

## **NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF AL-SALĀM REAL ESTATE INVESTMENT TRUST (“AL-SALĀM REIT”) DATED 4 SEPTEMBER 2015 (“ELECTRONIC PROSPECTUS”)**

*(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice)*

### **Website**

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad’s (“**Bursa Securities**”) website at [www.bursamalaysia.com](http://www.bursamalaysia.com) (“**Website**”).

### **Availability and Location of Paper/ Printed Prospectus**

Any applicant who is in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper/printed copy of the Prospectus directly from Damansara REIT Managers Sdn Berhad, being the Manager of Al-Salām REIT (“**Manager**”), RHB Investment Bank Berhad (“**RHB Investment Bank**”) or Malaysian Issuing House Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus, subject to availability, from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Forms are not available in electronic format.

### **Jurisdictional Disclaimer**

The distribution of the Electronic Prospectus and the sale of the initial public offering (“**IPO**”) units are subject to Malaysian law. Bursa Securities, the Manager, RHB Investment Bank and Maybank Investment Bank Berhad named in the Electronic Prospectus have not authorised and take no responsibility for the distribution of the Electronic Prospectus and/or the sale of the IPO units outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any IPO units, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

### **Close of Application**

Applications will be accepted from **10.00 a.m. (Malaysian time) on 4 September 2015 to 5.00 p.m. (Malaysian time) on 15 September 2015** or such other later time and date or dates as the Board of Directors of the Manager, together with the Principal Adviser, the Sole Underwriter and the Joint Placement Agents in their absolute discretion may decide.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No units will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

### **Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted**

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users’ access to the Website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.

# PROSPECTUS

KOMTAR JBCC



KFCH College



@Mart Kempas



QSR Properties



Menara KOMTAR



AL-SALAM REAL ESTATE INVESTMENT TRUST

PROSPECTUS



## AL-SALAM REAL ESTATE INVESTMENT TRUST

(A SHARIAH COMPLIANT REAL ESTATE INVESTMENT TRUST CONSTITUTED IN MALAYSIA UNDER A DEED DATED 26 MARCH 2015 AND REGISTERED WITH THE SECURITIES COMMISSION MALAYSIA ON 30 MARCH 2015, WHICH WAS ENTERED INTO BETWEEN DAMANSARA REIT MANAGERS SDN BERHAD AND AMANAHRAYA TRUSTEES BERHAD, BOTH OF WHICH ARE COMPANIES INCORPORATED IN MALAYSIA UNDER THE COMPANIES ACT, 1965)

THE INITIAL PUBLIC OFFERING OF 252,360,000 NEW UNITS IN AL-SALAM REAL ESTATE INVESTMENT TRUST ("UNITS"), SUBJECT TO THE CLAWBACK AND REALLOCATION PROVISIONS CONTAINED HEREIN, COMPRISING:-

- (I) 240,760,000 NEW UNITS MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO SELECTED INSTITUTIONAL INVESTORS AND SELECTED INVESTORS AT THE IPO PRICE OF RM1.00 PER UNIT, PAYABLE IN FULL UPON ALLOCATION; AND
- (II) 11,600,000 NEW UNITS MADE AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC AT THE IPO PRICE OF RM1.00 PER UNIT, PAYABLE IN FULL UPON APPLICATION

IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR 580,000,000 UNITS ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" IN SECTION 5 OF THIS PROSPECTUS.

This Prospectus is dated 4 September 2015 and expires on 3 September 2016

Sponsor



Manager



DAMANSARA REIT MANAGERS SDN BERHAD (717704-V)

Trustee



AmanahRaya Trustees Berhad

Principal Adviser, Sole Global Coordinator and Sole Underwriter



(Company No. 19663-P)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Joint Placement Agents



(Company No. 19663-P)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)



Maybank Investment Bank Berhad  
(Company No. 15938-H)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)



Managed by:  
DAMANSARA REIT MANAGERS SDN BERHAD (717704-V)  
www.alsalamreit.com.my

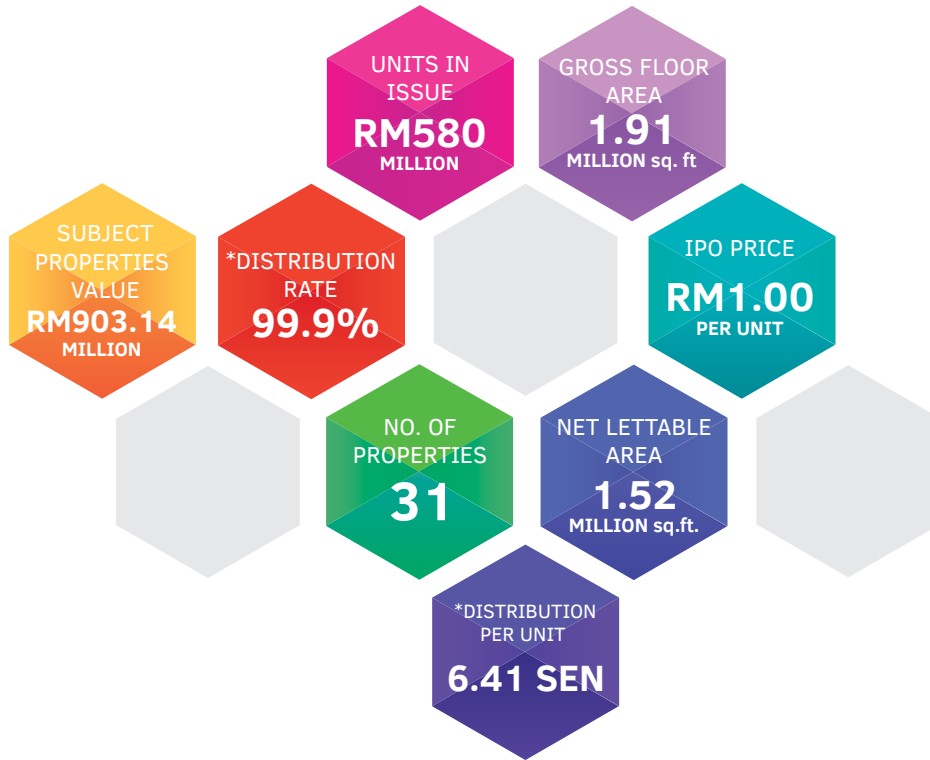


This overview section is qualified in its entirety by, and should be read in conjunction with, the full text of this Prospectus. Words and expressions not defined herein shall have the same meaning as in the main body of this Prospectus unless the context otherwise requires. The meaning of capitalised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



## AL-SALĀM REAL ESTATE INVESTMENT TRUST

### THE DIVERSIFIED ISLAMIC REIT



Note:\*  
Indicative based on the Forecast Year 2016 and distribution rate of 99.9%

### INVESTMENT OBJECTIVE, POLICY AND STRATEGIES OF AL-SALĀM REIT

#### Investment Policy

To invest, directly and indirectly, in a diversified Shariah-compliant portfolio of income producing Real Estate used for commercial retail, office and industrial purposes as well as Real Estate-Related Assets

#### Investment Objective

To provide Unitholders with regular and stable distributions as well as achieving sustainable growth in the Distributable Income, Unit price and capital growth of Al-Salām REIT in the Long Term through its key investment strategies, while maintaining an optimum level of financing and equities



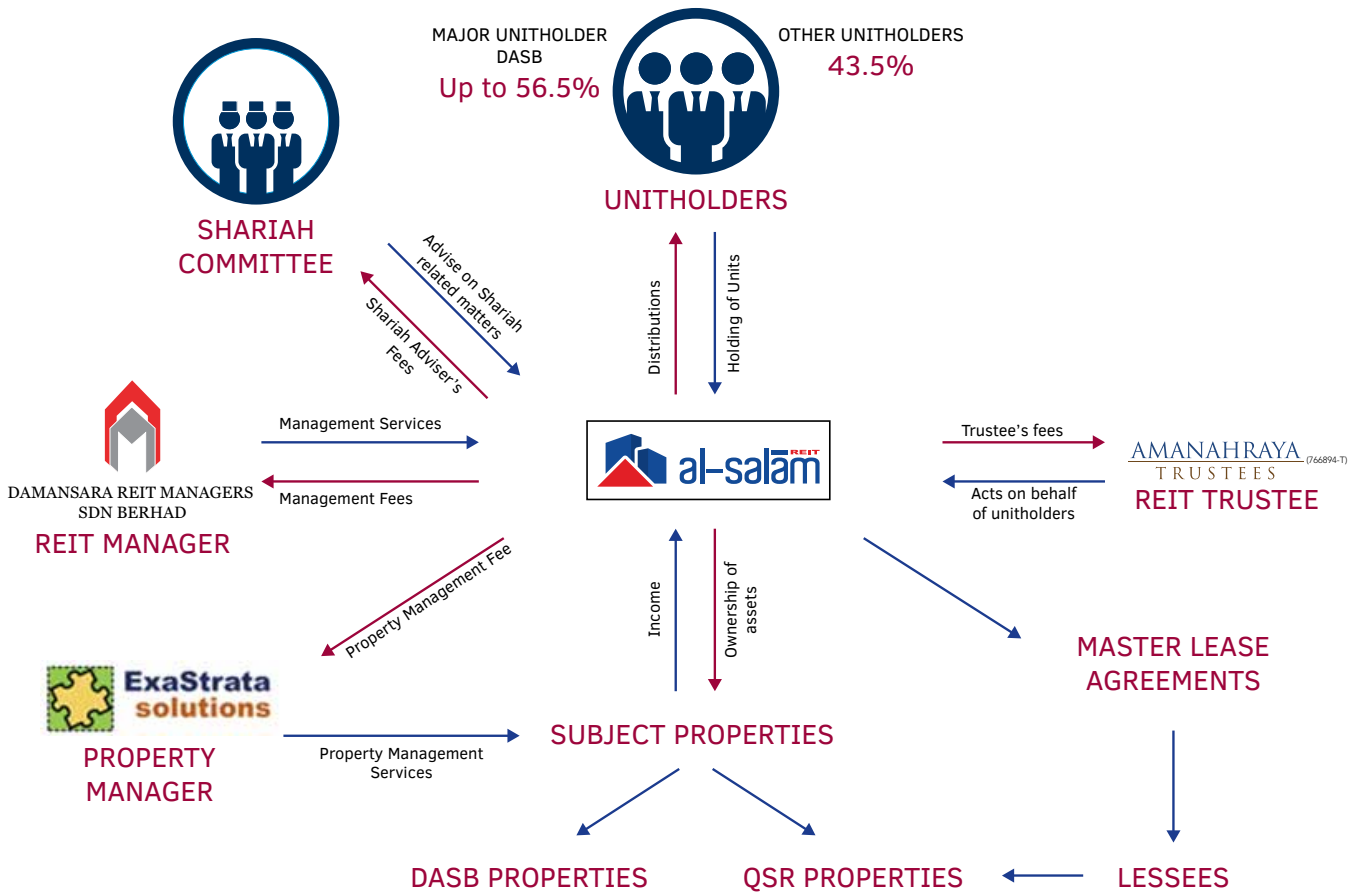
#### Key Investment Strategies

The manager will seek to optimize the rental rates, occupancy rates and Net Lettable Area of the Subject Properties in order to improve the returns from Al-Salām REIT's property portfolio

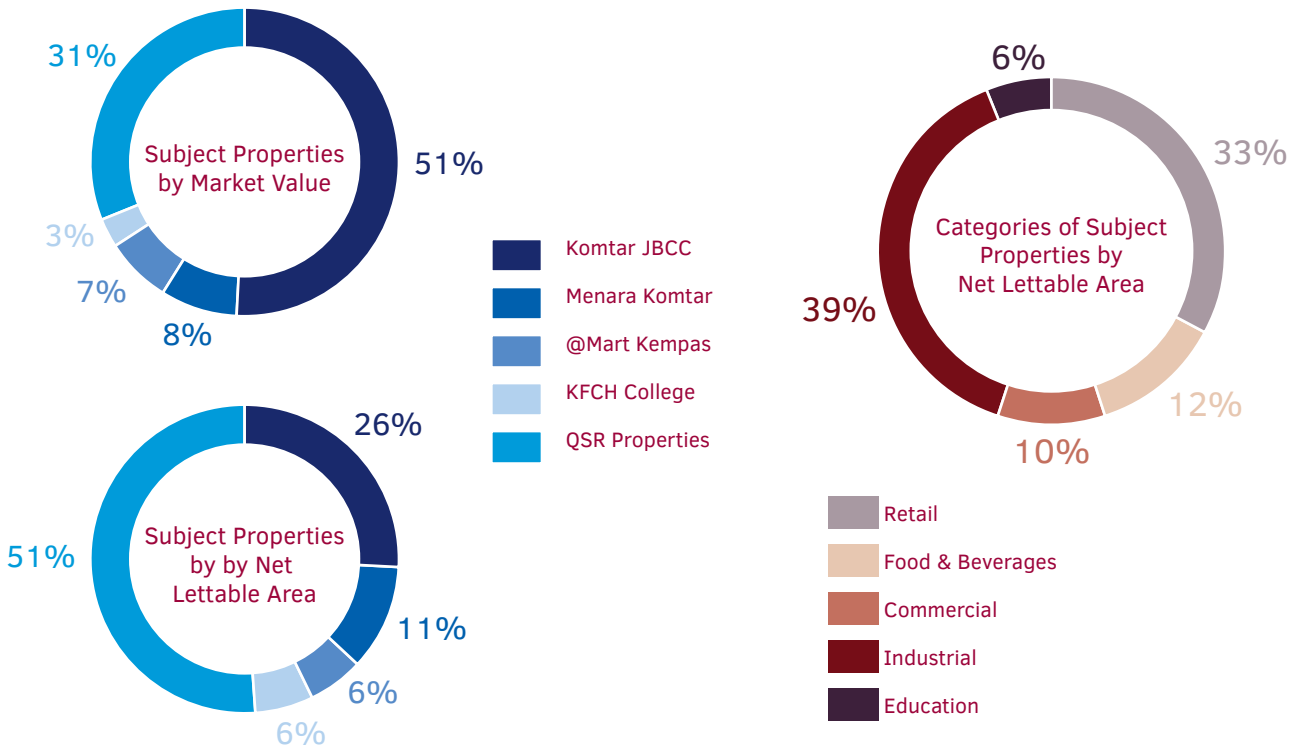
The Manager will source for and acquire properties that fit within Al-Salām REIT's investment strategy to enhance returns to Unitholders and capitalise on opportunities for future income and NAV growth

The Manager will endeavor to employ an appropriate mix of debt and equity in financing acquisitions, seek to manage financing and refinancing risk and to adopt an active financing rate management strategy to manage risks associated with changes in financing rates

## STRUCTURE OF AL – SALĀM REIT



## SUBJECT PROPERTIES HIGHLIGHT



## SUMMARY OF INITIAL PROPERTY PORTFOLIO OF AL-SALĀM REIT



### KOMTAR JBCC

<b>Description</b>	: Four (4)-level shopping mall located in Johor Bahru City Centre
<b>Tenure</b>	: Freehold
<b>Appraised Value</b>	: RM462.0 mil
<b>NLA as at 1 June 2015</b>	: 401,623 sq. ft.
<b>GFA as at 1 June 2015</b>	: 623,374 sq. ft.
<b>Occupancy rate as at 1 June 2015 *</b>	: 81%
<i>Note:</i>	
	<i>* Based on committed tenancies</i>



### Menara KOMTAR

<b>Description</b>	: Twenty five (25)-storey office building located in Johor Bahru City Centre
<b>Tenure</b>	: Freehold
<b>Appraised Value</b>	: RM70.0 mil
<b>NLA as at 1 June 2015</b>	: 160,592 sq. ft.
<b>GFA as at 1 June 2015</b>	: 242,195 sq. ft.
<b>Occupancy rate as at 1 June 2015</b>	: 96%



### @Mart Kempas

<b>Description</b>	: A single-storey hypermarket located within Kempas, Johor Bahru
<b>Tenure</b>	: Leasehold 99-year, expiring on 23 January 2106
<b>Appraised Value</b>	: RM65.0 mil
<b>NLA as at 1 June 2015</b>	: 98,083 sq. ft.
<b>GFA as at 1 June 2015</b>	: 164,460 sq. ft.
<b>Occupancy rate as at 1 June 2015</b>	: 91%



### KFCH College

<b>Description</b>	: Four (4)-storey building in Bandar Dato' Onn, Johor Bahru
<b>Tenure</b>	: Freehold
<b>Appraised Value</b>	: RM28.2 mil
<b>NLA as at 1 June 2015</b>	: 85,799 sq. ft.
<b>GFA as at 1 June 2015</b>	: 92,157 sq. ft.
<b>Occupancy rate as at 1 June 2015</b>	: 100%



### QSR Properties

<b>Description</b>	: 27 properties comprising 22 restaurant properties and 5 industrial properties located across Malaysia
<b>Tenure</b>	: Twelve (12) freehold properties Fifteen (15) leasehold properties
<b>Appraised Value</b>	: RM277.94 mil
<b>NLA as at 1 June 2015</b>	: 768,499 sq. ft.
<b>GFA as at 1 June 2015</b>	: 789,386 sq. ft.
<b>Occupancy rate as at 1 June 2015</b>	: 100%

# COMPETITIVE STRENGTHS AND INVESTMENT HIGHLIGHTS

## 1. Strategic location of the Subject Properties

- **KOMTAR JBCC** and **Menara KOMTAR** are located in Johor Bahru City Centre while **@Mart Kempas** and **KFCH College** are located in the Metropolitan Johor Bahru area.
- **KOMTAR JBCC, Menara KOMTAR, @Mart Kempas** and **KFCH College** are in a prime position to benefit from being strategically located in Johor Bahru, where the state's diversified economy and close proximity to Singapore present great demand opportunities for commercial properties.



(Source: Extracted from the independent market research report prepared by the Joint Independent Market Researchers)

- The **QSR Properties** comprising 27 restaurant and non-restaurant QSR properties that support the operations of KFC and Pizza Hut in Malaysia are largely situated in proximity to middle and high income established commercial and residential areas, providing an immediate catchment that comprises some of the more established and matured neighbourhoods in Penang, Johor and Klang Valley.



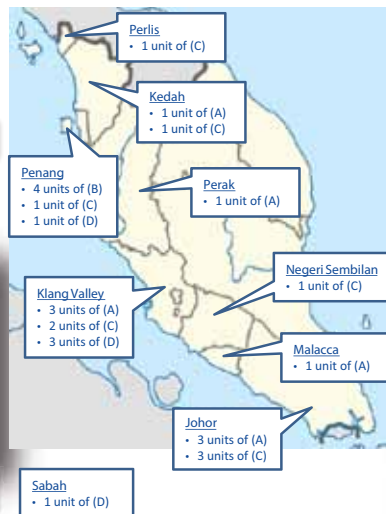
(A) Drive-through outlets

- 9 properties
- Appraised value RM106.50 million



(B) Outlets at malls

- 4 properties
- Appraised value RM18.75 million



(C) Outlets at shophouses

- 9 properties
- Appraised value RM25.56 million



(D) Industrial premises

- 5 properties
- Appraised value RM127.13 million

## 2. Diverse portfolio strategy with high occupancy rates

- The Subject Properties form a diversified portfolio ranging from office buildings, shopping malls, college buildings, warehouses and food and beverages retail outlets.
- As at 1 June 2015, Al-Salām REIT currently enjoys an overall average occupancy rate of its Subject Properties of approximately 94%\*.

**Note:-**

\* Calculated based on total Occupied NLA divided by total NLA of the Subject Properties.

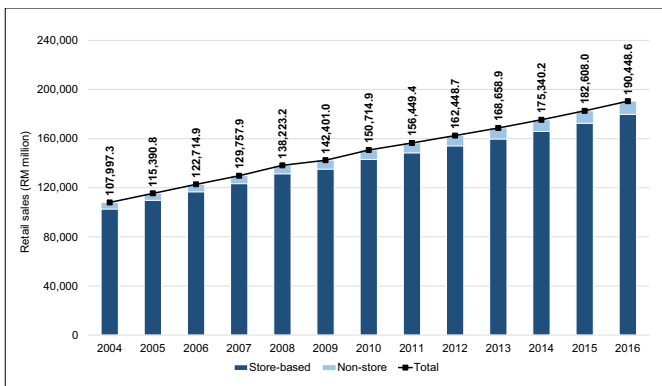
### 3. Unique exposure to Malaysia's healthy and sustained growth in the retail and food and beverages services sector

The following information is extracted from the independent property market report prepared by the Joint Independent Market Researchers.

#### Retail Sector

- The retail market in Malaysia, measured by the value of retail sales, grew from RM108.0 billion in 2004 to RM175.3 billion in 2014, representing a Compound Annual Growth Rate ("CAGR") of 5.0%. Store-based retailers comprised 94.6% of total retail sales in 2014, having recorded a growth from RM102.7 billion to RM165.8 billion between 2004 and 2014 at a CAGR of 4.9%. Retail sales in Malaysia is expected to grow from RM175.3 billion in 2014 to RM190.5 billion in 2016 at a CAGR of 4.2% with store-based retailing continuing to remain a key component of retail sales.

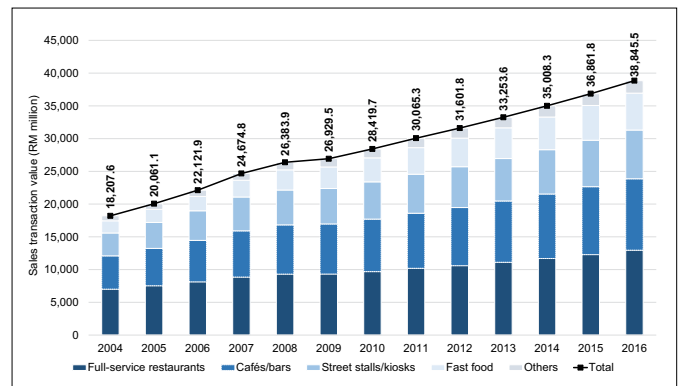
Retail market in Malaysia – growth in retail sales



#### Food and Beverages Services Sector

- Fast food, comprising 14.3% of sales transaction value in 2014, witnessed a high growth rate of 10.4% as sales transactions rose from RM1.9 billion in 2004 to RM5.0 billion in 2014. Sales transactions for consumer food service is expected to grow from RM35.0 billion in 2014 to RM38.9 billion in 2016 at a CAGR of 5.4%.

Consumer food service market in Malaysia – sales value of transactions



- The Joint Independent Market Researchers believe that the prospects of the Al Salām REIT's properties will be supported by the overall growth in the property market, particularly in the commercial property segment in Johor Bahru, and the retail and consumer food service markets in Malaysia. The positive outlook of the property, retail and consumer food service markets is expected to sustain demand for the Al-Salām REIT's properties, where it is expected to continue to enjoy favourable rental yields and occupancy rates.

### 4. Reputable Sponsor and experienced REIT manager

- JCorp, being the Sponsor of Al-Salām REIT has an established track record in plantation, property, healthcare and food and restaurant services sector amongst its other core businesses. For the FYE 31 December 2014, JCorp recorded a consolidated pre-tax profit of approximately RM627 million and revenue of approximately RM4.70 billion.
- The Manager is also the manager for Al-`Aqar REIT, which was listed on the Main Board of Bursa Securities (presently known as the Main Market of Bursa Securities) on 10 August 2006. At the point of its listing, Al `Aqar REIT was the first Islamic REIT in the world and also the first healthcare REIT in Asia. Al-`Aqar REIT's asset under management tripled from approximately RM481 million upon listing compared to an excess of RM1.5 billion as at 31 December 2014.



### 5. Stable distributions

- Al-Salām REIT's distribution policy is to distribute at least 90% of its taxable income and tax-exempt income, if any (after deduction of applicable expenses). Strictly for illustration purposes only, the Manager has forecasted the distribution yield to be 6.41% for the Forecast Year 2016. The Manager believes that the rate would appeal to investors with Long Term investment objectives who seek regular income distribution and capital appreciation.

### 6. Platform for future growth

- The Sponsor and the Manager are committed to growing Al-Salām REIT, where the Manager will leverage on the JCorp Group by tapping into its pool of assets or suitable properties in the market for acquisition opportunities.
- In the near term, the Manager intends to focus solely on the potential acquisition of the properties owned by the JCorp Group, comprising but not limited to the following:
  - (a) Galleria @Kotaraya, a shopping mall in Johor Bahru, Johor owned by DASB;
  - (b) Menara 238, an office tower, located at Jalan Tun Razak, Kuala Lumpur, owned by Kumpulan Perubatan (Johor) Sdn Bhd, a wholly-owned subsidiary of KPJ;
  - (c) Menara VSQ, an office tower, located in Section 14, Petaling Jaya, Selangor, owned by Bukit Damansara Development Sdn Bhd, a wholly-owned subsidiary of DASB;
  - (d) Menara JCorp, an office tower, located at Jalan Tun Razak, Kuala Lumpur, owned by JLand; and
  - (e) Other additional assets comprising restaurant properties and non-restaurant properties owned by QSR Group.

## **RESPONSIBILITY STATEMENTS**

THIS PROSPECTUS HAS BEEN REVIEWED AND APPROVED BY THE DIRECTORS OF DAMANSARA REIT MANAGERS SDN BERHAD ("**DIRECTORS**") AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED HEREIN. HAVING MADE ALL REASONABLE INQUIRIES, THEY CONFIRM TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENTS, OR OMISSION OF OTHER FACTS WHICH WOULD MAKE ANY STATEMENT IN THIS PROSPECTUS FALSE OR MISLEADING. THE DIRECTORS ACCEPT FULL RESPONSIBILITY FOR THE PROFIT FORECASTS INCLUDED IN THIS PROSPECTUS AND CONFIRM THAT THE PROFIT FORECASTS HAS BEEN PREPARED BASED ON ASSUMPTIONS MADE.

RHB INVESTMENT BANK BERHAD, BEING THE PRINCIPAL ADVISER, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE INITIAL PUBLIC OFFERING AND IS SATISFIED THAT ANY PROFIT FORECASTS (FOR WHICH THE DIRECTORS ARE FULLY RESPONSIBLE), PREPARED FOR INCLUSION IN THIS PROSPECTUS HAS BEEN STATED BY THE DIRECTORS AFTER DUE AND CAREFUL INQUIRY AND HAVE BEEN DULY REVIEWED BY THE REPORTING ACCOUNTANTS (AS DEFINED IN THIS PROSPECTUS).

THE SHARIAH COMMITTEE MEMBERS IN THEIR CAPACITY AS THE SHARIAH ADVISERS TO AL-SALĀM REAL ESTATE INVESTMENT TRUST ("**AL-SALĀM REIT**"), ACKNOWLEDGE THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, ARE SATISFIED THAT THE ASSETS AND THE RENTAL INCOME THAT CONSTITUTE AL-SALĀM REIT ARE NOT RELATED TO NON-PERMISSIBLE ACTIVITIES ACCORDING TO THE SHARIAH PRINCIPLES AND THAT AL-SALĀM REIT IS CERTIFIED AS BEING SHARIAH-COMPLIANT. THE SHARIAH COMMITTEE MEMBERS WISH TO HIGHLIGHT THAT CERTAIN RENTAL DERIVED FROM A SMALL NUMBER OF TENANTS OF KOMTAR JBCC (AS DEFINED HEREIN) WHO ARE OPERATING NON-PERMISSIBLE ACTIVITIES ONLY CONTRIBUTE APPROXIMATELY 1.93% OF THE TOTAL REVENUE OF AL-SALĀM REIT FOR THE FORECAST YEAR 2016.

## **STATEMENTS OF DISCLAIMER**

THE SECURITIES COMMISSION MALAYSIA ("**SC**") HAS APPROVED THE ISSUE OF, OFFER FOR SUBSCRIPTION OR PURCHASE, OR ISSUE AN INVITATION TO SUBSCRIBE FOR OR PURCHASE UNITS IN RESPECT OF THE INITIAL PUBLIC OFFERING IN AL-SALĀM REIT AND A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC.

THE APPROVAL OF THE INITIAL PUBLIC OFFERING OF THE UNITS, AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE FUND OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF DAMANSARA REIT MANAGERS SDN BERHAD AS THE MANAGER OF AL-SALĀM REIT ("**MANAGER**") AND TAKES NO RESPONSIBILITY FOR THE CONTENTS IN THIS PROSPECTUS. THE SC MAKES NO REPRESENTATION ON THE ACCURACY OR COMPLETENESS OF THIS PROSPECTUS, AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER ARISING FROM, OR IN RELIANCE UPON, THE WHOLE OR ANY PART OF ITS CONTENTS.

THE VALUATION APPROVED OR ACCEPTED BY THE SC SHALL ONLY BE UTILISED FOR THE PURPOSE OF THE ACQUISITIONS (AS DEFINED HEREIN) AS WELL AS THE INITIAL LISTING OF AL-SALĀM REIT SUBMITTED TO AND APPROVED BY THE SC, AND SHALL NOT BE CONSTRUED AS AN ENDORSEMENT BY THE SC ON THE VALUE OF THE SUBJECT PROPERTIES FOR ANY OTHER PURPOSE.

**INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF INVESTORS ARE UNABLE TO MAKE THEIR OWN EVALUATION, THEY ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS.**

ADMISSION TO THE OFFICIAL LIST OF BURSA MALAYSIA SECURITIES BERHAD ("**BURSA SECURITIES**") IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF AL-SALĀM REIT OR OF ITS UNITS.

#### **ADDITIONAL STATEMENTS**

INVESTORS SHOULD NOTE THAT THEY MAY SEEK RECOURSE UNDER THE CAPITAL MARKETS AND SERVICES ACT 2007 ("**CMSA**") FOR BREACHES OF SECURITIES LAWS AND REGULATIONS INCLUDING ANY STATEMENT IN THIS PROSPECTUS THAT IS FALSE, MISLEADING, OR FROM WHICH THERE IS A MATERIAL OMISSION; OR FOR ANY MISLEADING OR DECEPTIVE ACT IN RELATION TO THIS PROSPECTUS OR THE CONDUCT OF ANY OTHER PERSON IN RELATION TO AL-SALĀM REIT.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE INVITATION FOR WHICH ANY PERSON SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE MANAGER HAS OBTAINED APPROVAL FROM BURSA SECURITIES FOR THE LISTING OF AND QUOTATION FOR ALL THE ISSUED UNITS OF AL-SALĀM REIT (INCLUDING THE OFFER UNITS WHICH ARE THE SUBJECT OF THIS INITIAL PUBLIC OFFERING). OFFICIAL QUOTATION WILL COMMENCE UPON RECEIPT OF CONFIRMATION FROM BURSA MALAYSIA DEPOSITORY SDN BHD ("**BURSA DEPOSITORY**") THAT ALL CENTRAL DEPOSITORY SYSTEM ("**CDS**") ACCOUNTS OF THE SUCCESSFUL APPLICANTS HAVE BEEN DULY CREDITED AND NOTICES OF ALLOTMENT HAVE BEEN DESPATCHED TO ALL SUCCESSFUL APPLICANTS.

THIS PROSPECTUS HAS NOT BEEN AND WILL NOT BE MADE TO COMPLY WITH THE LAWS OF ANY JURISDICTIONS 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 OF ANY JURISDICTIONS OTHER THAN MALAYSIA.

THE MANAGER WILL NOT, PRIOR TO ACTING ON ANY ACCEPTANCE IN RESPECT OF THE INITIAL PUBLIC OFFERING, MAKE OR BE BOUND TO MAKE ANY ENQUIRY AS TO WHETHER INVESTORS 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 INVESTORS' SOLE RESPONSIBILITY IF THEY ARE OR MAY BE SUBJECT TO THE LAWS OF MALAYSIA OR COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO CONSULT THEIR LEGAL AND/OR OTHER PROFESSIONAL ADVISERS AS TO WHETHER THE INITIAL PUBLIC OFFERING WOULD RESULT IN THE CONTRAVENTION OF ANY LAWS OF SUCH COUNTRIES OR JURISDICTIONS.

FURTHER, IT SHALL ALSO BE INVESTORS' SOLE RESPONSIBILITY TO ENSURE THAT THEIR APPLICATIONS FOR THE INITIAL PUBLIC OFFERING WOULD BE IN COMPLIANCE WITH THE TERMS OF THE INITIAL PUBLIC OFFERING AND WOULD NOT BE IN CONTRAVENTION OF ANY LAWS OF MALAYSIA OR COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH THEY MAY BE SUBJECTED. THE MANAGER WILL FURTHER ASSUME THAT INVESTORS HAVE ACCEPTED THE INITIAL 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 OF MALAYSIA OR COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA.

NO ACTION HAS BEEN OR WILL BE TAKEN TO ENSURE THAT THIS PROSPECTUS COMPLIES WITH THE LAWS OF ANY COUNTRIES OR JURISDICTIONS OTHER THAN THE LAWS OF MALAYSIA. IT SHALL BE INVESTORS' SOLE RESPONSIBILITY TO CONSULT THEIR LEGAL AND/OR OTHER PROFESSIONAL ADVISERS ON THE LAWS TO WHICH THE OFFERING THEY ARE OR MIGHT BE SUBJECTED TO. NEITHER THE MANAGER NOR THE ADVISERS IN RELATION TO THE INITIAL PUBLIC OFFERING SHALL ACCEPT ANY RESPONSIBILITY OR LIABILITY IN THE EVENT THAT ANY APPLICATIONS MADE BY INVESTORS SHALL BECOME ILLEGAL, UNENFORCEABLE, AVOIDABLE OR VOID IN ANY COUNTRY OR JURISDICTION.

THIS PROSPECTUS CAN ALSO BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT [WWW.BURSAMALAYSIA.COM](http://WWW.BURSAMALAYSIA.COM). THE CONTENTS OF THE ELECTRONIC PROSPECTUS ARE AS PER THE CONTENTS OF THIS PROSPECTUS.

THIS PROSPECTUS HAS BEEN PREPARED IN THE CONTEXT OF AN INITIAL PUBLIC OFFERING UNDER THE LAWS OF MALAYSIA.

### **ELECTRONIC PROSPECTUS**

A COPY OF THIS PROSPECTUS REGISTERED WITH THE SC IS AVAILABLE ON THE WEBSITES OF RHB BANK BERHAD AT [WWW.RHBGROUP.COM](http://WWW.RHBGROUP.COM), MALAYAN BANKING BERHAD AT [WWW.MAYBANK2U.COM.MY](http://WWW.MAYBANK2U.COM.MY), AFFIN BANK BERHAD AT [WWW.AFFINONLINE.COM](http://WWW.AFFINONLINE.COM), AFFIN HWANG INVESTMENT BANK BERHAD AT [TRADE.AFFINHWANG.COM](http://TRADE.AFFINHWANG.COM), PUBLIC BANK BERHAD AT [WWW.PBEBANK.COM](http://WWW.PBEBANK.COM), FROM THE WEBSITE OF CIMB INVESTMENT BANK BERHAD AT [WWW.EIPOCIMB.COM](http://WWW.EIPOCIMB.COM) OR CIMB BANK BERHAD AT [WWW.CIMBCLICKS.COM.MY](http://WWW.CIMBCLICKS.COM.MY).

THE INTERNET IS NOT A FULLY SECURED MEDIUM. THE INTERNET APPLICATION FOR THE OFFER UNITS MAY BE SUBJECT TO RISKS IN DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND THE CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS (AS DEFINED IN THIS PROSPECTUS). THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS. IF INVESTORS DOUBT THE VALIDITY OR INTEGRITY OF AN ELECTRONIC PROSPECTUS, THEY SHOULD IMMEDIATELY REQUEST FROM THE MANAGER OR THE ISSUING HOUSE, A PAPER/PRINTED COPY OF THIS PROSPECTUS. IF THERE IS ANY DISCREPANCY BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE PAPER/PRINTED COPY OF THIS PROSPECTUS, THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS WHICH ARE IDENTICAL TO THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC SHALL PREVAIL.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES (REFERRED TO AS "**THIRD PARTY INTERNET SITES**"), WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, INVESTORS ACKNOWLEDGE AND AGREE THAT:

- (I) THE MANAGER DOES NOT ENDORSE AND IS NOT AFFILIATED IN ANY WAY WITH THIRD PARTY INTERNET SITES AND ARE NOT RESPONSIBLE FOR THE AVAILABILITY OF, OR THE CONTENTS OR ANY DATA, INFORMATION, FILES OR OTHER MATERIALS PROVIDED ON THIRD PARTY INTERNET SITES. INVESTORS SHALL BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THIRD PARTY INTERNET SITES;
- (II) THE MANAGER IS NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES OF THIRD PARTY INTERNET SITES, FOR FULFILLING ANY OF THE TERMS OF INVESTORS' AGREEMENTS WITH THIRD PARTY INTERNET SITES. THE MANAGER IS ALSO NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE OR COSTS THAT INVESTORS MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THIRD PARTY INTERNET SITES OR THE USE OF OR RELIANCE ON ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED BY SUCH PARTIES; AND

- (III) ANY DATA, INFORMATION, FILES OR OTHER MATERIAL DOWNLOADED FROM THIRD PARTY INTERNET SITES IS DONE AT INVESTORS' OWN DISCRETION AND RISK. THE MANAGER IS NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO INVESTORS' COMPUTER SYSTEM OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIAL.

WHERE AN ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, INVESTORS ARE ADVISED THAT:

- (I) THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE ONLY LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS, TO THE EXTENT OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS SITUATED ON THE WEB SERVERS OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS WHICH MAY BE VIEWED VIA INVESTORS' WEB BROWSER OR OTHER RELEVANT SOFTWARE. THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS SHALL NOT BE RESPONSIBLE IN ANY WAY FOR THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS WHICH HAS BEEN DOWNLOADED OR OTHERWISE OBTAINED FROM THE WEB SERVERS OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS AND THEREAFTER COMMUNICATED OR DISSEMINATED IN ANY MANNER TO INVESTORS OR OTHER PARTIES; AND
- (II) WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF AN ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED AS THE INTERNET IS NOT A FULLY SECURED MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS SHALL NOT BE LIABLE (WHETHER IN TORT OR CONTRACT OR OTHERWISE) FOR ANY LOSS, DAMAGE OR COSTS WHICH, INVESTORS OR ANY OTHER PERSON MAY SUFFER OR INCUR DUE TO, AS A CONSEQUENCE OF OR IN CONNECTION WITH ANY INACCURACIES, CHANGES, ALTERATIONS, DELETIONS OR OMISSIONS IN RESPECT OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULT OR FAULTS WITH WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULT OR FAULTS ON INVESTORS' AND/OR ANY THIRD PARTY'S PERSONAL COMPUTER, OPERATING SYSTEM OR OTHER SOFTWARE, VIRUSES OR OTHER SECURITY THREATS, UNAUTHORISED ACCESS TO INFORMATION OR SYSTEMS IN RELATION TO THE WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, AND/OR PROBLEMS OCCURING DURING DATA TRANSMISSION, WHICH MAY RESULT IN INACCURATE OR INCOMPLETE COPIES OF INFORMATION BEING DOWNLOADED OR DISPLAYED ON INVESTORS' PERSONAL COMPUTERS.

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**INDICATIVE TIMETABLE**

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The following events are intended to take place on the following tentative dates:

<b>Events</b>	<b>Date<sup>(1)</sup></b>
Opening of the Institutional Offering and Retail Offering	4 September 2015
Closing of the Institutional Offering and Retail Offering	15 September 2015
Balloting of applications for the Offer Units pursuant to the Retail Offering for the Malaysian Public portion	18 September 2015
Allotment of Offer Units to successful applicants	25 September 2015
Listing of Al-Safâm REIT on the Main Market of Bursa Securities	29 September 2015

**Note:-**

(1) *The above timetable is indicative and is subject to change. The application period for the Retail Offering and the Institutional Offering will open and close at the dates stated above or such other date or dates as the Directors of the Manager together with the Principal Adviser, the Sole Underwriter and the Joint Placement Agents in their absolute discretion may mutually decide.*

Should the closing date of the application for the Retail Offering and Institutional Offering be extended, the dates for the balloting, allotment of Offer Units and the Listing will be extended accordingly. Any extension of the abovementioned dates will be announced by way of advertisement in a widely circulated Bahasa Malaysia and English daily newspaper within Malaysia.

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## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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All references to the “Manager” are to “Damansara REIT Managers Sdn Berhad”, unless the context otherwise requires. Unless the context otherwise requires, references to “Management” are to the directors and senior management team of the Manager as at the date of this Prospectus, and statements made in this Prospectus as to beliefs, expectations, estimates and opinions of Al-Salām REIT are those of the Management. All references to “Al-Salām REIT” in this Prospectus include references to AmanahRaya Trustees Berhad, in its capacity as trustee for Al-Salām REIT, unless the context otherwise requires.

In this Prospectus, references to the “Government” are to the Government of Malaysia; references to “Ringgit”, “Ringgit Malaysia”, “Malaysian Ringgit”, “RM” and “sen” are to the lawful currency of Malaysia.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations and a reference to a section is a reference to the relevant section in this Prospectus.

Any reference in this Prospectus to any enactment is a reference to that enactment for the time being amended, re-enacted or supplemented.

Any reference to a date and time in this Prospectus shall be a reference to Malaysian date and time, unless otherwise stated.

Any discrepancies in the tables, graphs and charts included herein between the listed amounts and the totals thereof are due to rounding. Figures and percentage are rounded to one or two decimal places, where appropriate. Percentage changes in this Prospectus have been calculated on the basis of relevant figures before rounding.

Certain acronyms, technical terms and other abbreviations used herein are defined in the “Definitions” section of this Prospectus.

This Prospectus includes statistical data provided by the Manager and various third parties and cites third-party projections regarding growth and performance of the industries in which Al-Salām REIT will operate. This data is taken or derived from information published by industry sources and from the Manager’s internal data. In each such case, the source is acknowledged in this Prospectus, provided that where no source is acknowledged, it can be assumed that the information originates from the Manager. The Manager believes that the statistical data and projections cited in this Prospectus are useful in helping prospective investors understand the major trends in the industries in which Al-Salām REIT will operate. However, neither the Manager, the Sponsor, the Trustee, the Principal Adviser nor the Sole Underwriter and Joint Placement Agents have independently verified these figures and make any representation as to the correctness, accuracy or completeness of such data and accordingly prospective investors should not place undue reliance on the statistical data cited in this Prospectus. Similarly, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. No assurances are or can be given that the estimated figures will be achieved, and prospective investors should not place undue reliance on the third-party projections cited in this Prospectus.

This Prospectus includes market and industry data and forecasts that have been obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Industry publications, survey and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such information. While the Manager has taken reasonable steps to ensure that the information is extracted accurately and in its proper context, the Manager has not independently verified any of the data from third-party sources or ascertained the underlying economic assumptions relied upon therein.

All the information set out in this Prospectus is presented as of the LPD, unless otherwise indicated.

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## FORWARD-LOOKING STATEMENTS

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This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding the projected financial position of Al-Salām REIT, or the Manager's business strategy, plans and objectives for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Al-Salām 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. Such forward-looking statements are based on numerous assumptions regarding the Manager's present and future business strategies and the environment in which Al-Salām REIT or the Manager will operate in the future. Such forward-looking statements reflect the Manager's current views with respect to future events and are not a guarantee of future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- estimated financial information regarding the future development and economic performance of Al-Salām REIT's business;
- future earnings, cash flow, level of indebtedness and liquidity;
- potential growth opportunities;
- financing plans;
- the Manager's business strategy;
- the competitive position and the effects of competition on Al-Salām REIT's investment portfolio;
- development of additional revenue sources;
- the amount and nature of future capital expenditures required by Al-Salām REIT; and
- the general industry environment.

Among the important factors that could cause the actual results, performance or achievements of Al-Salām REIT and/or the Manager to differ materially from those in the forward-looking statements are the conditions of, and changes in, the domestic, regional and global economies, including, but not limited to, factors such as political, economic and social conditions in Malaysia, changes in applicable laws and regulations affecting Al-Salām REIT, competition in the Malaysian property markets in which Al-Salām REIT may invest, currency exchange rates, interest rates, inflation, relations with tenants, relations with service providers, relations with financiers, hostilities (including any potential terrorist attacks), the performance and reputation of Al-Salām REIT's properties and/or acquisitions, difficulties in identifying future acquisitions, difficulty in completing acquisitions, changes in the Manager's directors and executive officers, risks related to natural disasters, general volatility of the capital markets, general risks relating to the property market in which Al-Salām REIT may invest and the market price of the Offer Units as well as 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 are not limited to, those discussed elsewhere in **Section 5** of this Prospectus on "Risk Factors", **Section 6** on "The Subject Properties" and **Section 7** on "Pro forma Net Property Income and Management's discussion and analysis of financial condition and results of operations" and "Profit Forecasts". Neither Al-Salām REIT nor the Manager can give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus. The Manager expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Prospectus to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

## DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Prospectus:

@Mart Kempas	:	A single storey hypermarket known as “@Mart Kempas Community Hypermarket” located within Kempas, Johor Bahru, Johor
Acquisitions	:	Acquisitions by the Trustee on behalf of Al-Salām REIT of the Subject Properties for a total purchase consideration of RM903.14 million, to be satisfied through the issuance of 327,640,000 Consideration Units at the issue price of RM1.00 per Unit and the balance of RM575.50 million in cash
Act	:	Companies Act, 1965, as amended from time to time and any re-enactment thereof
ADA	:	Authorised Depository Agent
Al-`Aqar REIT	:	Al-`Aqar Healthcare REIT registered with the SC and constituted in Malaysia under the deed dated 27 June 2006, as amended/supplemented by its supplementary deeds, and updated by the restated trust deed dated 31 July 2013 entered into between DRMSB and ART
Al-Salām REIT	:	Al-Salām Real Estate Investment Trust, a real estate investment trust established in Malaysia and constituted by the Deed
Application	:	The application for the Retail Offering by way of Application Form or by way of Electronic Application or by way of Internet Application
Application Form(s)	:	Printed application form(s) for the Application
Appraised Value	:	In relation to the value of the Subject Properties of RM903.14 million as appraised by the Independent Property Valuers and detailed in <b>Appendix A</b> of this Prospectus
Assets of Al-Salām REIT	:	The total assets of Al-Salām REIT including all its Authorised Investments and other assets to be in the nature of assets in accordance with the applicable approved accounting standards in Malaysia, for the time being held and/or deemed to be held upon trust under the Deed
Asset Valuation Guidelines	:	Asset Valuation Guidelines issued by the SC on 8 May 2009 (and updated on 3 August 2009), as amended from time to time
ATM	:	Automatic Teller Machine
Authorised Investments	:	Subject to the provisions of the Guidelines, the following investments in which Al-Salām REIT may invest in:- <ul style="list-style-type: none"><li>(a) Real Estate;</li><li>(b) SPVs;</li><li>(c) Real Estate-Related Assets;</li><li>(d) Non-Real Estate-Related Assets;</li><li>(e) Cash, Shariah-compliant deposits and Islamic money market instruments; and</li></ul> any other investment not covered by paragraphs (a) to (e) above but specified as a permissible investment in the Guidelines which are not Non-Permissible Activities or within specified threshold as provided under the Guidelines or as permitted by the SC

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**DEFINITIONS (Cont'd)**

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Authority	:	Any government or any agency, authority, bureau, central bank, commission, department or instrumentality of any such government, or any court, arbitrator, regulatory body, administrative agency or other tribunal having or purporting to have jurisdiction over a person at law
Board	:	Board of Directors of the Manager
Book Closing Date	:	The specified time and date set by the Manager for the purpose of determining the Distribution Entitlement or entitlement to new Units or other distributions or entitlements
Bursa Depository or Depository	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
Cash Consideration	:	The settlement of the balance of the purchase consideration for the Acquisitions of RM575.5 million by way of cash
CCC	:	Certificate of Completion and Compliance
CDS	:	Central Depository System
CDS Account(s)	:	Account(s) established at Bursa Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor as permitted under the Central Depositories Act and Regulations or the Rules of the Depository
Central Depositories Act and Regulations	:	The Securities Industry (Central Depositories) Act, 1991, the Rules of the Depository and the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996, or any statutory modifications, amendments or re-enactment thereof for the time being in force
CF	:	Certificate of Fitness for Occupation
CMSA	:	Capital Markets and Services Act, 2007 and includes any amendments thereto from time to time
CMTF-i	:	Commodity Murabahah Term Financing-i
Completion Date of the SPAs	:	The date(s) when the Acquisitions are completed on the terms set out in the SPAs prior to or on the Listing Date
Consideration Units	:	The 327,640,000 Units to be issued as part satisfaction of the purchase consideration for the Acquisitions at the issue price of RM1.00 per Unit which shall be deemed fully paid
DASB	:	Damansara Assets Sdn Bhd (300969-V), a wholly-owned subsidiary of JCorp
DASB Properties	:	Collectively, KOMTAR JBCC, Menara KOMTAR, @Mart Kempas and KFCH College
Deed	:	The deed of trust dated 26 March 2015 and registered with the SC on 30 March 2015 which was entered into between the Trustee and the Manager constituting Al-Salām REIT, as further described under <b>Section 13</b> of this Prospectus
Depositor	:	A holder of a CDS Account
Directors	:	Directors of the Manager
Distributable Income	:	The amount available for distribution to the Unitholders of Al-Salām REIT and having the meaning as set out in <b>Section 13.7</b> "Distributions" of this Prospectus
Distribution Entitlement	:	The Unitholders' entitlement to the Distributable Income

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**DEFINITIONS (Cont'd)**

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Distribution Period	:	Half-yearly, or such other interval as the Manager may determine in accordance with the Deed
Electronic Application(s)	:	Application(s) for the Offer Units under the Retail Offering for the Malaysian Public through the ATMs of Participating Financial Institution(s)
Electronic Prospectus	:	A copy of this Prospectus that is issued, circulated or disseminated via the Internet, electronic mail and/or distribution of CD-ROMs
Estimate Period 2015	:	The profit estimate of the statement of profit or loss for the financial period from 30 March 2015 (date of establishment) to 31 December 2015
Financial Year(s)	:	The period ending on 31 December in each year or any other period, as may be determined by the Manager and approved by the Trustee, subject to applicable laws and requirements, provided that the first Financial Year shall commence on 30 March 2015, being the date of establishment of Al-Salām REIT and ending on 31 December 2015
Financing Facility	:	Being the CMTF-i obtained by Al-Salām REIT from the Joint Financiers as set out in <b>Section 3.8</b> of this Prospectus
Forecast Year 2016	:	The profit forecast of the statement of profit or loss for the FYE 31 December 2016
FPE	:	The financial period ended or ending, as the case may be
FROR	:	First right of refusal over other properties owned by the JCorp Group
FYE	:	The financial year ended or ending, as the case may be
Government	:	The government of Malaysia
Gross Floor Area or GFA	:	Gross floor area
Gross Income	:	Includes (i) all monies, rights, properties and others which constitute income of Al-Salām REIT during the Distribution Period on an accrual basis and as determined by generally accepted accounting principles in Malaysia (including but not limited to gains from the disposal of Real Estate); and (ii) such amount being the whole or part of any amount standing in the accounts of Al-Salām REIT to the credit of Al-Salām REIT's reserves and provisions which the Manager determines to treat as income of Al-Salām REIT during the Distribution Period
Gross Rental Income	:	The total of rental income and service charges to the tenants
GST	:	Goods and services tax
Guidelines	:	Collectively, the REIT Guidelines and the Islamic REIT Guidelines
Ijtihad	:	The process of reasoning by Islamic jurists to obtain legal rulings from the sources of Shariah
Income Tax Act	:	Income Tax Act, 1967 and includes any amendments thereto from time to time
Independent Property Valuers	:	Collectively, Cheston International (KL) Sdn Bhd (647245-W) and Cheston International (Johor) Sdn Bhd (285040-P)
Initial Public Offering or IPO	:	Initial public offering of 252,360,000 Offer Units pursuant to the Retail Offering and Institutional Offering
Institutional Offering	:	Offering of 240,760,000 Offer Units, subject to clawback and reallocation, to selected institutional investors and selected investors at the IPO Price
Internal Auditors	:	Group Compliance and Internal Audit Department of JCorp, being the internal auditors of Al-Salām REIT

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**DEFINITIONS (Cont'd)**

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Internet Application(s)	:	Application(s) for the Offer Units under the Retail Offering for the Malaysian Public portion through an Internet Participating Financial Institution(s)
Internet Participating Financial Institution(s)	:	The participating financial institution(s) for the Internet Application as specified in <b>Appendix E</b> of this Prospectus
IPO Price	:	RM1.00 per Offer Unit, being the price payable by the investors pursuant to the Retail Offering and Institutional Offering
Islamic REIT Guidelines	:	The Guidelines on Islamic Real Estate Investment Trusts issued by the SC on 21 November 2005, as amended from time to time
Issuing House or MIH	:	Malaysian Issuing House Sdn Bhd (258345-X)
JCDSB	:	Johor City Development Sdn Bhd (220656-P)
JCorp or Sponsor	:	Johor Corporation, a statutory body incorporated in Malaysia under the Johor Corporation Enactment No. 4, 1968 (as amended by Enactment No. 5, 1995), being the sponsor of Al-Salām REIT
JCorp Group	:	Collectively, JCorp and its subsidiaries and associate companies
JLand	:	Johor Land Berhad (12379-K), a wholly-owned subsidiary of JCorp
Joint Financiers	:	Collectively, RHB Islamic Bank Berhad (680329-V) and Maybank Islamic Berhad (787435-M)
Joint Independent Market Researchers	:	Collectively, Raine & Horne and Smith Zander
Joint Placement Agent(s)	:	Collectively, RHB Investment Bank and Maybank Investment Bank
KFCH College	:	A four (4)-storey building known as "KFCH International College" located in Bandar Dato' Onn, Johor Bahru, Johor
KOMTAR JBCC	:	A four (4)-level shopping mall together with an allocation of 1,187 car park bays located in Johor Bahru City Centre, Johor Bahru, Johor
KPJ	:	KPJ Healthcare Berhad (247079-M), an associate company of JCorp which is listed on the Main Market of Bursa Securities
Listing	:	Admission to the Official List and the listing of and quotation for 580,000,000 Units on the Main Market of Bursa Securities
Listing Date	:	The date of Listing
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities, and including any amendments thereto from time to time
Listing Scheme	:	Collectively, the Acquisitions, the Initial Public Offering and the Listing
Long Term	:	Refers to a period of five (5) years or more
LPD	:	Latest practicable date being 15 July 2015, for the purposes of ascertaining certain information contained in this Prospectus
Main Market	:	The primary market of Bursa Securities
Malaysian Public	:	Malaysian citizens, companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Management Fee	:	Fee payable to the Manager as set out in <b>Section 9.6</b> "Management Fee" of this Prospectus
Manager or DRMSB	:	Damansara REIT Managers Sdn Berhad (717704-V), being a wholly-owned subsidiary of DASB, which in turn, is a wholly-owned subsidiary of the Sponsor, being the manager of Al-Salām REIT
Market Day	:	A day on which Bursa Securities is open for trading in securities and the Units are tradable thereon



## DEFINITIONS (Cont'd)

Master Title	:	The Parent Lot 14530, Title No. GRN 44587 situated in Town and District of Johor Bahru, Johor measuring approximately 230,756 sq. ft.
Maybank Investment Bank or Joint Placement Agent	:	Maybank Investment Bank Berhad (15938-H)
Menara KOMTAR	:	A twenty five (25)-storey office building together with 145 car park bays located in Johor Bahru City Centre, Johor Bahru, Johor
MER	:	Management expense ratio, calculated by dividing the expenses of Al-Salām REIT by the NAV of Al-Salām REIT, where expenses of the REIT comprise all expenses, including the Management Fee, the Trustee's fee, valuation fee and other administrative expenses provided for under the Deed
MFRS	:	Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board including any amendments thereto
Net Asset Value or NAV	:	At any time, net asset value of Al-Salām REIT as determined by deducting the value of all Al-Salām REIT's liabilities from the Total Asset Value
Net Lettable Area or NLA	:	Area in a building that is available for leasing, excluding common areas, and is usually the area in respect of which rent is payable
Net Property Income or NPI	:	The amount determined by the Manager in accordance with the Deed as representing Total Revenue less Property Operating Expenses pertaining to the Real Estate
Non-Permissible Activities	:	Rental activities that are classified as non-permissible under the Islamic REIT Guidelines as set out in <b>Section 4.10</b> of this Prospectus
Non-Real Estate-Related Assets	:	Refers to:- (a) Shariah-compliant listed shares issued by non-property companies; (b) Shariah-compliant debt securities issued by, or fully guaranteed by the Government; and (c) Shariah-compliant commercial papers or other debt securities issued by companies or institutions with a credit rating of not less than: (i) A/P1 by RAM Holdings Berhad (208095-U); and (ii) A/MARC-1 by Malaysian Rating Corporation Berhad (364803-V) and such other Shariah-compliant assets as may be permitted by the Guidelines and the SC
Occupied NLA	:	The total NLA of the Subject Properties which are let out to tenants, which is determined based on the commencement date stipulated in the respective tenancy agreements and/or letters of offer
Offer Unit(s)	:	Unit(s) offered pursuant to the Initial Public Offering
Official List	:	A list specifying all securities listed on the Main Market of Bursa Securities
Ordinary Resolution	:	A resolution passed at a meeting of the Unitholders duly convened and held in accordance with the provisions contained in the Deed by a majority of the persons voting thereto upon a show of hands and if a poll is demanded, then by a majority of the votes given on such poll
Participating Financial Institution(s)	:	The participating financial institution(s) for the Electronic Applications

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**DEFINITIONS (Cont'd)**

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Profit Forecasts	:	Collectively, the Estimate Period 2015 and Forecast Year 2016
Property Management Agreement	:	The property management agreement dated 6 May 2015 entered into between the Manager, the Trustee and the Property Manager as detailed under <b>Section 10.6</b> of this Prospectus
Property Manager or ES	:	ExaStrata Solutions Sdn Bhd (926251-A)
Property Operating Expenses	:	All expenses or outgoings required to manage or maintain the Subject Properties as permitted by the Deed
QSR	:	QSR Brands (M) Holdings Sdn Bhd (939235-W)
QSR Group	:	Collectively, QSR and its subsidiaries
QSR Lessee(s)	:	Collectively, refers to the following:- (a) QSR Stores Sdn Bhd (1098054-H) and Efinite Revenue Sdn Bhd (916391-X), being the special purpose companies incorporated by QSR for the purpose of leasing the QSR Properties from Al-Salām REIT; and (b) Pizza Hut Restaurants Sdn Bhd (113925-U) and PHD Delivery Sdn Bhd (903638-T), being the wholly-owned subsidiaries of QSR that will be leasing the QSR Properties from Al-Salām REIT
QSR Properties	:	Twenty seven (27) properties held by the QSR Vendors, comprising restaurant properties and non-restaurant properties
QSR Vendors	:	Collectively, the following QSR subsidiaries:- (a) KFC (Peninsular Malaysia) Sdn Bhd (26388-T); (b) SPM Restaurants Sdn Bhd (165868-M); (c) Pintas Tiara Sdn Bhd (533250-U); (d) QSR Manufacturing Sdn Bhd (26656-V); (e) Chippendales (M) Sdn Bhd (224999-T); (f) Kentucky Fried Chicken (Malaysia) Sendirian Berhad (10237-H); (g) Pizza Hut Restaurants Sdn Bhd (113925-U); and (h) KFC (Sabah) Sdn Bhd (103686-V)
Raine & Horne	:	Raine & Horne International Zaki+Partners Sdn Bhd (99440-T)
Real Estate	:	The ownership of all rights, interest and benefits related to the ownership of land and all things that are a natural part of the land as well as things attached to the land (both below and above the ground), and including real estate which is being developed to the extent permitted by the REIT Guidelines
Real Estate Assets	:	Real Estate and SPVs
Real Estate-Related Assets	:	Including units of other Islamic REITs, Shariah-compliant listed securities of and issued by property companies, Shariah-compliant listed or unlisted debt securities of and issued by property companies, and Shariah-compliant real estate-related asset-backed securities
Record of Depositors	:	A record provided by the Depository to the Manager under Chapter 24 of the Rules of the Depository
Register	:	The Register of Unitholders maintained pursuant to the Deed
Registrar or Pro Corporate	:	Pro Corporate Management Services Sdn Bhd (349501-M), being the Registrar of Al-Salām REIT
REIT	:	Real estate investment trust

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**DEFINITIONS (Cont'd)**

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REIT Guidelines	:	The Guidelines on Real Estate Investment Trusts issued by the SC on 21 August 2008 (and updated on 28 December 2012), as amended from time to time
Related Corporation	:	Has the meaning given in Section 6 of the Act
Related Party(ies)	:	Means:- (a) the Manager; (b) the Trustee; (c) a major Unitholder; (d) a director, chief executive officer or major shareholder of the Manager; or (e) a person connected with any director, chief executive officer, or major shareholder of the Manager, or a person connected with the Manager, the Trustee or a major Unitholder of Al-Salām REIT
Related Party Transaction	:	Any transaction between Al-Salām REIT and its Related Parties referred to in Chapter 9 of the REIT Guidelines
Relevant Laws and Requirements	:	The laws, regulations, guidelines, rules and official requirements, guidance notes, practice notes (whether or not having the force of law) applicable to REITs from time to time including securities laws, the REIT Guidelines, the Islamic REIT Guidelines, the Asset Valuation Guidelines, the Listing Requirements, the Rules of the Depository and taxation laws, rulings and guidelines
Reporting Accountants	:	Deloitte (AF 0080)
Retail Offering	:	The offering of 11,600,000 Offer Units, subject to clawback and reallocation, to the Malaysian Public
RHB Investment Bank or Principal Adviser or Sole Global Coordinator or Sole Underwriter or Joint Placement Agent	:	RHB Investment Bank Berhad (19633-P)
RM or Malaysian Ringgit and sen	:	Ringgit Malaysia and sen, respectively
Rules of the Depository	:	Has the meaning given to it in Section 2 of the CMSA and includes the rules of the Depository and all procedure manuals (as defined in the Rules of the Depository) for the time being of the Depository
SAC of the SC	:	Shariah Advisory Council of the SC
SC	:	Securities Commission Malaysia
Securities Laws	:	Has the meaning given in Section 2 of the CMSA
Shariah	:	Islamic law, originating from the <i>Qur'an</i> (the holy book of Islam), and its practices and explanations rendered by the prophet Muhammad ( <i>pbuh</i> ) and <i>Ijtihad</i> of <i>ulamak</i> (personal effort by qualified Shariah scholars to determine the true ruling of the divine law on matters whose revelations are not explicit)
Shariah Committee Members	:	Collectively, the Shariah advisers of Al-Salām REIT, being Dato' Haji Nooh bin Gadot, Professor Madya Dr. Ab Halim bin Muhammad and Professor Dr. Mohamad @ Md. Som bin Sujimon for the time being appointed and shall include other Shariah advisers appointed from time to time to advise Al-Salām REIT on all Shariah matters and to ensure full compliance with the Guidelines

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**DEFINITIONS (Cont'd)**

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SIRIM	:	Standards and Industrial Research Institute of Malaysia
Smith Zander	:	Smith Zander International Sdn Bhd (1058128-V)
SMMSB	:	Synergy Mall Management Sdn Bhd (905962-U)
SPAs	:	Sale and purchase agreements relating to the Acquisitions that were entered into between the Trustee and the Vendors on 2 April 2015, 10 April 2015 and 27 April 2015
Special Resolution	:	Means a resolution of Unitholders at a meeting of the Unitholders to be convened and held in accordance with the provisions contained in the Deed and to be approved by a majority consisting of seventy-five percent (75.0%) or more of the votes validly cast of those present and entitled to vote
SPV	:	Unlisted single-purpose company, corporation, entity or structure whose principal assets comprise Real Estate or shares or interests in a single-purpose company, corporation or such other entities (as may be permitted by the SC) whose principal assets comprise Real Estate
sq. ft.	:	Square feet
sq. m.	:	Square metres
Subject Properties	:	Collectively, the DASB Properties and the QSR Properties
Take-over Code	:	Malaysian Code on Take-Overs and Mergers, 2010 issued by the SC, as amended from time to time and any re-enactment thereof
Tax adviser	:	Deloitte Tax Services Sdn Bhd (36421-T)
Tenancy Agreement	:	A tenancy agreement in respect of premises at the Subject Properties granted to a tenant
Total Asset Value or TAV	:	The value of all Assets of Al-Salām REIT including Authorised Investments and those considered assets under generally accepted accounting practices in Malaysia, as determined in accordance with the Deed
Total Revenue	:	Gross Rental Income and other income earned through the Subject Properties
Triple Net Lease	:	A lease that designates the lessee as being solely responsible for all of the costs relating to the assets being leased (such as quit rent, assessment, takaful and building maintenance) and the related expenditures relating to image enhancement by the lessee on the assets, in addition to the rent fee applied under the leases. The lessor however will fully bear the expenditure in relation to the major repair and total replacement of the lessor's fixture and fittings
Trustee or ART	:	AmanahRaya Trustees Berhad (766894-T), the trustee of Al-Salām REIT
Underwriting Agreement	:	Underwriting agreement dated 10 August 2015 entered into between the Manager, the Trustee (on behalf of Al-Salām REIT) and the Sole Underwriter to underwrite the Offer Units offered under the Retail Offering
Unit(s)	:	Undivided rights or interests in Al-Salām REIT as provided for in the Deed
Unitholder(s)	:	The person(s) for the time being registered in the Register as the holders of the Units (except for the Depository) and whose names appear as Depositors on the Record of Depositors

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**DEFINITIONS (Cont'd)**

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Vendor(s) : (In relation to the Acquisitions) collectively, the vendors of the Subject Properties, namely:-

- (i) DASB in respect of the DASB Properties; and
- (ii) QSR Vendors, in respect of the QSR Properties

(each a "**Vendor**")

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## 1. CORPORATE DIRECTORY

<b>MANAGER</b>	:	Damansara REIT Managers Sdn Berhad (Company No.: 717704-V)
<b>Registered Office</b>	:	Level 11, Menara KOMTAR Johor Bahru City Centre 80000 Johor Bahru Johor  Telephone No.: +607 226 7692 / 219 5077 Facsimile No.: +607 222 3044
<b>Business Office</b>	:	Unit 1-19-02, Level 19 Block 1, V SQUARE Jalan Utara 46200 Bandar Petaling Jaya Petaling Jaya Selangor  Telephone No.: +603 7932 1692/3692 Facsimile No.: +603 7932 0692 E-mail: info@drmsb.com.my Website: www.alsaiamreit.com.my

### DIRECTORS OF THE MANAGER

No.	Name	Directorship
1.	Dato' Kamaruzzaman bin Abu Kassim	Non-Independent Non-Executive Chairman
2.	Yusaini bin Hj. Sidek	Managing Director/Non-Independent Director
3.	Lukman bin Hj. Abu Bakar	Non-Independent Non-Executive Director
4.	Jamaludin bin Md Ali	Non-Independent Non-Executive Director
5.	Mohd Yusof bin Ahmad	Non-Independent Non-Executive Director
6.	Tan Sri Siti Sa'diah binti Sheikh Bakir	Independent Non-Executive Director
7.	Dr. Mohd Hafetz bin Ahmad	Independent Non-Executive Director
8.	Zainah binti Mustafa	Independent Non-Executive Director
9.	Dato' Mani a/l Usilappan	Independent Non-Executive Director

### AUDIT COMMITTEE

No.	Name	Designation	Directorships
1.	Zainah binti Mustafa	Chairman	Independent Non-Executive Director
2.	Tan Sri Siti Sa'diah binti Sheikh Bakir	Member	Independent Non-Executive Director
3.	Lukman bin Hj. Abu Bakar	Member	Non-Independent Non-Executive Director

### SHARIAH COMMITTEE MEMBERS

No.	Name
1.	Dato' Haji Nooh bin Gadot
2.	Professor Madya Dr. Ab Halim bin Muhammad
3.	Professor Dr. Mohamad @ Md. Som bin Sujimon

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**1. CORPORATE DIRECTORY (Cont'd)**

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- COMPANY SECRETARIES** : Hana binti Ab Rahim @ Ali, ACIS (MAICSA 7064336)  
01-05, Sri Pahlawan A  
Pangsapuri Bukit Saujana  
Jalan Bendahara  
80100 Johor Bahru  
Johor
- Rohaya binti Jaafar (LS 0008376)  
No. 2H, Layang 4  
Taman Perling  
81200 Johor Bahru  
Johor
- TRUSTEE** : AmanahRaya Trustees Berhad  
(Company No.: 766894-T)
- Registered Office** : Tingkat 11, Wisma AmanahRaya  
No. 2, Jalan Ampang  
50508 Kuala Lumpur  
Telephone No.: +603 2055 7388
- Business Office** : Tingkat 2, Wisma TAS  
No. 21 Jalan Melaka  
50100 Kuala Lumpur  
Telephone No.: +603 2036 5129  
Facsimile No.: +603 2072 0322  
Email: art@arb.com.my  
Website: www.artrustees.com.my
- REGISTRAR** : Pro Corporate Management Services Sdn Bhd  
(Company No. 349501-M)  
Level 11, Menara KOMTAR  
Johor Bahru City Center  
80000 Johor Bahru  
Johor  
Telephone No. : +607 226 7692 / 219 5077  
Facsimile No. : +607 222 3044  
Email: infoprocorporate@jcorp.com.my
- INTERNAL AUDITORS** : Johor Corporation (Group Compliance and Internal Audit  
Department)  
Level 11, Menara KOMTAR  
Johor Bahru City Centre  
80000 Johor Bahru  
Johor  
Telephone No.: +607 219 2692
- PROPERTY MANAGER** : ExaStrata Solutions Sdn Bhd  
(Company No. 926251-A)  
A8-1 First Floor  
Jalan SS15/4D  
47500 Subang Jaya  
Selangor  
Telephone No.: +603 5636 7686  
Website: www.exastrata.net

<b>LEGAL ADVISER</b>	:	Abdul Raman Saad & Associates Level 8, Bangunan KWSP No. 3, Changkat Raja Chulan Off Jalan Raja Chulan 50200 Kuala Lumpur Telephone No.: +603 2032 2323 Website: www.arsa.com.my
<b>REPORTING ACCOUNTANTS</b>	:	Deloitte (Firm No. AF 0080) Level 16, Menara LGB 1 Jalan Wan Kadir Taman Tun Dr. Ismail 60000 Kuala Lumpur Telephone No.: +603 7610 8888 Website: www.deloitte.com/my
<b>TAX ADVISER</b>	:	Deloitte Tax Services Sdn Bhd (Company No. 36421-T) Level 16, Menara LGB 1 Jalan Wan Kadir Taman Tun Dr. Ismail 60000 Kuala Lumpur Telephone No.: +603 7610 8888 Website: www.deloitte.com/my
<b>PRINCIPAL BANKERS</b>	:	RHB Islamic Bank Berhad (Company No. 680329-V) Level 7, Tower Three, RHB Centre Jalan Tun Razak 50400 Kuala Lumpur Telephone No.: +603 9280 6167 Website: www.rhbgroup.com  Maybank Islamic Berhad (Company No. 787435-M) Level 41, Menara Maybank 100, Jalan Tun Perak 50050 Kuala Lumpur Telephone No.: +603 2026 1790 Website: maybankislamic.com.my
<b>INDEPENDENT PROPERTY VALUERS</b>	:	Cheston International (KL) Sdn Bhd (Company No. 647245-W) Suite 2A, 2nd Floor, Plaza Flamingo No. 2, Tasik Ampang Jalan Hulu Kelang 68000 Ampang Selangor Telephone No.: +603 4251 2599 Website: www.chestonint.com  Cheston International (Johor) Sdn Bhd (Company No. 285040-P) 43-A, Jalan Kuning Dua Taman Pelangi 80400 Johor Bahru Johor Telephone No.: +607 334 3363 Website: www.chestonint.com



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**1. CORPORATE DIRECTORY (Cont'd)**

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- JOINT INDEPENDENT MARKET RESEARCHERS** : Raine & Horne International Zaki+Partners Sdn Bhd  
(Company No. 99440-T)  
Perpetual 99  
Jalan Raja Muda Abdul Aziz  
50300 Kuala Lumpur  
Telephone No.: +603 2698 0911  
Website: www.raineandhorne.com.my
- Smith Zander International Sdn Bhd  
(Company No. 1058128-V)  
Suite 23-3, Level 23, Office Suite  
Menara 1MK  
1 Jalan Kiara, Mont' Kiara  
50480 Kuala Lumpur  
Telephone No.: +603 6211 2121  
Website: www.smith-zander.com
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd  
(Company No. 258345-X)  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor  
Telephone No.: +603 7841 8000  
Website: www.mih.com.my
- PRINCIPAL ADVISER, SOLE GLOBAL COORDINATOR, SOLE UNDERWRITER AND JOINT PLACEMENT AGENT** : RHB Investment Bank Berhad  
(Company No. 19663-P)  
Level 10, Tower One, RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Telephone No.: +603 9287 3888  
Website: www.rhbgroup.com
- JOINT PLACEMENT AGENT** : Maybank Investment Bank Berhad  
(Company No. 15938-H)  
33rd Floor, Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur  
Telephone No.: +603 2059 1888  
Website: www.maybank-ib.com
- LISTING SOUGHT** : Main Market of Bursa Malaysia Securities Berhad

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## 2. INFORMATION SUMMARY

*This section is only a summary of the salient information about the Initial Public Offering and Al-Salām REIT and is extracted from the full text of this Prospectus. The following section is qualified in its entirety by, and is subject to, the more detailed information contained or referred to elsewhere in this Prospectus and investors should read and understand this Prospectus in its entirety prior to making investment decisions. If necessary, investors should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers as to the legal, business, financial, tax and related aspects of an investment in the Units.*

*There are fees involved and investors are advised to consider them before investing in Al-Salām REIT. Investors should be aware that the rental yields of the Subject Properties as well as other real estate that Al-Salām REIT may invest in the future are not equivalent to the yields of the Units and the current rental receipts and yields of the Subject Properties may not be sustainable. Investors should also note that the value of the Subject Properties (including other investments that Al-Salām REIT may have in the future), Unit prices and distributions payable, if any, may go down as well as up. For information concerning certain risk factors which should be considered by prospective investors, please refer to Section 5 “Risk Factors” of this Prospectus.*

### 2.1 OVERVIEW OF AL-SALĀM REIT

#### Investment Policy

Al-Salām REIT is an Islamic REIT established with the principal investment policy of investing, directly and indirectly, in a diversified Shariah-compliant portfolio with income producing Real Estate which are used primarily for commercial retail, office and industrial purposes as well as Real Estate-Related Assets. Such properties may include amongst others, shopping malls, office buildings, college buildings, warehouses and food and beverage retail outlets.

#### Investment Objective

The Manager’s key objective is to provide Unitholders with regular and stable distributions as well as achieving sustainable growth in the Distributable Income, Unit price and capital growth of Al-Salām REIT in the Long Term through its key investment strategies, while maintaining an optimum level of financing and equities.

#### Key Investment Strategies

The Manager intends to increase the income and consequently, the value of the Subject Properties, through the following strategies:-

- (i) **Active asset management strategy** – The Manager will seek to optimise the rental rates, occupancy rates and Net Lettable Area of the Subject Properties in order to improve the returns from Al-Salām REIT’s property portfolio;
- (ii) **Acquisition growth strategy** – The Manager will source for and acquire properties that fit within Al-Salām REIT’s investment strategy to enhance returns to Unitholders and capitalise on opportunities for future income and NAV growth; and
- (iii) **Capital and risk management strategy** – The Manager will endeavour to employ an appropriate mix of debt and equity in financing acquisitions, seek to manage financing and refinancing risk and to adopt an active financing rate management strategy to manage the risks associated with changes in financing rates.

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**2. INFORMATION SUMMARY (Cont'd)**

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**2.2 SUMMARY OF AL-SALĀM REIT**

<b>Name of REIT</b>	Al-Salām Real Estate Investment Trust
<b>REIT type</b>	Income stability and growth
<b>Deed</b>	Deed dated 26 March 2015 and registered with the SC on 30 March 2015
<b>The Manager</b>	Damansara REIT Managers Sdn Berhad
<b>The Trustee</b>	AmanahRaya Trustees Berhad
<b>Approved size of Al-Salām REIT</b>	580,000,000 Units
<b>Authorised Investments</b>	Real Estate, SPVs, Real Estate-Related Assets, Non-Real Estate-Related Assets, cash, Shariah-compliant deposits, Islamic money market instruments and any other investments not specified above but specified as a permissible investment in the Guidelines or as otherwise permitted by the SC.
<b>Authorised Investments Limits</b>	<p>The investments of Al-Salām REIT are subject to the following investment limits imposed by the REIT Guidelines:-</p> <ul style="list-style-type: none"><li>(i) at least 50.0% of Al-Salām REIT's Total Asset Value must be invested in Real Estate Assets at all times; and</li><li>(ii) not more than 25.0% of Al-Salām REIT's Total Asset Value may be invested in Non-Real Estate-Related Assets and/or cash, Shariah-compliant deposits and Islamic money market instruments,</li></ul> <p>provided that instruments in both Real Estate-Related Assets and Non-Real Estate-Related Assets are limited as follows:-</p> <ul style="list-style-type: none"><li>(i) the value of Al-Salām REIT's investments in securities issued by any single issuer must not exceed 5.0% of Al-Salām REIT's Total Asset Value;</li><li>(ii) the value of Al-Salām REIT's investment in securities issued by any group of companies must not exceed 10.0% of Al-Salām REIT's Total Asset Value; and</li><li>(iii) Al-Salām REIT's investment in any class of securities must not exceed 10.0% of the securities issued by any single issuer; or</li></ul> <p>such other limits and investments as may be permitted by the SC or the REIT Guidelines.</p>

**Non-Permissible Activities**

Activities that are classified as non-permissible as decided by the SAC of the SC are financial services based on riba (interest), gambling/gaming, manufacture or sale of non-halal products or related products, conventional insurance, entertainment activities that are non-permissible according to Shariah requirements, manufacture or sale of tobacco-based products or related products, stockbroking or share trading in Shariah non-compliant securities and hotel and resorts.

Apart from the activities listed above, the Shariah Committee Members may, if necessary apply Ijtihad for other activities that may be deemed non-permissible to be included as a criterion in assessing the rental income for Al-Salām REIT.

**Distribution Policy**

The Deed provides that the Manager shall, with the approval of the Trustee, for each Distribution Period, distribute all (or such other percentage as determined by the Manager at its absolute discretion) of Al-Salām REIT's Distributable Income. The Manager intends to distribute at least 90.0% of Al-Salām REIT's Distributable Income on a full-year basis in the first year of establishment of Al-Salām REIT. For the subsequent years, the Manager intends to distribute at least 90.0% of Al-Salām REIT's Distributable Income on a half-yearly basis (or such other intervals as the Manager may determine at its absolute discretion).

The actual proportion of Distributable Income to be distributed to Unitholders beyond 31 December 2015, which shall be at the absolute discretion of the Manager, may be greater than 90.0% of Al-Salām REIT's Distributable Income to the extent that the Manager believes it to be appropriate, having regard to Al-Salām REIT's funding requirements, other capital management considerations and the availability of funds. Distributions, when made, will be in Ringgit Malaysia. The first distribution, which will be in respect of the period from the date of establishment of Al-Salām REIT to 31 December 2015, will be paid by the Manager within two (2) months from the end of the FPE 31 December 2015. Please refer to **Section 4.6** "Distribution Policy" of this Prospectus for further details.

**Financing Limitations and Gearing Policy**

Up to 50.0% of the Total Asset Value of Al-Salām REIT at the time the financing is incurred (or such other limit permitted by the REITs Guidelines from time to time). However, Al-Salām REIT's total financing may exceed this limit with the prior approval of the Unitholders.

Upon Listing, based on Al-Salām REIT's Pro Forma Statement of Financial Position, Al-Salām REIT will have total indebtedness of approximately RM345.71 million, representing approximately 38.28% of its Total Asset Value, excluding cash and bank balances, which are held in no-profit sharing bearing account.

## 2. INFORMATION SUMMARY (Cont'd)

<b>Performance Benchmark</b>	The following performance indicators can be considered in reviewing the performance of Al-Salām REIT: (i) distribution yield, (ii) NAV, (iii) total return and (iv) MER. The performance indicators will be used to benchmark Al-Salām REIT against its peers as well as against its own historical performance, where applicable.
<b>Valuation Policy</b>	Independent professional valuation will be obtained at least once every three (3) years in accordance with the REIT Guidelines or such other shorter interval as the Manager deems necessary and these valuations will be conducted on the bases and methods which are in accordance with the Asset Valuation Guidelines.
<b>Redemption Policy</b>	Unitholders have no right to request the Manager to repurchase their Units while the Units are listed.
<b>Minimum Initial Investment</b>	Minimum of 100 Units.
<b>Minimum Additional Investment</b>	Minimum of 100 Units.
<b>Investor Profile</b>	Al-Salām REIT may appeal to investors with Long Term investment objectives who seek regular income distribution and Long Term capital appreciation, and who understands the risks related to the real estate industry and REITs.
<b>Form</b>	The Units will be issued in registered form and Al-Salām REIT shall be constituted by the Deed.
<b>Board lot</b>	100 Units per board lot.  Investors may buy and/or sell the minimum of one (1) board lot (i.e. a minimum of 100 Units). Any additional investment in Al-Salām REIT will be in board lot increment.
<b>Quotation</b>	Main Market.
<b>Governing Law</b>	The Deed is governed by Malaysian law.
<b>Avenue for Advice Available to Prospective Investors</b>	The Manager strives to provide investors with quality information services to assist investors to make well informed investment decisions and keep abreast of developments relating to Al-Salām REIT.  Enquiries can be made through:  (i) telephone number +603 7932 1692/3692 or facsimile number +603 7932 0692 during normal business hours;  (ii) Unit 1-19-02, Level 19, Block 1, V SQUARE, Jalan Utara, 46200 Bandar Petaling Jaya, Petaling Jaya, Selangor;  (iii) Al-Salām REIT's email at <a href="mailto:info@drmsb.com.my">info@drmsb.com.my</a> or website at <a href="http://www.alsalamreit.com.my">www.alsalamreit.com.my</a> ; or  (iv) Registrar's address at Level 11, Menara KOMTAR, Johor Bahru City Center, 80000 Johor Bahru, Johor or telephone number at +607 226 7692 / 219 5077 or email at <a href="mailto:infoprocorporate@icorp.com.my">infoprocorporate@icorp.com.my</a> .  Normal business hours (Malaysian time): Monday to Friday from 8.30 a.m. to 5.15 p.m.

2.3 STRUCTURE OF AL-SALĀM REIT

DRMSB is the Manager of Al-Salām REIT. DRMSB also manages Al-`Aqar REIT, which is listed on the Main Market of Bursa Securities. The Manager undertakes primary management activities in relation to Al-Salām REIT. The Manager's main responsibility is to manage Al-Salām REIT's assets and liabilities for the benefit of Unitholders, set the strategic direction of Al-Salām REIT and give recommendations to the Trustee on the acquisition, divestment and enhancement of Assets of Al-Salām REIT in accordance with its stated investment strategy. The Manager is a wholly-owned subsidiary of DASB, which in turn is a wholly-owned subsidiary of the Sponsor. For further details on the Manager, please refer to **Section 9** "The Manager" of this Prospectus.

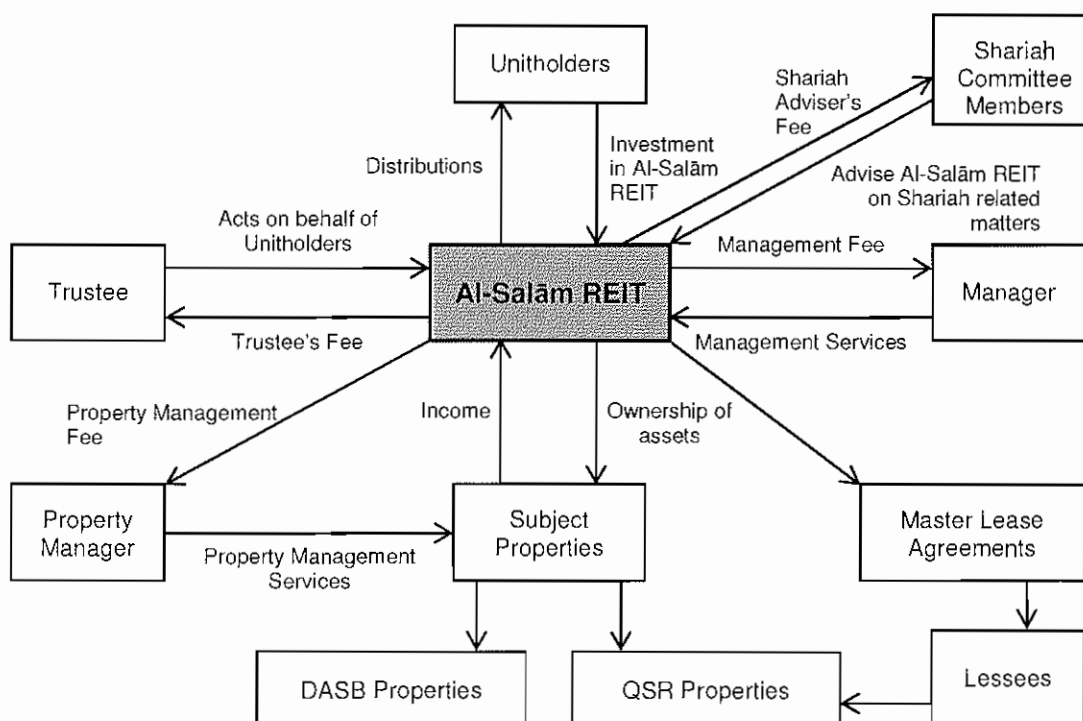
The Sponsor of Al-Salām REIT is JCorp, a body incorporated under the Johor Corporation Enactment No. 4 of 1968 (as amended by Enactment No. 5 of 1995). JCorp is principally engaged in palm oil business, property development and management and investment holding whilst the JCorp Group is mainly involved in palm oil business, healthcare services, property development and management, intrapreneur ventures, quick service restaurants and investment holding. For further details of the Sponsor, please refer to **Section 8** "Background Information on Sponsor and Major Unitholders" of this Prospectus.

ART is the trustee of Al-Salām REIT. The Trustee provides corporate trusteeship services for Al-Salām REIT. For further details of the Trustee, please refer to **Section 11** "The Trustee" of this Prospectus.

ES is the property manager of Al-Salām REIT. The Property Manager is responsible for providing property management services to manage, operate, maintain and market the Subject Properties upon the terms and conditions of the Property Management Agreement. For further details of the Property Manager, please refer to **Section 10** "The Property Manager" of this Prospectus.

Al-Salām REIT will acquire the Subject Properties in accordance with the terms of the SPAs. For further details of the SPAs, please refer to **Section 17.3** "Salient Terms of the SPAs" of this Prospectus.

The following diagram illustrates the structure of Al-Salām REIT and indicates the relationship between Al-Salām REIT, the Manager, the Trustee, the Shariah Committee Members, the Property Manager and the Unitholders, upon completion of the Initial Public Offering:



## 2. INFORMATION SUMMARY (Cont'd)

### 2.4 OVERVIEW OF THE SUBJECT PROPERTIES

Al-Salām REIT is an Islamic-REIT formed to own and invest in a diverse portfolio of income-generating real estates. Al-Salām REIT's initial portfolio will, on the Listing Date, comprise real estate in the commercial retail, office and industrial sectors in Malaysia. Such properties will include, amongst others, shopping malls, office buildings, college buildings, warehouses and food and beverage retail outlets.

Details of the Subject Properties are summarised in the table below:

	Subject Properties				
	KOMTAR JBCC	Menara KOMTAR	@Mart Kempas	KFCH College	QSR Properties
Description	A four (4)-level shopping mall located in Johor Bahru City Centre, Johor Bahru, Johor	A twenty five (25)-storey office building located in Johor Bahru City Centre, Johor Bahru, Johor	A single storey hypermarket known as "@Mart Kempas Community Hypermarket" located within Kempas, Johor Bahru, Johor	A four (4)-storey building known as "KFCH International College" located in Bandar Dato' Onn, Johor Bahru, Johor	Twenty seven (27) properties comprising restaurant properties and non-restaurant properties
Tenure	Freehold	Freehold	Leasehold 99-year, expiring on 23 January 2106	Freehold	* Twelve (12) Freehold properties Fifteen (15) Leasehold properties
Appraised Value (RM'000)	462,000	70,000	65,000	28,200	277,940
Purchase consideration (RM'000)	462,000	70,000	65,000	28,200	277,940
Subject Properties weighting (by market valuation)	51.15%	7.75%	7.20%	3.12%	30.77%
NLA as at 1 June 2015 (sq. ft.)	401,623	160,592	98,083	85,799	768,499
GFA as at 1 June 2015 (sq. ft.)	623,374	242,195	164,460	92,157	789,386
Occupancy rate as at 1 June 2015	81%	96%	91%	100%	100%
Number of parking bays	1,187 car park bays and 480 motorcycle bays	145 car park bays	478 car park bays and 221 motorcycle bays	131 car park bays, 2 disabled car park bays and 18 motorcycle bays	426 car park bays, 6 disabled car park bays and 162 motorcycle bays

**Note:-**

\* Details of the tenure of QSR Properties are set out in **Section 6.2** of this Prospectus.

## 2. INFORMATION SUMMARY (Cont'd)

**KOMTAR JBCC** is a four (4)-level shopping mall together with an allocation of 1,187 car park bays and 480 motorcycle bays located in Johor Bahru City Centre. KOMTAR JBCC is positioned as a regional premium fashion mall targeting the middle to upper income level population in Iskandar Malaysia and tourists. KOMTAR JBCC houses various types of retailers comprising well known departmental stores, international and local brand outlets, fashion, specialty food and beverages and entertainment centres. Its anchor tenants are Metrojaya Department Store and Angry Birds Activity Park, with other tenants, amongst others, Marks & Spencer, Padini Concept Store, G2000, F.O.S., Tony Roma's, Charles & Keith, Tissot, Victoria Secret, Chanel and Royal Selangor Pewter.

**Menara KOMTAR** is a twenty five (25)-storey office building together with 145 car park bays located within the integrated development known as Johor Bahru City Centre which forms part of the revitalisation and redevelopment programme in Flagship A of Iskandar Malaysia.

**@Mart Kempas** is a single-storey purpose built hypermarket servicing the local residents within Kempas. @Mart Kempas targets the lower and medium market and offers shoppers an affordable "one stop convenience supermarket". It is a modern concept of the normal traditional wet market of the olden days and offers cleaner and more convenient shopping experience compared to the traditional wet market.

**KFCH College** is a four (4)-storey building known as "KFCH International College" which is located in Bandar Dato' Onn, Johor Bahru. KFCH College commenced its operations in 2011. KFCH College is a hospitality college that offers diploma programmes, culinary skills certificate courses and other short courses.

**QSR Properties** consists of a total of twenty seven (27) restaurant properties and non-restaurant properties located across Malaysia. The restaurant properties support the food and beverage operations of QSR, specifically in relation to the operations of fast food brands, KFC and Pizza Hut.

Further details of the Subject Properties are disclosed in **Section 6** of this Prospectus.

### 2.5 COMPETITIVE STRENGTHS AND INVESTMENT HIGHLIGHTS

The Manager believes that an investment in Al-Salām REIT offers the following investment attractions to Unitholders:

#### (i) Strategic location of the Subject Properties

The Subject Properties are deemed to be strategically located given that:-

- (a) QSR Properties are primarily located in strategic locations in Penang, Johor and Klang Valley. These QSR Properties are largely situated in proximity to middle and high income established commercial and residential areas, providing an immediate catchment that comprises some of the more established and matured neighbourhoods in Penang, Johor and Klang Valley; and
- (b) Menara KOMTAR and KOMTAR JBCC are located in Johor Bahru City Centre while @Mart Kempas and KFCH College are located in the Metropolitan Johor Bahru area. Johor Bahru, the capital city of Johor and its surrounding areas, has developed to become one of the most important urban economic regions in the country.

*(Source: Extracted from the independent market research report prepared by the Joint Independent Market Researchers)*

The Manager expects the current developments in Johor Bahru to spur the growth of the local businesses as well as increase the appeal and demand for DASB Properties.



**(ii) Diverse portfolio strategy with high occupancy rates**

The Subject Properties form a diversified portfolio ranging from office buildings, shopping malls, college buildings, warehouses and food and beverages retail outlets.

As at 1 June 2015, Al-Salām REIT currently enjoys an overall average occupancy rate of its Subject Properties of approximately 94%\*.

**Note:-**

\* *Calculated based on total Occupied NLA divided by total NLA of the Subject Properties.*

**(iii) Unique exposure to Malaysia's healthy and sustained growth in the retail and food and beverages services sector**

*The following information is extracted from the independent property market report prepared by the Joint Independent Market Researchers.*

**Retail Sector**

The retail market in Malaysia, measured by the value of retail sales, grew from RM108.0 billion in 2004 to RM175.3 billion in 2014, representing a Compound Annual Growth Rate ("CAGR") of 5.0%. Store-based retailers comprised 94.6% of total retail sales in 2014, having recorded a growth from RM102.7 billion to RM165.8 billion between 2004 and 2014 at a CAGR of 4.9%.

**Food and Beverages Services Sector**

Fast food, comprising 14.3% of sales transaction value in 2014, witnessed a high growth rate of 10.4% as sales transactions rose from RM1.9 billion in 2004 to RM5.0 billion in 2014. Sales transactions for consumer food service is expected to grow from RM35.0 billion in 2014 to RM38.9 billion in 2016 at a CAGR of 5.4%.

**(iv) Reputable Sponsor and experienced REIT manager**

JCorp, being the Sponsor of Al-Salām REIT has an established track record in plantation, property, healthcare and food and restaurant services sector amongst its other core businesses. For the FYE 31 December 2014, JCorp recorded a consolidated pre-tax profit of approximately RM627 million.

The Manager is also the manager for Al-`Aqar REIT, which was listed on the Main Board of Bursa Securities (presently known as the Main Market of Bursa Securities) on 10 August 2006. At the point of its listing, Al-`Aqar REIT was the first Islamic REIT in the world and also the first healthcare REIT in Asia.

Being the Manager for both funds, the Manager is of the view that there would not be any situation of potential conflict of interest for managing both funds as the investment focus of Al-`Aqar REIT and Al-Salām REIT are different. Al-`Aqar REIT focuses its investments on healthcare real estate and healthcare related assets (where the property assets fully caters/serve the healthcare industry) whilst Al-Salām REIT focuses on all types of real estates (save for healthcare real estate and healthcare related assets).

**(v) Stable distributions**

Al-Salām REIT's distribution policy is to distribute at least 90% of its taxable income and tax-exempt income, if any (after deduction of applicable expenses).

## 2. INFORMATION SUMMARY (Cont'd)

### (vi) Platform for future growth

The Sponsor and the Manager are committed to growing Al-Salām REIT, where the Manager will leverage on the JCorp Group by tapping into its pool of assets or suitable properties in the market for acquisition opportunities.

In the near term, the Manager intends to focus solely on the potential acquisition of the properties owned by the JCorp Group.

## 2.6 PRINCIPAL STATISTICS OF THE IPO

The summary details and principal statistics of the Initial Public Offering are as follows:

<b>Initial Public Offering</b>	252,360,000 Offer Units comprising the Retail Offering and the Institutional Offering.
<b>Institutional Offering</b>	240,760,000 Offer Units offered by way of a placement to Malaysian institutional investors and selected investors, subject to clawback and reallocation, at the IPO Price.
<b>Retail Offering</b>	11,600,000 Offer Units offered to the Malaysian Public, subject to clawback and reallocation, at the IPO Price.
<b>Clawback and Reallocation</b>	The Offer Units may be re-allocated between the Institutional Offering and the Retail Offering in the event of an over-subscription in one and an under-subscription in the other
<b>IPO Price</b>	RM1.00
<b>Expected Gross Proceeds</b>	Based on the IPO Price of RM1.00 per Offer Unit, the IPO is expected to raise gross proceeds of RM252.36 million arising from the issuance of 252,360,000 Offer Units.
<b>Use of Proceeds</b>	The Manager intends to utilise the expected gross proceeds to be raised from the IPO in the following manner, assuming full subscription under the IPO and based on the IPO Price of RM1.00 per Offer Unit:-

<b>Purpose</b>	<b>(RM'000)</b>	<b>Timeframe for utilisation from date of receipt of proceeds</b>
Part payment of the purchase consideration for the Acquisitions <sup>(1)</sup>	<sup>(3)</sup> 242,860	Immediate
Listing expenses <sup>(2)</sup>	9,500	Immediate
<b>Total</b>	<b>252,360</b>	

#### **Notes:-**

<sup>(1)</sup> The balance of the purchase consideration for the Acquisitions will be settled via issuance of the Consideration Units and the Financing Facility.

<sup>(2)</sup> The details of the estimated listing expenses are set out in Section 3.10 of this Prospectus.

<sup>(3)</sup> Being the expected net proceeds to be raised from the IPO.

## 2. INFORMATION SUMMARY (Cont'd)

### 2.7 FINANCIAL HIGHLIGHTS

#### Al-Salām REIT's Pro Forma Statement of Financial Position since its establishment up to the Listing Date

As at 30 March 2015, being the date of establishment of Al-Salām REIT, Al-Salām REIT did not have any assets and liabilities. The following table presents Al-Salām REIT's Pro Forma Statement of Financial Position as at the Listing Date, prepared for illustrative purposes only, to show the effect of the Acquisitions and the IPO based on the assumption that such events had been effected on the date of establishment of Al-Salām REIT and are not represented as being necessarily indicative of Al-Salām REIT's view of its future financial position. Al-Salām REIT's Pro Forma Statement of Financial Position should be read in conjunction with the "Reporting Accountants' Letter on the Pro Forma Statement of Financial Position" in **Appendix D** and the related notes in this Prospectus.

Al-Salām REIT's Pro Forma Statement of Financial Position have been prepared on the basis of the preparation and accounting policies as set out in "Critical and Significant Accounting Policies" under **Section 7.6.2** of this Prospectus, and in a manner consistent with the format and the accounting policies to be adopted by Al-Salām REIT.

	As at 30 March 2015, being the establishment date of Al-Salām REIT (RM'000)	Pro forma I After the <sup>(1)</sup> Phase I Acquisition (RM'000)	Pro forma II After the <sup>(2)</sup> Phase II Acquisition and upon Listing (RM'000)
<b>ASSETS</b>			
Investment Properties	-	126,040	903,140
<b>Total Non-Current Assets</b>	-	<b>126,040</b>	<b>903,140</b>
Cash and Bank Balances	-	8,110	13,065
<b>Total Current Assets</b>	-	<b>8,110</b>	<b>916,205</b>
<b>Total Assets</b>	-	<b>134,150</b>	<b>916,205</b>
<b>EQUITY</b>			
Unit holders' Fund	-	-	570,500
<b>Total Equity</b>	-	-	<b>570,500</b>
<b>LIABILITIES</b>			
Financing Facility	-	134,150	345,705
<b>Total Liabilities</b>	-	<b>134,150</b>	<b>345,705</b>
<b>Total Equity and Liabilities</b>	-	<b>134,150</b>	<b>916,205</b>
NAV (RM'000)	-	N/A	570,500
Units in issue ('000)	-	N/A	580,000
<b>NAV per Unit (RM)</b>	-	<b>N/A</b>	<b>0.98</b>

## 2. INFORMATION SUMMARY (Cont'd)

### Notes:-

- (1) *The acquisitions of thirteen (13) QSR Properties which does not require state authority's consent to transfer and/or charge, which forms part of the Acquisitions, were duly completed on 6 May 2015.*
- (2) *The acquisitions of DASB Properties and the remaining fourteen (14) QSR Properties, which forms part of the Acquisitions, which is expected to be completed prior to or on the Listing Date.*
- N/A *Not applicable*

Al-Salām REIT's Pro Forma Statement of Financial Position since its establishment up to the Listing Date was prepared based on the following listing scheme:-

- (i) The acquisitions of the Subject Properties from the Vendors by the Trustee (on behalf of Al-Salām REIT) for a total purchase consideration of RM903.14 million to be satisfied by:-
- (a) the issuance of 327,640,000 Consideration Units at the issue price of RM1.00 per Unit; and
- (b) Cash Consideration of RM575.5 million, which will be part funded through the proceeds raised from the IPO and the funds received from the drawdown of a portion of the Financing Facility.

The purchase consideration for the Subject Properties was arrived at on a willing-buyer willing-seller basis based on the market value of the Subject Properties as appraised by the Independent Property Valuers in its valuation reports dated as follows:-

<b>Subject Properties</b>	<b>Date of valuation reports</b>
KOMTAR JBCC	18 July 2014
Menara KOMTAR	18 July 2014
@Mart Kempas	15 April 2014
KFCH College	15 April 2014
QSR Properties	Ranges between 7 January 2014 and 28 February 2014

- (ii) Offering of 252,360,000 Offer Units which comprise the following:-
- (a) Institutional Offering
- 240,760,000 Offer Units to Malaysian institutional investors and selected investors at the IPO Price.
- (b) Retail Offering
- 11,600,000 Offer Units to the Malaysian Public at the IPO Price.

In the preparation of Al-Salām REIT's Pro Forma Statement of Financial Position, it is assumed that the IPO Price is RM1.00 per Unit.

- (iii) Financing Facility
- Al-Salām REIT intends to part finance the cash portion of the purchase consideration for the Subject Properties through proceeds to be raised via the drawdown of the Financing Facility.
- (iv) Listing of and quotation for the entire 580,000,000 Units on the Main Market of Bursa Securities.

## 2. INFORMATION SUMMARY (Cont'd)

### Pro Forma Net Property Income

Al-Salām REIT was established as a REIT on 30 March 2015, and has no historical operating results and financial information for which recipients of this Prospectus may evaluate Al-Salām REIT, save for the Subject Properties to be acquired.

The Pro Forma Net Property Income of Al-Salām REIT for the past four (4) FYE up to 31 December 2014 and the six (6)-month FPE 30 June 2015 have been prepared based on the information extracted from the Vendors' audited financial statements for the last four (4) FYE up to 31 December 2014, which was prepared in accordance with approved accounting standards in Malaysia and the management results for the six (6)-month FPE 30 June 2015.

The "Pro Forma Net Property Income" as set out below is for illustrative purposes only, and assumes that Al-Salām REIT had been in existence throughout the period under review and shall exclude the following properties, where applicable:-

- (i) KOMTAR JBCC, which was under construction and only obtained the certificate of completion on 17 July 2014 and commenced operations on even date; and
- (ii) QSR Properties, which have no historical track record of rental revenue given that the QSR Group has been utilising the premises for its own business operations.

	FYE 31 December				FPE 30 June	
	2011 (RM'000)	2012 (RM'000)	2013 (RM'000)	<sup>(3)</sup> 2014 (RM'000)	<sup>(3)</sup> 2014 (RM'000)	<sup>(3)</sup> 2015 (RM'000)
Rental income	9,705	10,275	10,631	13,714	5,546	16,654
Other income	215	517	513	1,227	408	1,156
<b>Total Revenue</b>	<b>9,920</b>	<b>10,792</b>	<b>11,144</b>	<b>14,941</b>	<b>5,954</b>	<b>17,810</b>
Utilities	(1,737)	(2,046)	(1,842)	(4,613)	(1,182)	(3,287)
Maintenance <sup>(1)</sup>	(863)	(1,047)	(1,110)	(1,503)	(744)	(859)
Quit rent and assessment	(261)	(483)	(435)	(724)	(362)	(384)
Other operating expenses <sup>(2)</sup>	(2,397)	(2,328)	(2,652)	(10,181)	(4,680)	(6,063)
<b>Property Operating Expenses</b>	<b>(5,258)</b>	<b>(5,904)</b>	<b>(6,039)</b>	<b>(17,021)</b>	<b>(6,968)</b>	<b>(10,593)</b>
<b>NPI/(net property loss)</b>	<b>4,662</b>	<b>4,888</b>	<b>5,105</b>	<b>(2,080)</b>	<b>(1,014)</b>	<b>7,217</b>

**Notes:-**

- (1) Maintenance expenses comprises, amongst others, contractual maintenance as well as the general repair and upkeep of the properties, for example, the maintenance of air conditioners and the parking system, electrical maintenance, consumables, takaful, the maintenance of lifts and escalators, and waste disposal.
- (2) Other operating expenses comprises, amongst others, property management fee and reimbursable expenses, general and administrative expenses, cleaning expenses, security services expenses, and marketing and promotion expenses.
- (3) Including KOMTAR JBCC.

## 2. INFORMATION SUMMARY (Cont'd)

### Profit Forecasts

The following is an extract from **Section 7.5.1** of this Prospectus. Statements contained in **Section 7.5** "Profit Forecasts" of this Prospectus that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in **Section 7.5.1** of this Prospectus and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecasts. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction by any of Al-Salām REIT, the Manager, the Trustee or the Principal Adviser or any other person that the underlying assumptions will materialise, or that these results will be achieved or are likely to be achieved. See Section on "Forward-Looking Statements" and **Section 5** "Risk Factors" of this Prospectus for further details. Investors in the Units are cautioned not to place undue reliance on these forward-looking statements.

**None of Al-Salām REIT, the Manager, the Trustee or the Principal Adviser guarantees the performance of Al-Salām REIT, the repayment of capital or the payment of any distributions, or any particular return on the Units. The forecast yields stated in the following table are calculated based on the illustrative IPO Price of RM1.00 per Unit.**

**Such yields will vary accordingly for investors who purchase Units at a price that differs from the illustrative IPO Price.**

**Investors are cautioned that rental yield on the Subject Properties to be held by Al-Salām REIT is not equivalent to the yield of the Units. Current rental receipts and yields may not sustain. The values of the Subject Properties may rise as well as fall.**

The following table shows the Profit Forecasts of Al-Salām REIT. The financial year end of Al-Salām REIT is 31 December. The Profit Forecasts are based on the assumptions set out in **Section 7.5.1** of this Prospectus and has been examined by the Reporting Accountants, being Deloitte, and should be read together with the assumptions and the sensitivity analysis set out in **Section 7.6.1** of this Prospectus.

	Estimate Period 2015 (9 months) RM'000	Forecast Year 2016 (12 months) RM'000
Gross rental income	24,927	72,576
Other income	1,570	6,854
<b>Total revenue</b>	<b>26,497</b>	<b>79,430</b>
Utilities expenses	(1,825)	(5,527)
Maintenance expenses	(799)	(2,615)
Quit rent and assessment	(200)	(1,332)
Other operating expenses	(3,608)	(10,990)
Property manager fee	(118)	(270)
<b>Property operating expenses</b>	<b>(6,550)</b>	<b>(20,734)</b>
<b>Net property income</b>	<b>19,947</b>	<b>58,696</b>
Investment income	151	311
<b>Net investment income</b>	<b>20,098</b>	<b>59,007</b>

## 2. INFORMATION SUMMARY (Cont'd)

	Estimate Period 2015 (9 months) RM'000	Forecast Year 2016 (12 months) RM'000
Manager's management fees	(858)	(2,258)
Trustee's fees	(80)	(114)
Shariah advisers' fee	(3)	(6)
Borrowing costs	(8,418)	(18,639)
Other trust expenses and miscellaneous	(217)	(761)
<b>Profit before taxation</b>	<b>10,522</b>	<b>37,229</b>
Taxation	-	-
<b>Distributable income</b>	<b>10,522</b>	<b>37,229</b>
Number of units in issue (million)	580	580
Distribution rate (%)	99.9%	99.9%
Distribution per unit (sen)	1.81	6.41
IPO price (RM/Unit)	1.00	1.00
<b>Distribution yield on IPO price</b>	<b>1.81%</b>	<b>6.41%</b>

### 2.8 RISK FACTORS

Prospective investors should carefully consider certain risks connected with an investment in the Units, as set out in **Section 5** "Risk Factors" of this Prospectus.

#### Risks Relating to the Subject Properties

- (a) The Subject Properties may face increased competition from other properties.
- (b) The Subject Properties may require significant capital expenditure that may be beyond the Manager's current estimates and Al-Salām REIT may not be able to secure funding.
- (c) Renovation or redevelopment works or physical damage to the Subject Properties may disrupt the operations of the Subject Properties.
- (d) Al-Salām REIT has no control over the master title of KOMTAR JBCC and Menara KOMTAR.
- (e) Certain DASB Properties have tenancy cycles in which a substantial number of tenancies expire in certain years.
- (f) Completion of all the SPAs may not occur.
- (g) Registration of transfer of the Subject Properties may be delayed.
- (h) Al-Salām REIT may suffer material losses in excess of takaful proceeds or Al-Salām REIT may not put in place or maintain adequate takaful coverage in relation to the Subject Properties and its potential liabilities to third parties.
- (i) Al-Salām REIT is dependent on third parties for certain services.

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**2. INFORMATION SUMMARY (Cont'd)**

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- (j) Transportation infrastructure near the Subject Properties may be closed or relocated, which could result in a decrease in the income generated by the Subject Properties, and would have an adverse effect on Al-Salām REIT's financial condition and results of operations.
- (k) The Appraised Values of the Subject Properties are based on various assumptions which may or may not materialise; the price at which Al-Salām REIT is able to sell the Subject Properties in future may be lower than the acquisition value of the Subject Properties.
- (l) The due diligence exercise on the Subject Properties, tenancies, buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies.
- (m) Subject Properties which are subject to Bumiputera Restriction in Interest.

**Risks Relating to Al-Salām REIT's Operations**

- (a) A significant portion of Al-Salām REIT's revenue will depend on the success and economic viability of its tenants.
- (b) Any breach by the major tenants of their obligations under the tenancy and/or lease agreements may have an adverse effect on Al-Salām REIT.
- (c) The Manager may not be able to successfully implement its strategy.
- (d) Possible change of investment strategies may adversely affect Unitholders' investments in Al-Salām REIT.
- (e) Al-Salām REIT is significantly dependent on key personnel of the Manager.
- (f) The amount Al-Salām REIT may finance is limited, which may affect the operations and expansion of Al-Salām REIT.
- (g) Al-Salām REIT will depend on external financing and its ability to pay distributions may be adversely affected by its current or future loan agreements or any financing rate fluctuations.
- (h) The illiquidity of real estate investments and the lack of alternative uses for the Subject Properties could significantly limit the ability of Al-Salām REIT to sell the Subject Properties in a timely manner.
- (i) The Subject Properties are subject to the risk of non-renewal of expiring tenancies.
- (j) Al-Salām REIT will be subject to increases in operating and other expenses.
- (k) Risks relating to natural disasters and other acts of God, terrorist activity and war could adversely affect Al-Salām REIT's revenues.
- (l) Al-Salām REIT is subject to third-party litigation risk by shoppers, contractors and tenants of the Subject Properties which could result in significant liabilities damage to Al-Salām REIT's reputation.
- (m) Al-Salām REIT is a newly established entity without an established operation history.
- (n) Political, economic and social developments in Malaysia may adversely affect Al-Salām REIT.
- (o) Al-Salām REIT may not meet the requirements to enjoy tax exemptions under Section 61A of the Income Tax Act, 1967 by virtue of, amongst others, tax adjustments or changes in tax laws.



## 2. INFORMATION SUMMARY (Cont'd)

- (p) Al-Salām REIT may be constrained in its operations and investments by Shariah principles compared to conventional REITs.
- (q) The Subject Properties may be acquired compulsorily.

### Risks Relating to an Investment in the Units

- (a) The actual performance of Al-Salām REIT and the Subject Properties could differ materially from the forward-looking statements in this Prospectus.
- (b) The Units have never been publicly traded and the listing of the Units on the Main Market of Bursa Securities may not result in an active or liquid market for the Units.
- (c) The price of the Units may decline after the Listing.
- (d) There can be no assurance that Al-Salām REIT will be able to make distributions or maintain any given level of distributions.
- (e) Al-Salām REIT's Pro Forma Statement of Financial Position and Pro Forma Net Property Income included herein may not reflect actual financial position and results.
- (f) There may be a delay or failure in Listing of the Units.
- (g) The Manager is not obliged to redeem the Units.
- (h) Unitholders who do not or are not able to participate in the future equity financing by Al-Salām REIT will experience a dilution of their interest in Al-Salām REIT.
- (i) There is no assurance that the Units will remain listed on Bursa Securities and/or not be suspended from trading.

**For further information concerning these risk factors, which should be considered by investors, please see Section 5 of this Prospectus.**

## 2.9 FEES AND CHARGES

**There are fees and charges involved and investors are advised to consider them before investing in Al-Salām REIT.**

The following is a summary of the amount of certain fees and charges payable by Unitholders in connection with the purchase, sale and holding of their investments in Al-Salām REIT or trading of the Units on Bursa Securities (so long as the Units are listed):

	<b>Payable by the Unitholders directly</b>	<b>Amount payable</b>
(a)	Bursa Securities clearing fee	0.03% of the transaction value, subject to a maximum of RM1,000 per transaction
(b)	Brokerage	A percentage of the transaction value prescribed by or negotiated with the ADAs, subject to a minimum of RM40 per transaction save for (i) online routed retail transactions, (ii) transactions executed in less than a board lot and (iii) transactions paid with cash upfront, for which the minimum brokerage fees are fully negotiable
(c)	Stamp duty	RM1.00 for every RM1,000 or fractional part of the transaction value, subject to a maximum of RM200 per transaction

The above rates may be subject to changes by the relevant parties. Further information on the charges you may incur from the trading of Units on Bursa Securities may be found on Bursa Malaysia Securities Berhad's website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

**2. INFORMATION SUMMARY (Cont'd)**

The following is a summary of certain fees and charges payable by Al-Salām REIT in connection with the establishment and on-going management and operation of Al-Salām REIT:

	Payable by Al-Salām REIT	Amount payable
(a)	Management Fee <i>(payable to the Manager)</i>	<p>The Manager will receive the Management Fee in cash only. The Manager is entitled under the Deed to the following management fees (exclusive of service tax, if any):</p> <p><b>(i) Base Fee</b></p> <p>Up to 1.0% per annum of the Total Asset Value of Al-Salām REIT (excluding cash and bank balances).</p> <p>For the purposes of calculating the Base Fee only, where Al-Salām REIT holds its investments through one or more SPVs, the Total Asset Value shall include the value of all the assets of the relevant SPV, pro-rated, if applicable, to the proportion of Al-Salām REIT's interest in the relevant SPV.</p> <p><b>(ii) Acquisition Fee</b></p> <p>1.0% of the transaction value (being the total purchase price) of any of the Real Estate and Real Estate-Related Assets directly or indirectly acquired from time to time by the Trustee for and on behalf of Al-Salām REIT pro-rated, if applicable, to the proportion of Al-Salām REIT's interest.</p> <p>In the case of acquisition, the Manager shall be entitled to receive for its account out of the income of Al-Salām REIT the Acquisition Fee of one percent (1.0%) of the total purchase price (excluding transaction costs) for the acquisition, which shall be based on the net assets of the SPV or holding entity and taking into account the underlying value of the properties held by the said SPV or holding entity (as determined by an independent valuer appointed by the Trustee) and shall be pro-rated, if applicable, to the proportion of Al-Salām REIT's interest.</p> <p>Any payment to third party agents or brokers in connection with the acquisition of any Real Estate or Real Estate-Related Assets or SPVs for Al-Salām REIT shall not be paid by the Manager out of the acquisition fee received or to be received by the Manager (but shall be borne by Al-Salām REIT).</p> <p><b>(iii) Divestment Fee</b></p> <p>0.5% of the transaction value (being the total sale price) of any Real Estate and/or SPVs ("collectively referred to as <b>"Divestment Assets<sup>(1)</sup>"</b>) directly or indirectly sold or divested from time to time by the Trustee for Al-Salām REIT or one or more SPVs on behalf of Al-Salām REIT pro-rated, if applicable, to the proportion of Al-Salām REIT's interest and payable to the Manager upon completion of the disposal of the Real Estate and/or the SPVs.</p>

**2. INFORMATION SUMMARY (Cont'd)**

	<b>Payable by Al-Salām REIT</b>	<b>Amount payable</b>
		<p>In the case of divestment of SPVs, the Manager shall be entitled to receive for its account out of income of Al-Salām REIT, the Divestment Fee of zero point five percent (0.5%) of the sale price of the SPV (excluding transaction costs) for the acquisition, which shall be based on the net assets of the SPV or holding entity and taking into account the underlying value of the properties held by the said SPV or holding entity (as determined by an independent valuer appointed by the Trustee) and shall be prorated, if applicable, to the proportion of Al-Salām REIT's interest.</p> <p>Any payment to third party agents or brokers in connection with the sale or divestment of any Real Estate Assets and Real Estate-Related Assets for Al-Salām REIT shall not be paid by the Manager out of the divestment fee received or to be received by the Manager (but shall be borne by Al-Salām REIT).</p> <p><b>Note:-</b></p> <p>(1) For avoidance of doubts, the Divestment Assets include Real Estates that are under compulsory acquisition by the government.</p>
(b)	Trustee's fee (Payable to the Trustee)	Up to 0.02% per annum of the NAV of Al-Salām REIT
(c)	Property management fee (Payable to the Property Manager)	<p>The Property Manager is entitled to receive RM22,500 per month for the Subject Properties.</p> <p>In addition, the Property Manager is also entitled to full reimbursement of costs and expenses incurred in the operation, maintenance, management and marketing of the Subject Properties, including fees and reimbursements for similar permissible expenses payable to its services provider(s).</p>
(d)	Other REIT expenses	<p>These include:</p> <ul style="list-style-type: none"> <li>• auditor's fee;</li> <li>• valuation fee;</li> <li>• professional fees;</li> <li>• reporting fees;</li> <li>• borrowing costs;</li> <li>• annual listing fee;</li> <li>• Registrar's fees;</li> <li>• tax consultant's fees;</li> <li>• printing, posting and general expenses that are directly related to and necessary for the administration of Al-Salām REIT; and</li> <li>• all other expenses related to Al-Salām REIT as provided for in the Deed.</li> </ul>

For the avoidance of doubt, any rebates and soft commissions shall be paid in accordance with the REIT Guidelines. For further details of the fees and charges, please refer to **Section 3.11** "Brokerage, Commissions and Other Fees and Charges", **Section 9.6** "Management Fee", **Section 10.5** "Property Management Fee" and **Section 11.5** "Trustee's Fee" of this Prospectus.

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### 3. DETAILS OF THE IPO

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#### 3.1 INTRODUCTION

The SC granted its approval for the IPO on 18 February 2015. The approval of the SC shall not be taken to indicate that the SC recommends the IPO. **Investors should rely on their own evaluation to assess the merits and risks of the IPO and their investment in Al-Salām REIT. In considering the investment, if investors are in any doubt as to the action to be taken, they should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.**

Bursa Securities' approval for the admission of all the Units to be issued to the Official List of the Main Market and for the listing of and quotation for all the said Units was obtained on 6 August 2015. All the Units will be admitted to the Official List of the Main Market and official quotation will commence after receipt of confirmation from Bursa Depository that all the Units have been credited into the respective CDS Account of the Vendors and/or their nominees (pursuant to the Acquisitions) and the successful applicants and the notices of allotment of the Units have been despatched to the said parties. Admission to the Official List of the Main Market shall not be taken as an indication of the merits of Al-Salām REIT, the Units, or the IPO.

**Pursuant to Section 14(1) of the Central Depository Act, Bursa Securities will prescribe the Units as a prescribed security. Consequently, the Units will be deposited directly with Bursa Depository. Any dealings in the Units will be carried out in accordance with the Deed, the Central Depositories Act and the Rules of the Depository. Unit certificates will not be issued to successful applicants.**

Pursuant to the Listing Requirements, at least 25.0% of the total number of Units in issue must be held by a minimum number of 1,000 public unitholders holding not less than 100 Units each upon completion of the IPO and at the point of Listing or such other minimum public spread as may be approved by Bursa Securities. The Manager expects to achieve the public unitholding spread requirement at the point of Listing. In the event that the above requirement is not met pursuant to the IPO, Al-Salām REIT may not be allowed to proceed with the Listing and, monies paid in respect of all applications will be returned in full without interest.

Investors must have a CDS Account when applying for the Units. In the case of an application by way of an Application Form, applicants should state their CDS Account number in the space provided in the Application Form. In the case of an application by way of Electronic Application or Internet Application, only an individual who has a CDS Account can make an Electronic Application or Internet Application. For an application by way of Electronic Application, an applicant shall furnish his CDS Account number to the Participating Financial Institutions by keying in his CDS Account number if the instruction on the ATM screen at which he enters his Electronic Application requires him to do so. In the case of an application by way of Internet Application, only an applicant who has an existing account with access to the internet financial services facilities with the Internet Participating Financial Institutions can make an Internet Application. The applicant shall furnish his CDS Account number to the Internet Participating Financial Institution(s) by keying in his CDS Account number into the online application form. A corporation or institution cannot apply for the Units by way of Electronic Application or Internet Application.

#### 3.2 OPENING AND CLOSING OF APPLICATIONS

Applications for the Offer Units will open at 10.00 a.m. on 4 September 2015 and will remain open until 5.00 p.m. on 15 September 2015, or such later date(s) as the Directors of the Manager together with the Principal Adviser, the Sole Underwriter and the Joint Placement Agents in their absolute discretion may mutually decide.

### 3. DETAILS OF THE IPO (Cont'd)

#### 3.3 INDICATIVE TIMETABLE

The following events are intended to take place on the following tentative dates:

Events	Date <sup>(1)</sup>
Opening of the Institutional Offering and Retail Offering	4 September 2015
Closing of the Institutional Offering and Retail Offering	15 September 2015
Balloting of applications for the Offer Units pursuant to the Retail Offering for the Malaysian Public portion	18 September 2015
Allotment of Offer Units to successful applicants	25 September 2015
Listing of Al-Salām REIT on the Main Market of Bursa Securities	29 September 2015

**Note:-**

<sup>(1)</sup> *The above timetable is indicative and is subject to change. The application period for the Retail Offering and the Institutional Offering will open and close at the dates stated above or such other date or dates as the Directors of the Manager together with the Principal Adviser, the Sole Underwriter and the Joint Placement Agents in their absolute discretion may mutually decide.*

Should the closing date of the application for the Retail Offering and Institutional Offering be extended, the dates for the balloting, allotment of Offer Units and the Listing will be extended accordingly. Any extension of the abovementioned dates will be announced by way of advertisement in a widely circulated Bahasa Malaysia and English daily newspapers within Malaysia.

#### 3.4 TOTAL FUND SIZE AND UNITS TO BE ISSUED

The table below sets out the details of the Units:-

	No. of Units
<b>Fund size approved by the SC</b>	<b>580,000,000</b>
Units to be issued to the Vendors as part payment for the Acquisitions	327,640,000
Units to be issued pursuant to the Retail Offering	11,600,000
Units to be issued pursuant to the Institutional Offering	240,760,000
<b>Total Units issued upon Listing</b>	<b>580,000,000</b>

There is only one class of Units in Al-Salām REIT. The Units to be issued, provided that full application monies are paid in full, will rank *pari passu* in all respect with each other, including voting rights, liquidation rights and rights to all distributions that may be declared subsequent to the Listing.

### 3. DETAILS OF THE IPO (Cont'd)

#### 3.5 PARTICULARS OF THE IPO

The Initial Public Offering comprises the Retail Offering and the Institutional Offering totalling 252,360,000 Offer Units.

The Initial Public Offering is subject to the terms and conditions of this Prospectus and upon acceptance, the Offer Units are expected to be allocated in the manner described below, subject to clawback and reallocation provisions as set forth in **Section 3.5.3** of this Prospectus.

##### 3.5.1 Retail Offering

Retail Offering at the IPO Price of RM1.00 per Offer Unit, payable in full upon application.

A total of 11,600,000 Offer Units (subject to clawback and reallocation as set out in **Section 3.5.3** of this Prospectus), representing approximately 2.0% of the total size of Al-Salām REIT, will be made available for application by the Malaysian Public.

##### 3.5.2 Institutional Offering

Institutional Offering at the IPO Price of RM1.00 per Offer Unit, payable in full upon allocation.

A total of 240,760,000 Offer Units (subject to clawback and reallocation as set out in **Section 3.5.3** of this Prospectus), representing approximately 41.5% of the total size of Al-Salām REIT at the point of Listing, will be placed out to Malaysian institutional investors and selected investors.

In summary, the Offer Units offered under the IPO (subject to clawback and reallocation provisions) will be allocated in the following manner:

Breakdown of the IPO	No. of Offer Units	% of total Units upon Listing
Retail Offering	11,600,000	2.0%
Institutional Offering	240,760,000	41.5%
<b>Total</b>	<b>252,360,000</b>	<b>43.5%</b>

##### 3.5.3 Clawback and reallocation

The allocation of Offer Units between the Retail Offering and the Institutional Offering is subject to adjustment. In the event of over-subscription in the Retail Offering, and a corresponding under-subscription in the Institutional Offering, Offer Units may be clawed back from the Institutional Offering and reallocated to the Retail Offering. In the event of an under-subscription in the Retail Offering and there is a corresponding over-subscription in the Institutional Offering, Offer Units in the Retail Offering may be clawed back from the Retail Offering and reallocated to the Institutional Offering.

The clawback and reallocation as set out in this section shall not apply in the event of over-subscription in both the Retail Offering and the Institutional Offering.

##### 3.5.4 Minimum subscription

There is no minimum subscription in terms of the proceeds to be raised from the Initial Public Offering. However, the minimum subscription in terms of number of Units to be subscribed will be such number of Units required to be held by public unitholders for Al-Salām REIT to achieve a public unitholding spread of at least 25% at the point of Listing.

### 3. DETAILS OF THE IPO (Cont'd)

#### 3.6 BASIS OF ARRIVING AT THE IPO PRICE

The IPO Price of RM1.00 per Offer Unit was determined and agreed upon by the Manager, together with the Principal Adviser, the Sole Underwriter and the Joint Placement Agents after taking into consideration the following factors:

- (i) the financial history and conditions of the Subject Properties;
- (ii) the pro forma NAV per Unit upon Listing of approximately RM0.98;
- (iii) the forecast distribution yields of Al-Salām REIT;
- (iv) the future prospect of Al-Salām REIT; and
- (v) the prevailing capital and property market conditions and sentiments.

Applicants should note that the market price of the Units upon Listing is subject to the vagaries of the market forces and other uncertainties that may affect the price of the Units.

Based on the IPO Price of RM1.00 per Offer Unit and the listing of 580,000,000 Units, the total market capitalisation of Al-Salām REIT upon Listing is estimated to be RM580.0 million.

#### 3.7 THE LISTING SCHEME

In conjunction with, and as integral part of the Listing, the Manager undertook the listing scheme, as follows:

##### 3.7.1 Acquisitions

On 2 April 2015, 10 April 2015 and 27 April 2015, the Trustee had on behalf of Al-Salām REIT entered into the SPAs with the Vendors for the acquisition of the Subject Properties for a total purchase consideration of RM903.14 million.

Details of the purchase consideration and mode of satisfaction of the purchase consideration for the Acquisitions are as follows:

Subject Properties	Vendor	<sup>(1)</sup> Appraised Value (RM)	Purchase Consideration (RM)	To be satisfied by	
				<sup>(2)</sup> Consideration Units	<sup>(3)</sup> Cash Consideration (RM)
KOMTAR JBCC	DASB	462,000,000	462,000,000	281,040,000	180,960,000
Menara KOMTAR	DASB	70,000,000	70,000,000	-	70,000,000
@Mart Kempas	DASB	65,000,000	65,000,000	32,500,000	32,500,000
KFCH College	DASB	28,200,000	28,200,000	14,100,000	14,100,000
QSR Properties	QSR Vendors	277,940,000	277,940,000	-	277,940,000
<b>Total</b>		<b>903,140,000</b>	<b>903,140,000</b>	<b>327,640,000</b>	<b>575,500,000</b>

**Notes:-**

- (1) The market value of the Subject Properties as appraised by the Independent Property Valuers.
- (2) The RM equivalent of the number of Consideration Units to be issued at an issue price of RM1.00 per Unit.
- (3) Cash Consideration to be funded through the proceeds raised from the IPO and the funds received from the drawdown of a portion of the Financing Facility.

### 3. DETAILS OF THE IPO (Cont'd)

The total purchase consideration for the acquisition of the Subject Properties of RM903.14 million, which will be satisfied through the following manner, was arrived at based on the independent valuation of the Subject Properties by the Independent Property Valuers of RM903.14 million:

- (i) The issuance of 327,640,000 Consideration Units; and
- (ii) Cash Consideration of RM575.50 million, which will be funded through the proceeds raised from the IPO and the funds received from the drawdown of a portion of the Financing Facility.

As at the date of this Prospectus, the acquisitions of thirteen (13) QSR Properties which does not require state authority's consent to transfer and/or charge were duly completed on 6 May 2015 in accordance with the terms of the respective SPAs. The acquisitions of DASB Properties and the remaining QSR Properties will be completed on the terms set out in the respective SPAs prior to or on the Listing Date. For further details of the SPAs, please refer to **Section 17.3** "Salient Terms of the SPAs" of this Prospectus.

#### 3.7.2 Initial Public Offering

Please refer to **Section 3.5** of this Prospectus for further details.

#### 3.7.3 Listing

The Manager has obtained the approval from Bursa Securities on 6 August 2015 for the admission to the Official List, and the listing of and quotation for the entire 580,000,000 issued Units of Al-Salām REIT on the Main Market of Bursa Securities. The board lot sizes for the total issued Units of Al-Salām REIT upon its listing will be at 100 Units per board lot.

### 3.8 REIT FINANCING

Al-Salām REIT intends to drawdown a total of up to RM350.0 million of the Financing Facility to partially finance the Acquisitions.

The Trustee, had on behalf of Al-Salām REIT, as borrower, secured the CMTF-i amounting up to RM350.0 million from the Joint Financiers to part finance the acquisition of the Subject Properties. The CMTF-i profit is payable over a period of 60 months from the date of first disbursement with full repayment of principal sum on the 60th month. The effective financing rate for the CMTF-i will be based on Cost of Funds ("**COF**") + 1.35% per annum for the first two (2) years and COF + 1.50% per annum from the third year onwards. The COF is based on each respective Joint Financiers' COF.

The CMTF-i also carries processing fees of 0.75% flat (excluding GST) on the CMTF-i limit wherein, 0.50% flat of the CMTF-i limit is payable prior to the first disbursement whilst the balance 0.25% of the CMTF-i limit is payable by the end of the 6th month from the first disbursement. On 6 May 2015, Al-Salām REIT had drawdown RM136.04 million from the Financing Facility of which the proceeds in the sum of RM126.04 million were utilised to satisfy the purchase consideration of the thirteen (13) QSR Properties whilst the balance amounting to RM10.0 million were utilised for ancillary expenses relating to the Financing Facility.



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### 3. DETAILS OF THE IPO (*Cont'd*)

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The CMTF-i is secured, amongst others in favour of RHB Islamic Bank Berhad ("**Security Agent**"), being the agent for the Joint Financiers by the followings:

- (a) Legal charge over the relevant Subject Properties to be acquired by the Trustee on behalf of Al-Salām REIT which would provide security cover of 2.0 times (market value of the properties against disbursed facility amount), by the Trustee in favour of the Security Agent.
- (b) Legal assignment of the rights, title, interest and benefits under the SPAs of the relevant Subject Properties;
- (c) Legal charge and assignment over the designated accounts opened for the purpose of the Financing Facility which are fully operated and managed with the Security Agent (namely, the Collection Account, Sinking Fund Account and Finance Service Reserve Account);
- (d) Legal assignment of all rights, title, interest and benefits of the Trustee under the tenancy agreements and/or lease agreements entered into between the Trustee and the respective vendors/tenants;
- (e) Legal assignment of the rights, title, interests and benefits in the takaful contracts in respect of the relevant Subject Properties;
- (f) Legal assignment of the Trustee's present and future rights, title, interest and benefits in and under tenancy/lease agreements in respect of the relevant Subject Properties; and
- (g) Legal assignment of the rental/lease proceeds payable under the tenancy/lease agreements of relevant the Subject Properties.

The CMTF-i will have some financial covenants, which include, amongst others:

- (a) The Trustee shall ensure that the Al-Salām REIT shall maintain a consolidated net gearing of not more than 1.0 times throughout the tenure of the Financing Facility, post completion of the Acquisitions; and
- (b) The aggregate outstanding amount under the Financing Facility shall at all times not exceed 50% of the security value (being the open market value of the assets to be charged under the Financing Facility).

Upon Listing, based on Al-Salām REIT's Pro Forma Statement of Financial Position, Al-Salām REIT will have total indebtedness of approximately RM345.71 million. Accordingly, the legal charge over all rights, titles, interests and benefits in and to the Subject Properties to be acquired by Al-Salām REIT shall provide a security cover of 2.0 times (or equivalent to at least RM691.42 million).

#### 3.9 PURPOSE OF THE IPO

The IPO will enable Al-Salām REIT to fulfil its objectives as follows:

- (i) to provide an alternative investment instrument for real estate;
- (ii) to provide investors an opportunity to invest in a REIT which provides stable distribution of income and potential capital appreciation on investment in the Units;
- (iii) to enable Al-Salām REIT to gain access to the capital market to raise funds for future real estate acquisitions thus allowing continual growth prospects of Al-Salām REIT;

### 3. DETAILS OF THE IPO (Cont'd)

- (iv) to enhance the development of the real estate market in Malaysia through the listed REIT, which is relatively more liquid as compared to the underlying physical properties of the REIT;
- (v) to obtain listing status on the Main Market of Bursa Securities in order for the Units to be readily tradable, which enhances liquidity compared to the illiquid underlying Subject Properties; and
- (vi) to serve as a platform for the Sponsor to unlock the value of the properties held by the JCorp Group.

#### 3.10 PROPOSED UTILISATION OF PROCEEDS

Based on an IPO Price of RM1.00 per Offer Unit, the Initial Public Offering will raise gross proceeds of RM252.36 million arising from the issuance of 252,360,000 Offer Units.

The total cash proceeds raised from the IPO are intended to be used towards the following:-

Purpose	(RM'000)	Timeframe for utilisation from date of receipt of proceeds
Part payment of the purchase consideration for the Acquisitions <sup>(1)</sup>	<sup>(3)</sup> 242,860	Immediate
Listing expenses <sup>(2)</sup>	9,500	Immediate
<b>Total</b>	<b>252,360</b>	

**Notes:-**

- (1) The balance of the purchase consideration for the Acquisitions will be settled via the issuance of Consideration Units and the Financing Facility.
- (2) The breakdown of the estimated listing expenses are as follows:

	(RM'000)
Underwriting and brokerage fees	4,532
Professional fees <sup>(1)</sup>	3,589
Other fees <sup>(2)</sup>	1,167
Regulatory fees	212
<b>Total</b>	<b>9,500</b>

**Notes:-**

- (1) Professional fees comprise estimated fees payable to the Principal Adviser, legal advisers, Reporting Accountants, tax adviser, Joint Independent Market Researchers and Independent Property Valuers.
- (2) Other fees comprise estimated expenditure relating to advertising, publication, issuing house and other ancillary costs.
- (3) Being the expected net proceeds to be raised from the IPO.

If the actual listing expenses are less than the estimated amount of RM9.5 million, the remaining sum shall be used as working capital requirements for Al-Salām REIT.

The financial impact of the utilisation of proceeds from the IPO on the pro forma statement of financial position of Al-Salām REIT is reflected in **Appendix D** of this Prospectus.

### 3. DETAILS OF THE IPO (Cont'd)

#### 3.11 BROKERAGE, COMMISSIONS AND OTHER FEES AND CHARGES

##### 3.11.1 Brokerage

Al-Salām REIT will bear the brokerage in respect of the IPO at the rate of 1.0% of the IPO Price in respect of successful applications, which bear the stamp of RHB Investment Bank, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House. For the avoidance of doubt, brokerage commission under the Institutional Offering will not be payable by Al-Salām REIT.

##### 3.11.2 Commissions

Pursuant to the Underwriting Agreement, the Sole Underwriter has agreed to underwrite the Offer Units under the Retail Offering at an underwriting commission of 1.75%, based on the IPO Price for each Offer Unit being underwritten. The underwriting commission will be borne by Al-Salām REIT.

Pursuant to the placement mandates entered into between the Manager and the Joint Placement Agents, Al-Salām REIT will pay the Joint Placement Agents, in aggregate, a placement fee of up to 1.75% of the amount equal to the gross proceeds raised under the Institutional Offering at the IPO Price.

##### 3.11.3 Fees and Charges Payable Directly by Unitholders

The following is a summary of the amount of certain fees and charges payable by Unitholders in connection with the purchase, sale and holding of their investments in Al-Salām REIT or trading of the Units on Bursa Securities (so long as the Units are listed):

	Payable by the Unitholders directly	Amount payable
(a)	Bursa Securities clearing fee	0.03% of the transaction value, subject to a maximum of RM1,000 per transaction
(b)	Brokerage	A percentage of the transaction value prescribed by or negotiated with the ADAs, subject to a minimum of RM40 per transaction save for (i) online routed retail transactions, (ii) transactions executed in less than a board lot and (iii) transactions paid with cash upfront, for which the minimum brokerage fees are fully negotiable
(c)	Stamp duty	RM1.00 for every RM1,000 or fractional part of the transaction value, subject to a maximum of RM200 per transaction

The above rates may be subject to changes by the relevant parties. Further information on the charges you may incur from the trading of Units on Bursa Securities may be found on Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

#### 3.12 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

Pursuant to the Underwriting Agreement, the Sole Underwriter for the Retail Offering have agreed to underwrite 11,600,000 Offer Units ("**Underwritten Units**") under the Retail Offering subject to clawback and reallocation provisions and underwriting commission as set out in **Sections 3.5.3** and **3.11.2** of this Prospectus respectively.

### 3. DETAILS OF THE IPO (Cont'd)

The following is an extract of the salient terms contained in the Underwriting Agreement:

#### 1. CONDITIONS

The obligation of the Sole Underwriter to underwrite the Underwritten Units under the Underwriting Agreement is conditional on the performance by the Manager and the Trustee of each of their obligations under the Underwriting Agreement and is further conditional on the conditions set out in the Underwriting Agreement inter alia as follows:-

- (a) This Prospectus and such other documents as may be required in accordance with the CMSA in relation to the Initial Public Offering having been registered with the SC.
- (b) All the approvals in relation to the Initial Public Offering from the SC and Bursa Securities remaining in full force and effect by the date of closing of the Retail Offering ("**Closing Date**") and that all conditions to the approvals (except for any which can only be complied with after the Closing Date) have been complied with.
- (c) The approval of Bursa Securities for the Listing being obtained prior to the Closing Date (or such longer period as may be specified by the SC) and on terms reasonably acceptable to the Sole Underwriter and the approvals of the SC and Bursa Securities remaining in full force and effect and that all conditions (except for any which can only be complied with after the Closing Date) have been complied with.
- (d) The Underwriting Agreement being stamped within the statutory time frame.
- (e) There being no occurrence, on or prior to the Closing Date, of any event rendering untrue, inaccurate or incorrect any of the representations or warranties contained in the Underwriting Agreement.
- (f) There being no occurrence, on or prior to the Closing Date (as defined in the Underwriting Agreement), of any breach of and or failure to perform any of the undertakings contained in the Underwriting Agreement.
- (g) This Prospectus being issued not later than thirty (30) Market Days after the date of the Underwriting Agreement or such later date as the Sole Underwriter and the Manager may from time to time agree in writing.
- (h) The Sole Underwriter having received certification from the Trustee and Manager in the form or substantially in the form contained in the Underwriting Agreement.
- (i) The completion of registration of this Prospectus and such other documents as may be required in accordance with the CMSA in relation to the Initial Public Offering with the SC and its lodgement with the SC in accordance with the CMSA.
- (j) The Initial Public Offering not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia or any jurisdiction within which such Offer Units are offered and all consents, approvals, authorisations or other orders required by the Manager and/or the Trustee under such laws for or in connection with the Initial Public Offering and/or listing of and quotation for the IPO Units of Al-Salām REIT on the Main Market have been obtained and are in force up to the Closing Date.

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### 3. DETAILS OF THE IPO (Cont'd)

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- (k) There not being, in the opinion of the Sole Underwriter, on or prior to the Closing Date, any adverse and material change or development reasonably and likely to involve a prospective adverse and material change in the condition (financial, business, operations or otherwise) of Al-Salām REIT, the Manager and the Trustee from that set out in this Prospectus which is material in the context of the Initial Public Offering or any occurrence of any event or discovery of any fact or circumstances rendering untrue or incorrect or not complied with to an extent which is material, any of the warranties and representations set out in the Underwriting Agreement as though given or made on such date.

## 2. TERMINATION

2.1 Notwithstanding anything contained in the Underwriting Agreement, the Sole Underwriter may, in such manner as the Sole Underwriter shall reasonably determine, by notice in writing to the Manager and the Trustee by the Sole Underwriter given seven (7) days before the Sole Underwriter is discharged or required to carry out its obligation under the Underwriting Agreement, terminate, cancel and withdraw their respective underwriting commitment upon the occurrence of any of the following:

2.1.1 there is any breach by the Manager or the Trustee of any of the representations, warranties or undertakings or which is contained in any certificate, statement or notice under or in connection with the Underwriting Agreement, or in the case of any representation or warranty or undertaking which is not qualified by any materiality requirement, in any material respect, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice of such breach given to the Manager or the Trustee by the Sole Underwriter or by the Closing Date, whichever is the later;

2.1.2 there is failure on the part of the Manager or the Trustee to perform any of its obligations contained in the Underwriting Agreement or in the case of any obligation which is not qualified by any materiality requirement, in any material respect;

2.1.3 there is withholding of information of a material nature from the Sole Underwriter which is required to be disclosed pursuant to the Underwriting Agreement which will have a Material Adverse Effect (as defined below) including on the success of the Initial Public Offering or the distribution of the Offer Units issued under the Initial Public Offering;

2.1.4 the Closing Date does not occur within two (2) months from the date of the Underwriting Agreement, subject to the extension of the Closing Date which is approved by the Sole Underwriter whose approval shall not be unreasonably withheld;

2.1.5 the occurrence of any of the following events:

2.1.5.1 any material adverse change in national monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which in the reasonable opinion of the Sole Underwriter (after having consulted the Manager and the Trustee) are likely to have a Material Adverse Effect (as defined below). For the avoidance of doubt, and without prejudice to the foregoing, if the FTSE Bursa Malaysia KLCI Index (“**Index**”) is, at the close of normal trading on Bursa Securities, on any Market Day:

- (i) on or after the date of the Underwriting Agreement; and

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### 3. DETAILS OF THE IPO (Cont'd)

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- (ii) prior to the subscription of the unsubscribed Underwritten Units,

lower than 85% of the level of index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least three (3) Market Days or any other adverse change in the market conditions which the parties mutually agree to be sufficiently material and adverse to render it to be a terminating event, it shall be deemed a material adverse change in the stock market condition; or

- 2.1.5.2 any new law or change in law, regulation, directive, policy or ruling in any jurisdiction, interpretation or application by the court/authorities which will have a Material Adverse Effect (as defined below) on Al-Salām REIT; or
- 2.1.5.3 any event or series of events beyond the reasonable control of the Sole Underwriter including (without limitation) acts of government, acts of God (including, without limitation, the occurrence of a tsunami and/or earthquakes), acts of terrorism, strikes, national disorder, declaration of a state of emergency, lock-outs, fire, explosion, flooding, landslide, civil commotion, sabotage, acts of war, diseases or accidents which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to the Initial Public Offering or pursuant to the underwriting of the Underwritten Units; or
- 2.1.5.4 any imposition of moratorium, suspension or material restriction on trading of securities on Bursa Securities due to exceptional financial circumstances or otherwise which will have a Material Adverse Effect; or
- 2.1.5.5 any government requisition which will have a Material Adverse Effect;

*("Material Adverse Effect" means any material adverse effect (a) on the condition (financial or other) business, properties, management, financial position, stockholders' equity, results of operations or prospects of Al-Salām REIT and, whether or not arising in the ordinary course of business (b) on the ability of Al-Salām REIT to perform in any respect its obligations under or with respect to, or to consummate the transactions contemplated by, the Initial Public Offering documents or the Underwriting Agreement or (c) on the ability of Al-Salām REIT to conduct its businesses and to own or lease its assets and properties in substantially the same manner in which such businesses were previously conducted and such assets and properties were previously owned or leased as described in the Initial Public Offering documents)*

- 2.1.6 in the event that the listing of and quotation for all 580,000,000 Units of Al-Salām REIT on the Main Market is withdrawn or not procured or procured but subject to conditions not reasonably acceptable to the Sole Underwriter;
- 2.1.7 if the SC or any other relevant regulatory authority issues an order pursuant to Malaysian laws such as to make it, in the reasonable opinion of the Sole Underwriter after having consulted the Manager and the Trustee, impracticable to market the Initial Public Offering or to enforce contracts to issue, the IPO Units;

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**3. DETAILS OF THE IPO (Cont'd)**

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- 2.1.8 if the obligations of the Sole Underwriter to subscribe for and/or procure subscriptions for the Underwritten Units is prohibited by any statute, order, rule, directive or regulation amended, supplemented or introduced after the date of the Underwriting Agreement by any legislative, executive or regulatory body or authority of any jurisdiction;
- 2.1.9 if the necessary consents or approvals required for the Listing is revoked or withdrawn or if any of the conditions for such consents or approvals have not been fulfilled to the satisfaction of the relevant authorities or waived by it.
- 2.2 Upon the termination notice being given, the Sole Underwriter shall be released and discharged of its obligation without prejudice to its rights under the Underwriting Agreement, the Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other parties in respect of the Underwriting Agreement, except the following:
  - 2.2.1 The Manager and the Trustee shall procure Al-Salām REIT to pay the underwriting commission or the broken funding cost (as the case may be) and the costs and expenses as described in the Underwriting Agreement;
  - 2.2.2 The Manager and the Trustee shall procure Al-Salām REIT to be liable to indemnify the Sole Underwriter pursuant to provisions on representations, warranties and undertakings in the Underwriting Agreement.
- 2.3 Notwithstanding the other provisions in the Underwriting Agreement, the Manager, the Trustee and the Sole Underwriter may confer with a view to defer the Initial Public Offering or amend its terms or the terms of the Underwriting Agreement or enter into a new underwriting agreement accordingly. However, the Manager, the Trustee and the Sole Underwriter are not under any obligation whatsoever to enter into a fresh underwriting agreement.

**3. NON-OCCURRENCE OF LISTING**

- 3.1 In the event the Sole Underwriter is notified to carry out its obligations under the Underwriting Agreement and the Listing does not take place within fifteen (15) Market Days from the Closing Date and subsequent to the Sole Underwriter having carried out such obligation, the Manager is required to return to the Sole Underwriter the payment consideration for those Underwritten Units duly underwritten by the Sole Underwriter within seven (7) Market Days from the date of receipt of the notice given by the Sole Underwriter to the Manager and the Manager shall, on receipt by the Sole Underwriter of the payment consideration, be entitled to the return of those Underwritten Units underwritten by the Sole Underwriter and the Manager shall procure Al-Salām REIT to fully indemnify and hold the Sole Underwriter harmless against any damages, losses, liabilities, costs, claims, charges, expenses, actions (including any actions brought by any sub-underwriters) or demands brought by any persons which the Sole Underwriter may reasonably incur in relation to or in connection with (directly or indirectly) the non-occurrence of the Listing unless any such damage, loss, liability, cost, claim, charge, expense, action or demand is brought or asserted as a result of the Sole Underwriter's willful misconduct, fraud or negligence.

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### 3. DETAILS OF THE IPO (Cont'd)

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#### 3.13 TRADING AT BURSA SECURITIES AND SETTLEMENT IN SECONDARY MARKET

Upon listing and quotation on the Main Market, the Units will be traded on the Main Market and transferred by book-entry settlement through CDS, which will be effected in accordance with the Rules of the Depository, as amended from time to time, and the provisions of the Securities Industries (Central Depositories) Act. Bursa Depository operates the CDS.

Unitholders are required under the Rules of the Depository to maintain CDS Accounts, either directly in their name or through authorised nominees. Persons whose names appear in the Record of Depositors maintained by Bursa Depository will be treated as Unitholders in respect of the number of Units credited to their respective CDS Accounts.

Transfer of Units under the book-entry settlement will be reflected by the seller's CDS Account being debited with the number of Units sold and the buyer's CDS Account being credited with the number of Units acquired. No transfer stamp duty is currently payable for the Units that are settled on a book-entry basis, although there is a nominal transfer fee of RM10 payable for each transfer not transacted on the market.

Dealings in units of REITs listed on the Main Market are normally transacted in "board lots" of 100 units. Investors who desire to deal in less than 100 units of a listed REIT occasionally experience delays in effecting such transaction.

It is expected that the Units offered under the Initial Public Offering will commence trading on the Main Market approximately ten (10) Market Days after the close of the IPO. Subscribers of the Units will not be able to sell or otherwise deal in the Units prior to the commencement of trading on the Main Market. Please refer to **Section 5** "Risks Factors" of this Prospectus for further details.

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## 4. INFORMATION ON AL-SALĀM REIT

### 4.1 OVERVIEW OF AL-SALĀM REIT

#### Investment Policy

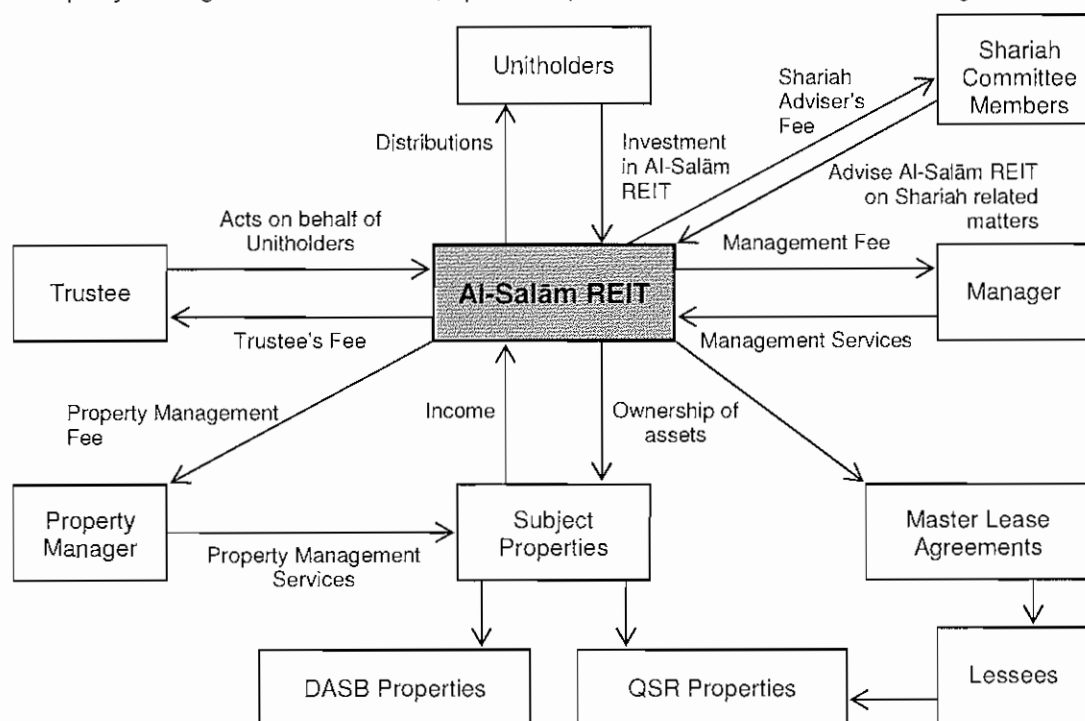
Al-Salām REIT is an Islamic REIT established with the principal investment policy of investing, directly and indirectly, in a diversified Shariah-compliant portfolio with income producing Real Estate which are used primarily for commercial retail, office and industrial purposes as well as Real Estate-Related Assets. Such properties may include amongst others, shopping malls, office buildings, college buildings, warehouses and food and beverage retail outlets.

#### Investment Objective

The Manager's key objective is to provide Unitholders with regular and stable distributions as well as achieving sustainable growth in the Distributable Income, Unit price and capital growth of Al-Salām REIT in the Long Term through its key investment strategies, while maintaining an optimum level of financing and equities.

### 4.2 STRUCTURE OF AL-SALĀM REIT

The following diagram illustrates the structure of Al-Salām REIT as well as key relationships between Al-Salām REIT, the Manager, the Trustee, the Shariah Committee Members, the Property Manager and Unitholders, upon completion of the Initial Public Offering:



### 4.3 STRATEGIES

The Manager intends to increase the income and consequently, the value of the Subject Properties, through the following strategies:-

- (i) **Active asset management strategy** – The Manager will seek to optimise the rental rates, occupancy rates and Net Lettable Area of the Subject Properties in order to improve the returns from Al-Salām REIT's property portfolio;
- (ii) **Acquisition growth strategy** – The Manager will source for and acquire properties that fit within Al-Salām REIT's investment strategy to enhance returns to Unitholders and capitalise on opportunities for future income and NAV growth; and

- (iii) **Capital and risk management strategy** – The Manager will endeavour to employ an appropriate mix of debt and equity in financing acquisitions, seek to manage financing and refinancing risk and to adopt an active financing rate management strategy to manage the risks associated with changes in financing rates.

#### **4.3.1 Active Asset Management Strategy**

The Manager will seek organic growth at the Subject Properties by working closely with the Property Manager and appointed consultants to maximise rental rates, occupancy rates and Net Lettable Area. The Manager seeks to maintain high tenant retention levels, reduce vacancy levels and minimise the impact to rental income from tenant turnover, as well as the costs associated with marketing and leasing space to new tenants. The Manager also intends to take advantage of its close ties with the Sponsor to enhance its asset management initiatives, where possible.

The Manager, by working closely with the Property Manager, will seek to do the following:

##### **(i) Management of the Subject Properties to generate organic growth**

The Manager intends to maximise the rental income from the Subject Properties by increasing rental rates over time and maintaining maximum occupancy. The Manager intends to do this in relation to the Subject Properties by:

- (a) Further developing its relationship with tenants to enhance the level of service and experience of tenants in the Subject Properties;
- (b) Maintaining a high level of tenant satisfaction by proactively responding to tenants' requests, tailoring leasing solutions to meet tenant requirements, undertaking preventive maintenance of the Subject Properties and where appropriate, servicing the expansion needs of existing tenants;
- (c) Actively targeting new tenants for the Subject Properties to improve the tenant mix to reduce the impact to economic cycles on overall rental income, to manage specific business sector risks and to capture a larger group of patrons as appropriate for the Subject Properties in question; and
- (d) Actively pursuing new leasing opportunities, manage lease renewals through advance negotiations with tenants whose tenancies are about to expire, minimising vacancy periods, managing rental arrears and taking a disciplined approach to increasing rent for renewing leases with below-market rents and in the provision of incentives to tenants.

By enhancing relationships with tenants, the Manager intends to increase the attractiveness of the Subject Properties to improve the retention rate of existing tenants and to attract desirable new tenants to improve tenant mix while steadily increasing rental rates due to increasing market demand for the Subject Properties.

##### **(ii) Continued asset enhancement initiatives**

The Manager intends to continue to improve the revenue and value of the portfolio by undertaking asset enhancement activities such as increasing Net Lettable Area and rental potential through innovative space rationalisation and the reconfiguration and upgrading of building facilities. For the retail Subject Properties, asset enhancement activities include tenant relocation to facilitate improvements in customer traffic distribution throughout the property and the creation of additional or new rental space from common areas. The Manager intends to continue upgrading the office Subject Properties, when necessary, to increase the demand for office space as well as to enhance property income and increase property value.

**(iii) Cost efficiency**

The Manager intends to minimise property-related and other operating expenses, without compromising the delivery of quality and value-added property related services to tenants. Strategies to be implemented by the Manager to improve cost discipline of Al-Salām REIT include implementing cost control management systems, conducting periodic evaluations of the cost competitiveness of contracts with third parties and adopting energy-efficient practices to achieve utility cost savings for common areas. The Manager will also seek to increase the operating productivity of its staff and third party contractors in order to drive greater efficiency. The Manager also intends to continue other cost-saving methods such as the centralised purchasing of maintenance items and takaful, in order to benefit from economies of scale.

**4.3.2 Acquisition Growth Strategy**

The Manager, on behalf of Al-Salām REIT, will seek to acquire assets that fit within Al-Salām REIT's investment strategy to enhance the returns to Unitholders and improve opportunities for future income and capital growth.

This acquisition strategy will benefit from Al-Salām REIT's relationship with the Sponsor and the FROR granted by JCorp Group over other properties owned by JCorp Group. To the extent that the JCorp Group continues to develop its current real estate projects and any new projects, the Manager believes that this may provide a potential pipeline of acquisitions for Al-Salām REIT.

In the near term, the Manager intends to focus solely on the potential acquisition of the properties owned by the JCorp Group. The Trustee had procured letters of FROR from the JCorp Group, wherein the companies shall not dispose their assets without giving FROR to the Trustee to purchase the assets on behalf of Al-Salām REIT. Some of the properties identified for injection into Al-Salām REIT in the future, which are subject to amongst others, due diligence and assessment of commercial viability are as follows:

- (a) Galleria @Kotaraya, a shopping mall in Johor Bahru, Johor owned by DASB;
- (b) Menara 238, an office tower, located at Jalan Tun Razak, Kuala Lumpur, owned by Kumpulan Perubatan (Johor) Sdn Bhd, a wholly-owned subsidiary of KPJ;
- (c) Menara VSQ, an office tower, located in Section 14, Petaling Jaya, Selangor, owned by Bukit Damansara Development Sdn Bhd, a wholly-owned subsidiary of DASB;
- (d) Menara JCorp, an office tower, located at Jalan Tun Razak, Kuala Lumpur, owned by JLand; and
- (e) Other additional assets comprising restaurant properties and non-restaurant properties owned by QSR Group.

In addition, the Manager will also explore acquisition opportunities with third parties if such opportunities fit with the investment criteria and investment objective of Al-Salām REIT.

In evaluating future acquisitions, the Manager intends to focus primarily on the following investment criteria with respect to a property under consideration, subject to the limitations and restrictions set forth in the Deed on investment policies.

**(i) Value accretion**

The Manager intends to seek to acquire stable income-producing real estate assets which will be yield-accretive and that have the potential to contribute to long-term growth in distributions per Unit and/or NAV per Unit.

#### **4. INFORMATION ON AL-SALĀM REIT (Cont'd)**

##### **(ii) Repositioning opportunities**

The Manager intends to acquire properties to which it can add value through various techniques including asset enhancement initiatives, renovations, improved maintenance, more effective tenant management and property management. Through these repositioning techniques, the Manager intends to increase occupancy rates, rental rates and potentially capital values as well as the competitive positioning of such acquired properties.

##### **(iii) Improving tenant mix and occupancy**

The Manager intends to acquire properties with high occupancy, strong existing tenants or with the potential to increase rental and tenant retention rates relative to competitive properties. The Manager's objective is to maintain healthy occupancy rates with a diverse mix of established tenants of good credit standing to minimise rental delinquency and tenant turnover.

#### **4.3.3 Capital and Risk Management Strategy**

The Manager aims to optimise Al-Salām REIT's capital structure and cost of capital within the financing limits set out in the REIT Guidelines. In addition, the Manager intends to use a combination of debt and equity financing to fund future acquisitions and capital expenditure, determined based on the strategies described below.

The Manager's ongoing capital management strategy involves adopting and maintaining an appropriate gearing level and adopting an active financing rate management strategy to manage the risks associated with changes in financing rates. By doing so, the Manager intends to maximise Al-Salām REIT's Distributable Income while maintaining an appropriate level of risk associated with debt financing.

The Manager intends to implement this strategy by (i) diversifying sources of debt funding, (ii) maintaining a reasonable level of loan service capability, (iii) securing the most favourable terms of funding, (iv) managing its financial obligations, (v) where appropriate, managing the exposures arising from adverse market financing rates and foreign exchange exposure through appropriate hedging strategies and (vi) actively manage the range of maturities to reduce refinancing risk and optimise the cost of capital.

The Manager expects that Al-Salām REIT's loan to value ratio upon Listing will be 38.28% based on the Appraised Value of the Subject Properties. It is the intention of Al-Salām REIT to pursue further acquisitions as a means of growing its asset size.

#### **4.3.4 Authorised Investments and Investment Limits**

The list of Authorised Investments of Al-Salām REIT is as follows:

- (i) Real Estate;
- (ii) SPVs;
- (iii) Real Estate-Related Assets;
- (iv) Non-Real Estate-Related Assets;
- (v) cash, Shariah-compliant deposits and Islamic money market instruments; and
- (vi) any other investments not specified in (i) to (v) but specified as a permissible investment in the Guidelines or as otherwise permitted by the SC.

The investments of Al-Salām REIT are subject to the following investment limits imposed by the REIT Guidelines:-

#### 4. INFORMATION ON AL-SALĀM REIT (Cont'd)

- (i) at least 50.0% of Al-Salām REIT's Total Asset Value must be invested in Real Estate Assets at all times; and
- (ii) not more than 25.0% of Al-Salām REIT's Total Asset Value may be invested in Non-Real Estate-Related Assets and/or cash, Shariah-compliant deposits and Islamic money market instruments,

provided that instruments in both Real Estate-Related Assets and Non-Real Estate-Related Assets are limited as follows:-

- (i) the value of Al-Salām REIT's investments in securities issued by any single issuer must not exceed 5.0% of Al-Salām REIT's Total Asset Value;
- (ii) the value of Al-Salām REIT's investment in securities issued by any group of companies must not exceed 10.0% of Al-Salām REIT's Total Asset Value; and
- (iii) Al-Salām REIT's investment in any class of securities must not exceed 10.0% of the securities issued by any single issuer; or

such other limits and investments as may be permitted by the SC or the REIT Guidelines.

#### 4.4 INVESTORS' PROFILE

Al-Salām REIT may appeal to investors with Long Term investment objectives who seek regular income distribution and Long Term capital appreciation, and who understand the risks related to the real estate industry and REITs.

#### 4.5 PERFORMANCE BENCHMARK

The following performance indicators can be considered in reviewing the performance of Al-Salām REIT:

**(i) Distribution Yield**

The ratio of the distribution paid to Unitholders from Al-Salām REIT's Distributable Income to the market price of the Units.

**(ii) NAV**

NAV represents the Total Asset Value after subtracting all of Al-Salām REIT's liabilities and obligations.

**(iii) Total Return**

The change in market price of the Units over a period of time plus any distributions received during the relevant period.

**(iv) MER**

The ratio of expenses incurred in operating Al-Salām REIT to the NAV of Al-Salām REIT.

The performance indicators will be used to benchmark Al-Salām REIT against its peers as well as against its own historical performance, where applicable.

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#### **4. INFORMATION ON AL-SALĀM REIT (Cont'd)**

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##### **4.6 DISTRIBUTION POLICY**

The Deed provides that the Manager shall, with the approval of the Trustee, for each Distribution Period, distribute all (or such other percentage as determined by the Manager at its absolute discretion) of Al-Salām REIT's Distributable Income. The Manager intends to distribute at least 90.0% of Al-Salām REIT's Distributable Income on a full-year basis in the first year of establishment of Al-Salām REIT. For the subsequent years, the Manager intends to distribute at least 90.0% of Al-Salām REIT's Distributable Income on a half-yearly basis (or such other intervals as the Manager may determine at its absolute discretion).

The actual proportion of Distributable Income to be distributed to Unitholders beyond 31 December 2015, which shall be at the absolute discretion of the Manager, may be greater than 90.0% of Al-Salām REIT's Distributable Income to the extent that the Manager believes it to be appropriate, having regard to Al-Salām REIT's funding requirements, other capital management considerations and the availability of funds. Distributions, when made, will be in Ringgit Malaysia.

Half yearly basis refers to each consecutive six-month period commencing on and ending on the following dates (all dates inclusive) in each FYE during the continuance of Al-Salām REIT or such other interval as the Manager may determine in accordance with the Deed:

- (i) 1 January to 30 June; and
- (ii) 1 July to 31 December,

and last half-year of Al-Salām REIT shall end on the date Al-Salām REIT ceases to operate.

The first distribution, which will be in respect of the period from the date of establishment of Al-Salām REIT to 31 December 2015, will be paid by the Manager within two (2) months from the end of the FPE 31 December 2015.

##### **4.7 VALUATION POLICY**

Independent professional valuation will be obtained at least once every three (3) years in accordance with the REIT Guidelines or such other shorter interval as the Manager deems necessary and these valuations will be conducted on the bases and methods which are in accordance with the Asset Valuation Guidelines. The Independent Property Valuers was engaged to carry out valuation for the Subject Properties. The Manager has yet to decide on the exact date for the next valuation for the Subject Properties, but in any event, such valuation will be carried out within three (3) years from the dates of the respective valuation reports carry out by the Independent Property Valuers, in accordance with Al-Salām REIT's valuation policy. Please refer to the Valuation Certificates set out in **Appendix A** "Valuation Certificates" of this Prospectus, which is to be read together with the full valuation reports for the Subject Properties. Copies of the full valuation reports will be available for inspection at the registered office of the Manager for a period of twelve (12) months from the date of this Prospectus.

##### **4.8 FINANCING LIMITS AND GEARING POLICY**

Up to 50.0% of the Total Asset Value of Al-Salām REIT at the time the financing is incurred (or such other limit permitted by the REITs Guidelines from time to time). However, Al-Salām REIT's total financing may exceed this limit with the prior approval of the Unitholders.

Upon Listing, based on Al-Salām REIT's Pro Forma Statement of Financial Position, Al-Salām REIT will have total indebtedness of approximately RM345.71 million, representing approximately 38.28% of its Total Asset Value, excluding cash and bank balances which are held in no-profit sharing bearing account.

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## **4. INFORMATION ON AL-SALĀM REIT (Cont'd)**

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### **4.9 INTELLECTUAL PROPERTY**

Al-Salām REIT does not own any registered intellectual property rights. The Trustee and the Manager have been authorised by DASB through its letter dated 29 June 2015 to use, amongst others, the pending registered trademark, "KOMTAR JBCC", "JBCC" and "SELERA PINDANG" trademark which has been used by DASB since 2011 and the said authorisation to use the trademarks shall be revoked upon the occurrence of any of the following events:

- (i) DASB ceasing, directly or indirectly, to be the holding company of the Manager;
- (ii) the Manager ceasing to be the management company of Al-Salām REIT;
- (iii) DASB ceasing to have the right to use or own the trademark; or
- (iv) the termination, winding up or dissolution of Al-Salām REIT or any of the parties.

### **4.10 SHARIAH INVESTMENT GUIDELINES**

At all times, Al-Salām REIT shall only invest in Shariah-compliant assets, activities and instruments as advised by the Shariah Committee Members or based on the Islamic REIT Guidelines and Shariah rulings of the SAC of the SC.

In general, the tenants of Al-Salām REIT are required to only operate permissible activities according to the Shariah principles.

The list of Non-Permissible Activities is as follows:

- (i) financial services based on riba (interest);
- (ii) gambling/gaming;
- (iii) manufacture or sale of non-halal products or related products;
- (iv) conventional insurance;
- (v) entertainment activities that are non-permissible according to Shariah requirements;
- (vi) manufacture or sale of tobacco-based products or related products;
- (vii) stockbroking or share trading in Shariah non-compliant securities; and
- (viii) hotel and resorts.

Apart from the activities listed above, the Shariah Committee Members may, if necessary, apply Ijtihad for other activities that may be deemed non-permissible to be included as a criterion in assessing the rental income for Al-Salām REIT.

The Islamic REIT Guidelines stipulate the general Shariah compliance requirements in respect of all Islamic REIT schemes which include the following:

- (i) In general, rental of real estate by Islamic REIT are derived from permissible activities according to the Shariah principles. 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 (for the latest financial year) shall not exceed the 20.0% benchmark as determined by the SAC of the SC.
- (ii) Notwithstanding the 20.0% benchmark, an Islamic REIT is not permitted to own real estate where all tenants operate non-permissible activities.

#### 4. INFORMATION ON AL-SALĀM REIT (Cont'd)

- (iii) In the case of new tenants, the Islamic REIT shall not accept new tenants whose activities are non-permissible.
- (iv) For tenants who operate mixed activities, then the 20.0% 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 Committee Members will base their decision on Ijtihad (the process of reasoning by Islamic jurists to obtain legal ruling from the sources of Shariah).
- (v) All forms of investment, deposit and financing instruments to comply with Shariah principles.
- (vi) 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.

Further, in ensuring compliance with the Shariah rulings, Al-Salām REIT will be operated based on the following modus operandi:

##### (i) **Acquiring real estate with existing tenant(s)**

In acquiring real estate with existing tenant(s), Shariah-compliant assessment must be carried out by the Shariah Committee Members to assess any property to be acquired by Al-Salām REIT. The criteria that have to be observed are set out below:

- (a) In general, the tenant(s) of Al-Salām REIT are required to only operate permissible activities according to the Shariah principles.
- (b) However, in the event that the tenant(s) is found to operate Non-Permissible Activities, additional compliance assessments must be performed to ascertain its compliance as prescribed by the Shariah Committee Members.
- (c) In such a case, rental from each Non-Permissible Activity of the property to be acquired must be obtained and added to obtain the total rental from Non-Permissible Activities.
- (d) Subsequently, the total rental from Non-Permissible Activities will be compared to the total turnover of Al-Salām REIT (latest financial year) of which the percentage of rental from Non-Permissible Activities should not exceed 20.0% of its total turnover for the same financial year.
- (e) In the event that the percentage exceeds 20.0%, the Shariah Committee Members shall advise the Manager not to invest in the said real estate.
- (f) Al-Salām REIT is also not permitted to own real estate in which all the tenants operate Non-Permissible Activities, even if the percentage of rental from that building to the total turnover of Al-Salām REIT is still below the benchmark of 20.0%.

##### (ii) **Renting out real estate to a new tenant(s)**

In general, Al-Salām REIT must not accept a new tenant(s) whose activities are fully non-permissible.

However, in the event that the tenants are found to be operating mixed activities (non-permissible and permissible activities), the Manager will adopt the following method for calculating the portion of rental:



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**4. INFORMATION ON AL-SALĀM REIT (Cont'd)**

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- (a) Calculation of the rental of Non-Permissible Activities from a tenant(s) operating mixed activities can be based on the ratio of area occupied for Non-Permissible Activities to the total area occupied. The percentage will be used as the basis for determining the ratio of rental of Non-Permissible Activities to total rental paid by the tenant(s); and
- (b) For activities that do not involve the usage of space, such as service-based activities, the calculation method will be based on the Ijtihad of the Shariah Committee Members.

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## 5. RISK FACTORS

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An investment in the Units involves risk. Prospective investors should rely on their own evaluation and carefully consider the following risk factors, in addition to other information contained elsewhere in this Prospectus, before investing in the Units.

This Prospectus contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results of Al-Salām REIT could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Prospectus. If any of the risks described herein actually occur, Al-Salām REIT's business, prospects, financial condition, results of operations and ability to make distributions may be negatively affected, the trading price of the Units may decline, and investors may lose all or part of their investment.

Unless specified or quantified in the relevant risk factors set out herein, the Manager is not in a position to quantify the financial or other implication of any of the risks described in this section. In addition, the following risk factors set out below may not be exhaustive and additional risks and uncertainties not presently known to Al-Salām REIT or the Manager, or which are presently deemed to be immaterial may become material in the future, which would have a material adverse effect on Al-Salām REIT or the trading price of the Units.

Given the nature of REITs which aims to produce stable income distributions, investors should not expect to realise a significant proportion of their returns in Al-Salām REIT in the form of capital gains.

Investors should be aware that the trading price of the Units may fluctuate. Investors should also note that they may not fully or at all recoup their original investment in Al-Salām REIT.

### 5.1 RISKS RELATING TO THE SUBJECT PROPERTIES

#### 5.1.1 The Subject Properties may face increased competition from other properties

The Subject Properties are located in areas where other competing properties are present and any newly developed properties in the surrounding areas may also compete with the Subject Properties. The appeal and attractiveness of the Subject Properties to retain and/or attract tenants may diminish in the future, especially if new shopping centres and/or office buildings are built and/or the existing neighbouring properties undergo refurbishment and upgrades whilst the Subject Properties fail to keep pace with new designs and/or enhancements.

The income from, and the market value of the Subject Properties are largely dependent on the ability of the Subject Properties to compete against other properties for tenants. Factors which affect the ability to retain and/or attract tenants include, but are not limited to, the quality of the building's infrastructure, existing tenant mix and demographics of the surrounding areas. Should any existing, refurbished or new property development become more successful than the Subject Properties in attracting tenants, the operations and financial condition of Al-Salām REIT may be adversely affected.

#### 5.1.2 The Subject Properties may require significant capital expenditure that may be beyond the Manager's current estimates and Al-Salām REIT may not be able to secure funding

The Subject Properties may require significant capital expenditure beyond the Manager's current estimates and Al-Salām REIT may not be able to fund the additional required capital expenditure solely from cash derived from its operating activities or obtain additional equity or debt financing on favourable terms. In the event that Al-Salām REIT is unable to procure such financing, the Manager may not have the sufficient funds to refurbish, renovate or improve the Subject Properties, which in turn may adversely affect the rental negotiations and rental rates.

Notwithstanding the above, Al-Salām REIT may also require additional debt and equity financing to fund future expansion and operational needs. Without the required funding, Al-Salām REIT may not be able to sufficiently fund capital improvements, carry out its operations effectively or respond accordingly to competitive pressures.

**5.1.3 Renovation or redevelopment works or physical damage to the Subject Properties may disrupt the operations of the Subject Properties**

Apart from the location of the Subject Properties, the quality and design of the Subject Properties also have a direct influence over the demand for space and the rental rates of the Subject Properties. The Subject Properties may need to undergo renovation or redevelopment works from time to time to retain their competitiveness and may also require unforeseen ad hoc maintenance or repairs in respect of faults or problems that may arise from time to time or due to compliance with new planning laws or regulations. The costs of maintaining these properties and the risk of unforeseen maintenance or repair requirements may tend to increase over time as the building ages. In addition, given the age of some of the Subject Properties, they may be required to undergo regularisation exercises or image enhancements. As a result thereof, the business and operations of these Subject Properties may suffer some disruption and it may not be possible to collect the full or any rental income on the space affected by such renovation or redevelopment works.

In addition, physical damage to the Subject Properties resulting from fire or other causes may potentially lead to a significant disruption to the business and operations of the Subject Properties and, together with the foregoing, may impose unbudgeted costs on Al-Salām REIT and result in an adverse impact on the financial condition and results of operations of Al-Salām REIT and its ability to make distributions.

**5.1.4 Al-Salām REIT has no control over the master title of KOMTAR JBCC and Menara KOMTAR**

KOMTAR JBCC and Menara KOMTAR are part of an integrated development which will in the future, also comprise of an office tower to be named Menara Johor Land, a proposed hotel development and a proposed mosque. All of the above mentioned properties are currently held under one (1) single master title under the Master Title and registered under JCDSB, a wholly-owned subsidiary of the Sponsor.

Until the Master Title is subdivided and separate strata titles are issued in respect of the various components of the said mixed development, legal title to KOMTAR JBCC and Menara KOMTAR will remain registered in the name of JCDSB and accordingly, Al-Salām REIT will only hold beneficial ownership of KOMTAR JBCC and Menara KOMTAR. To mitigate the lack of control over the said properties during the interim period, the Manager of Al-Salām REIT has instructed DASB to commence the application of strata title for the properties. The strata title application with regards to the various components of the said mixed development was submitted to Pejabat Tanah dan Galian Negeri Johor on 29 December 2014. It is envisaged that the strata title for KOMTAR JBCC and Menara KOMTAR will be issued by December 2015, subject to the approval by the relevant authorities. In addition to the above, the Manager has also obtained the following undertaking letters in favour of the Trustee for Al-Salām REIT:-

- (a) a letter dated 6 July 2015 from JCDSB, being the registered proprietor of the Master Title, undertaking, amongst others, that it will act and deal with the Master Title in the best interest of Al-Salām REIT and will not act in the manner which will affect the issuance and transfer of the block strata title of KOMTAR JBCC and Menara KOMTAR to Al-Salām REIT;
- (b) a letter dated 6 July 2015 from DASB, being the beneficial owner of the other properties under the integrated development held under the Master Title, concurring and undertaking, amongst others, that Al-Salām REIT will have majority control over the integrated development; and
- (c) a letter dated 6 July 2015 from JLand, being the beneficial owner of the other properties under the integrated development held under the Master Title, concurring and undertaking, amongst others, that Al-Salām REIT will have majority control over the integrated development.

## 5. RISK FACTORS (Cont'd)

In the event the qualified block strata title of KOMTAR JBCC and Menara KOMTAR is not issued and transferred to Al-Salām REIT, Al-Salām REIT will then only have beneficial ownership over both of the said properties and not legal ownership as the Master Title will still reside with JCDSB. Under such circumstances Al-Salām REIT will not have an indefeasible legal title (being a title or an interest which is free of all adverse claims or encumbrances not noted in the register of title, in the absence of fraud and other vitiating factors as set out in Section 340 of the National Land Code, 1965) to KOMTAR JBCC and Menara KOMTAR.

The above is to a certain extent mitigated with the above undertaking letters by JCDSB, DASB and JLand. For avoidance of doubts, the obligations of JCDSB, DASB and JLand under the above respective undertaking letters will only be deemed to cease upon the successful registration of the transfer of the block strata title for KOMTAR JBCC and Menara KOMTAR to Al-Salām REIT.

In addition to the above, the Manager or Trustee will also take the necessary legal steps to ensure that the interest of Al-Salām REIT and its Unitholders are safeguarded, which include but not limited to, amongst others, entering into a private caveat on the above mentioned Master Title. The private caveat on the Master Title will be lodged by the Trustee on behalf of Al-Salām REIT upon Listing.

However, during the interim period up until the registration of the block strata title of KOMTAR JBCC and Menara KOMTAR to Al-Salām REIT, it is pertinent to note that the legal title to KOMTAR JBCC and Menara KOMTAR will remain registered with JCDSB. Being the legal owner of the Master Title, JCDSB may deal with the Master Title in a manner inconsistent with its obligations under the undertaking letter above, which may then have a material adverse effect on Al-Salām REIT. Such risk is to a certain extent mitigated as JCDSB is an indirect wholly-owned subsidiary of the Sponsor.

### 5.1.5 Certain DASB Properties have tenancy cycles in which a substantial number of tenancies expire in certain years

A substantial number of DASB Properties' tenancies (apart from KFCH College) are for terms of two (2) or three (3) years only. As a result thereof, these DASB Properties will have tenancy cycles where a substantial number of tenancies will expire in certain years as disclosed below:-

Financial Year	KOMTAR JBCC			Menara KOMTAR			@Mart Kempas		
	Number of tenancies expiring	Occupied NLA by expiring tenancies (%)	Percentage of Gross Rental Income expiring (%)	Number of tenancies expiring	Occupied NLA by expiring tenancies (%)	Percentage of Gross Rental Income expiring (%)	Number of tenancies expiring	Occupied NLA by expiring tenancies (%)	Percentage of Gross Rental Income expiring (%)
FYE 2015	-	-	-	11	26	18	6	4	3
FYE 2016	1	*	*	4	2	1	48	17	26
FYE 2017	87	47	78	6	4	4	137	76	67
FYE 2018	15	6	8	-	-	-	7	3	4
FYE 2019	-	-	-	-	-	-	-	-	-
FYE 2020 onwards	2	47	14	5	68	77	-	-	-

In particular, as shown in the above table, 87 tenancies that contribute approximately 78% of the total Gross Rental Income to be derived from KOMTAR JBCC will expire in the FYE 2017. Similarly, 137 tenancies that contribute approximately 67% of the total rental income to be derived from @Mart Kempas will also expire in FYE 2017.

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**5. RISK FACTORS (Cont'd)**

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Given the above concentration of tenancy expiries, Al-Salām REIT is therefore to a certain extent deemed to be materially exposed to the typical risks associated with tenancy expiries, which include, *inter alia*, the risk of non-renewal of tenancies, reduced occupancy rates and lower rental income to be received by Al-Salām REIT.

Hence, there can be no assurance that the above risks will not adversely affect the Al-Salām REIT's financial performance as well as the distributions to Unitholders. To mitigate such risks, the Manager will exercise its best endeavours to actively manage the portfolio of properties through, *inter-alia*, but not limited to, continuously engaging and fostering a good cordial relationship with the tenants as well as ensure that its portfolio of properties remains competitive in terms of the rental and the condition of the properties amongst its competitors.

**5.1.6 Completion of all the SPAs may not occur**

As at the date of this Prospectus, the acquisitions of thirteen (13) QSR Properties which does not require state authority's consent to transfer and/or charge were duly completed on 6 May 2015 in accordance with the terms of the respective SPAs. The acquisitions of DASB Properties and the remaining QSR Properties will be completed on the terms set out in the respective SPAs prior to or on the Listing Date.

There can be no assurance that the remaining SPAs will complete in accordance with their respective terms. The SPAs are subject to their respective conditions precedent, which all may not be satisfied or waived. Further, the Vendors may fail to comply with the terms of the SPAs, including the obligation to complete the sale to Al-Salām REIT. If a SPA is not completed or the relevant Subject Property to which the SPA relates, as well as any other SPAs which are to be completed contemporaneously with that SPA are not completed, the relevant Subject Properties will not comprise part of Al-Salām REIT's portfolio.

**5.1.7 Registration of transfer of the Subject Properties may be delayed**

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. Under the current regime, the registration process could take a number of months to complete or more time may be taken if there are material issues affecting the registration process 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 legal ownership would generally be at the time of presentation of the instrument of transfer.

The registration of the transfer of the Subject Properties in favour of the Trustee will only occur after the following events:-

- (a) the relevant SPAs are deemed unconditional where all the conditions precedent stated therein are duly met and fulfilled, including, amongst others, the approval from the relevant state authorities for the transfer of relevant Subject Properties to Al-Salām REIT; and
- (b) the listing of Al-Salām REIT on the Main Market of Bursa Securities

Given the large number of Subject Properties shall be transferred to the Trustee on behalf of Al-Salām REIT by the relevant Vendors on its listing date, the risk of delay in the transfer of certain Subject Properties may arise which may result in the Trustee being unable to register itself as the registered proprietor of certain Subject Properties on the listing date. Under such circumstances and pursuant to the terms of the relevant SPAs, the Trustee has the option to proceed with the purchase of the relevant Subject Property by having the relevant Vendor to hold the relevant affected Subject Properties as bare trustee on behalf of the beneficial owner, Al-Salām REIT, and the relevant Vendor will carry out the necessary acts to give effect to any dealings by Al-Salām REIT with such Subject Property, as directed by the Trustee on behalf of Al-Salām REIT until the registration of the transfers are duly completed.

Such acts include granting a power of attorney to Al-Salām REIT to effectively deal with the relevant Subject Property as the legal owner.

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**5. RISK FACTORS (Cont'd)**

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**5.1.8 Al-Salām REIT may suffer material losses in excess of takaful proceeds or Al-Salām REIT may not put in place or maintain adequate takaful coverage in relation to the Subject Properties and its potential liabilities to third parties**

The Subject Properties may face risk of suffering physical damage caused by fire, acts of God such as natural disasters or other causes, as well as potential public liability claims from shoppers, contractors and/or tenants.

Should an uninsured loss or a loss in excess of the insured amount occurs, Al-Salām REIT could be required to pay compensation and/or lose capital invested in the Subject Properties as well as anticipated future revenue from that Subject Properties as it may not be able to rent out or sell the affected property. No assurance can be given that material losses in excess of takaful proceeds (if any) will not occur.

In addition, the takaful policies and terms of coverage will be subject to renewal and negotiations on a periodic basis in the future and there is no assurance as to the nature and extent of coverage that will continuously be available on commercially reasonable terms in the future. Any material increase in takaful rates or decrease in available coverage in the future may adversely affect Al-Salām REIT's business, results of operations and financial condition.

**5.1.9 Al-Salām REIT is dependent on third parties for certain services**

Certain services to the Subject Properties, for example, water, electricity and sewerage treatment may be provided by third party service providers or may not be located within the Subject Properties. There is no assurance that the third parties or other parties contracted by the third parties will fulfill their obligations under any contracts of service. Al-Salām REIT is also dependent on the Property Manager for providing property management services, tenancy management services, marketing and marketing coordination services and project management services. Any interruption to such services to the Subject Properties may disrupt business operations of Al-Salām REIT and have a material adverse effect on its business, financial condition, results of operations and prospects.

**5.1.10 Transportation infrastructure near the Subject Properties may be closed or relocated, which could result in a decrease in the income generated by the Subject Properties, and would have an adverse effect on Al-Salām REIT's financial condition and results of operations**

The Subject Properties are currently well served by transportation infrastructure. There is no assurance that such transportation infrastructure will not be closed for a prolonged period of time or relocated in the future. As a result thereof, such closure or relocation may have an adverse effect on the accessibility of the Subject Properties and potentially reduce the flow of traffic, which in turn may then have an adverse effect on the demand and the rental rates of the Subject Properties and have an adverse effect on the financial condition and results of operation of Al-Salām REIT.

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## 5. RISK FACTORS (Cont'd)

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### 5.1.11 The Appraised Values of the Subject Properties are based on various assumptions which may or may not materialise; the price at which Al-Salām REIT is able to sell the Subject Properties in future may be lower than the acquisition value of the Subject Properties

There can be no assurance that the assumptions relied on to derive the Appraised Values of the Subject Properties are accurate measures of the market, and therefore, the said values of the Subject Properties may be evaluated inaccurately. Property valuation in general involves using assumptions, estimates, subjective parameters and/or close proxies. The Independent Property Valuers may have included a subjective determination of certain factors relating to the Subject Properties such as their relative market positions, financial and competitive strengths, and physical condition. The Independent Property Valuers may also have taken into account external factors such as demand and supply, general economic conditions and interest rates.

The valuation of any of the Subject Properties does not guarantee that the future sale price of the Subject Properties to be close to or equivalent to the Appraised Values as values might change and are subject to market conditions as well. The price at which Al-Salām REIT may sell any of the Subject Properties may be lower than the Appraised Value or its purchase consideration.

### 5.1.12 The due diligence exercise on the Subject Properties, tenancies, buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies

Although the Manager has conducted reasonable due diligence investigations on the Subject Properties prior to their acquisitions, there is no assurance that the Subject Properties will not have defects or deficiencies that requires repair or maintenance (including design, construction or equipment defects in the Subject Properties which may require additional capital expenditure, special repair or maintenance expenses) other than those disclosed in this Prospectus.

To a certain extent, such risks are mitigated by the representations, warranties and indemnities granted in favour of Al-Salām REIT by the Vendors in the SPAs. However, these representations, warranties and indemnities are subject to limitations as to their scope and the amount and timing of claims which can be made. Hence, there is no assurance that Al-Salām REIT would be entitled to be reimbursed under such representations, warranties and indemnities for any losses or liabilities suffered or incurred by it as a result of its acquisition of the Subject Properties.

### 5.1.13 Subject Properties which are subject to Bumiputera Restriction in Interest

Out of all the Subject Properties owned by Al-Salām REIT, there are five (5) properties of which are subject to a restriction in interest endorsed on its respective title deed ("**Restricted Properties**"), which reads as follows:

*"Petak-petak bangunan yang didirikan di atas tanah ini apabila sahaja bertukar miliknya kepada seorang Bumiputera/Syarikat Bumiputera maka tidak boleh terkemudian daripada itu dijual, dipajak atau dipindahmilik dengan apacara sekalipun kepada orang Bukan Bumiputera/Syarikat Bukan Bumiputera tanpa persetujuan Pihak Berkuasa Negeri."*

*(Unofficial English translation)*

*"The building parcels constructed on this land which has been transferred to a Bumiputera individual/Bumiputera company shall not be subsequently sold, leased or transferred in any form whatsoever to a non-Bumiputera individual/non-Bumiputera company without the prior approval of the State Authority."*

The abovementioned five (5) properties are namely @Mart Kempas, KFCH College and the KFC drive-through outlets located in Taman Impian Senai, Taman Damansara Aliff and Taman Perling, all of which are located in Johor.

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**5. RISK FACTORS (Cont'd)**

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With the above restriction in interest in the relevant title deeds of the five (5) said properties and taking into consideration that the Trustee is deemed to be a Bumiputera company, it is pertinent to note that the Restricted Properties shall only be disposed to a Bumiputera individual or Bumiputera company ("**Bumiputera Restriction**").

As the Trustee is deemed as a Bumiputera company, the transfer of the Restricted Properties to the Trustee on behalf of Al-Salām REIT did not require the approval of the State Authority of Johor.

Given that the sale of the Restricted Properties is limited to purchasers who are Bumiputera, Al-Salām REIT is exposed to a certain extent the risk of not being able to expediently secure potential purchasers for the Restricted Properties and may also face with limited opportunities to dispose any of the Restricted Properties.

However, in the event Al-Salām REIT is unable to secure any potential purchasers who are Bumiputera and intends to dispose any of the Restricted Properties to a non-Bumiputera individual or non-Bumiputera company in the future, the approval from the State Authority of Johor is duly required to consent for such sale ("**State Authority Consent**"). The Manager had sought the opinion of its Legal Adviser and the Independent Property Valuers on the impact of the Bumiputera Restriction on the Restricted Properties, who had both opined via their letters dated 19 December 2014 and 18 December 2014, respectively on the following:-

- (a) Typically, a sale and purchase agreement in relation to properties without Bumiputera Restriction requires approximately three (3) months to complete whereas properties with Bumiputera Restriction will require approximately nine (9) months to be completed (inclusive of six (6) months to obtain the State Authority Consent as disclosed in item (c) below);
- (b) As part of the requirement of the state authority with regards to the State Authority Consent application, the owner of the Restricted Properties is required to advertise its intention to dispose the said properties in a local newspaper for at least three (3) times prior to the submission of the State Authority Consent application;
- (c) Based on the precedent transactions of transfer of properties with Bumiputera Restrictions, the average time period taken to obtain the State Authority Consent is approximately six (6) months;
- (d) The Bumiputera Restriction is a common feature for the property market industry in Johor. The sale of such properties would not be unreasonably withheld and consent can be obtained within six (6) months. It is also an industry practice that property market and values would not change over a six (6)-month difference in the time period;
- (e) There is no assurance that the Trustee is able to obtain the State Authority Consent for any of the sale of the Restricted Properties. However, the Legal Adviser opine that the State Authority Consent will not unreasonably withhold by the state authority should all the procedures and processes in respect of the State Authority Consent application are fully met and complied with; and
- (f) the Restricted Properties are income generating commercial properties located within well established strategic locations and will be managed by the Manager in accordance with the Guidelines.

Premise on the above, the Legal Adviser and Independent Property Valuers, are of the view that the Bumiputera Restriction will not have any material impact on the salability and market values of the Restricted Properties as at the date of valuation as well as in the future.



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## 5. RISK FACTORS (Cont'd)

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### 5.2 RISKS RELATING TO AL-SALĀM REIT'S OPERATIONS

#### 5.2.1 A significant portion of Al-Salām REIT's revenue will depend on the success and economic viability of its tenants

Al-Salām REIT's financial condition will depend significantly on its ability to continuously rent or lease the Subject Properties to tenants on economically favourable terms. As Al-Salām REIT's income will consist primarily of rental income from the Subject Properties generated from businesses in the foregoing sectors, it will be subject to the general risks associated with investments in each of these sectors, including the risk of a downturn in rental rates and occupancy in the respective sectors. The weakening of the financial position of a significant tenant or a number of small tenants at any one time could have a material adverse effect on Al-Salām REIT's financial condition, including its ability to repay its financing and to make distributions.

Furthermore, the weakening of the financial condition of one or more of Al-Salām REIT's tenants and lessees may cause, amongst others, payment delay, defaults by the tenant under the tenancy agreement and non-renewal of the tenancy upon its expiration.

Therefore, Al-Salām REIT will be significantly dependent upon the success and commercial viability of its tenants and any change in the foregoing events could have a material adverse effect on Al-Salām REIT's financial condition, results of operations and ability to make distributions.

#### 5.2.2 Any breach by the major tenants of their obligations under the tenancy and/or lease agreements may have an adverse effect on Al-Salām REIT

In the event that any major tenants of Al-Salām REIT are unable to pay their rent or breach their obligations under the tenancy and/or lease agreements, the level of distributable amount may be adversely affected. The performance of the major tenants' other businesses could also have an impact on their ability to make rental payments to Al-Salām REIT.

Factors that affect the ability of such major tenants to meet their obligations include, but are not limited to:

- their financial position;
- the local economies where they have business operations;
- the ability of such major tenants to compete with its competitors;
- the ability of such major tenants to attract customers and achieve revenue targets sufficient to cover rental expenses and other operating cost; and
- their ability to conduct and continue to conduct primary business that are permissible according to Shariah.

#### 5.2.3 The Manager may not be able to successfully implement its strategy

The Manager's ability to successfully implement its strategy for Al-Salām REIT will depend on, amongst other factors, its ability to identify suitable investment opportunities that meet its investment criteria and to obtain financing on favourable terms. There can be no assurance that the Manager will be able to successfully implement its investment strategies or that it will be able to do so in a timely and cost-effective manner. Moreover, decisions made by the Manager may cause Al-Salām REIT to incur losses or to be unable to successfully implement business opportunities.

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## 5. RISK FACTORS (Cont'd)

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The Unitholders will have no right or power to participate in the day-to-day management or control of the business of Al-Salām REIT, nor an opportunity to evaluate the Manager's decisions regarding specific strategies used or the investments made by Al-Salām REIT or the terms of any such investment. The failure of the Manager to successfully implement its strategies could have a material adverse effect on Al-Salām REIT's business, financial condition, results of operations and ability to make distributions, and the price of the Units could decrease.

### **5.2.4 Possible change of investment strategies may adversely affect Unitholders' investments in Al-Salām REIT**

Al-Salām REIT's policies with respect to certain activities, including investments and acquisitions, will be determined by the Manager. Unitholders and potential investors should note that, subject to the requirements of the Deed and the Relevant Laws and Requirements, the Manager has wide discretion to determine the investment strategies of Al-Salām REIT and may decide to invest in other types of assets, including any Real Estate Assets, Real Estate-Related Assets, as well as Non-Real Estate-Related Assets. Furthermore, as with other investment decisions, there are risks and uncertainties with respect to the selection of investments and with respect to the investments themselves. Please refer to **Section 13.8** of this Prospectus for further details on the restrictions relating to the investment policies of Al-Salām REIT.

### **5.2.5 Al-Salām REIT is significantly dependent on key personnel of the Manager**

Al-Salām REIT's success is significantly dependent on the efforts, abilities and continued performance of the Manager's senior management team and certain key senior personnel. The insight and experience gained by the Manager and its key employees from their management of the Subject Properties may be difficult to replace should the Manager or any of its key employees leave their position. These key personnel may, in the future, leave the Manager or compete with the Manager or Al-Salām REIT. Accordingly, the loss of any of these individuals or one or more of the Manager's other key employees could have a material adverse effect on Al-Salām REIT's business, results of operations and financial condition.

### **5.2.6 The amount Al-Salām REIT may finance is limited, which may affect the operations and expansion of Al-Salām REIT**

Under the REIT Guidelines, Al-Salām REIT is only permitted to finance up to 50.0% of its Total Asset Value at the time the financing is incurred. Notwithstanding the limitation, the financing limit may be increased with the Unitholders' approval by way of ordinary resolution in accordance with the REIT Guidelines and the Deed. From time to time, Al-Salām REIT may need to incur additional debt or equity financing to fund future expansion, operational needs and debt service payments or other purposes but may be unable to do so due to the effective financing limits.

In the event Al-Salām REIT does not obtain the necessary approval to incur additional financing in the future, Al-Salām REIT may be unable to proceed with its strategies and may face adverse business consequences as a result of this limitation on its future financing.

### **5.2.7 Al-Salām REIT will depend on external financing and its ability to pay distributions may be adversely affected by its current or future loan agreements or any financing rate fluctuations**

Upon Listing, based on the Pro Forma Statement of Financial Position disclosed in **Section 7** of this Prospectus, Al-Salām REIT will have total indebtedness of approximately RM345.71 million representing approximately 38.28% of the Total Asset Value. Al-Salām REIT's actual indebtedness upon Listing is subject to the actual proceeds to be raised under the Initial Public Offering. In relation thereto, Al-Salām REIT is therefore exposed to the risks associated with existing and future debt financing, including sufficiency of cash flows to meet the required payments of the financing and its related financing rates. Please refer to **Section 3.8** of this Prospectus for further details on the debt financing of Al-Salām REIT.

It is the intention of the Manager to distribute at least 90% of Al-Salām REIT's Distributable Income to Unitholders. As a result, Al-Salām REIT may not be able to meet all of its obligations to repay any future financing through its cash flow from operations. Al-Salām REIT may also be required to repay maturing debts with funds from additional debt or equity financing. However, there is no assurance that Al-Salām REIT can obtain such financing on acceptable terms.

Notwithstanding the above, fluctuations of the financing rates could also significantly affect Al-Salām REIT's financial condition and results of operations. The financing rates of the Al-Salām REIT may change from time to time as it is based on the cost of funds of the respective lenders. Any material increase in the rates for Al-Salām REIT's existing or future financing may have an adversely impact on Al-Salām REIT's results of operations, planned capital expenditure and cash flows.

**5.2.8 The illiquidity of real estate investments and the lack of alternative uses for the Subject Properties could significantly limit the ability of Al-Salām REIT to sell the Subject Properties in a timely manner**

Al-Salām REIT's ability to promptly sell any of its Subject Properties or to vary its investment portfolio in response to changing economic, financial and investment conditions may be limited. The market for acquiring/disposing of commercial retail, office or industrial properties has traditionally not been very active or liquid in Malaysia and is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond Al-Salām REIT's control.

In addition, the Subject Properties may not readily be converted to alternative uses if they were to become unprofitable due to competition, age, decreased demand or other factors. The conversion of a retail, office or industrial property to alternative uses would also generally require substantial capital expenditure. While the Manager believes that the presence of Al-Salām REIT in the market and the establishment of other REITs have the potential to create an opportunity to improve liquidity and encourage more active trading of real estate in the future, there can be no assurance that such developments will occur as envisaged or at all.

**5.2.9 The Subject Properties are subject to the risk of non-renewal of expiring tenancies**

The lease or tenancy agreements for the Subject Properties are as follows:

- (a) the master lease agreements for QSR Properties stipulate a term of three (3) years with the right to renew the said leases every three (3) years up to a maximum period of fifteen (15) years. Under the master lease agreements, Al-Salām REIT will also grant the lessee with an option to renew the lease for a further period of fifteen (15) years subject to the terms and conditions contained in the respective master lease agreements; and
- (b) whereas in respect of DASB Properties, existing tenancy agreements will either novated/ assigned to the Trustee on the Completion Date.

As a result, a number of the Subject Properties may experience periods during which a significant number of tenancies may expire. This frequency of renewals and manner of rent calculation make Al-Salām REIT susceptible to rental market fluctuation which, in a declining market, may lead to higher vacancies and lower rental rates and lower rental income, which will in turn reduce the revenue of Al-Salām REIT. The tenants may not renew their tenancies at all or, because of market conditions, may only be able to renew their tenancies on terms that are less favourable to Al-Salām REIT than the terms of the current tenancies. If the rental rates upon renewal or re-letting are significantly lower than expected rates, then Al-Salām REIT's results of operations and financial condition will be adversely affected. Furthermore, if a tenancy is terminated or not renewed, there can be no assurance that Al-Salām REIT will be able to re-let the vacant units on the same terms as previously achieved.

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## 5. RISK FACTORS (Cont'd)

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### 5.2.10 Al-Salām REIT will be subject to increases in operating and other expenses

Al-Salām REIT's operations will be subject to increases in expenses due to a number of factors including, but not limited to, the following:

- increase in repair and maintenance costs;
- change in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies;
- increase in quit rent, assessments and other statutory charges;
- increase in service provider charges and labour costs;
- increase in the rate of inflation;
- adverse changes in the cost of existing and future debt financing;
- increase in takaful rates; and
- increase in the cost of utilities, which are to be solely borne by Al-Salām REIT

Additionally, capital expenditures and other expenses may be irregular since continuing repairs and maintenance involve significant, and potentially unpredictable expenditures. Both the amount and timing of such expenditures will have an impact on the cash flow of Al-Salām REIT. If the Subject Properties do not generate revenue sufficient to meet operating expenses, debt service levels and capital expenditures, Al-Salām REIT's income and ability to make distributions will be materially and adversely affected.

### 5.2.11 Risks relating to natural disasters and other acts of God, terrorist activity and war could adversely affect Al-Salām REIT's revenues

Al-Salām REIT will be subject to risks such as natural disasters or other acts of God in locations where Al-Salām REIT owns the properties as well as areas from which its tenants draw a large number of customers, which could cause a decline in the level of business and leisure travel and reduce the demand for the properties. Actual or threatened war, terrorist activity, political unrest, civil strife and other geopolitical uncertainty may have a similar effect. Any one or more of these events may reduce the overall demand for or Al-Salām REIT's revenue from the Subject Properties, which could have a material adverse effect on its results of operations, financial condition and ability to make distributions. Events could also cause damage to the Subject Properties, which may not be covered by takaful.

### 5.2.12 Al-Salām REIT is subject to third-party litigation risk by shoppers, contractors and tenants of the Subject Properties which could result in significant liabilities damage to Al-Salām REIT's reputation

Al-Salām REIT is exposed to the risk of litigation or claims by shoppers, contractors or tenants of the Subject Properties, which may arise for a variety of reasons, including accidents or injuries that may be suffered by them while at the Subject Properties, tenants' inability to enjoy the use of the Subject Properties in accordance with the terms of their tenancy and Al-Salām REIT's failure to perform any of its obligations under any tenancy, construction or other contract or agreement entered into with contractors, tenants or other third parties. If Al-Salām REIT is required to bear all or a portion of the costs arising out of such litigation, this may have a material adverse effect on Al-Salām REIT's business, financial condition, results of operations and prospects.

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## 5. RISK FACTORS (Cont'd)

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### 5.2.13 Al-Salām REIT is a newly established entity without an established operation history

Al-Salām REIT was established on 30 March 2015. Notwithstanding that the Manager have had experience in the operation and management of a REIT by virtue of them being the Manager of Al-`Aqar REIT, Al-Salām REIT has no sufficient operation history by which its performance may be judged. The lack of an established operation history may make it more difficult for investors to assess Al-Salām REIT's future performance.

There is no assurance that Al-Salām REIT will be able to generate sufficient income from operations to make distribution or that such distributions (if any) will be in line with those set out in Section 7.5 "Profit Forecasts" of this Prospectus. Pro forma financials and past financial results are not indicative of future results.

### 5.2.14 Political, economic and social developments in Malaysia may adversely affect Al-Salām REIT

Al-Salām REIT's business, prospects, financial condition and results of operations may be adversely affected by political, economic and social developments in Malaysia. Other political and economic uncertainties include but are not limited to the risks of war, terrorism, riots, renegotiations or nullification of existing contracts, and changes in interest rates, foreign exchange rates, methods of taxation and import duties and restrictions. Any change in Government policy, changes to senior positions within the Government and parliament, or any political instability in Malaysia or other countries that may arise from these changes may have a material adverse effect on Al-Salām REIT.

### 5.2.15 Al-Salām REIT may not meet the requirements to enjoy tax exemptions under Section 61A of the Income Tax Act, 1967 (the "Income Tax Act") by virtue of, amongst others, tax adjustments or changes in tax laws.

Pursuant to Section 61A of the Income Tax Act, a REIT is exempted from income tax for the relevant year of assessment provided that it distributes at least 90.0% of its total income to its Unitholders in the basis period of the REIT for the relevant year of assessment. The Malaysia Inland Revenue Board (the "MIRB") has given a concession for such distribution to be made within two months after the close of the financial year which forms the basis period for the tax assessment of the REIT. Where the abovementioned conditions pursuant to Section 61A of the Income Tax Act are met, Al-Salām REIT will be exempted from Malaysian income tax. However, Al-Salām REIT will be required to withhold tax on taxable income distributed to Unitholders.

There is no assurance that Al-Salām REIT will be able to comply with the requirements to enjoy tax exemptions under Section 61A of the Income Tax Act. In the event of a tax audit, the MIRB may make an upward adjustment to the total income of Al-Salām REIT, which may result in Al-Salām REIT no longer satisfying the 90.0% threshold requirements of Section 61A of the Income Tax Act. Moreover, if Al-Salām REIT was not originally exempted under Section 61A of the Income Tax Act, an upward adjustment to total income would result in Al-Salām REIT being subject to additional tax.

The Malaysia tax laws may be subject to change from time to time. In particular, the pre-requisites for tax exemption may change to become more difficult to meet, such that Al-Salām REIT would be more likely to be subject to tax or the tax exemption for Malaysian REITs may not be removed altogether.

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**5. RISK FACTORS (Cont'd)**

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**5.2.16 Al-Salām REIT may be constrained in its operations and investments by Shariah principles compared to conventional REITs**

In addition to the laws and regulations applicable to a conventional REIT, the Manager has to manage Al-Salām REIT in a manner compliant with Shariah principles and the Islamic REIT Guidelines. The Islamic REIT Guidelines impose certain restrictions on Al-Salām REIT, including, amongst others, restrictions on the types of properties which Al-Salām REIT can invest in, the types of tenants which the properties can be leased to, the takaful which Al-Salām REIT can purchase and the use of deposit and financing facilities and risk management solutions that are not Shariah-compliant.

As a result, Al-Salām REIT may be constrained in its operations by any unavailability of Shariah-compliant properties, tenants, takaful, deposit and financing facilities and risk management solutions. Moreover, there is no guarantee that such Shariah-compliant options will always be available at the same quantum or the same pricing to Al-Salām REIT as conventional options. This may affect Al-Salām REIT's business, competitiveness and results of operations.

**5.2.17 The Subject Properties may be acquired compulsorily**

Under the Land Acquisition Act 1960, the State Authority has the power to acquire any land, whether in whole or in part, which is needed:

- (i) for any public purpose;
- (ii) by any person or corporation for any purpose which, in the opinion of the State Authority, is beneficial to the economic development of Malaysia or any part thereof or to the public generally or any class of the public; and
- (iii) for the purpose of mining or for residential, agricultural, commercial, industrial or recreational purposes or any combination of such purpose.

In the event of any compulsory acquisition of property in Malaysia, 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. The market value of the Subject Properties as determined by the State Authority may be lower than the market value as determined by the independent property valuer appointed by Al-Salām REIT.

Further, if any of the Subject Properties were acquired compulsorily by the State Authority at a point in time when the market value of the Subject Properties has decreased, the level of compensation paid to Al-Salām REIT might be less than the price which Al-Salām REIT paid for such Subject Properties, which may have an adverse effect on the trading price of the Units and Al-Salām REIT's business, financial condition, results of operations and prospects. If the compulsory acquisition concerned a material section of the Subject Properties such as retail space, car park areas and/or access areas to the Subject Properties, the business and operation of the Subject Properties may be adversely affected, which in turn may result in a reduction of Total Revenue and the market value of the Subject Properties.

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## 5. RISK FACTORS (Cont'd)

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### 5.3 RISKS RELATING TO AN INVESTMENT IN THE UNITS

#### 5.3.1 The actual performance of Al-Salām REIT and the Subject Properties could differ materially from the forward-looking statements in this Prospectus

The Prospectus contains forward-looking statements regarding, amongst others, forecast and projected distribution/yield levels. These forward-looking statements are based on a number of assumptions which are deemed to be reasonable as at the date of this Prospectus and subject to uncertainties and contingencies which are outside of the Manager's control. As the actual results may differ materially from the Profit Forecasts, investors are advised to read and understand the assumptions, uncertainties and contingencies underlying the Profit Forecasts as set out in **Section 7.5.1** of this Prospectus. Al-Salām REIT's ability to achieve the forecast and projected distributions/yields is subject to events and circumstances assumed which may not occur as expected, or events and circumstances not anticipated which may arise.

No assurance is given that the assumptions will be realised and the actual distributions/yields will be as forecast.

In addition, certain forward-looking statements regarding Al-Salām REIT 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 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 of warranty by the advisers or the Manager, that the plans and objectives of Al-Salām REIT will be achieved.

#### 5.3.2 The Units have never been publicly traded and the listing of the Units on the Main Market of Bursa Securities may not result in an active or liquid market for the Units

There is no public market for the Units prior to the Initial Public Offering and an active public market for the Units may not develop or be sustained after the Listing, Bursa Securities' approval for the admission of all the issued Units of Al-Salām REIT to the Official List of the Main Market of Bursa Securities and for the listing of an quotation for all the issued Units was obtained on 6 August 2015. However, listing and quotation does not guarantee that a trading market for the Units will develop or, if a market does develop, the liquidity of that market for the Units. Prospective Unitholders must be prepared to hold their Units for an indefinite length of time.

Furthermore, it may be difficult to assess Al-Salām REIT's performance against either domestic or international benchmarks. The REIT market in Malaysia is relatively undeveloped which could lead to a lack of liquidity for the Units and a general lack of investor demand for Malaysia REITs such as Al-Salām REIT. There can be no assurance that an active market for REITs will develop in Malaysia.

#### 5.3.3 The price of the Units may decline after the Listing

The IPO Price of RM1.00 per Offer Unit was determined and agreed upon by the Manager together with the Principal Adviser, the Sole Underwriter and the Joint Placement Agents and may not be indicative of the market price for the Units upon completion of the Listing. The trading price of the Units will depend on many factors, including, but not limited to:

- (i) the perceived prospects of Al-Salām REIT's business and investments and the Malaysian real estate market;
- (ii) differences between Al-Salām REIT's actual financial and operating results and those expected by investors and analysts;
- (iii) changes in analysts' recommendations or projections;
- (iv) changes in general economic or market conditions;

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**5. RISK FACTORS (Cont'd)**

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- (v) the market value of the Assets of Al-Salām REIT;
- (vi) the perceived attractiveness of the Units against those of other equity securities, including those not in the real estate sector;
- (vii) the balance of buyers and sellers of the Units;
- (viii) the size and liquidity of the Malaysian REIT market;
- (ix) any changes to the regulatory system, including the tax system, both generally and specifically in relation to Malaysian REITs;
- (x) the ability on the Manager's part to implement successfully its investment and growth strategies; and
- (xi) broad market fluctuations, including increases in interest rates and weakness of the equity and debt markets.

Units may trade at prices that are higher or lower than the NAV per Unit. To the extent that Al-Salām REIT retains operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of its underlying assets, may not correspondingly increase the market price of the Units. Any failure on Al-Salām REIT's part to meet market expectations with regards to future earnings and cash distributions may adversely affect the market price for the Units.

In addition, the Units are not capital-protected/guaranteed products. There is no guarantee that Unitholders can regain the amount invested. If Al-Salām REIT is terminated or liquidated, investors may lose all or a part of their investment in the Units.

**5.3.4 There can be no assurance that Al-Salām REIT will be able to make distributions or maintain any given level of distributions**

The Net Property Income earned from real estate investments depends on, amongst other factors, the amount of rental income received and the amount of operating and other expenses incurred. If the Subject Properties and any other assets held by Al-Salām REIT from time to time do not generate sufficient Net Property Income and Al-Salām REIT is unable to obtain financing from the market in a timely and cost-effective manner, Al-Salām REIT's income, cash flow and ability to make distributions will be adversely affected.

No assurance can be given as to Al-Salām REIT's ability to make or maintain distributions. In addition, no assurance can be given that the level of distributions will increase over time, or that there will be increases in rent under the tenancies of the Subject Properties, that vacated properties will be re-rented or that the receipt of rental revenue in connection with any expansion of the properties or future acquisitions of properties will increase Al-Salām REIT's income available for distribution to Unitholders.

**5.3.5 Al-Salām REIT's Pro Forma Statement of Financial Position and Pro Forma Net Property Income included herein may not reflect actual financial position and results**

Al-Salām REIT's Pro Forma Statement of Financial Position have been prepared to show the effects of the Acquisitions and the Initial Public Offering, based on the assumption that the events have been effected on the date of establishment of Al-Salām REIT. As Al-Salām REIT's Pro Forma Statement of Financial Position are prepared for illustrative purposes only, such information, because of its nature, do not give a true picture, of the effects of the formation of Al-Salām REIT on the financial position of Al-Salām REIT had the events occurred at the balance sheet date. Further, such information does not purport to predict Al-Salām REIT's future financial position.



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## 5. RISK FACTORS (Cont'd)

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Al-Salām REIT's Pro Forma Net Property Income included in this Prospectus have been prepared on an aggregate basis on the assumption that the Subject Properties have been operated under Al-Salām REIT throughout and as at the periods and dates presented. The Pro Forma Net Property Income is also not necessarily indicative of the results of operations that would have been attained had Al-Salām REIT actually existed earlier.

### 5.3.6 There may be a delay or failure in Listing of the Units

The occurrence of any one or more of the following events may cause a delay in or failure of the Listing of the Units on the Main Market of Bursa Securities:

- (i) The identified investors under the Institutional Offering fail to subscribe for the portion of the Units allocated to them;
- (ii) The Sole Underwriter exercise their rights pursuant to the Underwriting Agreement, as the case may be, to discharge themselves from their obligations thereunder; or
- (iii) Al-Salām REIT being unable to meet the public spread requirement as determined by Bursa Securities, including at least 25% of the total number of Units in the hands of a minimum of 1,000 public Unitholders holding not less than 100 Units each upon completion of the Initial Public Offering and at the point of Listing.

If the Initial Public Offering is not completed and/or Manager decides in its absolute discretion not to proceed with the Listing, any monies paid in respect of all applications for the Offer Units will be refunded in compliance with the provision of sub-section 243(2) of the CMSA.

### 5.3.7 The Manager is not obliged to redeem the Units

Unitholders have no right to request the Manager to redeem their Units. Accordingly, apart from selling their Units through trading on the Main Market, Unitholders may not be able to realise their investments in the Units.

### 5.3.8 Unitholders who do not or are not able to participate in the future equity financing by Al-Salām REIT will experience a dilution of their interest in Al-Salām REIT

If Unitholders do not or are not able to participate in any future equity fund raising, such as rights issues or private placements, their proportionate interest in Al-Salām REIT will be diluted. Any consideration received by such Unitholders in exchange for any rights under future equity fund raisings may not be sufficient to compensate for the dilution of their unitholdings as a result of the equity fund raising.

### 5.3.9 There is no assurance that the Units will remain listed on Bursa Securities and/or not be suspended from trading

Although it is intended that the Units will remain listed on Bursa Securities, there is no guarantee of the continued listing of the Units. Amongst other factors, Al-Salām REIT may not continue to satisfy the public spread requirements under the Listing Requirements. Accordingly, Unitholders will not be able to sell their Units through trading on Bursa Securities if the Units are no longer listed on Bursa Securities and/or are suspended from trading for an indefinite period. Under such circumstances, Al-Salām REIT may be terminated and wound up in accordance with the Deed. Please refer to **Section 13.20** "Termination and Winding-up of Al-Salām REIT" of this Prospectus for further details.