of RM229,680,000 (based on the Retail Price of RM0.99 per Issue Unit and Institutional Price of RM1.05 per Issue Unit) will accrue entirely to the Fund and shall be used in the following manner:

	<b>RM</b>
Part funding for the acquisition of the Plantation Assets	219,900,000
Estimated listing expenses <sup>(1)</sup>	9,500,000
Working capital of the Fund	280,000
Total gross proceeds	<u>229,680,000</u>

*Note:*

(1) *The details of the estimated listing expenses are set out in Section 3.9 of this Prospectus.*

For further details on the utilisation of proceeds, please refer to Section 3.8 of this Prospectus.

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## **2.10 RISK FACTORS**

An investment in the Issue Units to be listed on the Main Board of Bursa Securities involves a certain degree of risk.

Investors should therefore rely on their own evaluation and are advised to carefully consider the risk factors (which may not be exhaustive) as set out in Section 4 of this Prospectus in addition to the other information contained elsewhere in this Prospectus before applying for the Issue Units summarized as follows:

### **2.10.1 Risks relating to Al-Hadharah Boustead REIT's operations**

- Political, economic and regulatory risks;
- Potential conflict of interest between Al-Hadharah Boustead REIT and the Manager or its related corporation and associated persons;
- Limitations on financing/ risk on financing;
- Dependence on key personnel;
- Investment policies of Al-Hadharah Boustead REIT may change;
- The Manager may not be able to successfully implement its investment strategy;
- Difficulty in varying Al-Hadharah Boustead REIT's portfolio; and
- Increase in operating, major capital expenditure and other expenses.

### **2.10.2 Risks relating to Plantation Estates**

- Risks inherent in the oil palm plantation industry;
- The rental payment in respect of the tenancies for the Plantation Assets which are reviewed every (3) years, are subject to movement in historical and then prevailing CPO and FFB prices;
- Risk of overdependence on single tenant and related party tenants;
- Insurance coverage on the mills;
- Compulsory acquisition by the Government;
- Non-registration of the transfer of the Plantation Assets;
- Restrictions in respect of category of land use; and
- Subsequent disposal of the Plantation Assets;

### **2.10.3 Risks relating to an investment in the Units**

- Distribution to Unitholders will be subject to cash availability;
- No prior market for Units;
- No redemption of Units;
- Future dilution of the NAV of the Units;
- Failure or delay in the listing of Al-Hadharah Boustead REIT;
- Effects of possible sale of a substantial number of Units by Vendors;
- Taxation;
- Market price of Units after the Public Offering;
- Earnings forecast, earnings projections and forward-looking statements; and
- Forecast and projected distribution.

For further details on the risk factors, please refer to Section 4 of this Prospectus.

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### **3. PARTICULARS OF THE PUBLIC OFFERING**

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#### **3.1 PRELIMINARY**

This Prospectus is dated 15 January 2007. A copy of this Prospectus will be registered and lodged with the SC.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the Units as prescribed securities. Consequently, the Units issued through this Prospectus will be deposited directly with the Depository and any dealings in these Units will be carried out in accordance with the aforesaid act and the rules of the Depository.

The approval-in-principle has been obtained from Bursa Securities on 10 January 2007 for the admission of the Units to the Official List of the Main Board of Bursa Securities and for permission to deal in and for the listing of and quotation for the Units, wherein the Issue Units are the subject of this Prospectus. The Units will be admitted to the Official List of the Main Board of Bursa Securities and official listing and quotation will commence after the receipt of, *inter-alia*, confirmation from the Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment dispatched to all successful applicants.

Acceptance of application for the Issue Units will be conditional upon permission being granted by Bursa Securities to deal in and for the listing of and quotation for the Units on the Main Board of Bursa Securities. Accordingly, monies paid in respect of any application accepted will be returned without interest if the said permission is not granted within six (6) weeks from the date of this Prospectus (or such longer period as may be specified by the SC) provided that the Manager is notified by or on behalf of Bursa Securities within the aforesaid timeframe.

Pursuant to the Listing Requirements of Bursa Securities, there must be at least 25% of the listed Units held by a minimum number of one thousand (1,000) Unitholders holding not less than one hundred (100) Units at the point of listing. In the event that the above requirement is not met pursuant to the Public Offering, the Manager may not be allowed to proceed with the listing of the Units on the Main Board of Bursa Securities. In such event, your money paid for the application will be returned without interest.

The completion of the Retail Offering and Institutional Offering are inter-conditional and subject to the minimum total gross proceeds of RM125 million to be raised from the Public Offering. If the Retail Offering and Institutional Offering are not completed and/or less than RM125 million total gross proceeds are raised from the Public Offering, your money paid for the application will be returned within ten (10) Market Days from the date Boustead REIT Managers becomes liable to do so, without interest. Thereafter, the Fund shall be terminated in accordance to the Deed.

You are required to have a CDS Account. If you do not presently have a CDS Account, you should open a CDS Account at an ADA prior to making an application for the Issue Units.

In the case of an application by way of Application Form, you must state your CDS Account number in the space provided in the Application Form.

No person is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Public Offering and if given or made, such information or representation must not be relied upon as having been authorised by the Manager, the Trustee or its Joint Financial Advisers. Neither the delivery of this Prospectus nor any issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of Al-Hadharah Boustead REIT since the respective dates stated herein.

You should note that the distribution of this Prospectus and the sale of the Issue Units are subject to Malaysian laws. The Manager, the Trustee and the Joint Financial Advisers and Principal Adviser take no responsibility for the distribution of this Prospectus and the sale of the Issue Units outside Malaysia. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for or an offer to sell any Issue Units in any jurisdiction in which such invitation or offer is not authorised or lawful or to any persons to whom it is unlawful to make such an invitation or offer.

**You should rely on your own evaluation to assess the merits and risks of the investment. It is recommended that you should consult your financial, legal and other advisers before investing in the Units.**

### 3.2 OPENING AND CLOSING OF APPLICATION LISTS

Applications will be accepted from 10.00 a.m. on 15 January 2007 and will remain open until 5.00 p.m. on 26 January 2007 or such period or periods as the Directors of Boustead REIT Managers, Principal Adviser and the Managing Underwriter (in respect of the Retail Offering) and the Joint Placement Advisers/Placement Agent (in respect of the Institutional Offering) at their absolute discretion may mutually decide. **Late applications will not be accepted.**

Event	Tentative Dates
Opening of the Retail Offering and Institutional Offering	15 January 2007
Closing of the Retail Offering	26 January 2007
Closing of the Institutional Offering	26 January 2007
Balloting of applications for the Issue Units	30 January 2007
Allotment of Issue Units to successful applicants	2 February 2007
Listing of Al-Hadharah Boustead REIT on the Main Board of Bursa Securities	8 February 2007

Should the closing date of the Retail Offering or Institutional Offering be changed, the dates for the balloting, allotment of Issue Units and the listing would be changed accordingly (where relevant). Any change to the closing date of the Retail Offering will be published in a widely circulated daily Bahasa Malaysia and English newspaper in Malaysia.

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### 3.3 UNITS

	<u>Units</u>	<u>Proforma NAV RM</u>	<u>Proforma NAV per Unit RM</u>
Fund size approved by the SC	<u>472,001,000</u>		
Promoter's Units as at the date of this Prospectus	1,000	1,000	1.00
To be issued pursuant to the acquisition of the Plantation Assets (other than Lepad Kabu Estate and Lepad Kabu Palm Oil Mill)	180,250,000	180,250,000	1.00
	<u>180,251,000</u>	<u>180,251,000</u>	<u>1.00</u>
To be issued pursuant to the Public Offering			
- Retail Offering	22,000,000	21,780,000	0.99
- Institutional Offering	198,000,000	207,900,000	1.05
Less : Estimated listing expenses		(9,500,000)	
	<u>220,000,000</u>	<u>220,180,000</u>	<u>1.00</u>
Upon listing of the Fund	400,251,000	400,431,000	1.00
To be issued and listed pursuant to acquisition of Lepad Kabu Estate and Lepad Kabu Palm Oil Mill within six (6) months from the listing of the Fund or such other extended period as may be approved by the SC	71,750,000	71,750,000	1.00
	<u>472,001,000</u>	<u>472,181,000</u>	<u>1.00</u>

There is only one class of Units in Al-Hadharah Boustead REIT. The Issue Units, provided that application monies are paid in full, will rank pari passu in all respects with the other existing issued Units of Al-Hadharah Boustead REIT and the Issue Units will be entitled to all distributions that may be declared subsequent to the date of allotment of such Units.

At any meeting of Unitholders of the Fund, each Unitholder shall be entitled to vote in person or by proxy. On a show of hands, every person present who is a Unitholder or representative or proxy of a Unitholder, shall have one vote, whereas on a poll, every Unitholder present in person or by proxy shall have one vote for each Unit held by him. A proxy need not be a Unitholder.

However, Boustead REIT Managers and any party related to it shall not exercise their voting rights in any Unitholders' meeting, unless otherwise permitted by the SC and/or any other relevant authorities.

### 3.4 DETAILS OF THE PUBLIC OFFERING

The Public Offering is subject to the terms and conditions of this Prospectus, and upon acceptance, is expected to be allocated in the manner described below subject to the clawback and re-allocation provisions as set out in Section 3.5 herein.

**a) *Retail Offering at the Retail Price of RM0.99 per Issue Unit payable in full upon application***

- (i) 20,000,000 Issue Units will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% will be set aside strictly for Bumiputera applicants;
- (ii) 2,000,000 Issue Units have been reserved for application by the Eligible Persons.

Any Issue Units not subscribed for under sub-paragraph (a)(ii) above will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions.

**b) *Institutional Offering at an Institutional Price of RM1.05 per Issue Unit payable in full upon application***

198,000,000 Issue Units will be made available for application by institutional and selected investors by way of a placement exercise.

The Issue Units in respect of sub-paragraphs (a)(i) and (a)(ii) above will be fully underwritten by the Managing Underwriter and Underwriters pursuant to the Underwriting Agreement.

The Manager has also proposed that the Public Offering shall be subject to a minimum subscription value of RM125,000,000. The minimum level of subscription has been determined by the Manager based on the number of Units required to meet the minimum public unitholding spread. Accordingly, in the event the total gross proceeds to be raised from the Public Offering is less than RM125,000,000, the Manager will not proceed with the listing exercise and all monies received in respect of any application for the Issue Units shall be returned in full without interest and thereafter the Al-Hadharah Boustead REIT shall be terminated in accordance with the Deed.

### 3.5 CLAWBACK AND REALLOCATION

The allocation of Issue Units between Retail Offering and Institutional Offering is subject to adjustment. In the event the Retail Offering is over-subscribed and there is a corresponding under-subscription in the Institutional Offering, Issue Units may be clawed back from the Institutional Offering and reallocated to the Retail Offering and vice-versa. The clawback and reallocation shall not apply in the event of an oversubscription in both the Retail Offering and Institutional Offering.

### **3.6 BASIS OF ARRIVING AT THE ISSUE PRICE**

Upon application, you are required to pay the Retail Price of RM0.99 per Issue Unit in full. The Retail Price of RM0.99 per Issue Unit has been determined by the Manager based on the recommendation of the Joint Financial Advisers, the Principal Adviser and the Managing Underwriter.

The Institutional Price of RM1.05 per Issue Unit has been determined by the Manager in consultation with the Joint Placement Adviser and Placement Agent.

The above pricing of the Issue Units has been determined after taking into consideration the following factors:-

- (a) the historical financials and performance of the Plantation Assets;
- (b) the future prospects of Al-Hadharah Boustead REIT;
- (c) the forecast and projected distributions yields of Al-Hadharah Boustead REIT;
- (d) the prevailing market conditions and sentiments of the plantation sector; and
- (e) the proforma NAV per Unit upon Listing of RM1.00.

### **3.7 PURPOSES OF THE PUBLIC OFFERING**

The purposes of the Public Offering are as follows:

- (i) to raise proceeds to part finance the acquisitions of the Plantation Assets;
- (ii) to provide you with an alternative investment instrument for plantation assets as well as to enable you to invest in a plantation estate portfolio at a discount to its appraised value;
- (iii) to provide you with distribution of income and potential capital appreciation on your investment in the Units of the Fund;
- (iv) to further enhance the development of the plantation estate market in Malaysia through the listed REIT which is more liquid given that the Units are readily tradable on the Exchange as compared to the underlying assets of the REIT which are relatively illiquid; and
- (v) to obtain a listing of and quotation for the Units of Al-Hadharah Boustead REIT on the Main Board of Bursa Securities.

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### 3.8 UTILISATION OF PROCEEDS

The total gross proceeds arising from the Public Offering of RM229,680,000 will accrue entirely to the Fund and shall be used in the following manner:

	<b>RM</b>
Part funding for the acquisition of the Plantation Assets	219,900,000
Estimated listing expenses <sup>(1)</sup>	9,500,000
Working capital of the Fund	280,000
Total gross proceeds	<u>229,680,000</u>

*Note:*

(1) *The details of the estimated listing expenses are set out in Section 3.9 of this Prospectus.*

The proceeds for the funding of acquisitions of the Plantation Assets and listing expenses are expected to be disbursed within fourteen (14) days after the listing of Al-Hadharah Boustead REIT.

### 3.9 BROKERAGE, COMMISSIONS AND ESTIMATED LISTING EXPENSES

#### (a) Brokerage

Brokerage relating to the 20,000,000 Issue Units made available for application by the Malaysian public under the Retail Offering is payable by the Fund at the rate of 1.0% of the Retail Price in respect of successful applications which bear the stamps of MIMB/Affin Bank, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or MIDFCCS.

#### (b) Commissions

The Managing Underwriter and Underwriters have agreed to underwrite the 22,000,000 Issue Units to be offered pursuant to the Retail Offering at a managing underwriting commission and underwriting commission of 0.25% and 1.50% respectively of the Retail Price for each Issue Unit being underwritten, payable by the Fund.

The Fund will also bear the placement fee payable to the Joint Placement Advisers and Placement Agent at the rate of 2.00% of the Institutional Price for each Issue Unit pursuant to the Institutional Offering, subject to the clawback and reallocation provisions as set out in Section 3.5 in this Prospectus.

**(c) Estimated listing expenses**

The listing expenses are estimated to be approximately RM9,500,000, the details of which are as follows:

	<b>RM</b>
Professional fees <sup>(1)</sup>	3,607,000
Regulatory fees and charges	500,000
Advertisement and printing expenses	400,000
Brokerage and commissions	4,565,000
Contingencies <sup>(2)</sup>	428,000
	<hr/>
	9,500,000
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*Notes:*

- (1) *Professional fees include fees to advisers, legal advisers, trustee, reporting accountants, tax consultant, Shariah Adviser and valuers*
- (2) *Contingencies may include all other expenses incurred by the Fund and the Manager in connection with the acquisition of the Plantation Assets and the Public Offering.*

If the actual listing expenses are less than the estimated amount of RM9,500,000, the remaining sum shall be used as working capital purposes of the Fund.

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### 3.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

An underwriting agreement entered into between Boustead REIT Managers, the Trustee, the Managing Underwriter and the Underwriters to severally but not jointly underwrite up to 22,000,000 Issue Units under the Retail Offering subject to the clawback and reallocation, for an underwriting commission of 1.50% of the total of the Retail Price multiplied by the Units underwritten. Further, the Managing Underwriter shall be entitled to receive from the Manager a managing underwriting commission of 0.25% of the total of the Retail Price multiplied by the Units underwritten.

The salient terms of the Underwriting Agreement are set out below:

- (a) the Underwriting Agreement is conditional upon the fulfilment of the following conditions precedent:
  - (i) Bursa Securities agreeing in principle on or prior to the last date for receipt of the application for the Units Underwritten which date must not be later than a date falling three (3) months from the date of the Underwriting Agreement or such other later date as the Manager and the Managing Underwriter may agree upon ("Closing Date") to the admission of the Units to the Official List of Bursa Securities;
  - (ii) the execution of the specific documents including the SPAs, Ijarah Agreements, Deed, declaration of trust, power of attorney, memorandum of deposits, the letter of appointment of the Plantation Adviser for the Plantation Assets by the Manager and the Underwriting Agreement ("Specific Documents");
  - (iii) the registration of the Prospectus with the SC in accordance with the requirements of the SCA; and
  - (iv) all other necessary approvals and consents required in relation to the Public Offering save and except for the final approval of Bursa Securities having been obtained and are in full force and effect until the Closing Date.
- (b) If any of the conditions precedent is not satisfied on or before the Closing Date, the Underwriters may terminate the Underwriting Agreement by written notice to Boustead REIT Managers and the Trustee, and in that event the parties shall, save and except for:-
  - (i) the costs and expenses incurred prior to or in connection with such termination, in particular the costs and expenses referred to in the Underwriting Agreement; and
  - (ii) any rights or liabilities of the Manager, the Trustee or the Underwriters under the Underwriting Agreement and any antecedent breach;

be released and discharged from their respective obligations provided that the Underwriters may in their absolute discretion waive compliance with any provisions of Clause 4.1 of the Underwriting Agreement.

- (c) Notwithstanding anything contained in the Underwriting Agreement, the Underwriters may at any time before the Closing Date by notice in writing to the Manager to terminate its obligation under the Underwriting Agreement, if any of the following events shall occur:
- (i) there is any material breach by the Manager and/or the Trustee of the warranties, representations or undertakings set out in the Underwriting Agreement which would have or can reasonably be expected to have a Material Adverse Effect (as defined therein) and which is not being capable of remedy or, if capable of remedy, is not remedied by the Manager and/or the Trustee as the case may be within thirty (30) days of written notice of such breach being given to the Manager and/or the Trustee as the case may be or where the period between the date when the said written notice is given to the Manager and/or the Trustee as the case may be, and the Closing Date is shorter than thirty (30) days, is not remedied within such shorter period;
  - (ii) there is a failure on the part of the Manager and/or the Trustee as the case may be, to perform any of its obligations contained in the Underwriting Agreement, which has a Material Adverse Effect (as defined therein);
  - (iii) any breach of any of the obligations of any party under the Specified Documents (other than the Underwriters to the Underwriting Agreement);
  - (iv) any person has withdrawn or sought to withdraw its consent to being named in the Prospectus or to the issue of the Prospectus, which has a Material Adverse Effect (as defined therein);
  - (v) if in the reasonable opinion of the Managing Underwriter, the Underwriters and the Manager, any of the following shall have occurred:-
    - (aa) any event beyond the reasonable control of the Underwriters (including without limitation, acts of government, war (whether war declared or not), acts of warfare, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, civil war, hijacking, terrorism, riot, uprising against constituted authority, civil commotion, disorder, rebellion, organized armed resistance to the government, insurrection, revolt, military or usurped power, sabotage, strikes, lockouts, natural catastrophe including but not limited to earthquakes, fire, explosion, floods, storm, lightning tempest, accident, or other Acts of God), which interfere with the Plantation Assets and/or has or is likely to have the effect of rendering any material part of the Underwriting Agreement incapable of performance or which would have or can be reasonably expected to have a Material Adverse Effect (as defined therein);
    - (bb) any change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates that would have or can be reasonably expected to have a Material Adverse Effect (as defined therein);
    - (cc) any change in law, regulation, directive, policy or ruling in any jurisdiction which will or is likely to have a Material Adverse Effect (as defined therein);
    - (dd) any government acquisition or other occurrence which will affect or is likely to have a Material Adverse Effect (as defined therein);

- (ee) any imposition of moratorium, suspension or material restriction on trading of securities on Bursa Securities due to exceptional financial circumstances or otherwise;
- (ff) any material adverse change, or any development involving a prospective material adverse change, in the condition (financial or otherwise) or in the earnings, business, operations or trading position or prospects of the Al-Hadharah Boustead REIT; or
- (gg) the suspension of trading of securities on Bursa Securities for three (3) consecutive Market Days;

or

- (vi) the listing of and quotation for the Units do not take place within two (2) months from the date of the Prospectus or such extended date as may be agreed by the Underwriters for any reason whatsoever.

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## **4. RISK FACTORS**

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**YOU SHOULD RELY ON YOUR OWN EVALUATION AND ARE ADVISED TO CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) WHICH MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF AL-HADHARAH BOUSTEAD REIT IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS BEFORE APPLYING FOR THE ISSUE UNITS.**

**AS INVESTMENT IN A COLLECTIVE INVESTMENT SCHEME IS MEANT TO PRODUCE RETURNS OVER THE LONG-TERM, YOU SHOULD NOT EXPECT TO OBTAIN SHORT-TERM GAINS.**

**YOU SHOULD BE AWARE THAT THE PRICE OF THE UNITS MAY FALL OR RISE. YOU SHOULD ALSO NOTE THAT YOU MAY NOT FULLY OR AT ALL RECOUP YOUR ORIGINAL INVESTMENT.**

### **4.1 RISKS RELATING TO AL-HADHARAH BOUSTEAD REIT'S OPERATIONS**

#### **4.1.1 Political, Economic & Regulatory Risks**

Adverse developments in political, economic and regulatory conditions in Malaysia and the rest of the world may materially affect the financial performance of the Fund. Political and economic uncertainties include risks of war, changes in political leadership, expropriation, global economic downturn, unfavourable changes in government policies, changes in interest rates and methods of taxation and currency exchange or introduction of new regulations. There can be no assurance that such adverse political, economical factors and/or regulatory factors will not materially affect the Fund and results of its operations.

#### **4.1.2 Potential conflicts of interest between Al-Hadharah Boustead REIT and the Manager or its Related Corporation and Associated Persons (as defined in the REIT Guidelines)**

As disclosed in Section 11 of this Prospectus, there are certain related-party transactions involving a Director and the substantial shareholders of the Manager entered into/proposed to be entered into by or in connection with the Al-Hadharah Boustead REIT. Such transactions include tenancy of the entire Plantation Assets to the Tenants which are deemed as related parties as defined in the Listing Requirements.

In addition, Boustead Holdings, a substantial shareholder of the Manager and a promoter of the Al-Hadharah Boustead REIT, also has interests in investments which are also involved in cultivation of oil palm and processing of palm oil.

As a result of the above, the strategies and activities of Al-Hadharah Boustead REIT may be influenced by the overall interest of Boustead Holdings. There can be no assurance that conflict of interest will not arise between Al-Hadharah Boustead REIT and Boustead Holdings in the future.

Further, in line with the Manager's acquisition strategies, Al-Hadharah Boustead REIT may in the future acquire plantation estates which are presently owned by Boustead Holdings or its related corporation or associated persons (as defined in the REIT Guidelines) or in varying its portfolio of plantation estates, Al-Hadharah Boustead REIT may in the future dispose of its plantation estates to Boustead Holdings or its related corporation or associated persons (as defined in the REIT Guidelines).

In this respect, in accordance to the Deed, the prior approval of the Trustee is required for all acquisitions and disposals of the Plantation Assets by the Fund, including related party transactions. For related party transactions, a valuation has to be undertaken by an independent qualified valuer and the valuation is to be given to the Trustee.

Unitholders' approval is also required to be obtained for related party transactions which involves acquisition at prices higher than the market value assessed or disposals at prices lesser than 90% of the market value assessed or for disposals exceeding 5% of the Fund's total assets value, where the Manager, its related corporation and associated persons (as defined in the REIT Guidelines) are not allowed to vote on such transactions.

#### **4.1.3 Limitations on financing/ Risk of financing**

Under the REIT Guidelines, Al-Hadharah Boustead REIT is permitted to obtain financing up to 50% of its total asset value at the time the financing is incurred.

Such limitation on financing may have the following consequences on the Fund:

- (a) inability to finance working capital and capital expenditure requirements in relation to the Plantation Assets as well as to finance future acquisition of plantation-related assets;
- (b) a decline in the total asset value of the Fund may cause the financing limit to be breached thus affecting the Fund's ability to incur further financing.

Notwithstanding the above, the Directors of the Manager are of the view that such risk is not material as the Fund will be debt-free with no financing at the point of its listing on Bursa Securities, which provide greater flexibility for Al-Hadharah Boustead REIT when considering future acquisition opportunities. There are no payment obligations under any financing which adversely affect the income and asset value of Al-Hadharah Boustead REIT. As such, there is no financing risk undertaken by Al-Hadharah Boustead REIT. The Directors of the Manager are also of the opinion that the Fund will have sufficient working capital funds over a period of 12 months from the date of listing of the Fund.

The Manager believes that they can easily obtain financing to acquire plantation assets in future after taking into account the cashflows, debt-free, no financing covenants or restriction imposed on the Plantation Assets or distributions to Unitholders.

For purposes of future financing by the Fund, Al-Hadharah Boustead REIT may be subject to certain covenants in connection with any future financing that may limit or otherwise affect its operations and ability to make distributions to Unitholders. However, if Al-Hadharah REIT is unable to make payment obligations, the Plantation Assets of Al-Hadharah Boustead REIT that are charged to secure such financing may be foreclosed by the lenders or forced sale at an undesirable value. In addition, the Fund may also be subject to refinancing risks, if future financing are obtained. It may not be able to refinance its future financing or the terms of such refinancing may not be favourable.

Nevertheless, the Manager will endeavour to maintain the cashflow of the Fund at a manageable level, taking into account the cash flow and level of debts of the Fund, and distributions to the Unitholders.

#### **4.1.4 Dependence on key personnel**

The success of Al-Hadharah Boustead REIT will depend to a significant extent upon the abilities and continued efforts, service and performance of the Directors and key management team of Boustead REIT Managers.

The Board of Directors comprising Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin, Daniel Ebinesan and Kamaludin bin Abdul Kadir have individual experience of more than 30 years each and two (2) others have individual experience of more than 20 years each, in the plantation, property and portfolio or asset investment industry. Collectively, the experience of the members of the Board and Investment Committee span more than 100 years in the relevant sectors and bring a wealth of industry and company based experience to the Manager. The key management team of Al-Hadharah Boustead REIT comprises the Chief Executive Officer, Strategic Planning and Investor Relationship Manager and Finance Manager who collectively have garnered experience of more than fifty (50) years in general management and finance.

There can be no assurance that there will be no loss of any key members of the Manager's Board of Directors or key management personnel and if such loss occurs, the same may affect Al-Hadharah Boustead REIT's future operations and financial performance.

The Manager believes that proactive development of managerial talent within the organisation and a management succession plan in place are essential for continued success and performance of Al-Hadharah Boustead REIT.

#### **4.1.5 Investment policies of Al-Hadharah Boustead REIT may change**

The key investment objectives of the Fund are to invest primarily in plantation assets comprising oil palm estates and palm oil mills which will provide Unitholders with:

- a stable distribution of income/yield; and
- long-term growth in NAV per Unit.

In order to achieve these objectives, the Fund shall invest primarily in plantation assets which are Shariah-compliant.

Upon completion of the Public Offering, the investment portfolio of Al-Hadharah Boustead REIT shall consist of the Plantation Assets (other than Lepad Kabu Estate and Lepad Kabu Palm Oil Mill which is expected to be completed within six (6) months from the date of listing of the Fund (or such other extended period as may be approved by the SC), all of which are be Shariah-compliant.

Notwithstanding the above, Al-Hadharah Boustead REIT may, after taking into consideration of the various risks as discussed throughout Section 4 of this Prospectus, change its investment policies in future. There is no assurance that such new investment policies will result in a better distribution of income to Unitholders and no assurance can be given on the capital growth in such investment. Nevertheless, the Directors of the Manager shall endeavour to achieve the original investment objectives of the Fund at all times, to provide Unitholders with a stable distribution yield and long-term growth in NAV per Unit.

#### **4.1.6 The Manager may not be able to successfully implement its investment strategy**

The Manager's investment strategy is to invest in a portfolio of plantation assets which are Shariah-compliant with the primary objective to achieve a stable distribution of income/yield and long-term growth in NAV per Unit. Although the Manager will endeavour to attain such objective, there is no assurance that the investment strategy can be implemented successfully. The Manager may not be able to implement its strategy if there is a limited availability of such plantation estates for sale, increased competition amongst potential buyers of such plantation estates, changes to law or regulations which may adversely affect the operating environment or if the Manager is unable to source financing on favourable terms.

#### **4.1.7 Difficulty in varying Al-Hadharah Boustead REIT's portfolio**

Plantation estates and mills are relatively illiquid. Such lack of liquidity may affect the Manager's ability to vary Al-Hadharah Boustead REIT's investment portfolio or liquidate part of its assets in response to changes in economic and plantation market conditions.

#### **4.1.8 Increase in operating, major capital expenditure and other expenses**

As the beneficial owner of the Plantation Assets, Al-Hadharah Boustead REIT is responsible to bear the replanting expenditures, quit rent and assessment, Takaful contribution and Plantation Adviser's fees. In addition, any cost of major infrastructure, major mill upgrades, new mills and/or buildings on the Plantation Assets exceeding RM1 million per transaction shall also be borne by the Fund. Apart from the plantation related expenditures, the Fund is also liable to pay for other operating expenses, such as the Manager's fees, Trustee's fees, Shariah Adviser's fees, registrar fees, etc.

However, any increase in major capital expenditure will be mitigated by the adjustments to the Fixed Rent.

Accordingly, Al-Hadharah Boustead REIT's ability to make distributions to the Unitholders could be affected by an increase in its operating, major capital expenditure and other expenses without a corresponding increase in revenue or reimbursements of such operating and other costs.

Factors which could increase operating and other costs include, amongst others:

- (a) inflation;
- (b) increase in payroll expenses and energy costs;
- (c) increase in taxes and other statutory charges;
- (d) changes in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies;
- (e) increase in plantation replanting costs and Plantation Adviser fees; and
- (f) increase in Takaful contributions.

In this respect, the Manager shall take various preventive measures as follows:

- (a) work closely with the Tenants and the Plantation Adviser to implement an effective and prudent replanting programme and capital expansion program;
- (b) retain adequate income to meet future capital and operating expenditures; and
- (c) continuously seek for high yield plantation assets to complement the Fund's existing portfolio of Plantation Assets.

## **4.2 RISKS RELATING TO THE PLANTATION ASSETS**

### **4.2.1 Risks inherent in the oil palm plantation industry**

As the Plantation Assets are used mainly for the cultivation of oil palm and processing of palm oil by the Tenants, the future financial results of the Al-Hadharah Boustead REIT would be, directly and indirectly, subject to various risks inherent in the oil palm plantation industry.

Such risks include but are not limited to:

- (i) Constraints and rising costs of labour supply and raw materials for the plantation and milling operations;
- (ii) Changes in world demand for edible oils and fats;
- (iii) Effects of adverse weather conditions;
- (iv) Cyclical pattern of FFB production yield;
- (v) Commodity price and foreign exchange fluctuations;
- (vi) Threat of substitute products; and
- (vii) Changes in regulatory and economic conditions.

The Tenants seek to limit these risks through effective risk management practices. However, there can be no assurance that unfavourable changes in the business environment will not adversely affect the attractiveness or desirability of the Tenants.

We seek to mitigate such risks by working closely with the Tenants and Plantation Adviser to take the preventive measures and precautionary steps such as:-

- (a) adopting a prudent management approach with the objectives of enhancing the cost efficiencies and optimisation of returns.
- (b) improving the overall production efficiency and yield of the estates and maximising productivity of the mill.

- (c) closely monitoring fire outbreaks and proper drainage systems in order to combat the effects of possible poor weather conditions.
- (d) implementing an effective programme of continuous replanting to replace the older trees with younger trees, thereby maintaining sustainable yield performance from the Plantation Assets.

Nevertheless, investors should note that a significant portion of such plantation operating risks are not directly borne by the Fund as the Fund is entitled to receive fixed rentals from the Tenants irregardless of any adverse performance of the plantation sector or the Plantation Assets.

The Ijarah Arrangements (except for the Malay Reserved Land) which take the form of a three (3)-year tenancy are automatically renewable four (4) times up to twelve (12) years and thereafter renewable for up to an additional fifteen (15) years comprising five (5) additional terms of not more than three (3) years each (save and except for the tenancy of the Malay Reserved Land which are not automatically renewable), albeit the fixed rental is subject to review by the Trustee (on recommendation of the Manager) and the Tenants at the end of every three (3) years.

**4.2.2 The rental payment in respect of the tenancies for the Plantation Assets, which are reviewed every 3 years each, are subject to movement in historical and then prevailing CPO prices and FFB prices**

The Ijarah Arrangement for each of the estates and mills shall take the form of a three (3)-year tenancy which are automatically renewable four (4) times up to twelve (12) years and thereafter renewable for up to an additional fifteen (15) years comprising five (5) additional terms of not more than three (3) years each (save and except for the tenancy of the Malay Reserved Land which are not automatically renewable).

During the tenure of the Ijarah Arrangements, at the end of every three (3) years, the fixed rental shall be reviewed by the Trustee (on recommendation of the Manager) and the Tenants with reference to the historical CPO prices, the prevailing and expected future CPO prices, the cost of production, the extraction rates, the yield per hectare and the mature area of the Plantation Assets as referred to in the relevant Ijarah Agreement(s).

Should the then prevailing CPO and FFB prices weaken, the tenancies may be renewed for another three (3) years at fixed rental which could give a lower distribution yield to the Unitholders. Notwithstanding this, in addition to the fixed rental income, the Fund is also entitled to receive performance-based profit sharing which is pegged to the upside in the CPO and FFB prices. Such performance-based profit sharing when received could be retained by the Manager for the purpose of maintaining a stable distribution yield in the future.

#### **4.2.3 Risk of overdependence on single tenant and related party tenants**

As all the Plantation Assets are rented back to the Vendors, the entire rental income of Al-Hadharah Boustead REIT under the Ijarah Arrangements will be derived from only three (3) parties that are within the Boustead Group. The Tenants are also deemed as related corporations pursuant to Section 6 of the Act.

Although the Tenants are contractually bound to meet their tenancy payment obligations under their respective Ijarah Arrangements, their ability to perform may be affected by global commodity market demand, fluctuations in CPO and PK prices coupled with volatility of foreign exchange currency rates. There can be no assurance that the Tenants will be able to meet their tenancy payment obligations in the face of material adverse change of conditions in the commodity and foreign exchange markets. As such, the Al-Hadharah Boustead REIT's financial condition, future operational results and ability to make distributions may be adversely affected by the business and financial condition of the Tenants whose rental make up a material proportion of the operating income of the Fund.

Notwithstanding the above, the Directors of the Manager are of the opinion that such risk of overdependence is acceptable as the Tenants, are members of the Boustead Group, which is an established conglomerate group under Boustead Holdings, a public company listed on the Main Board of Bursa Securities, with a successful and proven plantation operating track record spanning more than four (4) decades. Further, the risk are mitigated by the long term Ijarah Arrangements with the Tenants for three (3) year tenancies renewable up to a maximum of thirty (30) years (save and except of the Malay Reserved Land).

#### **4.2.4 Takaful Coverage on the Mills**

The Fund will obtain and maintain Takaful scheme coverage on the Plantation Assets. Although the Fund has taken the necessary measures to ensure that the mills are adequately covered by Takaful schemes, there can be no assurance that the Takaful coverage obtained would be adequate for the replacement cost of the mills or any consequential loss arising therefrom.

In ensuring such risks are reduced, the Manager will review and ensure adequate Takaful coverage for the Plantation Assets on a continuous basis.

#### **4.2.5 Compulsory acquisition by the Government**

The Malaysian Government has the power to compulsorily acquire any land in Malaysia pursuant to the provisions of the applicable legislation including the Land Acquisition Act, 1960 for certain purposes.

In such event, the amount of compensation to be awarded is based on the fair market value of a property and is assessed on the basis prescribed in the Land Acquisition Act, 1960 and other relevant laws. If any of the Plantation Assets were to be acquired compulsorily by the Malaysian Government at a point in time when the market value of the Plantation Assets is lower, the compensation amount payable to the Al-Hadharah Boustead REIT may be less than the purchase consideration paid/payable for the Plantation Assets, thus possibly resulting in an adverse impact on the price of the Units.

As at Latest Practicable Date, the Manager has not received any notice of intended acquisition in relation to the Plantation Assets or any part thereof.

If any of the Plantation Assets becomes affected by any notice of acquisition or intended acquisition under the Land Acquisition Act 1960 before the date of presentation of the transfer of the Plantation Assets or execution of the declaration of trusts, the Vendors must give notice thereof to the Trustee within 14 market days of such written notice and in such an event, the Trustee has the option, within 14 market days of receipt of such written notice, to either terminate or proceed with the SPAs relating to the Plantation Assets.

If the Trustee terminates the SPAs, and subject to the Trustee withdrawing any private caveat lodged, the SPAs shall be null and void and be of no further effect and neither party shall have any further claims against the other party, save for any antecedent breach. In the event that the Trustee elects to proceed with the purchase of the Plantation Assets and subject to the Trustee satisfying the purchase consideration for the Plantation Assets, all compensation awarded and paid on such acquisition will be paid to or held on trust by the Vendors for the Trustee.

#### **4.2.6 Non-registration of the transfer of the Plantation Assets**

Under the Malaysian land registration system, the legal title in real property does not pass until the relevant instrument of transfer has been duly registered in the relevant land registry of title in favour of the transferee. Presently, the registration process could take a number of months to complete and the issue document of title evidencing the change in the ownership will only be received by the transferee after completion of such registration process although the date of change of ownership would be at the time of presentation of the instrument of transfer.

##### **(a) Plantation Assets (other than Malay Reserved Land)**

Pursuant to the SPAs relating to the Plantation Assets, all the rights, interests and benefits relating to the beneficial ownership of the Plantation Assets (other than the Malay Reserved Land within Bukit Mertajam Estate and Batu Pekaka Estate in Kedah and Lapan Kabu Estate and Lapan Kabu Palm Oil Mill in Kelantan) have been transferred to Trustee, holding on behalf of the Al-Hadharah Boustead REIT.

As at the Latest Practicable Date, legal ownership of the Plantation Assets has not been transferred to the Trustee holding on behalf the Al-Hadharah Boustead REIT, pending various approvals from the relevant regulatory authorities.

The Directors of the Manager are of the opinion that notwithstanding the non-registration of the legal ownership of such Plantation Assets, the Al-Hadharah Boustead REIT can enjoy all the rights, interests and benefits relating to the beneficial ownership of the Plantation Assets (other than Malay Reserved Land) and various protective measures have been incorporated as follows:-



- Declaration of Trust by the Vendors to state that the Plantation Assets will be held in trust for Al-Hadharah Boustead REIT;
- Deposit of the land titles to the Plantation Assets under a Memorandum of Deposit with the Trustee together with pre-signed memoranda of transfer;
- Power of Attorney in favour of the Trustee for Al-Hadharah Boustead REIT giving to the Trustee the right to sell, charge and deal with the Plantation Assets; and
- Lodgement of a private caveat on the title to the Plantation Assets to state the interest of Al-Hadharah Boustead REIT in the Plantation Assets.

The abovementioned declaration of trust by the Vendors will not be registered with the relevant land office and therefore will not constitute a notice to the general public of the trust as envisaged under the National Land Code. Notwithstanding this, the Al-Hadharah Boustead REIT will be protected by lodgement of private caveats on the Plantation Assets and having custody of the land titles to the Plantation Assets.

The Manager also seeks to minimise any such risk arising therefrom by taking appropriate steps to ensure that the transfer instrument in respect of the Plantation Assets are fit for registration and that there are no restraints on dealings which could prevent the registration of the transfer of the Plantation Assets at the time of presentation of the relevant instrument of transfer at the relevant land office.

**(b) Malay Reserved Land**

Certain parcels of the Plantations Assets within Bukit Mertajam Estate and Batu Pekaka Estate in Kedah and Lepad Kabu Estate and Lepad Kabu Palm Oil Mill in Kelantan are Malay Reserved Land. Under the Malay Reservation Enactments, any sale or transfer of interest in Malay Reserved Land to Non-Malay is generally prohibited.

**Bukit Mertajam Estate and Batu Pekaka Estate in Kedah**

The relevant exemption from the Pengarah Tanah & Galian, Kedah, which has the jurisdiction over the above estates, to confirm that the Trustee need not be declared as a Malay Reserved Land, has been obtained on 5 September 2006.

As at the Latest Practicable Date, all the rights, interests and benefits relating to the beneficial ownership of such Malay Reserved Land within Bukit Mertajam Estate and Batu Pekaka Estate have accrued to the Trustee holding on behalf of Al-Hadharah Boustead REIT.

The Directors of the Manager are of the opinion that notwithstanding the non-registration of the legal ownership of such estates, the Al-Hadharah Boustead REIT can enjoy all the rights, interests and benefits relating to the beneficial ownership of them.

### **Lepan Kabu Estate and Lepan Kabu Palm Oil Mill in Kelantan**

The transfer of the rights, interests and benefits relating to the beneficial ownership of the Lepan Kabu Estate and Lepan Kabu Palm Oil Mill in Kelantan has yet to be completed pending certain procedures and registration process and subject to consents/approvals from the relevant approving authorities.

It is envisaged that the acquisition of the beneficial ownership of Lepan Kabu Estate and Lepan Kabu Palm Oil Mill for the purchase consideration of RM71.75 million to be satisfied by way of issuance of 71.75 million new Units shall be completed within six (6) months from the date of listing of the Fund (or such other extended period as may be approved by the SC).

In the event that beneficial ownership of Lepan Kabu Estate and Lepan Kabu Palm Oil Mill cannot be transferred to the Trustee within six (6) months from the date of listing of the Fund (or such other extended period as may be approved by the SC), the relevant Vendor or Boustead Holdings or any of its subsidiary companies shall substitute the relevant land with other plantation assets, failing which the Trustee (on recommendation of the Manager) may not proceed with the completion of the acquisition of Lepan Kabu Estate and Lepan Kabu Palm Oil Mill and the 71.75 million Units will not be issued and listed on the Main Board of Bursa Securities.

By an opinion dated 12 December 2006, Messrs Azzat & Izzat confirmed that they have received the consent to transfer from the State Authority from the current landowner, Malakoff Berhad to Boustead Plantations Berhad on 16 August 2006. However, the said consent includes the condition that the status of the said lands is changed from freehold to 66-years lease.

Messrs Azzat & Izzat further confirmed that they had appealed against the decision to change the status of the said lands and they are confident that their appeal will be allowed.

In respect of the transfer from Boustead Plantations Berhad to the Purchaser, CIMB Trustee Berhad, they are of the view that approval for such transfer from the State Authority can be obtained but the State Authority may impose conditions to such approval.

Messrs Azzat & Izzat are of the view that CIMB Trustee Berhad does not need to be declared or deemed as "Malay" company. In the transfer from Malakoff Berhad to Boustead Plantations Berhad, both companies are not deemed as "Malay" companies."

Please refer to Section 6.6.2 for further details of the land matters.

#### **4.2.7 Restrictions in respect of category of land use**

While most of the land titles of the Plantation Assets permit the cultivation of oil palm, some of the land titles which originated many years ago carry the restriction that the lands are to be used for the cultivation of rubber, coffee garden, “kampung” etc. The Vendors have made the necessary applications to the relevant land authorities to change the category of land use/express conditions imposed on land titles of the Plantation Assets, except for Lepad Kabu Estate and Lepad Kabu Palm Oil Mill where the Vendor is in the process of applying for the change of category of land use.

Further, the relevant Vendors have also set aside an aggregate amount of RM100,000 for payment of the estimated conversion premium expected to be incurred in applying for a change in category of land use to the cultivation of oil palm. The Vendors have further undertaken that where the premium payable is in excess of RM100,000, they shall forthwith proportionately pay any shortfall thereof to Al-Hadharah Boustead REIT.

Please refer to Section 6.6.2 for further details of the land matters.

#### **4.2.8 Subsequent disposal of the Plantation Assets**

The consideration paid for the Plantation Assets was arrived at based on a discount to their respective appraised market value by CH Williams Talhar and Wong Sdn Bhd, the independent valuer. The methods of valuation of the Plantation Assets may generally include a subjective determination of certain factors relating to the relevant Plantation Asset, such as their relative market positions, their financial and competitive strengths and their physical conditions. The appraised market value of the Plantation Assets by the independent valuer does not necessarily guarantee a sale for any part or the whole of the Plantation Assets at their appraised market value at the present or in the future. The price at which Al-Hadharah Boustead REIT may sell any part or the whole of the Plantation Assets in the future may be lower than their original purchase price depending on the then prevailing market prices and demand and supply dynamics.

As some portion of the Plantation Assets within Bukit Mertajam estate and Batu Pekaka estate in Kedah and Lepad Kabu Estate and Lepad Kabu Palm Oil Mill in Kelantan comprises Malay Reserved Land, it may impact the ability of the Manager in selling the said land in the future.

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### **4.3 RISKS RELATING TO INVESTMENT IN THE UNITS**

#### **4.3.1 Distributions to Unitholders will be subject to cash availability**

The net operating earnings that Al-Hadharah Boustead REIT make from its plantation estate and oil palm mills investment depends on, amongst other factors, the amount of income (rental payment) received, and the level of property, operating and other expenses incurred. If the Plantation Assets or other plantations, which Al-Hadharah Boustead REIT may invest in, do not generate sufficient net operating earnings and cash flow, Al-Hadharah Boustead REIT's ability to make distributions will be adversely affected.

No assurance can be given that the level of distributions will be maintained or increase over time, as the fixed rental of the tenancies of the Plantation Assets are reviewed at the end of every three (3) year tenancy period with reference to the historical CPO prices, the prevailing and expected future CPO prices, the cost of production, the extraction rates, the yield per hectare and the mature area of the Plantation Assets as referred to in the relevant Ijarah Agreement(s) or that the income in connection with expansion of the Plantation Assets or future acquisitions of plantation estates will increase Al-Hadharah Boustead REIT's cash available for distribution to Unitholders.

To mitigate this risk, the Manager will endeavour to ensure that the Plantation Assets are managed in a cost effective manner and seek to acquire new plantation assets which are able to generate reasonable returns to enable the Fund to distribute a stable income/yield to the Unitholders.

#### **4.3.2 No prior market for Units**

Prior to the Public Offering, there has been no public market for the Units. There can be no assurance that an active market for the Units will develop upon listing or, if it develops, that such a market will be sustained. There is also no assurance that the market price of the Units will not decline below the Retail Price or the Institutional Price. The market price of the Units could be subject to significant fluctuations due to various external factors and events, including the liquidity of the Units in the market, the general market conditions, the estate industry and broad market fluctuations.

It may be difficult to assess Al-Hadharah Boustead REIT's performance against either domestic or international benchmarks. There can be no assurance that an active market for REITs will develop or be sustained in Malaysia.

#### **4.3.3 No redemption of Units**

Unitholders have no right to request the Manager to redeem their Units while the Units are listed on the Main Board of Bursa Securities and not suspended for more than 90 consecutive market days. It is intended that Unitholders may only deal in their listed Units through trading on the Main Board of Bursa Securities.

#### **4.3.4 Future dilution of the NAV of the Units**

The Deed provides that the Manager shall determine the unit price of any new issues of Units based on market-based principles, i.e. the issue price of new Units in the future may be at or below the then current NAV of Al-Hadharah Boustead REIT. In the event that new Units are issued at less than current NAV, the NAV of existing Units may be diluted.

#### **4.3.5 Failure or delay in the listing of Al-Hadharah Boustead REIT**

The listing of the Al-Hadharah Boustead REIT is exposed to the risk that it may fail or be delayed should, amongst others, the following events occur:

- (i) the Managing Underwriter and Underwriters exercise their rights pursuant to the Underwriting Agreement to discharge themselves from their obligations thereunder; or
- (ii) gross proceeds of less than RM125.0 million being raised; or
- (iii) the Fund is unable to procure adequate financing to satisfy the cash portion of the purchase consideration for the acquisition of the Plantation Assets in the event that the total gross proceeds raised is lower than RM229,680,000, of which RM219,900,000 has been earmarked to satisfy the cash portion of the said purchase consideration; or
- (iv) the Fund is unable to meet the public spread requirement of at least 25% of the issued Units of the Fund being held by a minimum of 1,000 public Unitholders holding not less than 100 Units each or a minimum of 3,000,000 Units in the hands of the public.

#### **4.3.6 Effects of possible sale of a substantial number of Units by Vendors**

Following the Public Offering, Al-Hadharah Boustead REIT will have 400,251,000 Units listed on the Main Board of Bursa Securities, of which up to 180,250,000 Units will be held by the Vendors (excluding the 71,750,000 Units to be issued and listed within six (6) months from the date of listing of the Fund, or such other extended period as may be approved by the SC, in relation to the acquisition of Lepad Kabu Estate and Lepad Kabu Palm Oil Mill).

These Units, which form part of the purchase consideration for the acquisition of the Plantation Assets (other than Lepad Kabu Estate and Lepad Kabu Palm Oil Mill), are not subject to any moratorium conditions. If the Vendors sell or are perceived as intending to sell a substantial portion of such Units, the market price of the Units may be adversely affected.

#### 4.3.7 Taxation

Pursuant to Section 61A of the Income Tax Act, 1967, a REIT is exempted from tax on income distribution to unitholders in the same basis period. The tax treatment granted allows Malaysian tax resident individuals or Malaysian tax resident incorporated companies to receive their distributions free of tax deducted at source but taxed subsequently at their prevailing income tax rates on such income. For non-resident unitholders, the tax payable at 28% will be withheld by the REIT.

Pursuant to the Malaysian 2007 Budget proposals announced by the Prime Minister and Minister of Finance on 1 September 2006 the following have been proposed ("2007 Budget Proposals");

- (i) Non-corporate investors that receive distributions from REITs listed on the Bursa Securities will be subjected to a final withholding tax at the rate of 15% for 5 years;
- (ii) Foreign institutional investors (meaning a pension fund, collective investment scheme or such other person approved by the Minister of Finance) that receive distributions from REITs listed on Bursa Securities will be subject to a final withholding tax at the rate of 20% for five (5) years;
- (iii) Local corporate investors will be subject to the existing tax treatment and tax rates;
- (iv) Foreign corporate investors will be subjects to a final withholding tax at the rate of 27%;
- (v) REITs will be exempted from tax on all its income provided that at least 90% of its total income is distributed to the investors;
- (vi) Where the 90% distribution is not complied with, the undistributed chargeable income of the REITs will be subject to income tax at the prevailing tax rates; and
- (vii) For the Year of Assessment 2007, the prevailing tax rate for a company, trust body, an executor of an estate of an individual who was domiciled outside Malaysia at the time of his death and a receiver appointed by the court is proposed to be reduced to 27% and to 26% in the Year of Assessment 2008.

Please note that the above proposals are subject to changes or amendments in the legislation giving the effect to the above 2007 Budget Proposals. It is proposed that the above 2007 Budget Proposals (i) and (ii) are to be effective from 1 January 2007 and proposals (iv), (v), (vi) and (vii) are to be effective from the Year of Assessment 2007.

There is no assurance that any future changes in the relevant tax laws would not have an adverse impact on tax treatment of the income of the Fund and distributed income in the hands of the Unitholders.

#### **4.3.8 Market price of Units after the Public Offering**

The Retail Price and the Institutional Price may not be indicative of the market price of the Units after the Public Offering. The market price of the Units after the Public Offering may trade at prices below the Retail Price or the Institutional Price.

The market price of the Units after the Public Offering will depend on many factors including:

- (a) the perceived prospects of Al-Hadharah Boustead REIT's business and investments and Malaysia's plantation sector;
- (b) the performance of the international and domestic commodity market and perceived impact on the prospects of Al-Hadharah Boustead REIT's business;
- (c) significant deviation between Al-Hadharah Boustead REIT's audited financial results and those set out in Section 7 of this Prospectus;
- (d) analysts' recommendations or projections;
- (e) interest rates movements;
- (f) yield on risk-free securities, alternative investments or saving instruments;
- (g) liquidity of the Units;
- (h) market value of Al-Hadharah Boustead REIT's assets; and
- (i) the size and liquidity of the Malaysian REIT market.

#### **4.3.9 Earnings forecast, projections and forward-looking statements**

This Prospectus contains earnings forecast and projections of the Al-Hadharah Boustead REIT prepared by the Directors of the Manager that are based on assumptions made by them which are deemed to be reasonable at this point in time. However, there can be no assurance that the earnings forecast and projections contained herein will be realised. As the actual results may be materially different from those forecast and projections, investors are advised to read and understand the assumptions and uncertainties underlying the earnings forecast and projections.

In addition, certain forward-looking statements regarding the Fund are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. The inclusion of a forward-looking statement in this Prospectus should not be regarded as a representation or warranty by the Manager or its advisers that the plans and objectives of the Fund will be achieved.

#### **4.3.10 Forecast and projected distribution**

As illustrated in Section 7 of this Prospectus, based on the forecast and projected earnings before taxation of Al-Hadharah Boustead REIT for the FPE 31 December 2007 and two (2) financial years ending 31 December 2008 and 2009, the Directors of the Manager intends to distribute at least 98% of the distributable earnings of the Al-Hadharah Boustead REIT for the said financial period/years, which represents a distribution of about 7.38 sen per Unit.

There can be no assurance that the actual dividend distribution to Unitholders will be the same as the forecast and projected distribution yield as illustrated in this Prospectus.

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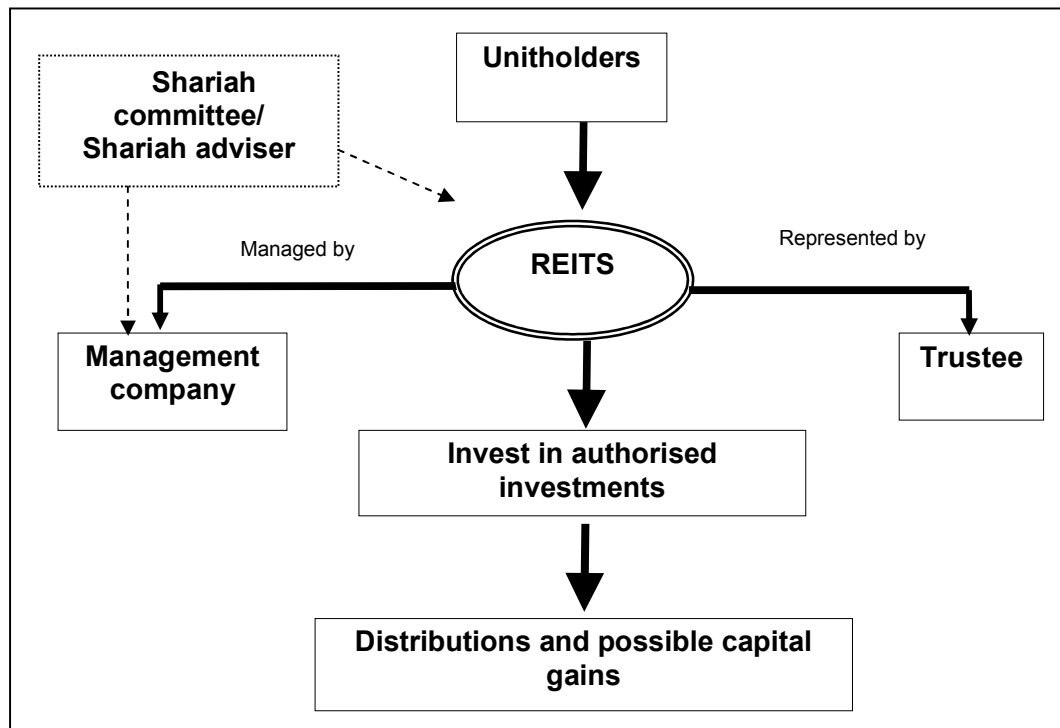
## 5. INTRODUCTION TO ISLAMIC REITS AND REITS

THIS SECTION OF THE PROSPECTUS REPRESENTS ONLY AN INTRODUCTION TO ISLAMIC REITS AND REITS IN GENERAL. THIS SECTION DOES NOT PURPORT TO IDENTIFY OR SUGGEST ALL ISLAMIC REITS AND REITS ARE ASSOCIATED WITH THE SAME RISKS AND BENEFITS (WHICH MAY NOT BE EXHAUSTIVE), AS HIGHLIGHTED HEREIN. THEREFORE, YOU SHOULD READ AND UNDERSTAND THE FULL TEXT OF THIS PROSPECTUS, IN PARTICULAR, SECTION 4 OF THIS PROSPECTUS BEFORE DECIDING TO INVEST IN THE ISSUE UNITS.

### 5.1 OVERVIEW OF ISLAMIC REITS

An Islamic REIT is a collective investment scheme where funds from investors are pooled and invested towards a specified goal as set out in the investment objective of the fund. In addition, an Islamic REIT is a fund that invests (via funds raised from investors) in a portfolio of Shariah-compliant real estate assets or real estate-related assets. These real estates generate income from rent collected from tenants, which is then, net of expenses, distributed to investors at regular intervals. An Islamic REIT may be listed or unlisted.

An Islamic REIT may be illustrated as a relationship among the manager, the trustee, the Shariah committee/ Shariah adviser and the unitholders governed by a deed registered with the SC. The relationship among the manager, trustee, the Shariah committee/ Shariah adviser and the unitholders in an Islamic REIT is illustrated below:



An Islamic REIT is constituted by a deed entered into between the manager and the trustee. The deed sets out the manner in which the scheme is to be administered, the valuation and pricing of units, the keeping of proper accounts and records, the collection and distribution of income, the rights of unitholders, the duties and responsibilities of the manager and trustee with regard to the operations of the scheme, and the protection of unitholders' interests. The Shariah committee/ Shariah adviser is to advise on all Shariah related matter and to ensure full compliance of the Islamic REIT in accordance with the REIT Guidelines in relation to Islamic REITs.

A brief description of the parties in an Islamic REIT is as follows:

**The manager:**

The manager is appointed to manage and administer the Islamic REIT in accordance with the objectives and investment policy of the Islamic REIT. The manager is obliged to administer the Islamic REIT in accordance with the deed, the SCA and REIT Guidelines in relation to Islamic REITs, and to administer the Islamic REIT in an efficient and proper manner that will ensure high standards of integrity and fair dealing in managing the Islamic REIT to the interest of unitholders, to exercise due care, skill and diligence as well as effectively employ the resources and procedures necessary for the proper performance of the Islamic REIT.

**The trustee:**

The trustee is appointed for the unitholders and acts as the custodian for all the assets of the Islamic REIT, including documents of titles to the assets, if applicable. The trustee, therefore, must act to ensure that the manager adheres strictly to the provisions of the deed, particularly with regard to the creation of units, the exercise of investment powers of the Islamic REIT, collection and distribution of income, proper record keeping of administrative, investment and unitholders' transactions and in upholding unitholders' interests.

**The Shariah Committee/ Shariah Adviser:**

The Shariah committee/ Shariah adviser is a party to the Islamic REIT who is obliged to act as an adviser on all Shariah related matters. The Shariah committee/ Shariah adviser is responsible for ensuring that the Islamic REIT complies with the investment guidelines, providing references and consultations to the manager on permitted investments as provided in the guidelines. It also monitors and ensures that the fund has been managed and administered in accordance with the Shariah principles, the applicable guidelines, ruling or decision issued by the SC pertaining to Shariah matters.

The Shariah committee/ Shariah adviser will provide their certification and shall also prepare the Shariah adviser's report to be included in the interim and annual report in respect of the Islamic REIT, the minimum requirement under the REIT Guidelines in relation to Islamic REITs.

**The unitholders:**

The interest of a unitholder in the Islamic REIT is an equitable interest of a beneficiary of a trust, subject to the terms of the deed. Unitholders shall be entitled to receive the distributions of the fund and such other rights as provided in the deed.

## 5.2 THE REGULATORY FRAMEWORK

In Malaysia, Islamic REITs are governed and regulated by the SC. The SC is empowered to ensure compliance with the SCA and the REIT Guidelines which govern the operations and administration of Islamic REITs and protect the interest of unitholders. The trustee and the manager, including its officers and directors, must comply with the SCA, REIT Guidelines and all other relevant laws and requirements.

An Islamic REIT is also governed by the deed, which incorporates the covenants required under the SCA and the REIT Guidelines.

The appointments of the manager, including its directors, and the trustee are subject to the approval of the SC.

## 5.3 KEY BENEFITS OF INVESTING IN REITs

The REITs, as an investment instrument provides investors the benefit of participating in the steady rental yields of real estates and other properties and the potential for capital upside in the long run.

Key benefits include:

### (a) *Higher dividend yield*

REITs are required to pay out a minimum amount to qualify for tax transparency, which in most cases is at least 90% of their income as distributions. This provides investors with a regular income as compared to the dividend payout of a listed company which is at the discretion of the company. Such a stable flow of income coupled with the REITs' low risk, appeal to certain types of investors, such as pension funds and retirees.

### (b) *Transparent investment policy*

REITs have transparent and defined investment policies and objectives in terms of the types and location of properties/real estate that REITs can invest in, whereas a property/real estate company is not restricted to doing business in property/real estate investment and property development. The transparent and defined investment policy allows REITs to trade at near NAV as they are effectively capitalising income streams of the properties/real estate. i.e. the valuation of an REIT is effectively similar to that adopted for valuing the underlying properties/real estate.

### (c) *Liquidity*

The REIT is a liquid investment when the REIT is listed as units of a listed REIT and traded like any other stock on the stock exchange. This provides liquidity to ownership of physical real estate assets.

### (d) *Diversification*

REITs also offer the benefit of diversification arising from their holding of a portfolio of high quality real estates with different tenancy lengths and geographical locations, rather than a single real estate or building, as well as management by experienced real estate professionals.

**(e) Affordability**

REITs provide investors an entry into the real estate market via participation and investment in units of the REITs, which requires a smaller capital outlay relative to purchasing similar real estates on their own.

**(f) Long run inflation hedge**

REITs may provide a hedge against inflation as when inflation rises, the value of real estate and real estate securities can be expected to similarly increase.

**(g) Stable returns**

REITs typically have relatively stable cash flows since almost all of its revenue is generated by rentals/rental payments under the terms of rental/tenancy agreements, which are typically for specific durations.

**(h) Professional management**

REITs provide investors an opportunity to buy into real estates that are managed by experienced and professional persons.

**(i) Potential capital appreciation**

In addition to distributing income at regular intervals, REITs also provide an opportunity for capital appreciation via any increase in the values of the real estate held in its portfolio.

**(j) Ownership of investment grade real estates**

REITs allow retail investors to participate in the real estate market. Subject to the quality of the real estates, investors in an REIT are essentially akin to holding stakes in large real estates, which would otherwise not be possible for a retail investor.

#### **5.4 RISKS OF INVESTING IN REITS**

REITs are exposed to a variety of risks associated with investments of, management of, and returns from the REITs.

**(a) General risk**

□ **Economic, political and regulatory risks**

The performance of the real estate industry is closely linked to the economic environment. Any adverse developments in the political and economic environment and uncertainties in Malaysia can materially and adversely affect the real estate industry and hence the financial performance of REIT. These include oversupply of commodities, the risks of war, global economic downturn and unfavourable changes in the Government's policy such as changes in the rate of tax, methods of taxation or introduction of new regulations.

- **Fund management risk**  
There is a risk that the manager may not adhere to the investment mandate of REIT. Poor management of REIT may jeopardize the investment of unitholders through loss of their capital invested.

In addition, the selection of real estates, which makes up the assets of REIT is a subjective process. Real estate selected by the investment manager may yield a higher or lower return than the overall real estate market.

- **Loan financing risk**  
Investors who take loans to finance the purchase of units in REITs must be prepared to accept gearing risks, including but not limited to being forced to provide additional funds to top up their loan margins account when the price of units goes down, or suffer the higher cost of financing when interest rates trend upwards. In addition, the returns on REITs are not guaranteed and may not be earned evenly over time.

- **Risk of non-compliance**  
There is the risk that the manager and others associated with the fund will not comply with the deed of the fund, the law that governs the fund, the Shariah or the internal policies, procedures and controls, all of which may affect the investment of unitholders.

**(b) Investment risk**

- **Dividend distribution not guaranteed**  
The net operating earnings earned by REIT depends on, amongst others, the amounts of rental income received, and the level of real estate assets, operating and other expenses incurred. If the real estates owned by an REIT do not generate sufficient net operating earnings and cash flow, the REIT's ability to make dividend distributions will be adversely affected.

- **Capital market risk**  
The price of a REIT is subject to the volatility as well as the liquidity of the equity market. The equity market is influenced by many factors, including but not limited to economic growth, interest rates, capital flows and monetary and fiscal policies.

- **Risks associated with financing**  
Significant fluctuations in interest rates may have an adverse impact on the financial performance of REITs and may lower income distribution to unitholders. There is an inverse correlation between the interest rate and the distributable earnings to unitholders.

- **Takaful risk**  
Real estate held by REITs could suffer physical damage caused by fire, flood, earthquake or other causes, resulting in losses (including loss of rental) which may not be fully compensated by Takaful. In addition, certain types of risks (such as war and terrorist acts) may be uninsurable or the cost of Takaful may be prohibitive when compared to the risk. No assurance can be given that material losses in excess of Takaful proceeds will not occur in the future.

□ **Risk relating to investments in the plantation estate**

The yields of the plantation estates may be adversely affected by a number of factors, including but not limited to:

- (a) decrease in CPO prices that leads to reduced income generated from the plantation estates, hence reduction in the income of the REIT;
- (b) increase in replanting expenditure including but not limited to fertilizer cost and cost of labour;
- (c) the manager's ability to provide adequate management and maintenance;
- (d) inadequacy of Takaful cover for the plantation estates;
- (e) changes in tax regulations;
- (f) the Tenants's ability to pay rental on a timely basis or at all;
- (g) the terms on which tenancy renewals and new tenancies are agreed being less favourable than existing tenancies;
- (h) poor cost control resulting in higher operating and other expenses without a corresponding increase in revenue;
- (i) unexpected expenses incurred due to changes in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies and defects affecting the plantation assets which need to be rectified, leading to unforeseen capital expenditure;
- (j) amendment or revocation of the present tax incentives for REITs.
- (k) Competition from other edible oils such as soya bean oil and rapeseed oil which may affect global demand for palm oil.

□ **Risk relating to investment in other authorised investments**

Subject to the investment limits prescribed by the SC for the time being, apart from real estate assets which fall under category of real estate, REITs are permitted to invest in any of the following:

- (a) single-purpose companies;
- (b) real estate-related assets;
- (c) liquid assets;
- (d) non-real estate related assets; and
- (e) asset backed securities.

Where REITs invest in stock market related investments, the following risks become key considerations:

□ **Market risks**

Stock prices may fluctuate in response to activities of the individual companies, general market sentiment, economic conditions and political and social environment. Such fluctuations in the investment portfolio will cause the NAV of the REIT or prices of units to fall as well as rise.

□ **Particular stock risk**

Any major price fluctuations of a particular stock invested by REIT may affect its NAV and thus impact (adversely or favourably) on its unit prices. This impact may, however, be minimized through the process of portfolio diversification by fund managers.

- **Liquidity risk**  
If an REIT has a large portfolio of stocks that are illiquid, such stocks may be sold at a discount to its fair value, hence affecting the value of the REIT. The liquidity risk may be minimized through the process of stock selection and portfolio diversification by fund managers.

Where REITs invest in debt-related investments, the following risks become key considerations:

- **Interest rate risk**  
Generally bond prices and interest rates move inversely. If interest rate rise and bond (or bond fund) prices fall, the value of investment will be lower and the NAV of REIT will be reduced.

The above interest rate is a general economic indicator that will have an impact on the management of the REIT regardless of whether it is a Islamic REIT or otherwise. It does not in any way suggest that this REIT will invest in instruments which are not approved by the Shariah.

- **Credit risk**  
In the event the issuer of the debt instrument is unable to make timely payment of interest and principal, the value of the debt instrument may reduce accordingly, thereby reducing the NAV of the REIT.

## 5.5 COMPARISON WITH OTHER FORMS OF INVESTMENTS

All investments carry some form of risk-return trade-off. Some of the investment alternatives are as follows:-

### **Cash and fixed deposits**

Fixed deposits generally provide a fixed rate of return and can provide a stable stream of income. The range of deposit products available is quite extensive, ranging from simple overnight deposits at a cash rate, to more long term, structured deposits, like a two-year fixed deposit. Whilst deposits with a licensed financial institution can be considered almost risk free, there still exists a risk of default. Cash and fixed deposits do not present any opportunity for capital gain, and depending on the inflation rate, may not provide a positive real return.

### **Investment in bonds**

Investments in bonds generally provide a fixed rate of return and can provide a stable stream of interest income. Bond prices move inversely to its yield to maturity. Bond investors are subject to a number of risks, including credit risk and interest rate risk. Bonds are generally less risky than shares but riskier than cash or fixed deposits.

### Direct investment in real estates

Investments in real estate can provide a regular and stable stream of income and capital gains. However, such investment typically requires a large capital outlay, and is therefore generally available only to high net worth individuals, corporations or institutions. Movement in real estate prices can be cyclical and depending on the timing of the investment, can result in capital losses. Large capital outlays also limit the ability to diversify risk. Further, investments in real estates are generally less liquid than investments in marketable shares or bonds and may be difficult to exit in a timely manner.

### Investment in shares

Investment in shares is subject to market risk and specific risks associated with company or business and may result in either capital gains or losses. Share prices can be volatile, and may not always reflect the fundamental value of a company. Investment in shares may or may not provide a regular stream of dividends. Shares are generally more risky than bonds or fixed deposits.

### Financial derivative products

Financial derivative products are used to manage investors' exposure to unexpected price fluctuations in, amongst others, the commodity, equity and bond markets and derives its value from an underlying instrument such as interest rates, indices and share prices. As these underlying instruments can be volatile at times, this form of investment has very high investment risks. Financial derivative products can also provide an avenue to earn very high returns or losses without large capital outlays.

In summary, risk and return comparison for the various investments may be summarized as follows:

Types of investment	Risk level	Expected return level
Cash	Low	Low
Fixed deposit		
Bonds		
REITs		
Direct investment in real estates		
Investment in shares		
Financial derivative products	High	High

## 5.6 INVESTOR PROFILE

Investments in REITs are generally less risky than direct investments in real estates, investments in shares and investments in financial derivatives. Investments in REITs are generally riskier than investments in bonds and fixed deposits. REITs may appeal to a conservative to moderate investor with a long-term investment horizon who seeks regular distribution of income and long-term capital growth on a spread of real estate investments.



## 5.7 FEES AND CHARGES

An investor or unitholder may incur the following fees and charges upon purchase, sale and holding of the investment in REIT (as long as the units are listed).

(a) payable directly by Unitholders

Bursa Securities clearing fee.....	0.04% of the transaction value, subject to a maximum of RM500.00 per transaction.
Brokerage .....	A percentage of the transaction value as prescribed by the ADAs subject to a minimum of RM12.00 per transaction.
Stamp duty .....	0.1% of the transaction value as stated in the contract notes, subject to a maximum of RM200.00 per transaction.

(b) payable indirectly by the Unitholders

In addition to the costs of maintaining and operating properties and other income producing assets and the costs of administration of REIT, the REIT/ Islamic REIT shall incur the following costs:

Management fee .....	The manager receives this fee for managing the REIT.
Plantation adviser fee.....	The plantation adviser receives this fee for monitoring the REIT's plantation assets.
Trustee fee .....	The trustee receives this fee for acting as trustee and custodian of the assets and for safeguarding the interests of the unitholders.
Shariah advisory fee.....	The Shariah adviser receives this fee for acting as the Islamic REIT's adviser for shariah compliance matters
Other fund expenses.....	The REIT will bear all operating expenses, including auditors' fees and expenses, fees for the valuation of any investments, taxation, advisers' fees and expenses as well as administration expenses. Administration expenses include costs incurred for the convening of any unitholders' meeting, as well as the preparation of the Deed and any report pertaining to the REIT to the Unitholders. REIT also bears all expenses relating to the listing exercise, which includes the underwriting commissions, placement fees, brokerage, stamp duty (if any) and registration fees in respect of units issued pursuant to the Public Offering.

## 5.8 PERFORMANCE INDICATORS AND BENCHMARKS

It may be difficult to assess REIT/Islamic REIT's performance against domestic benchmark as there are presently six (6) non-Islamic REITs and one (1) Islamic REIT have been listed under the revised REIT Guidelines.

In general, the Kuala Lumpur Composite Index ("KLCI") is the most widely followed and used for performance benchmarking for listed securities. The KLCI is deemed an appropriate indicator and benchmark for evaluating performance of listed REITs as it is readily available to most investors and generally the preferred benchmark for all Malaysian-centric equity funds. In addition, the EMAS Index, which indicates the overall performance of listed company on the Main Board and Property Sector Index, would also be practical for the same.

To obtain the latest information on the said indices, investors may refer to Bursa Malaysia website, [www.bursamalaysia.com](http://www.bursamalaysia.com) under Market Information Section. Other pertinent information such as daily stocks performance by sectors and individual counter could also be obtained.

In addition, investors must consider and familiarize themselves with the following performance indicators of REITs:

- (i) **MER:** the ratio of expenses incurred in operating an REIT to the NAV of the REIT. Expenses are an important factor to be considered in choosing a REIT for investment, as the annual expenses of operating the REIT would normally take up a substantial portion of its gross income. Hence, MER allows investors to make comparisons on the expenses incurred by other REITs in assessing whether such expenses of a particular REIT are excessive.
- (ii) **Average annual return:** the percentage change in a REIT's price (after adjusting for distributions payout) for the period to the number of years under review. This indicator allows investors to compare the annualized return of the REIT with other forms of investment which is most often expressed in '*per cent per annum*'.
- (iii) **Distribution yield:** the ratio of the distribution paid to unitholders from the REIT's income to the price paid for the units of the REIT.

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## 5.9 SHARIAH COMPLIANCE CONSIDERATIONS

The REIT Guidelines in relation to Islamic REITs stipulate the general Shariah-compliance requirements in respect of all Islamic REITs scheme which include the following:-

- In general, rental of real estate by Islamic REIT are derived from permissible business activities according to the Shariah. In the case where a portion of the rental is from non-permissible activities, then these rentals as a percentage of total turnover of the Islamic REIT (latest financial year) shall not exceed the 20% benchmark as determined by the SC's Shariah Advisory Council.
- Notwithstanding the 20% benchmark, an Islamic REIT is not permitted to own real estate where all tenants operate non-permissible activities.
- In the case of new tenants, the Islamic REIT shall not accept new tenants whose activities are non-permissible.
- For tenants who operate mixed activities, then the 20% allowed would be calculated based on the ratio of area occupied for non-permissible activities to the total area occupied. However, for activities that do not involve the usage of space, the Shariah adviser will base their decision on ijtihad (the process of reasoning by Islamic jurists to obtain legal ruling from the sources of Shariah).
- All forms of investment, deposit and financing instruments to comply with Shariah principles.
- All coverage must be based on Takaful scheme to insure the real estate. Conventional insurance schemes are permitted if Takaful schemes are unable to provide the insurance coverage.

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