

## 6. THE SUBJECT PROPERTIES

### 6.1 ACQUISITIONS BY AL-SALĀM REIT

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:-**

<sup>(1)</sup> The market value of the Subject Properties as appraised by the Independent Property Valuers.

<sup>(2)</sup> The RM equivalent of the number of Consideration Units to be issued at the issue price of RM1.00 per Unit.

<sup>(3)</sup> 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.

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.

### 6.2 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. The strategy to achieve these objectives is set forth under **Section 4.3** "Strategies" of this Prospectus. 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.

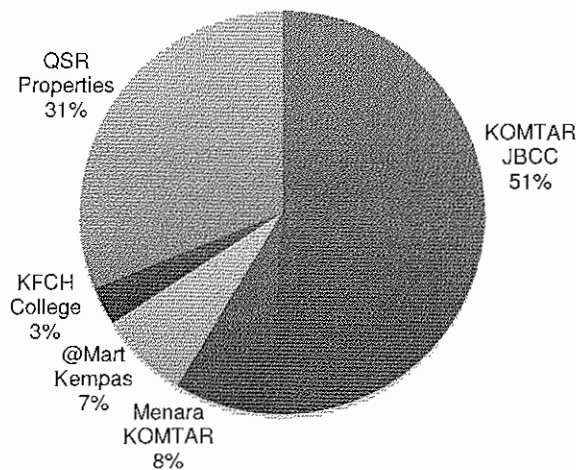
**6. THE SUBJECT PROPERTIES (Cont'd)**

Al-Salām REIT's initial property portfolio will consist of the Subject Properties, namely:

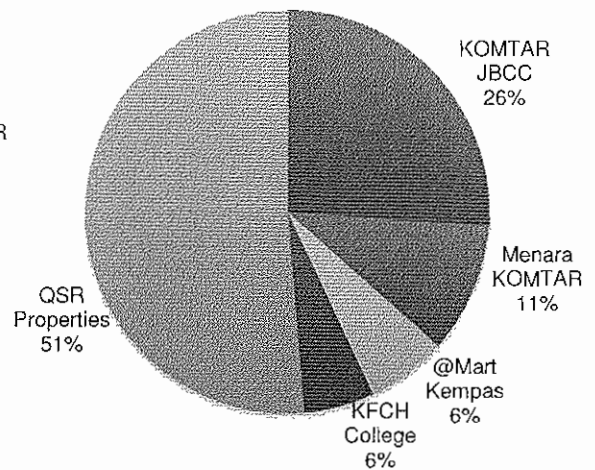
- (i) *KOMTAR JBCC*: a four (4)-level shopping mall together with an allocation of 1,187 car park bays and 480 motorcycle bays located in Johor Bahru City Centre, Johor Bahru, Johor;
- (ii) *Menara KOMTAR*: a twenty five (25)-storey office building together with 145 car park bays located in Johor Bahru City Centre, Johor Bahru, Johor;
- (iii) *@Mart Kempas*: a single-storey hypermarket known as "@Mart Kempas Community Hypermarket" located within Kempas, Johor Bahru, Johor;
- (iv) *KFCH College*: a four (4)-storey building known as "KFCH International College" located in Bandar Dato' Onn, Johor Bahru, Johor; and
- (v) *QSR Properties*: twenty seven (27) properties held by the QSR Vendors, comprising restaurant properties and non-restaurant properties.

The Subject Properties consist of approximately 1.91 million sq. ft. and approximately 1.52 million sq. ft. of GFA and NLA respectively, with an Appraised Value of RM903.14 million.

**Categories of Subject Properties by Market Value**



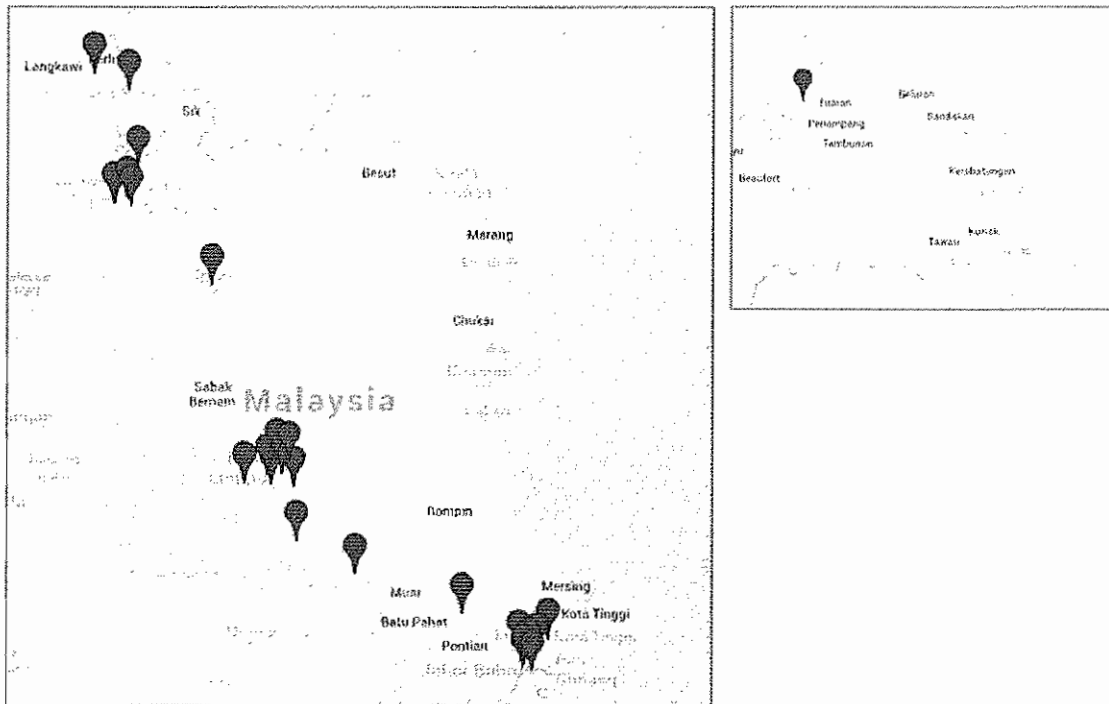
**Categories of Subject Properties by NLA**



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**6. THE SUBJECT PROPERTIES (Cont'd)**

The Subject Properties are located in Malaysia at the locations depicted in the maps below:



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**6. THE SUBJECT PROPERTIES (Cont'd)**

The following table sets forth certain key information relating to the DASB Properties as at 1 June 2015:

No.	Name and address	Land area (sq. ft.)	Tenure • Date of expiry of lease	Title information	Encumbrances • Restriction in interest • Express conditions	Type / Age of Building	Date of valuation / update valuation	Appraised Value (RM'000)	Purchase consideration (RM'000)	NLA/GFA (sq. ft.)	No. of tenancies	Occupancy rate (%)	No. of parking bays
1.	<u>KOMTAR JBCC</u> <sup>(1)(2)</sup> Johor Bahru City Centre, 80000 Johor Bahru, Johor	(4) Not applicable	• Freehold	Parent Lot 14530, Title No. GRN 44587 situated in Town and Daerah Johor Bahru, Johor	• Note 1	4-level shopping mall / Less than a year as CCC was obtained on 17 July 2014	18 July 2014 / 1 June 2015	462,000	462,000	401,623 / 623,374	105	81	1,187 car park bays and 480 motorcycle bays
2.	<u>Menara KOMTAR</u> <sup>(1)(2)</sup> Johor Bahru City Centre, 80000 Johor Bahru, Johor	(4) Not applicable	• Freehold	Parent Lot 14530, Title Nos. GRN 44587 situated in Town and Daerah Johor Bahru, Johor	• Note 1	25-storey office building / 36 years as CF was obtained on 8 March 1979 (Targeted completion of the external refurbishment works by end of 2015)	18 July 2014 / 1 June 2015	70,000	70,000	160,592 / 242,195	26	96	145 car park bays
3.	<u>@Mart Kempas</u> Premises No. 10, Jalan Persiaran Tanjung, Taman Cempaka, 81200 Johor Bahru, Johor	501,961	• Leasehold 99-year • Expiring on 23 January 2106	PTD No. 165998, Title No. HS(D) 510051 situated in Mukim Tebrau, Daerah Johor Bahru, Johor	• Note 2	A single storey hypermarket / 4 years as CCC was obtained on 28 December 2010	15 April 2014 / 1 June 2015	65,000	65,000	98,083 / 164,460	198	91	478 car park bays and 221 motorcycle bays
4.	<u>KFCH College</u> <sup>(1)(3)</sup> No.1, Jalan Dato' Onn 1, Bandar Dato' Onn, 81100 Johor Bahru, Johor	87,123	• Freehold	PTD No. 180682, Title No. H.S.(D)539995 situated in Mukim Tebrau, Daerah Johor Bahru, Johor	• Note 3	4-storey college building / 4 years as CCC was obtained on 8 October 2010	15 April 2014 / 1 June 2015	28,200	28,200	85,799 / 92,157	1	100	131 car park bays, 2 disabled car park bays and 18 motorcycle bays

Notes:-

(1) KOMTAR JBCC, Menara KOMTAR and KFCH College are beneficially owned by DASB.

**6. THE SUBJECT PROPERTIES (Cont'd)**

- (2) DASSB is the beneficial owner of Menara KOMTAR and KOMTAR JBCC pursuant to the sale and purchase agreement entered between JCorp as the vendor, Damansara Town Centre Sdn Bhd ("DTCSSB") (the previous name of DASSB) as the purchaser and JCDSB as the proprietor, dated 23 November 2005 wherein JCorp had sold to DASSB, the land held under the Master Title together with the building erected thereon. DASSB is the beneficial owner of land and buildings pending the transfer of the Master Title from JCDSB to DASSB.
- (3) DASSB is the beneficial owner of KFCH College pursuant to the sale and purchase agreement entered into between JLand and DASSB dated 31 December 2008 wherein JLand had sold part of PTD 84134, Bandar Dato' Onn to DASSB. A new title for KFCH College was issued on 20 July 2014, which bears particulars HS(D) 539995, PTD 180682, Mukim Tebrau, Daerah Johor Bahru, Johor and registered under the name of JLand.
- (4) KOMTAR JBCC and Menara KOMTAR form part of an integrated development which will comprise of a proposed lower known as "Menara Johor Land", a proposed hotel and a proposed mosque (collectively known as "JBCC Integrated Development"). The JBCC Integrated Development is held under the Master Title. On 29 December 2014, the said Master Title was submitted to the relevant authorities for sub-division into four (4) individual strata titles. Upon completion of the sub-division, KOMTAR JBCC and Menara KOMTAR including the development components of JBCC Integrated Development will have their respective individual strata title.

	<b>Encumbrances</b>	<b>Restriction in interest</b>	<b>Express Conditions</b>
Note 1	Charged by JCDSB Bank to Pambangunan Malaysia Berhad, registered on 8 April 2014	(i) The land shall not be sold, leased, charged or transferred in any way whatsoever including by way of any letter of agreement which operate to release or sell the land without the consent of the State Authority.	(i) The land shall only be used for complex/ parking complex /commercial complex, constructed in accordance with the building plans approved by the relevant local authority. (ii) All effluents or wastages from activity therefrom shall be channelled to or disposed at designated places determined by the relevant authority. (iii) All policies and terms determined or enforced by the relevant authority from time to time must be adhered to.
Note 2	Charged twice by DASSB to Asian Finance Bank Berhad, registered on 5 June 2013	(i) The proprietor is not allowed to sell the units (parcel) of the building that will be built on the land unless the construction on the building in accordance to the building plans approved by the relevant local authority has commenced. (ii) Any parcel built on the land, whenever it's ownership is transferred to a Bumiputera individual or a Bumiputera company therein shall not be sold, leased or transferred in any way whatsoever to a Non-Bumiputera individual or Non-Bumiputera company without the consent of the State Authority. (iii) Any parcel which is built on the land shall not be sold, leased or transferred in any way whatsoever to a foreign individual or foreign company without the consent of the State Authority.	(i) The land shall only be used for multi level commercial building, constructed in accordance with the building plans approved by the relevant local authority. (ii) All effluents or wastages from activity therefrom shall be channelled to or disposed at designated places determined by the relevant authority. (iii) All policies and terms determined or enforced by the relevant authority from time to time must be adhered to.
Note 3	Assigned in favour of Al-Rajhi Banking & Investment Corporation (Malaysia) Berhad	(i) The proprietor is not allowed to sell the units (parcel) of the building that will be built on the land unless the construction on the building in accordance to the building plans approved by the relevant local authority has commenced. (ii) Any parcel built on the land, whenever it's ownership is transferred to a Bumiputera individual or a Bumiputera company therein shall not be sold, leased or transferred in any way whatsoever to a Non-Bumiputera individual or Non-Bumiputera company without the consent of the State Authority. (iii) Any parcel which is built on the land shall not be sold, leased or transferred in any way whatsoever to a foreign individual or foreign company without the consent of the State Authority.	(i) The land shall only be used for multi level commercial building, constructed in accordance with the building plans approved by the relevant local authority. (ii) All effluents or wastages from activity therefrom shall be channelled to or disposed at designated places determined by the relevant local authority. (iii) All policies and terms determined or enforced by the relevant authority from time to time must be adhered to.

**6. THE SUBJECT PROPERTIES (Cont'd)**

The following table sets forth certain key information relating to the QSR Properties as at 1 June 2015:

No	Address	Land area (sq. ft.)	Tenure • Date of expiry of lease	Title information	Encumbrances • Restriction in interest • Express conditions	Type / Age of Building	Date of valuation / update valuation	Appraised Value (RM'000)	Purchase consideration (RM'000)	NLA/ GFA (sq. ft.)	No. of parking bays
<b>Restaurant Properties</b>											
<b>(i) Restaurants located at shop houses/offices</b>											
1.	Premise No. 34, Jalan Mahsuri, Bandar Bayan Baru, 11950 Bayan Lepas, Pulau Pinang	4,811	<ul style="list-style-type: none"> <li>Leasehold 99 years</li> <li>Expiring on 15 May 2090</li> </ul>	PN 2263, Lot No. 9538 situated in Mukim 12, Daerah Barat Daya, Pulau Pinang	Note 1	2-storey mid terraced shop with extra land (KFC Outlet) / 22 years as CF was obtained on 12 February 1993	9 January 2014 / 25 May 2015	3,700	3,700	6,345/ 6,935	N/A
2.	Premise Nos. 60 & 62, Jalan PJS 11/28A, Bandar Sunway, 46150 Petaling Jaya, Selangor	3,789	<ul style="list-style-type: none"> <li>Leasehold 99 years</li> <li>Lot nos. 46464 &amp; 46465</li> <li>Expiring on 28 December 2092</li> <li>PT Nos. 17192 &amp; 17193</li> <li>Expiring on 11 March 2095</li> </ul>	PN 72423 and PN 72424, Lot Nos. 46464 and 46465 situated in Bandar Sunway, Daerah Petaling, Selangor HS(M) 9319 and HS(M) 9320, PT No. 17192 and PT No. 17193 situated in Mukim Damansara, Daerah Petaling, Selangor	Note 2	2 contiguous units of 4-storey mid and corner terraced shop/offices (KFC Outlet) / 19 years as CF was obtained on 18 January 1996	7 February 2014 / 29 May 2015	7,800	7,800	13,037/ 14,770	N/A
3.	Premise No. 5, Bangunan Joota Brothers, Jalan Sungai Korok, 06000 Jitra, Kedah	1,240	<ul style="list-style-type: none"> <li>Freehold</li> </ul>	HS(D) 17607, PT No. 740 situated in Bandar Jitra, Daerah Kubang Pasu, Kedah	Note 3	2-storey mid terraced shop/office (KFC Outlet) / 23 years as CF was obtained on 5 October 1992	22 January 2014 / 26 May 2015	490	490	2,223/ 2,480	N/A

**6. THE SUBJECT PROPERTIES (Cont'd)**

No	Address	Land area (sq. ft.)	<ul style="list-style-type: none"> <li>Tenure</li> <li>Date of expiry of lease</li> </ul>	Title information	<ul style="list-style-type: none"> <li>Encumbrances</li> <li>Restriction in interest</li> <li>Express conditions</li> </ul>	Type / Age of Building	Date of valuation / update valuation	Appraised Value (RM'000)	Purchase consideration (FM'000)	NLA/ GFA (sq. ft.)	No. of parking bays
4.	Premise No. 1 & 1-1 Jalan Niaga, 81900 Kota Tinggi, Johor	2,273	<ul style="list-style-type: none"> <li>Leasehold 99 years</li> <li>Expiring on 14 May 2085</li> </ul>	HSD 19846, PTB 3315 situated in Bandar & Daerah Kota Tinggi, Johor	Note 4	2-storey corner terraced shop/office (Pizza Hut Outlet) / 11 years as CF was obtained on 24 July 2004	15 January 2014 / 29 May 2015	800	800	2,614/ 3,080	N/A
5.	Premise No. 3, 3A & 3B, Jalan Resam 13, Taman Bukit Tiram, 81800 Ulu Tiram, Johor	1,540	<ul style="list-style-type: none"> <li>Freehold</li> </ul>	GRN 343903, Lot No. 107789 situated in Mukim Tebrau, Daerah Johor Bahru, Johor	Note 5	3-storey terraced shop/office (Pizza Hut Outlet) / 5 years as CCC was obtained on 26 April 2010	7 January 2014 / 29 May 2015	820	820	4,019/ 4,620	N/A
6.	Premise No. 1, Jalan Bandar Baru 1, Pusat Bandar Baru Ayer Hitam, 86100 Ayer Hitam, Johor	3,312	<ul style="list-style-type: none"> <li>Leasehold 93 years</li> <li>Expiring on 16 July 2101</li> </ul>	HSD 57587, PTD 19773 situated in Mukim Sri Gading, Daerah Batu Pahat, Johor	Note 6	3-storey corner terraced shop/office with roof-top level (KFC Outlet) / 4 years as CCC was obtained on 24 May 2011	10 January 2014 / 29 May 2015	1,900	1,900	7,591/ 9,414	N/A
7.	Premise No. 1, Jalan Mahajaya, Kawasan Penambakan Laut, Bandar Port Dickson, 71000 Port Dickson, Negeri Sembilan	3,574	<ul style="list-style-type: none"> <li>Leasehold 74 years</li> <li>Expiring on 8 May 2085</li> </ul>	HS(D) 35190, PT No. 654 situated in Bandar & Daerah Port Dickson, Negeri Sembilan	Note 7	3-storey corner terraced shop/office (KFC Outlet) / 18 years as CF was obtained on 14 April 1987	20 January 2014 / 29 May 2015	1,600	1,600	8,638/ 9,880	N/A

6. THE SUBJECT PROPERTIES (Cont'd)

No	Address	Land area (sq. ft.)	<ul style="list-style-type: none"> <li>Tenure</li> <li>Date of expiry of lease</li> </ul>	Title information	<ul style="list-style-type: none"> <li>Encumbrances</li> <li>Restriction in interest</li> <li>Express conditions</li> </ul>	Type / Age of Building	Date of valuation / update valuation	Appraised Value (RM'000)	Purchase consideration (RM'000)	NLA/ GFA (sq. ft.)	No. of parking bays
8.	Premise No. 9, Persiaran Putra Timur 1, 02000 Kuala Perlis, Perlis	1,658	<ul style="list-style-type: none"> <li>Leasehold 99 years</li> <li>Expiring on 25 September 2092</li> </ul>	PM 1181, Lot No. 2105 situated in Mukim Kuala Perlis, Daerah Perlis, Perlis	Note 8	2-storey mid terraced shop/office (KFC Outlet) / 19 years as CF was obtained on 6 February 1996	24 January 2014 / 26 May 2015	450	450	2,480/ 2,920	N/A
9.	Premise Nos. 18 & 20, Jalan Sulaiman, 43000 Kajang, Selangor	3,998	<ul style="list-style-type: none"> <li>Freehold</li> </ul>	GRN 45688 & 45689, Lot Nos. 62 & 63 Seksyen 7 situated in Bandar Kajang, Daerah Ulu Langat, Selangor	Note 9	2 contiguous units of 4-storey mid and corner terraced shop/houses (KFC Outlet) / 32 years as CF was obtained on 9 December 1982	8 January 2014 / 29 May 2015	8,000	8,000	13,892/ 15,992	N/A
<b>(ii) Single storey restaurant buildings with drive-through outlets</b>											
10.	Lot 14083, Jalan Kuchai Lama, 58200 Kuala Lumpur	43,583	<ul style="list-style-type: none"> <li>Leasehold 99 years</li> <li>Expiring on 8 February 2064</li> </ul>	PN (WP) 1421, Lot No. 14083 situated in Mukim Petaling, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	Note 10	1-storey KFC and Pizza Hut restaurants with KFC Drive-Through facility / 7 years as CF was obtained on 4 March 2008	11 February 2014 / 29 May 2015	13,900	13,900	9,620/ 10,659	49 car park bays / 19 motorcycle bays
11.	Lot 59060, Jalan Prima 1, Metro Prima, Ciff Jalan Kepong, 52100 Kuala Lumpur	30,580	<ul style="list-style-type: none"> <li>Leasehold 96 years</li> <li>Expiring 28 April 2096</li> </ul>	PN (WP) 33135, Lot No. 59060 situated in Mukim Batu, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	Note 11	2-storey KFC and Pizza Hut restaurants with KFC Drive-Through facility / 10 years as CF was obtained on 30 May 2005	12 February 2014 / 29 May 2015	14,800	14,800	11,750/ 13,827	35 car park bays



6. THE SUBJECT PROPERTIES (Cont'd)

No	Address	Land area (sq. ft.)	Tenure • Date of expiry of lease	Title information	Encumbrances • Restriction in interest • Express conditions	Type / Age of Building	Date of valuation / update valuation	Appraised Value (RM'000)	Purchase consideration (RM'000)	NLA/ GFA (sq. ft.)	No. of parking bays
12.	PT No. 6878, Jalan 8/27A, Pusat Bandar Wangsa Maju, 53300 Kuala Lumpur	57,608	• Leasehold 83 years • Expiring on 19 April 2093	HS(D) 99750, PT No. 6878 situated in Mukim Setapak, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	Note 12	1-storey KFC and Pizza Hut restaurants with KFC Drive-Through facility  11 years as CF was obtained on 25 October 2004	13 February 2014 / 29 May 2015	24,200	24,200	12,500/ 14,056	58 car park bays and 26 motorcycle bays
13.	PT No. 2281, Jalan Kuala Ketil, Bandar Puteri Jaya, 08000 Sungai Petani, Kedah	43,562	• Freehold	HS(D) 125211, PT No. 2281 situated in Bandar Sungai Petani, Daerah Kuala Muda, Kedah	Note 13	1-storey KFC restaurant with KFC Drive-Through facility  3 years as CCC was obtained on 18 June 2012	24 January 2014 / 26 May 2015	5,000	5,000	7,335/ 8,685	55 car park bays, 2 disabled car park bays and 16 motorcycle bays
14.	PT No. 217643, Jalan Kuala Kangsar, Taman Tasek Mutiara, 31400 Ipoh, Perak	43,562	• Freehold	GRN 140646, Lot No. 383044 situated in Mukim Hulu Kinta, Daerah Kinta, Perak	Note 14	1-storey KFC and Pizza Hut restaurants with KFC Drive-Through facility  4 years as CCC was obtained on 15 April 2011	12 January 2014 / 28 May 2015	8,100	8,100	12,632/ 13,719	41 car park bays and 28 motorcycle bays
15.	PTD 171459, Jalan Persisiran Perling, Taman Perling, 81200 Johor Bahru, Johor	45,000	• Freehold	HS(M) 2181, PTD 171459 situated in Mukim Pulai, Daerah Johor Bahru, Johor	Note 15	1-storey KFC and Pizza Hut restaurants with KFC Drive-Through facility  3 years as CCC was obtained on 3 January 2012	8 January 2014 / 29 May 2015	12,800	12,800	12,698/ 13,618	31 car park bays

**6. THE SUBJECT PROPERTIES (Cont'd)**

No	Address	Land area (sq. ft.)	Tenure Date of expiry of lease	Title information	Encumbrances Restriction in interest Express conditions	Type / Age of Building	Date of valuation / update valuation	Appraised Value (RM'000)	Purchase consideration (RM'000)	NLA/ GFA (sq. ft.)	No. of parking bays
16.	PTD 153154, Jalan Tampoi, Taman Damansara Alif, 81200 Johor Bahru, Johor	41,295	Freehold	HS(D) 491589, PTD 153154 situated in Mukim Tebrau, Daerah Johor Bahru, Johor	Note 16	1-storey KFC and Pizza Hut restaurants with KFC Drive-Through facility / 6 years as CCC was obtained on 5 October 2009	13 January 2014 / 29 May 2015	11,600	11,600	14,134/ 15,610	71 car park bays and 28 motorcycle bays
17.	PT No. 19503, Lebuhraya Keroh, 75450 Hang Tuah Jaya, Melaka	42,851	Leasehold 99 years Expiring on 13 May 2108	PM 4878, Lot No. 19638 situated in Mukim Bukit Kati, Daerah Melaka Tengah, Melaka	Note 17	1-storey KFC and Pizza Hut restaurants with KFC Drive-Through facility / 3 years as CCC was obtained on 12 July 2012	20 January 2014 / 28 May 2015	8,000	8,000	16,530/ 17,410	51 car park bays, 2 disabled car park bays and 20 motorcycle bays
18.	PTD 103231, Taman Impian Senai, 81400 Senai, Johor	43,562	Freehold	HS(D) 58402, PTD 103231 situated in Mukim Senai, Daerah Kulajaya, Johor	Note 18	1-storey KFC restaurant with KFC Drive-Through facility / Less than a year as CCC was obtained on 22 July 2014	7 January 2014 / 29 May 2015	8,100	8,100	6,073/ 7,323	35 car park bays, 2 disabled car park bays and 25 motorcycle bays
<b>(iii) Restaurants at mall outlets</b>											
19.	Unit No. GF-12A, Queensbay Mall, 100, Persiaran Bayan Indah, 11900 Bayan Lepas, Pulau Pinang	5,877	Freehold	Parcel No. 126, Storey No. 1, Building No. M1, GRN 97433, Strata Lot 15736 situated in Mukim 12, Daerah Barat Daya, Pulau Pinang	Note 19	Stratified retail lot (KFC Outlet) / 7 years as CF was obtained on 1 April 2008	9 January 2014 / 25 May 2015	11,600	11,600	5,877/ 5,877	N/A

6. THE SUBJECT PROPERTIES (Cont'd)

No	Address	Land area (sq. ft.)	Tenure • Date of expiry of lease	Title information	Encumbrances • Restriction in interest • Express conditions	Type / Age of Building	Date of valuation / update valuation	Appraised Value (RM'000)	Purchase consideration (RM'000)	NLA/ GFA (sq. ft.)	No. of parking bays
20.	Unit No. 3A-G-18, Kompleks Bukit Jambul, Jalan Rumbia, 11900 Bayan Lepas, Pulau Pinang	2,972	• Freehold	Parent Title No. GRN 61275, Parent Lot No 9954, situated in Mukim 13, Daerah Timor Laut, Pulau Pinang	Note 20	Stratified mid retail lot (KFC Outlet) / 18 years as CF was obtained on 24 April 1997	10 January 2014 / 25 May 2015	2,650	2,650	2,972/ 2,972	N/A
21.	Unit No. G-103, Megamall Pinang Shopping Complex, No. 2828, Jalan Baru, Bandar Perai Jaya, 13600 Perai, Pulau Pinang	3,342	• Leasehold 99 years • Expiring on 4 July 2094	Parent Title No. PN 2352, Parent Lot No. 5659, situated in Mukim 01, Daerah Seberang Perai Tengah, Pulau Pinang	Note 21	Stratified corner retail lot (KFC Outlet) / 17 years as CF was obtained on 7 January 1998	11 January 2014 / 25 May 2015	2,600	2,600	3,342/ 3,342	N/A
22.	Unit No. G-104, Megamall Pinang Shopping Complex, No.2828, Jalan Baru, Bandar Perai Jaya, 13600 Perai, Pulau Pinang	2,762	• Leasehold 99 years • Expiring on 4 July 2094	Parent Title No. PN 2352, Parent Lot 5659, situated in Mukim 01, Daerah Seberang Perai Tengah, Pulau Pinang	Note 21	Stratified end retail lot (Pizza Hut Outlet) / 17 years as CF was obtained on 7 January 1998	11 January 2014 / 25 May 2015	1,900	1,900	2,762/ 2,762	N/A
<b>Non-restaurant Properties</b>											
<b>Industrial premises</b>											
23.	Lot 5, Lorong Tembaga 3, Kawasan MIEL, KKIP Selatan, Kota Kinabalu Industrial Park, Menggatal, 88450 Kota Kinabalu, Sabah	21,969	• Leasehold 99 years • Expiring on December 2096	Parent Title No. Country Lease 015582411, Parent Lot 20, Daerah Kota Kinabalu, Sabah situated in Developer's Lot No. 5, Lorong Tembaga Tiga, Kawasan MIEL, KKIP Selatan (Formerly known as Kota Kinabalu Export Oriented Industrial Zone, K.K.I.P Sepangar Bay)	Note 22	1.5-storey semi-detached factory / 16 years as CF was obtained on 30 July 1999	20 January 2014 / 29 May 2015	2,300	2,300	12,982/ 12,982	N/A

6. THE SUBJECT PROPERTIES (Cont'd)

No	Address	Land area (sq. ft.)	Tenure • Date of expiry of lease	Title information	Encumbrances • Restriction in interest • Express conditions	Type / Age of Building	Date of valuation / update valuation	Appraised Value (RM'000)	Purchase consideration (RM'000)	NLA/ GFA (sq. ft.)	No. of parking bays
24.	Premise No. 31, Lorong IKS Juru 3, Taman IKS Juru, 14100 Simpang Ampat, Pulau Pinang	11,937	• Freehold	GRN 149808, Lot No. 3499 situated in Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang	Note 23	1.5-storey corner semi-detached factory / 18 years as CF was obtained on 19 November 1997	21 January 2014 / 27 May 2015	1,130	1,130	3,082/ 3,082	N/A
25.	Premise No. 3, Lorong Gerudi 1, Off Jalan Pelabuhan Utara, 42000 Port Klang, Selangor	304,158	• Leasehold 99 years • Expiring on 15 March 2087	PN 11243, Lot No. 9, Seksyen 21 situated in Bandar Port Klang, Swettenham, Daerah Selangor	Note 24	2-storey detached warehouse with a 3-storey integral office building / 19 years as CF were obtained on 7 August 1996 and 25 October 1997	21 February 2014 / 28 May 2015	44,800	44,800	306,476/ 306,476	N/A
26.	Premise No. 6, Jalan Gerudi, Off Jalan Pelabuhan Utara, 42000 Port Klang, Selangor	220,128	• Leasehold 99 years • Expiring on 15 March 2087	PN 8616, Lot No. 59560 Seksyen 21 situated in Bandar Port Klang, Swettenham, Daerah Selangor	Note 25	1-storey detached factory, a 1-storey detached warehouse with a 2-storey integral production building and a 3-storey office building / 11 years as CF was obtained on 12 February 2004 and CCC was obtained on 23 February 2011	28 February 2014 / 28 May 2015	25,500	25,500	118,068/ 118,068	N/A

6. THE SUBJECT PROPERTIES (Cont'd)

No	Address	Land area (sq. ft.)	Tenure Date of expiry of lease	Title information	Encumbrances Restriction in interest Express conditions	Type / Age of Building	Date of valuation / update valuation	Appraised Value (RM'000)	Purchase consideration (RM'000)	NLA/ GFA (sq. ft.)	No. of parking bays
27.	Premise Nos. 17, 19 & 21, Jalan Pemaju U1/15, Section U1, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor	202,265	Freehold	GRN 215115, Lot No. 61718 situated in Bandar Glenmarie, Daerah Petaling, Selangor	Note 26	2-storey detached factory with a 2-level integral office and an annexed 1-storey warehouse / 17 years as CF was obtained on 22 April 1998	25 February 2014 / 28 May 2015	53,400	53,400	148,827 / 148,827	N/A

Notes:-

	Encumbrances	Restriction in interest	Express Conditions
Note 1	Nil	The alienated land shall not be sub-divided, transferred, charged, leased, sub-leased without a written consent from the State Authority.	"The alienated land shall be used for commercial purposes only."
Note 2	<u>Lots 46464 &amp; 46465</u> Charged by KFC (Peninsular Malaysia) Sdn Bhd to CIMB Investment Bank Berhad, registered on 11 February 2014 <u>PT Nos. 17193 &amp; 17192</u> Charged by KFC (Peninsular Malaysia) Sdn Bhd to CIMB Investment Bank Berhad, registered on 12 February 2014	<u>Lots 46464 &amp; 46465</u> The alienated land shall not be transferred, leased or mortgaged save and except with the consent of the State Authority. <u>PT No.17192</u> The land shall not be transferred, leased or mortgaged save and except with the consent of the State Authority. <u>PT No.17193</u> The land shall not be transferred, leased or mortgaged in any way whatsoever unless with the consent of the State Authority.	Commercial building
Note 3	Pending registration of a charge in favour of RHB Islamic Bank Berhad, as security agent for the Financing Facility	The proprietor is prohibited to make any dealings on the land to be developed as a residential site unless the proprietor constructs and maintains the road reserve area and tars the road reserve area according to the standards applied by the Department of Public Works or there is a guarantee given by the local authority and the Department of Public Works and constructs the drainage system to the satisfaction of the local authority and the Department of Public Works or with the guarantee of the local authority and Department of Public Works that the roads and the drains will be completed.	The land contained in this title shall be used as the site for a commercial and residential building only.

**6. THE SUBJECT PROPERTIES (Cont'd)**

	<b>Encumbrances</b>	<b>Restriction in Interest</b>	<b>Express Conditions</b>
Note 4	Pending registration of a charge in favour of RHB Islamic Bank Berhad, as security agent for the Financing Facility	The land shall not be sold or transferred in any way whatsoever to a foreign individual or foreign company without the consent of the State Authority.	<p>(i) The land shall be used for double storey shop/office, constructed in accordance with the building plans approved by the relevant local authority.</p> <p>(ii) All effluents or wastages from activity therefrom shall be channelled to or disposed at designated places determined by the relevant local authority.</p> <p>(iii) All policies and terms determined or enforced by the relevant authority from time to time must be adhered to.</p>
Note 5	Pending registration of a charge in favour of RHB Islamic Bank Berhad, as security agent for the Financing Facility	The land contained in this title shall not be sold or transferred in any way whatsoever to a foreign individual or foreign company without the consent of the State Authority.	<p>(i) The land shall be used for three storey shop offices, for the purpose of business and office, constructed in accordance with the building plans approved by the relevant local authority.</p> <p>(ii) All effluents or wastages from activity therefrom shall be channelled to or disposed at the place determined by the relevant authority.</p> <p>(iii) All policies and terms determined or enforced by the relevant authority from time to time shall be adhered to.</p>
Note 6	Pending registration of a charge in favour of RHB Islamic Bank Berhad, as security agent for the Financing Facility	The land contained in this title shall not be sold or transferred in any way whatsoever to a foreign individual or foreign company without the consent of the State Authority.	<p>(i) The land shall be used for three storey double frontage shop offices that shall be used for business and office, constructed in accordance with the building plans approved by the relevant local authority.</p> <p>(ii) All effluents or wastages from activity therefrom shall be channelled to or disposed at designated places determined by the relevant authority.</p> <p>(iii) All policies and terms determined or enforced by the relevant authority shall be adhered to at all times.</p>
Note 7	Nil	The alienated land shall not be transferred, leased or mortgaged save and except with the consent of the State Authority.	The land shall be used for commercial building only.
Note 8	Nil	The land shall not be transferred, leased or charged save and except with the consent of the State Authority.	The land shall be used for commercial site only.
Note 9	Pending registration of a charge in favour of RHB Islamic Bank Berhad, as security agent for the Financing Facility	Nil	Nil
Note 10	Pending registration of a charge in favour of RHB Islamic Bank Berhad, as security agent for the Financing Facility	Nil	The land shall be used for commercial building only.
Note 11	Nil	The land shall not be transferred, leased, charged or mortgaged without the approval of the Land Authority Committee of Wilayah Persekutuan Kuala Lumpur.	The land shall be used for commercial building only.
Note 12	Nil	The land shall not be transferred, leased or mortgaged save and except with the approval of the Land Authority Committee of Wilayah Persekutuan Kuala Lumpur.	The land shall be used for commercial building only.

**6. THE SUBJECT PROPERTIES (Cont'd)**

	<b>Encumbrances</b>	<b>Restriction in interest</b>	<b>Express Conditions</b>
Note 13	Pending registration of a charge in favour of RHB Islamic Bank Berhad, as security agent for the Financing Facility	The proprietor is prohibited to make any dealings on the land to be developed as a commercial site unless the proprietor constructs and maintains the road reserve area and lays the road reserve area in accordance to the standards applied by the Department of Public Works and constructs the drainage system to the satisfaction of the local authority and to obtain the support of Department of Public Works or there is a guarantee from the local authority and the Department of Public Works that the roads and the drains will be completed.	The land contained in this title shall be used as commercial building (commercial site) only.
Note 14	Pending registration of a charge in favour of RHB Islamic Bank Berhad, as security agent for the Financing Facility	Nil	Business – Commercial Building
Note 15	Pending registration of a charge in favour of RHB Islamic Bank Berhad, as security agent for the Financing Facility	<p>(i) The proprietor is not allowed to sell the units (parcel) of the building that will be built on the land unless the construction on the building in accordance to the building plans approved by the relevant local authority has commenced.</p> <p>(ii) Any parcel built on the land, whenever it's ownership is transferred to a Bumiputera individual or Bumiputera company shall not be sold, leased or transferred in any way whatsoever to a Non-Bumiputera individual or Non-Bumiputera company without the consent of the State Authority.</p> <p>(iii) Any parcel which is built on the land shall not be sold or transferred in any way whatsoever to a foreign individual or foreign company without the consent of the State Authority.</p>	<p>(i) The land shall only be used for multi level commercial building for business purposes, constructed in accordance with the building plans approved by the relevant local authority.</p> <p>(ii) All policies and terms determined or enforced by the relevant authority must be adhered at all times.</p>
Note 16	Pending registration of a charge in favour of RHB Islamic Bank Berhad, as security agent for the Financing Facility	<p>(i) The proprietor is not allowed to sell the units (parcel) of the building that will be built on the land unless the construction on the building in accordance to the building plans approved by the relevant local authority has commenced</p> <p>(ii) Any parcel built on the land, whenever it's ownership is transferred to a Bumiputera individual or Bumiputera company shall not be sold, leased or transferred in any way whatsoever to a Non-Bumiputera individual or Non-Bumiputera company without the consent of the State Authority.</p> <p>(iii) Any parcel which is built on the land shall not be sold or transferred in any way whatsoever to a foreign individual or foreign company without the consent of the State Authority.</p>	<p>(i) The land shall only be used for multi level commercial building for commercial purposes, constructed in accordance with the building plans approved by the relevant local authority.</p> <p>(ii) All effluents or wastages from activity therefrom shall be channelled to or disposed at designated places determined by the relevant authority.</p> <p>(iii) All policies and terms determined or enforced by the relevant authority from time to time must be adhered to.</p>
Note 17	Nil	The land shall not be transferred or leased without the consent of the State Authority. This restriction in interest is exempted for any first-time transfer or lease.	For commercial building only.

6. THE SUBJECT PROPERTIES (Cont'd)

	Encumbrances	Restriction in interest	Express Conditions
Note 18	Pending registration of a charge in favour of RHB Islamic Bank Berhad, as security agent for the Financing Facility	<p>(i) The proprietor is not allowed to sell the units (parcel) of the building that will be built on the land unless the construction on the building in accordance to the building plans approved by the relevant local authority has commenced.</p> <p>(ii) Any parcel built on the land which is owned by a Bumiputera individual or Bumiputera company shall not be sold, leased or transferred in any way whatsoever to a Non-Bumiputera individual or Non-Bumiputera company without the consent of the State Authority.</p> <p>(iii) Any parcel which is built on the land shall not be sold or transferred in any way whatsoever to a foreign individual or foreign company without the consent of the State Authority.</p>	<p>(i) The land shall only be used for multi level commercial building, constructed in accordance with the building plans approved by the relevant local authority.</p> <p>(ii) All effluents or wastages from activity therefrom shall be channelled to or disposed at designated places determined by the relevant authority</p> <p>(iii) All policies and terms determined or enforced by the relevant authority from time to time must be adhered to.</p>
Note 19	Nil	The alienated land shall not be transferred, charged, leased, sub-leased or dealt in any way whatsoever without the written consent of the State Authority.	The alienated land shall be used for commercial purposes only.
Note 20	Nil	Nil	<p>(i) Shall not be affected by any provision of the National Land Code limiting the compensation payable on the exercise by the State Authority of a right of access or use conferred by Chapter 3 of Part Three of the Code or on the creation of a Land Administrator's right of way; and</p> <p>(ii) Subject to the implied condition that land is liable to be re-entered if it is abandoned for more than three years shall revert to the State only if the proprietor for the time being dies without heirs; and</p> <p>(iii) the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract any such produce or deposit and remove it beyond the boundaries of the land)</p>
Note 21	Nil	The alienated land shall not be transferred, charged, leased, sub-leased or dealt in any way whatsoever without the written consent of the State Authority.	The alienated land shall be used for Residential/ Commercial purposes only.
Note 22	Nil	Nil	<p>(i) The said land is demised herein expressly and only for the purpose of erecting thereon for use as such industrial and commercial.</p> <p>(ii) Subdivision of this title is prohibited without the written permission from the director of lands and surveys who shall impose additional premium and enhanced rent and any other conditions thereof while granting such permission.</p> <p>(iii) Transfer, charge or sublease of this title is prohibited before fulfillment of the covenant herein, and without the written permission of the director of lands and survey who will charge additional premium and enhanced rent while granting such permission.</p>



**6. THE SUBJECT PROPERTIES (Cont'd)**

	<b>Encumbrances</b>	<b>Restriction in Interest</b>	<b>Express Conditions</b>
Note 23	Pending registration of a charge in favour of RHB Islamic Bank Berhad, as security agent for the Financing Facility	Nil	(ii) Shall not be affected by any provision of the National Land Code limiting the compensation payable on the exercise by the State Authority of a right of access or use conferred by Chapter 3 of Part Three of the Code or on the creation of a Land Administrator's right of way; and  (ii) Subject to the implied condition that land is liable to be re-entered if it is abandoned for more than three years shall revert to the State only if the proprietor for the time being dies without heirs; and  (iii) the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract any such produce or deposit and remove it beyond the boundaries of the land)
Note 24	Charged by Pintas Tiara Sdn Bhd to CIMB Investment Bank Berhad, registered on 11 February 2014	The alienated land shall not be transferred, leased, mortgaged or charged without the written consent of the State Authority.	Light Industry
Note 25	Charged by Pintas Tiara Sdn Bhd to CIMB Investment Bank Berhad, registered on 11 February 2014	The alienated land shall not be transferred, leased, mortgaged or charged without the written consent of the State Authority.	Industrial
Note 26	A portion of this land is leased by QSR Manufacturing Sdn Bhd to Tenaga Nasional Berhad for a TNB station which was registered on 6 December 2011. The lease is for 30 years (6 December 2011 to 5 December 2041)  Pending registration of a charge in favour of RHB Islamic Bank Berhad, as security agent for the Financing Facility	Nil	Industrial

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6.3 COMPETITIVE STRENGTHS AND INVESTMENT HIGHLIGHTS

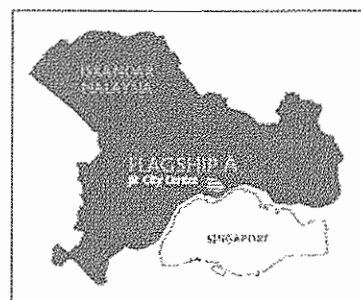
The Manager believes that an investment in Al-Salām REIT offers the following attractive qualities:

(i) Strategic location of the Subject Properties

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.

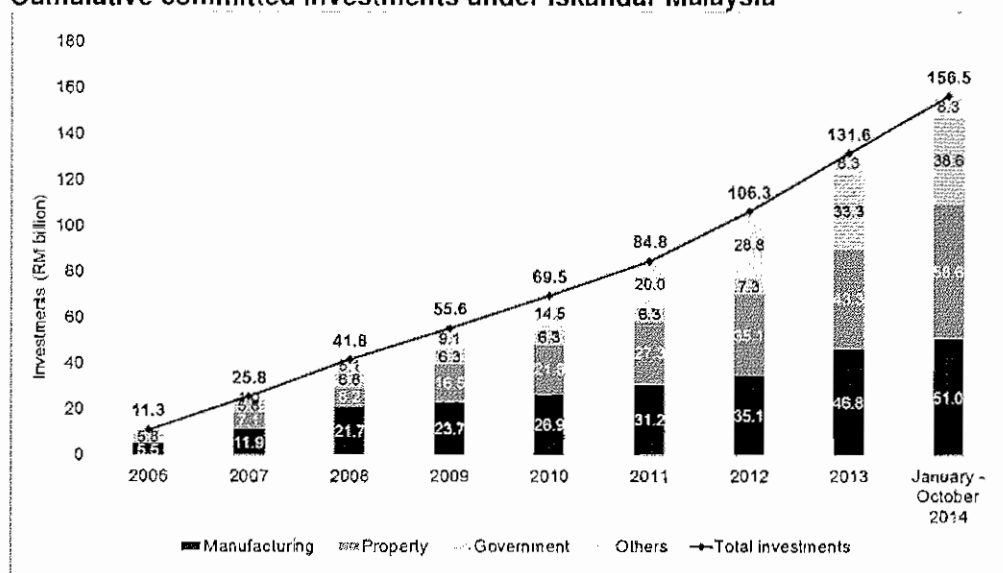
(Source: Extracted from the independent market research report prepared by the Joint Independent Market Researchers)

The DASB Properties are all situated in Johor Bahru, Johor. Menara KOMTAR and KOMTAR JBCC are located within the core development precinct of Flagship Zone A, Johor Bahru City Centre of Iskandar Malaysia which is established with the key development strategy to rebrand and revitalise Johor Bahru into a vibrant economic centre while preserving its cultural and heritage value. Johor Bahru is the Central Business District and the State Capital of Johor and is also the main gateway into and out of Singapore.



Between 2006 and October 2014, a total of RM79.0 billion worth of investments have been realised under Iskandar Malaysia. Iskandar Malaysia intends to achieve a total investment target of RM383.0 billion over the 20-year plan duration. Further growth investments under Iskandar Malaysia bode well for commercial and industrial development in the state as local businesses and companies grow and expand in terms of scale and reach. In view of the growth of the local businesses and companies, the commercial and industrial property segments in Johor are expected to witness growth in the near future.

Cumulative committed investments under Iskandar Malaysia



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

Premised on the above, the Subject Properties are expected to be in good rental demand and are therefore expected to generate a stable stream of high recurrent rental income.

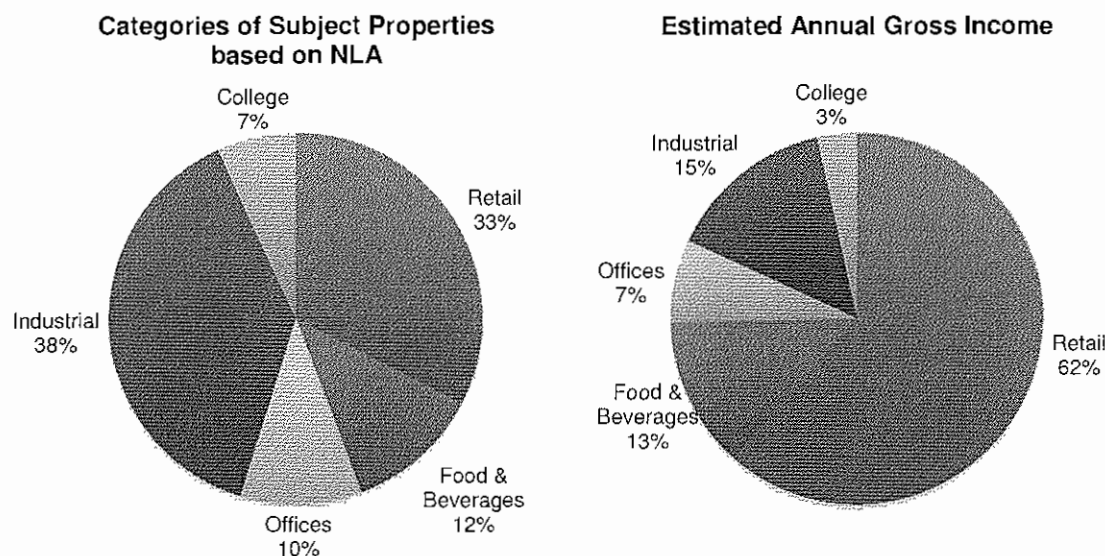
## 6. THE SUBJECT PROPERTIES (Cont'd)

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

*Note:-*

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



Based on the NLA, the Subject Properties comprise mainly retail and industrial properties. The main income contributors are the retail properties comprising a four (4)-level shopping mall named KOMTAR JBCC, a hypermarket known as @Mart Kempas and food and beverages retail outlets (which form part of the QSR Properties). KOMTAR JBCC positioned itself 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 department stores, international and local brand outlets, fashion, specialty food and beverages and entertainment centres. KOMTAR JBCC's anchor tenants are Metrojaya Department Store and Angry Birds Activity Park, with other tenants, amongst others, Marks & Spencer, Padini Concept Store, Sephora, F.O.S., Tony Roma's, Charles & Keith, Tissot, Victoria Secret, Chanel, and Royal Selangor Pewter. The tenant mix of KOMTAR JBCC is reflective of its position as a prime regional shopping mall of Johor.

Meanwhile, @Mart Kempas serves to provide broad catchment area of the consumers from the residential areas in the immediate Kempas vicinity comprising amongst others, Taman Munshi Ibrahim, Taman Kempas, Taman Siantan, Taman Johor, Taman Dahlia, Taman Melati, Taman Melor, Taman Kobena and Taman Tampoi. The occupancy rate for KOMTAR JBCC and @Mart Kempas as at 1 June 2015 are 81% and 91%, respectively.

The QSR Properties are subject to the Triple Net Lease structure where the lessee is responsible for property operating costs, including property taxes, takaful and maintenance. The lease for the QSR Properties will be for a period 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. The Manager believes that the QSR Properties will provide a sustainable stream of steady cash flow given the lengthy nature of the lease, whilst the Triple Net Lease arrangement minimises Al-Salām REIT's exposure to the increases in property operating costs.

## 6. THE SUBJECT PROPERTIES (Cont'd)

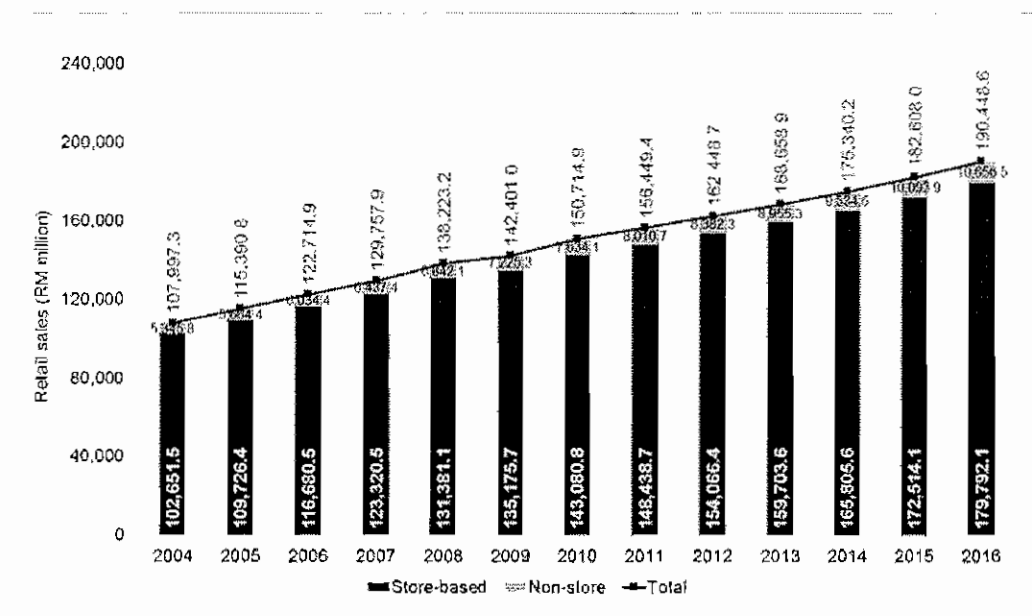
### (iii) Unique exposure to Malaysia's healthy and sustained growth in the retail and food and beverages services sector

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%. Non-store retailing comprised a smaller 5.4% of total retail sales and grew at a rate of 6.0% between the same period of 2004 and 2014. The largest segment of non-store retailing in 2014 was direct selling which formed 81.2% of non-store retailing. While internet retail comprised a mere 13.8% of non-store retail sales in 2014, this channel witnessed the highest growth rate of 19.0% between 2004 and 2014. Retail sales in Malaysia is expected to grow from RM175.3 billion in 2014 to RM190.5 billion in 2016, representing 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



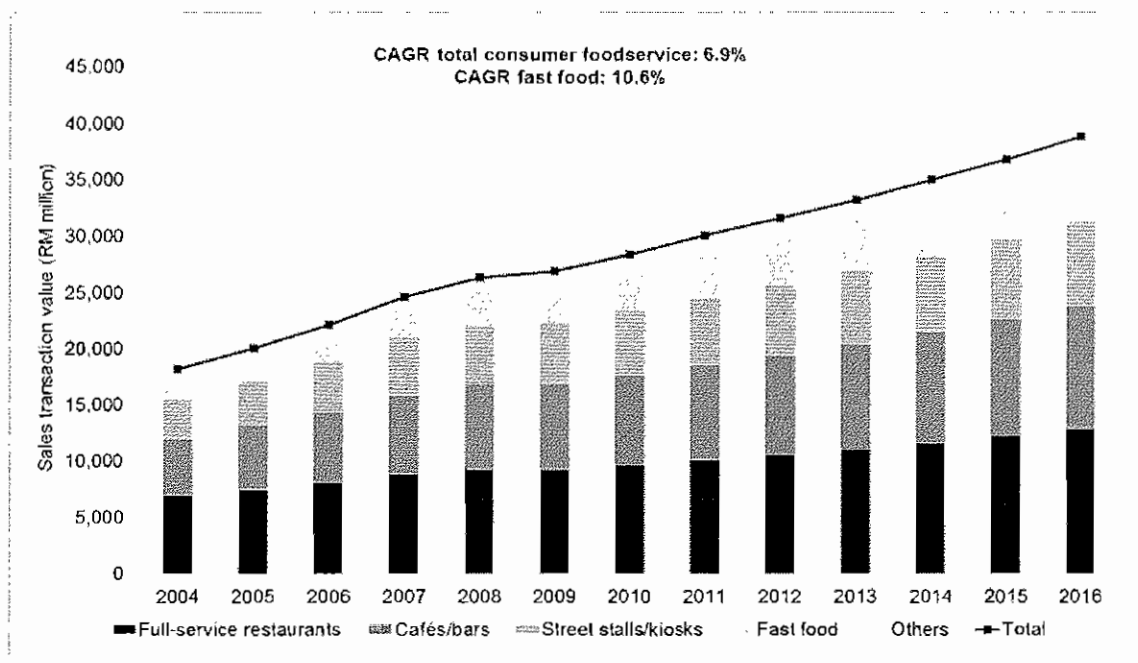
(Source: Extracted from the independent market research report prepared by the Joint Independent Market Researchers)

#### Food and Beverages Services Sector

The consumer food service market in Malaysia, measured by the sales value of transactions, grew from RM18.2 billion in 2004 to RM35.0 billion in 2014 at a CAGR of 6.8%. Full-service restaurants comprised 33.4% of sales transaction value in 2014, having increased from RM7.0 billion to RM11.7 billion over the same period at a CAGR of 5.3%. Cafés/bars comprised 28.1% of sales transaction value in 2014 and registered a growth from RM5.1 billion in 2004 to RM9.9 billion in 2014 at a CAGR of 6.9%.

Fast food, comprising 14.3% of sales transaction value in 2014, witnessed a high growth rate of 10.2% 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



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

## (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. In its FYE 31 December 2014, JCorp recorded a consolidated pre-tax profit of approximately RM627.0 million and revenue of approximately RM4.70 billion.

Further, 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. Al-`Aqar REIT was the first Islamic REIT in the world and also the first healthcare REIT in Asia at the point of its listing. Since its listing, Al-`Aqar REIT has been experiencing an average year-on-year revenue growth of approximately 17.75%, with revenue of RM108.64 million for FYE 31 December 2014. During the same financial year, Al-`Aqar REIT has recorded distribution yield of 5.5% and distributed income of RM59.9 million, representing 11.6% increase compared to the previous financial year. Al-`Aqar REIT's asset under management tripled from approximately RM481.0 million upon listing compared to an excess of RM1.5 billion as at 31 December 2014.

The Manager comprises a team of highly experienced asset management professionals in the Malaysian REIT market with great familiarity with the Malaysian property market as well as the Guidelines and the Listing Requirements while the Board consists of nine (9) experienced and accomplished professionals with varied skill and breadth of experience in economics, property development, investment, management, food and beverage services as well as healthcare.

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<sup>(1)</sup> whilst Al-Salām REIT focuses on all types of real estates (save for healthcare real estate and healthcare related assets).

**Note:-**

<sup>(1)</sup> For the avoidance of doubt, healthcare related assets are property assets that fully cater/serve the healthcare industry. For illustration purposes, a hotel that caters largely or partly for medical tourism will not be deemed suitable for Al-Aqar REIT as the hotel needs to cater fully (i.e. 100%) or exclusively to medical tourism.

**(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). The actual level of distribution will be determined by the Manager at its absolute discretion. Strictly for illustration purposes only, the Manager has forecasted 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 Long Term capital appreciation, and who understands the risks related to the real estate industry and REITs.

**(vi) Platform for future growth**

After Listing, Al-Salām REIT will be one of the few listed REITs in Malaysia with a diversified portfolio offering a combination of single-user assets and multi-tenanted buildings used for commercial retail, office and industrial purposes. Future growth opportunities can be achieved through the optimisation of the management of the existing property portfolio of Al-Salām REIT as well as through the potential acquisition of additional properties. The Sponsor and the Manager intend to expand the REIT in the future, where the Manager will leverage on its Sponsor 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 Sponsor and its related companies. The Trustee had procured the 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 near 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.

**6.4 INDEPENDENT PROPERTY MARKET REPORT**

The Manager has engaged the Joint Independent Market Researchers to prepare an independent property market overview report which describes the real estate markets in which Al-Salām REIT operates and the outlook for those markets. This report is set out in **Appendix B** of this Prospectus.

## 6. THE SUBJECT PROPERTIES (Cont'd)

### 6.5 KOMTAR JBCC

#### 6.5.1 Vendor

DASB

#### 6.5.2 Address

KOMTAR JBCC, Johor Bahru City Centre, Johor Bahru, Johor.

#### 6.5.3 Description

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, Johor Bahru. The Net Lettable Area of KOMTAR JBCC is 401,623 sq. ft.

KOMTAR JBCC is part of an integrated development comprising a seven (7)-storey shopping mall cum car park complex together with a rooftop and basement parking area, an existing 25-storey purpose-built office tower together with an allocation of 145 car park bays known as Menara KOMTAR, a proposed office tower to be known as "Menara Johor Land" with an allocation of 195 car park bays, a proposed hotel with an allocation of 175 car park bays and a proposed mosque. The entire development is known as Johor Bahru City Centre. Johor Bahru City Centre is located within Flagship A of Iskandar Malaysia.

Johor Bahru City Centre is prominently located between the city's primary business routes of Jalan Tun Abdul Razak and Jalan Wong Ah Fook, and opposite the city's major landmarks, namely the Custom, Immigration and Quarantine Complex transportation hub and the Johor Bahru Sentral train station. The Johor Bahru City Square shopping complex cum office tower is located to the south of 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. KOMTAR JBCC's anchor tenants are Metrojaya Department Store and Angry Birds Activity Park, with other tenants, amongst others, Marks & Spencer, Padini Concept Store, Sephora, F.O.S., Tony Roma's, Charles & Keith, Tissot, Victoria Secret, Chanel, and Royal Selangor Pewter. The tenant mix of KOMTAR JBCC is reflective of its position as a prime regional shopping mall of Johor.

The table below sets out a summary of selected information on KOMTAR JBCC.

Existing Use	Four (4) level shopping mall
Age of Subject Property as at 1 June 2015	Less than a year as CCC was obtained on 17 July 2014
GFA as at 1 June 2015 (sq. ft.) <sup>(1)</sup>	623,374
NLA as at 1 June 2015 (sq. ft.)	401,623
Number of car park bays	1,187
Appraised Value as at 1 June 2015 (RM'000)	462,000
Purchase Consideration (RM'000)	462,000
Number of tenancies as at 1 June 2015	105

Note:-

<sup>(1)</sup> Excludes the GFA of the car park bays.

## 6. THE SUBJECT PROPERTIES (Cont'd)

### 6.5.4 Tenant profile of KOMTAR JBCC

#### (i) Major tenants of KOMTAR JBCC

The major tenants contributed an aggregate of 34% to Gross Rental Income and contribute 54% to the occupancy of KOMTAR JBCC as at 1 June 2015.

Tenants by trade name	Trade sector	Percentage of Gross Rental Income (%)
Metrojaya	Departmental Store	13
Padini Concept Store	Fashion	6
Brands Outlet	Men & Women Fashion	3
Marks & Spencer	Men & Women Fashion	3
Angry Birds	Family Entertainment	2
F.O.S	Men & Women Fashion	2
G2000	Men & Women Fashion	2
Kapitan Grocer	Supermarket	1
Stadium	Sports	1
Tony Roma's	Food and Beverages	1
<b>Sub-Total</b>		<b>34</b>
<b>Others</b>		<b>66</b>
<b>Total</b>		<b>100</b>

#### (ii) Trade sector analysis of KOMTAR JBCC

The table below provides a breakdown of the different trade sectors represented in KOMTAR JBCC as at 1 June 2015.

Trade sector	Percentage of NLA (%)	Percentage of Gross Rental Income (%)
Departmental store and supermarket	35	14
Fashion and accessories	21	41
Beauty and wellness	6	15
Timepieces and jewellery	2	7
Food and beverage	11	16
Leisure and entertainment	5	2
IT/ Electronic / Digital	1	3
Gift, souvenirs and book	*	1
Services	*	1
Vacant	<sup>(1)</sup> 19	-
<b>Total</b>	<b>100</b>	<b>100</b>

**Notes:-**

<sup>(1)</sup> The percentage (%) of unoccupied NLA of KOMTAR JBCC.

\* Negligible



## 6. THE SUBJECT PROPERTIES (Cont'd)

### 6.5.5 Occupancy rate and average rental rates

As at 1 June 2015, the occupancy rate and average rental rates of KOMTAR JBCC based on committed tenancies are 81% and RM5.63 per sq. ft., respectively.

*(Source: Extracted from the valuation certificate of KOMTAR JBCC prepared by the Independent Property Valuers)*

There is no historical occupancy rate and average Gross Rental Income for KOMTAR JBCC as the development of KOMTAR JBCC was only completed in July 2014. As at the LPD, the occupancy rate and average Gross Rental Income for KOMTAR JBCC based on committed tenancies are 84% and RM5.72 per sq.ft., respectively.

In addition to the existing base rent, additional rent is charged to all tenants (excluding money changers & ATM providers) of KOMTAR JBCC based on a percentage ranging from 1.0% to 25.0% of total sales revenue generated by the tenants of KOMTAR JBCC. In the event the percentage rent is higher than the base rent or gross rental income, the difference will be charged as additional rental. In the event the percentage rent is lower than the base rent or gross rental income, no additional rental will be charged.

### 6.5.6 Tenancy expiry profile of KOMTAR JBCC

The table below illustrates the tenancy expiry profile of KOMTAR JBCC as at 1 June 2015.

Period	Number of tenancies expiring	Percentage of Occupied NLA expiring (%)	Percentage of Gross Rental Income expiring (%)
FYE 31 December 2015	Nil	Nil	Nil
FYE 31 December 2016	1	*	*
FYE 31 December 2017	87	47	78
FYE 31 December 2018	15	6	8
FYE 31 December 2019	Nil	Nil	Nil
FYE 31 December 2020 and thereafter	2	47	14
<b>Total</b>	<b>105</b>	<b>100</b>	<b>100</b>

**Note:-**

\* Negligible

### 6.5.7 Major expansion and renovation of KOMTAR JBCC

KOMTAR JBCC is a new development which was completed in July 2014 and as such there is no recent major expansion and renovation.

### 6.5.8 Future opportunities

The Manager will continue to review the use of GFA and NLA at KOMTAR JBCC and where appropriate and feasible, convert such GFA and NLA into higher-yielding lettable space.

KOMTAR JBCC is also expected to have additional income deriving from the renting out of space for advertisements, push carts and kiosks.

## 6. THE SUBJECT PROPERTIES (Cont'd)

### 6.6 MENARA KOMTAR

#### 6.6.1 Vendor

DASB

#### 6.6.2 Address

Menara KOMTAR, Johor Bahru City Centre, Johor Bahru, Johor.

#### 6.6.3 Description

Menara KOMTAR is a twenty five (25)-storey office building together with 145 car park bays located in Johor Bahru City Centre, Johor Bahru. The NLA of Menara KOMTAR is 160,592 sq. ft.

Menara KOMTAR has undertaken major refurbishment work since July 2013 with the internal works being fully completed in end of November 2014 and the external works on the façade being envisaged to be fully completed by end of 2015.

Similar to KOMTAR JBCC, Menara KOMTAR is located within the integrated development of Johor Bahru City Centre which forms part of the revitalisation and redevelopment programme in Flagship A of Iskandar Malaysia.

As at 1 June 2015, Menara KOMTAR recorded an occupancy rate of approximately 96%, where JCorp Group (amongst others, DASB, TPM Technopark Sdn Bhd and IPPJ Sdn Bhd ("IPPJ")) are the major tenants.

The table below sets out a summary of selected information on Menara KOMTAR.

<b>Existing Use</b>	Office building
<b>Age of Subject Property as at 1 June 2015</b>	36 years as CF was obtained on 8 March 1979
<b>GFA as at 1 June 2015 (sq. ft.)<sup>(1)</sup></b>	242,195
<b>NLA as at 1 June 2015 (sq. ft.)</b>	160,592
<b>Number of car park bays</b>	145
<b>Appraised Value as at 1 June 2015 (RM'000)</b>	70,000
<b>Purchase Consideration (RM'000)</b>	70,000
<b>Number of tenancies as at 1 June 2015</b>	26

**Note:-**

<sup>(1)</sup> Excludes the GFA of the car park bays.

## 6. THE SUBJECT PROPERTIES (Cont'd)

### 6.6.4 Tenant Profile of Menara KOMTAR

#### (i) Major tenants of Menara KOMTAR

The major tenants contributed an aggregate of 86% to Gross Rental Income and occupy an aggregate of 80% of Occupied NLA of Menara KOMTAR as at 1 June 2015 are as follows:

Tenants by trade name	Trade sector	Percentage of Gross Rental Income (%)
JCorp	State conglomerate	77
TPM Technopark Sdn Bhd	Professional services	7
IPPJ	Professional services	2
<b>Sub-Total</b>		<b>86</b>
<b>Others</b>		<b>14</b>
<b>Total</b>		<b>100</b>

#### (ii) Trade sector analysis of Menara KOMTAR

The table below provides a breakdown of the different trade sectors represented in Menara KOMTAR as at 1 June 2015.

Trade sector	Percentage of NLA (%)	Percentage of Gross Rental Income (%)
State conglomerate	65	77
Professional services	31	23
Vacant	<sup>(1)</sup> 4	-
<b>Total</b>	<b>100</b>	<b>100</b>

**Note:-**

<sup>(1)</sup> The percentage (%) of unoccupied NLA of Menara KOMTAR.

### 6.6.5 Occupancy rate and average rental rates

The table below sets out the occupancy rate and average Gross Rental Income for Menara KOMTAR for the last four (4) FYE up to 31 December 2014 and as at 1 June 2015.

Period	Occupancy rate (%)	<sup>(1)</sup> Average Gross Rental Income (RM per sq. ft.)
FYE 31 December 2011	75	2.00
FYE 31 December 2012	57	2.00
FYE 31 December 2013	59	2.00
FYE 31 December 2014	94	2.58
As at 1 June 2015	96	<sup>(2)</sup> 4.23

**Notes:-**

<sup>(1)</sup> Calculated based on the average monthly NLA income for the relevant FPE/FYE divided by Occupied NLA as at the end of the relevant FPE/FYE.

<sup>(2)</sup> The substantial increase in the average gross rental income was mainly due to JCorp increased its occupied NLA at the premise.

## 6. THE SUBJECT PROPERTIES (Cont'd)

### 6.6.6 Tenancy expiry profile of Menara KOMTAR

The table below illustrates Menara KOMTAR's expired tenancies and renewal rates of expired tenancies for the past four (4) FYE.

Period	Number of tenancies expired	NLA of expired tenancies (sq ft)	Renewal rates by number of expired tenancies (%)	Renewal rates by NLA of expired tenancies (%)
FYE 31 December 2011	20	71,616	95	98
FYE 31 December 2012	15	55,579	60	27
FYE 31 December 2013	19	48,124	95	93
FYE 31 December 2014	13	17,387	69	44

The table below illustrates the tenancy expiry profile of Menara KOMTAR as at 1 June 2015.

Period	Number of tenancies expiring	Percentage of Occupied NLA expiring (%)	Percentage of Gross Rental Income expiring (%)
FYE 31 December 2015	11	26	18
FYE 31 December 2016	4	2	1
FYE 31 December 2017	6	4	4
FYE 31 December 2018	Nil	Nil	Nil
FYE 31 December 2019	Nil	Nil	Nil
FYE 31 December 2020	<sup>(1)</sup> 5	68	77
<b>Total</b>	<b>26</b>	<b>100</b>	<b>100</b>

**Note:-**

<sup>(1)</sup> Given that the four (4) tenancies are tenanted by the JCorp Group, the Manager is of the view that the risk of non-renewal associated with the tenancies is minimal, if any.

### 6.6.7 Major expansion and renovation of Menara KOMTAR

For the past the two (2) years prior to the LPD, DASB has carried out major refurbishment of Menara KOMTAR given the age of the building. The refurbishment works on the interiors of the entire Menara KOMTAR were completed in end November 2014. The external works on the façade of Menara KOMTAR is envisaged to be fully completed by the end of 2015.

### 6.6.8 Future opportunities

The Manager will continue to review the use of GFA and NLA at Menara KOMTAR and where appropriate and feasible, convert such GFA and NLA into higher-yielding lettable space.

## 6. THE SUBJECT PROPERTIES (Cont'd)

### 6.7 @MART KEMPAS

#### 6.7.1 Vendor

DASB

#### 6.7.2 Address

No. 10, Jalan Persiaran Tanjung, Taman Cempaka, 81200 Johor Bahru, Johor.

#### 6.7.3 Description

@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".

@Mart Kempas is a modern concept of the normal traditional wet market of the olden days and offers cleaner and a more convenient shopping experience compared to the traditional wet market. @Mart Kempas also serves to provide the small local traders to be "under one roof" to carry out their normal business with the opportunity to participate in the competitive retail business amidst the entry of foreign retail players.

@Mart Kempas layout area is divided into several areas for its fresh groceries, several bazaar lots, kiosks, a food court, and the main commercial store. The layout with wide walkways and ample parking facilities as compared to the traditional wet market, offers convenient shopping atmosphere to the shoppers in meeting their daily needs. @Mart Kempas can accommodate about 222 retail lots and has 478 car park bays.

The neighbouring commercial area, Taman Perling, houses Perling Mall, which accommodates Giant Hypermarket, and several commercial shop unit properties. Notable industrial developments in this neighbourhood include Kawasan Perindustrian Taman Johor, Tampoi Industrial Park, Dato' Onn Industrial Park, Tampoi Jaya Industrial Park, Taman Gembira Industrial Park, Tebrau 1 and Tebrau 4 Industrial Park.

The table below sets out a summary of selected information on @Mart Kempas.

Existing Use	Community Hypermarket
Age of Subject Property as at 1 June 2015	4 years as CCC was obtained on 28 December 2010
GFA as at 1 June 2015 (sq. ft.) <sup>(1)</sup>	164,460
NLA as at 1 June 2015 (sq. ft.)	98,083
Number of car park bays	478
Total Revenue (RM)	FYE 31 December 2011: 4,983,453 FYE 31 December 2012: 5,878,612 FYE 31 December 2013: 6,625,668 FYE 31 December 2014: 6,841,586
NPI (RM)	FYE 31 December 2011: 2,507,458 FYE 31 December 2012: 3,064,570 FYE 31 December 2013: 3,520,682 FYE 31 December 2014: 3,698,126
Appraised Value as at 1 June 2015 (RM'000)	65,000
Purchase Consideration (RM'000)	65,000
Number of tenancies as at 1 June 2015	198

## 6. THE SUBJECT PROPERTIES (Cont'd)

**Note:-**

<sup>(1)</sup> Excludes the GFA of the car park bays.

### 6.7.4 Tenant profile of @Mart Kempas

#### (i) Major tenants of @Mart Kempas

The major tenants contributed an aggregate of 18% to Gross Rental Income and occupy an aggregate of 50% of Occupied NLA of @Mart Kempas as at 1 June 2015 are as follows:

Tenants by trade name	Trade sector	Percentage of Gross Rental Income (%)
Midas Mart	Supermarket	10
PasarayaKu	Fashion	3
Dsigno	Home Furnishing	2
Kasut You	Footwear	2
Pusat Hiburan Keluarga Austin	Entertainment	1
<b>Sub-Total</b>		<b>18</b>
<b>Others</b>		<b>82</b>
<b>Total</b>		<b>100</b>

#### (ii) Trade sector analysis of @Mart Kempas

The table below provides a breakdown of the different trade sectors represented in @Mart Kempas as at 1 June 2015.

Trade sector	Percentage of Occupied NLA (%)	Percentage of Gross Rental Income (%)
Fresh mart	15	24
Retail mart	38	48
Supermarket	33	10
Food mart	3	6
Kiosks	2	12
Vacant	<sup>(1)</sup> g	-
<b>Total</b>	<b>100</b>	<b>100</b>

**Note:-**

<sup>(1)</sup> The percentage (%) of unoccupied NLA of @mart Kempas.

## 6. THE SUBJECT PROPERTIES (Cont'd)

### 6.7.5 Occupancy rate and average rental rates

The table below sets out the occupancy rate and the average Gross Rental Income for @Mart Kempas for the last four (4) FYE up to 31 December 2014 and as at 1 June 2015.

Period	Occupancy rate (%)	<sup>(1)</sup> Average Gross Rental Income (RM per sq. ft.)
FYE 31 December 2011	95	4.39
FYE 31 December 2012	95	4.54
FYE 31 December 2013	98	5.19
FYE 31 December 2014	94	5.56
As at 1 June 2015	91	5.59

**Note:-**

<sup>(1)</sup> Calculated based on the average monthly NLA income for the relevant FPE/FYE divided by Occupied NLA as at the end of the relevant FPE/FYE.

### 6.7.6 Tenancy expiry profile of @Mart Kempas

The table below illustrates @Mart Kempas' expired tenancies and renewal rates of expired tenancies for the past four (4) FYE.

Period	Number of tenancies expired	NLA of expired tenancies (sq. ft.)	Renewal rates by number of expired tenancies (%)	Renewal rates by NLA of expired tenancies (%)
FYE 31 December 2011 <sup>(1)</sup>	-	-	-	-
FYE 31 December 2012	217	39,117	100	100
FYE 31 December 2013	218	43,058	89	89
FYE 31 December 2014	198	84,472	86	85

**Note:-**

<sup>(1)</sup> @Mart Kempas began its operations only on March 2011.

The table below illustrates the tenancy expiry profile of @Mart Kempas as at 1 June 2015.

Period	Number of tenancies expiring	Percentage of Occupied NLA expiring (%)	Percentage of Gross Rental Income expiring (%)
FYE 31 December 2015	6	4	3
FYE 31 December 2016	48	17	26
FYE 31 December 2017	137	76	67
FYE 31 December 2018	7	3	4
<b>Total</b>	<b>198</b>	<b>100</b>	<b>100</b>

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**6. THE SUBJECT PROPERTIES (Cont'd)**

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**6.7.7 Major expansion and renovation of @Mart Kempas**

Prior to the LPD, DASB, being the Vendor of @Mart Kempas has completed the following major asset enhancements:

- (a) Constructed new tenancy area in 2012 with additional lettable area of 7,860 sq. ft.;
- (b) Constructed the new wall behind the fresh mart area in 2014; and
- (c) Gutter repairing work at retail lots and fresh mart area in 2014.

The major enhancements were undertaken to improve the overall presentability of @Mart Kempas as well as to offer a more convenient shopping experience to its visitors.

**6.7.8 Future opportunities**

The Manager will continue to review the use of GFA and NLA at @Mart Kempas and where appropriate and feasible, convert such GFA and NLA into higher-yield lettable space.

In addition, the Manager plans to generate more income by utilising part of the open space parking measuring approximately 140,000 sq. ft., by renting out space for advertisements, push carts and kiosks as well as for the hosting of bazaars during festive seasons.

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## 6. THE SUBJECT PROPERTIES (Cont'd)

### 6.8 KFCH COLLEGE

#### 6.8.1 Vendor

DASB

#### 6.8.2 Address

No. 1, Jalan Dato' Onn 1, Bandar Dato' Onn, 81100 Johor Bahru, Johor.

#### 6.8.3 Description

A freehold parcel of commercial land accommodating a four (4)-storey building known as "KFCH International College", 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.

Bandar Dato' Onn is situated in the developing area of Kempas, where presently exists several major residential, commercial and industrial developments in the vicinity. This residential estate is still in the midst of various phases of development, and when fully developed, will comprise various residential properties, apartments, an urban garden, a club house, shopping complexes and schools. It is surrounded by several other housing estates.

The table below sets out a summary of selected information on KFCH College.

Existing Use	College
Age of Subject Property as at 1 June 2015	4 years as CCC was obtained on 8 October 2010
GFA as at 1 June 2015 (sq. ft.) <sup>(1)</sup>	92,157
NLA as at 1 June 2015 (sq. ft.)	85,799
Number of car park bays	133
Total Revenue (RM)	FYE 31 December 2011: RM1,917,916 FYE 31 December 2012: RM2,092,272 FYE 31 December 2013: RM2,127,143 FYE 31 December 2014: RM2,309,133
NPI (RM)	FYE 31 December 2011: RM1,850,203 FYE 31 December 2012: RM1,928,978 FYE 31 December 2013: RM1,978,715 FYE 31 December 2014: RM2,219,971
Appraised Value as at 1 June 2015 (RM'000)	28,200
Purchase Consideration (RM'000)	28,200

*Note:-*

<sup>(1)</sup> Excludes the GFA of the car park bays.

#### 6.8.4 Occupancy rate and rental rate

A tenancy agreement has been duly executed between DASB as the vendor with SPM Restaurants Sdn Bhd as the sole tenant of KFCH College on 1 November 2010.

The current rental rate is RM2.20 per sq. ft. and is subject to a contractual upwards revision of 10% translating into an increase in rental rate to RM2.42 per sq. ft. in the following term commencing on 8 October 2016.

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**6. THE SUBJECT PROPERTIES (Cont'd)**

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**6.8.5 Lease expiry**

The lease for KFCH College is for a term of three (3) years commencing on 8 October 2010 and expiring on 7 October 2013. The lease is subject to a compulsory renewal for another two (2) terms of three (3) years each, of which the third term shall expire on 7 October 2019.

**6.8.6 Major expansion and renovation of KFCH College**

There is no major expansion or renovation by the Vendor since the completion of the building in October 2010.

**6.8.7 Future opportunities**

As the courses offered by KFCH College grow in demand, the Manager will assess and identify a more efficient use of space as well as further expansion of the NLA to accommodate the growth in student population. Moreover, there is also ample land surrounding the college for expansion should the need arises.

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## 6. THE SUBJECT PROPERTIES (Cont'd)

### 6.9 QSR PROPERTIES

#### 6.9.1 Vendor

QSR Vendors

#### 6.9.2 Address

Please refer to **Section 6.2** of this Prospectus for key information relating to the QSR Properties.

#### 6.9.3 Description

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

The breakdown of the restaurant properties and non-restaurant properties together with their market values are set out below:

Description	No. of properties	Appraised Value (RM)
<b>Restaurant properties</b>		
- Restaurant located at shop houses/offices	9	25,560,000
- Single storey restaurants building with drive-through outlets	9	106,500,000
- Restaurants at mall outlets	4	18,750,000
	<b>22</b>	<b>150,810,000</b>
<b>Non-restaurant properties</b>		
- Industrial premises	5	127,130,000
<b>Total</b>	<b>27</b>	<b>277,940,000</b>

#### 6.9.4 Lessee profile of QSR Properties

Al-Salām REIT is leasing all of the QSR Properties, the restaurant and non-restaurant properties, to QSR Stores Sdn Bhd, Efinite Revenue Sdn Bhd, Pizza Hut Restaurants Sdn Bhd and PHD Delivery Sdn Bhd, respectively.

#### 6.9.5 Occupancy rate and rental rate

The occupancy rate of QSR Properties is 100% and the QSR Properties are leased based on Triple Net Lease. The annual rental income from QSR Properties is RM18,066,100. The Triple Net Lease shall be reviewed every three (3) years based on the following formula:

***New Base Rental = Current Base Rental x {1 + (CPI + 1.0%)}, subject to a cap of 5.0% from the preceding Base Rental.***

For further clarification, (CPI + 1.0%) shall not be more than 5.0%.

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## 6. THE SUBJECT PROPERTIES (Cont'd)

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### Notes:-

- (i) CPI means average CPI for three (3) preceding years.
- (ii) Where average CPI is negative, then CPI shall be deemed to be zero.
- (iii) (CPI= refers to the aggregate Consumer Price Index, compiled by the Department of Statistics Malaysia)

The rental rates for the QSR Properties are fixed in advance for the whole long-term tenure of the lease period and any extensions of leases are subject to review and negotiation based on the then prevailing market rental rates or a fixed step up rates.

### 6.9.6 Lease expiry

As stipulated in the master lease agreements, the first rental period for thirteen (13) QSR Properties commenced on 6 May 2015 and expires on 5 May 2018 while the first rental period for the remaining fourteen (14) QSR Properties shall commence on the Listing Date and shall expire within three (3) years from the Listing Date.

### 6.9.7 Major expansion and renovation of QSR Properties

Being the operators of KFC and Pizza Hut restaurant outlets, the QSR Lessees will be actively carrying out internal renovation and refurbishment works on the restaurant properties periodically to be in line with its brand and image enhancement programme. All the related expenditure in relation to the internal renovation and refurbishment works as well as image enhancement will be fully borne by the QSR Lessees.

However, the lessor shall carry out, at its own cost and expenses, for the total replacement of the lessor's fixtures, fittings, plant and equipment as stipulated in the master lease agreements, as well as the repairs or work necessary to be done to the rooftop, the main external and/or internal structure of the QSR Properties.

Notwithstanding the above, barring unforeseen circumstances, the Manager does not envisage any major expansion and external renovation/repairs on QSR Properties to be carried out in the near term.

### 6.9.8 Future opportunities

As disclosed in **Section 6.3 (vi)** of this Prospectus, Al-Salām REIT intends to acquire other restaurant properties and non-restaurant properties owned by the QSR Group subsequent to the Listing, subject to the commercial viability of the assets after taking into consideration, amongst others, the prevailing market performance, general economic conditions and consumers' needs and preferences.

## 6.10 TENANCY/LEASE MANAGEMENT

The tenancy agreements and leases for the DASB Properties generally contain, amongst others, terms and conditions relating to the rental, terms of the tenancy or lease (as the case may be), the provision of security deposit as well as renewal and termination of the tenancy or lease (as the case may be). These terms and conditions vary and are negotiated on a case-by-case basis to accommodate the specific needs of the tenants/lessees and the landlord/lessor. In particular, the respective rental rates were arrived at, and mutually agreed upon, after taking into consideration the prevailing market rate for rental chargeable per month in respect of building spaces of similar nature located within the same or close to the surrounding area.

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## 6. THE SUBJECT PROPERTIES (*Cont'd*)

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With regards to the QSR Properties, the Trustee on behalf of Al-Salām REIT had also entered into seven (7) master lease agreements for the restaurant properties and non-restaurant properties with four (4) QSR Lessees to lease the QSR Properties for a period 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 said master lease agreements, Al-Salām REIT will also grant to QSR Lessee(s) with an option to renew the lease for a further period of fifteen (15) years subject to the terms and conditions contained therein. Further details of the master lease agreements are as disclosed in **Section 17.4** of this Prospectus.

### 6.11 TAKAFUL

The Subject Properties are currently covered under property and liability takaful certificates, with coverage features and covered limits that the Manager believes are appropriate and sufficient given the nature of the properties. The coverage of these takaful policies includes loss or damage of the lessor's fixtures and fittings due to fire, flood or such other risk as shall be agreed by the parties. The takaful coverage is capped at certain limits.

There are, however, certain risks that are not covered by such takaful certificates, pursuant to typical exclusions such as war, acts of terrorism, or any losses as a result therefrom.

For QSR Properties, the takaful policies will be endorsed in favour of the Trustee by the QSR Lessees on the Completion Date of the SPAs while the Trustee will take new takaful policies for DASB Properties after the Completion of the SPAs for DASB Properties. The takaful policies pertaining to the thirteen (13) QSR Properties had been entered into on 6 May 2015, being the Completion Date of the respective SPAs.

### 6.12 FIRE PROTECTION

The fire protection system for each of the Subject Properties is manned on a 24-hour basis at a fire command centre with the central monitoring system linked to the Malaysia Fire and Rescue Department (*Jabatan Bomba dan Penyelamat Malaysia*). The Subject Properties have qualified fire safety personnel, who form part of an emergency response team and who ensure that all fire protection systems and equipment are in working order. Each of the Subject Properties is also equipped with a fire protection system which includes a fire detection system, fire suppression system and smoke management system. The Subject Properties also have fire sprinkler systems with water tanks and wet riser.

### 6.13 CAPITAL EXPENDITURE

The Manager envisages that there will be continuous upgrading, renovation and refurbishment on the DASB Properties, where appropriate and feasible, from time to time, to ensure that the said properties remain competitive in terms of attracting and/or retaining tenants.

For QSR Properties, the lessor will fully bear the expenditure in relation to the major repair and total replacement of the lessor's fixtures and fittings as well as the repairs or work necessary to be done to the rooftop, the main external and/or internal structure of the properties whilst the Lessees will undertake and bear all expenses in relation to the internal renovations and image enhancements of the said properties.

### 6.14 COMPETITION

Please refer to **Appendix B** "Independent Property Market Report" of this Prospectus for further details.

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**6. THE SUBJECT PROPERTIES (Cont'd)**

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**6.15 LEGAL PROCEEDINGS**

As at the LPD, neither of the Subject Properties nor the Manager is currently involved in any material litigation nor, to the best of the Manager's knowledge, is any material litigation currently contemplated or threatened against Al-Salām REIT or the Manager.

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## 7. FINANCIAL INFORMATION

### 7.1 PRO FORMA STATEMENT OF FINANCIAL POSITION

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.

#### 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 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>-</b>	<b>126,040</b>	<b>903,140</b>
Cash and Bank Balances	-	8,110	13,065
<b>Total Current Assets</b>	<b>-</b>	<b>8,110</b>	<b>13,065</b>
<b>Total Assets</b>	<b>-</b>	<b>134,150</b>	<b>916,205</b>
<b>EQUITY</b>			
Unitholders' Fund	-	-	570,500
<b>Total Equity</b>	<b>-</b>	<b>-</b>	<b>570,500</b>
<b>LIABILITIES</b>			
Financing Facility	-	134,150	345,705
<b>Total Liabilities</b>	<b>-</b>	<b>134,150</b>	<b>345,705</b>
<b>Total Equity and Liabilities</b>	<b>-</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>-</b>	<b>N/A</b>	<b>0.98</b>

## 7. FINANCIAL INFORMATION (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, 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 as disclosed under **Section 3.10** of this Prospectus 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:-

Subject Properties	Date of valuation reports
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.



## 7. FINANCIAL INFORMATION (Cont'd)

### 7.2 CAPITALISATION AND INDEBTEDNESS

Assuming full subscription under the IPO and based on the IPO Price, the following table sets forth the pro forma capitalisation of Al-Salām REIT as at the Listing Date. The information in the table below should be read in conjunction with **Section 3.10** "Proposed Utilisation of Proceeds", **Section 7.1** "Pro Forma Statement of Financial Position" and the "Reporting Accountants' Letter on the Pro Forma Statement of Financial Position" in **Appendix D** of this Prospectus and the related notes in this Prospectus.

As at the Listing Date	RM'000
Bank Financing <sup>(1)</sup>	345,705
Unitholders' Funds <sup>(2)</sup>	570,500
<b>Total Capitalisation</b>	<b>916,205</b>

**Notes:-**

(1) The bank financing includes the transaction cost of the Financing Facility amounting to approximately RM4.30 million, which has been imputed into the Financing Facility.

(2) The Unitholders' funds stated above have taken into consideration the estimated expenses for the Listing of RM9.50 million.

Please refer to **Section 3.8** "REIT Financing" of this Prospectus for further details on the Financing Facility.

Based on the Pro Forma Statement of Financial Position of Al-Salām REIT, Al-Salām REIT is expected to have an initial indebtedness of approximately RM345.71 million, representing approximately 38.28% of its Total Asset Value (excluding cash and bank balances).

### 7.3 GENERAL BACKGROUND OF AL-SALĀM REIT

Al-Salām REIT is a REIT established in Malaysia and constituted by the Deed. As Al-Salām REIT is a newly established REIT, it has no historical operating results and financial information based on which recipients of this Prospectus and prospective investors in the Units may evaluate Al-Salām REIT.

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, office buildings, shopping malls, college buildings, warehouses and food and beverage retail outlets. 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.

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

- (i) Active asset management strategy;
- (ii) Acquisition growth strategy; and
- (iii) Capital and risk management strategy.

See **Section 4.3** "Strategies" of this Prospectus for further details.

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## 7. FINANCIAL INFORMATION (Cont'd)

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### 7.3.1 Components of total revenue

Al-Salām REIT's total revenue is the aggregate of rental income and other income earned from the Subject Properties. A significant portion of Al-Salām REIT's total revenue is derived from its rental income from the Subject Properties. Rental income includes base rent, service charges as well as percentage rent, where applicable. Other income earned from the Subject Properties includes mainly parking income, events and advertising income and other miscellaneous income.

Al-Salām REIT's total revenue is generally affected by a number of factors including:-

- (i) general macro-economic conditions and supply and demand trends affecting the real estate market in Malaysia;
- (ii) rental rates for tenancies for the Subject Properties; and
- (iii) occupancy rates and tenancy expiries and renewals.

#### Rental income

Rental income is the total amount payable by tenants pursuant to a tenancy agreement. Al-Salām REIT tenancy agreements are generally fixed for a period of one (1) to three (3) years in respect of DASB Properties and for a period of three (3) years with the right to renew the said leases every three (3) years up to up to a maximum of fifteen (15) years in respect of QSR Properties. The rental income comprise of the following:-

- (i) base rent component, including Triple Net Lease to be received from the QSR Properties;
- (ii) service charges component, which are contributions paid by tenants of KOMTAR JBCC for the usage of utilities, operating and maintenance expenses as well as marketing and promotional expenses; and/or
- (iii) percentage rent component, where applicable, is an additional rent charged to all tenants (excluding money changers and ATM providers) of KOMTAR JBCC based on a percentage ranging from 1.0% to 25.0% of total sales revenue generated by the tenants of KOMTAR JBCC. In the event the percentage rent is higher than the base rent or gross rental income, the difference will be charged as additional rental. In the event the percentage rent is lower than the base rent or gross rental income, no additional rental will be charged.

Factors taken into account in determining the rental rates for a tenancy include the effect of prevailing market conditions such as tenants' demand and inflation.

#### Other income

Other income consists of the following key items:-

- (i) Parking income – income earned based on the car and motorcycle parking operations by the management of KOMTAR JBCC and Menara KOMTAR;
- (ii) Events – revenue earned from renting out space and push carts around KOMTAR JBCC and @Mart Kempas for events and promotions;
- (iii) Advertising – revenue generated from standees and advertising spaces located at prominent locations around the KOMTAR JBCC and @Mart Kempas; and
- (iv) Other miscellaneous income – rental income from storage space/kiosk, forfeited deposits, after-hour charges/tenancy charges for recovery of utilities, operational and maintenance work carried out for tenants as well as late payment interest charged to tenants.

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## 7. FINANCIAL INFORMATION (Cont'd)

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### 7.3.2 Components of Property Operating Expenses

The most significant Property Operating Expenses of Al-Salām REIT are utilities, maintenance and quit rent and assessment. Other operating expenses include property management fee and reimbursable costs, advertising and marketing expenses, cleaning and security services expenses and general and administrative expenses. The QSR Properties are not subject to Property Operating Expenses as it is leased to QSR Lessees on a Triple Net Lease basis.

Property operating expenses may be affected by a number of factors including, primarily:-

- (i) the age and condition of the DASB Properties;
- (ii) any maintenance and service charges levied, and takaful premiums;
- (iii) inflation;
- (iv) employment conditions;
- (v) cost relating to the organising of marketing events and activities;
- (vi) utility usage and rates; and
- (vii) changes in quit rent levied by the State Authorities and assessment rate levied by the local government where the Subject Properties are located.

#### Utilities expenses

Utilities expenses include electricity costs, sewerage charges and water charges incurred for the operation of KOMTAR JBCC, Menara KOMTAR and @Mart Kempas. The utilities expenses for KFCH College are wholly borne by the tenant.

#### Maintenance expenses

Maintenance expenses include costs for contractual maintenance as well as the general repair and upkeep of the DASB 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. Takaful policy premiums are payable for coverage which include amongst others (i) fire, (ii) public liability (including personal injury), (iii) consequential loss of income, (iv) burglary and (v) all other risks.

#### Quit rent and assessment

Quit rent is an amount prescribed by and payable to the State Authority. Assessment is calculated based on a rate as prescribed by the local authorities on the annual value of the DASB Properties as assessed by the relevant local authorities.

#### Other operating expenses

These include, amongst other, advertising and marketing expenses, cleaning and security services expenses, general and administrative expenses as well as property management fee and reimbursable:-

- (i) *Advertising and marketing expenses* – marketing and promotion expenses comprise advertising setup cost, public relation costs, marketing collaterals and decorations costs and any other expenses related to promotional activities.
- (ii) *Cleaning expenses* – cleaning expenses comprise wages for third party cleaners to upkeep cleanliness of the DASB Properties and any other expenses related to cleaning activities.

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**7. FINANCIAL INFORMATION (Cont'd)**

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- (iii) *Security services expenses* – security services expenses comprise cost of hiring security personnel for KOMTAR JBCC, Menara KOMTAR and @Mart Kempas.
- (iv) *General and administrative expenses* – general and administrative expenses include depreciation, telecommunication expenses, legal charges, upkeep, provision for doubtful debt and other miscellaneous expenses.
- (v) *Property Management Fee* – property management fee is the fee payable to the Property Manager. Please refer to **Section 10.5** “Property Management Fee” of this Prospectus for further details.
- (vi) *Property Management Reimbursable Costs* – Reimbursable costs relating to the employment by the Property Manager of any service provider for the Subject Properties, where applicable, as well as costs and expenses incurred in the operation, maintenance, management and marketing of the Subject Properties (including but not limited to the cost relating to the employment and remuneration of on-site staff provided) which are:-
  - (a) approved under the annual business plan and budget for the Subject Properties or incurred with prior approval by the Trustee and the Manager; and
  - (b) supported by receipts, vouchers or other evidence of payment acceptable to the Trustee and the Manager.

**7.4 PRO FORMA NET PROPERTY INCOME AND MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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 of Al-Salām REIT has been properly prepared in a manner consistent with both the format of the financial statements and the accounting policies to be adopted by Al-Salām REIT as disclosed under **Section 7.6.2** of this Prospectus.

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.

## 7. FINANCIAL INFORMATION (Cont'd)

	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, insurances, 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.

Notwithstanding the above, the combined financial statements may not necessarily reflect the consolidated financial results of the operations, financial position and cash flows of the relevant Subject Properties had the Vendors separately managed the Subject Properties during the period under review.

After the Listing Date, there will be certain changes to Al-Salām REIT's cost structure, level of indebtedness and operations. The cost structure of Al-Salām REIT after the Listing Date will differ in certain significant respects from the historical cost structure of the Vendors. For example, certain historical costs of the Vendors will no longer be costs of Al-Salām REIT. Similarly, there are certain costs, such as the Manager's, Property Manager's and Trustee's fees, that will be costs of Al-Salām REIT going forward that were not costs of the Vendors historically. Additionally, the Pro Forma Net Property Income of Al-Salām REIT is not necessarily indicative of the results of operations that would have been attained had Al-Salām REIT actually existed earlier.

### 7.4.1 Rental income trends

The following tables set out information on the total NLA, revenue and NPI of KOMTAR JBCC (as the case may be), Menara KOMTAR, @Mart Kempas and KFCH College as at 31 December 2011, 2012, 2013, 2014 and 30 June 2015.

KOMTAR JBCC <sup>(1)</sup>	FYE 2014	FPE 2015
Total NLA (sq. ft.)	401,623	401,623
Total revenue (RM'000)	1,754	9,371
NPI/(net property loss) (RM'000)	(7,998)	2,528

**7. FINANCIAL INFORMATION (Cont'd)**

<b>Menara KOMTAR<sup>(2)</sup></b>	<b>FYE 2011</b>	<b>FYE 2012</b>	<b>FYE 2013</b>	<b>FYE 2014</b>	<b>FPE 2015</b>
Total NLA (sq. ft.)	161,864	161,864	161,864	<sup>(3)</sup> 160,592	160,592
Total revenue (RM'000)	3,019	2,821	2,391	4,036	3,872
NPI/(net property loss) (RM'000)	304	(106)	(395)	(1)	1,750

<b>@Mart Kempas</b>	<b>FYE 2011</b>	<b>FYE 2012</b>	<b>FYE 2013</b>	<b>FYE 2014</b>	<b>FPE 2015</b>
Total NLA (sq. ft.)	90,223	90,223	98,083	98,083	98,083
Total revenue (RM'000)	4,983	5,879	6,626	6,842	3,410
NPI (RM'000)	2,507	3,065	3,521	3,698	1,842

<b>KFCH College</b>	<b>FYE 2011</b>	<b>FYE 2012</b>	<b>FYE 2013</b>	<b>FYE 2014</b>	<b>FPE 2015</b>
Total NLA (sq. ft.) <sup>(4)</sup>	87,178	87,178	87,178	87,178	87,178
Total revenue (RM'000)	1,918	2,092	2,127	2,309	1,157
NPI (RM'000)	1,850	1,929	1,979	2,220	1,097

**Notes:-**

- (1) KOMTAR JBCC commenced operations on 17 July 2014.
- (2) Menara KOMTAR underwent renovation in July 2013 and the internal renovation and refurbishment was only completed in November 2014.
- (3) The reduced NLA was due to conversion of some NLA into common areas.
- (4) The NLA is based on the signed tenancy agreement entered between SPM Restaurants Sdn Bhd and DASB dated 7 November 2010.

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**7. FINANCIAL INFORMATION (Cont'd)**

**7.4.2 Occupancy trends**

The following table sets out the occupancy rate of KOMTAR JBCC (as the case may be), Menara KOMTAR, @Mart Kempas and KFCH College as at 31 December 2011, 2012, 2013 and 2014 and 30 June 2015 and the average monthly rental for the past four (4) FYE up to 31 December 2014 as well as for the FPE 30 June 2015:-

Subject Properties	FYE 2011		FYE 2012		FYE 2013		FYE 2014		FPE 2015	
	Occupancy rate (as at 31 December)	Average monthly rental (RM per sq. ft.)	Occupancy rate (as at 31 December)	Average monthly rental (RM per sq. ft.)	Occupancy rate (as at 31 December)	Average monthly rental (RM per sq. ft.)	Occupancy rate (as at 31 December)	Average monthly rental (RM per sq. ft.)	Occupancy rate (as at 30 June)	Average monthly rental (RM per sq. ft.)
KOMTAR JBCC <sup>(1)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	<sup>(2)</sup> 80%	N/A	<sup>(2)</sup> 82%	5.70
Menara KOMTAR	75%	2.00	<sup>(3)</sup> 57%	2.00	59%	2.00	94%	2.58	96%	4.23
@Mart Kempas	95%	4.39	95%	4.54	98%	5.19	94%	5.56	91%	5.59
KFCH College	100%	2.00	100%	2.00	100%	2.03	100%	2.20	100%	2.20

**Notes:-**

N/A Not applicable

(1) KOMTAR JBCC commenced operations on 17 July 2014.

(2) Based on committed tenancies.

(3) Cessation of tenancies by two (2) major tenants in May and November 2012, respectively.

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## 7. FINANCIAL INFORMATION (Cont'd)

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### 7.4.3 Results of operations

An analysis of the results of operations of KOMTAR JBCC (for the FYE 31 December 2014, FPE 30 June 2014 and FPE 30 June 2015), Menara KOMTAR, @Mart Kempas and KFCH College are as follows:-

#### (i) FPE 30 June 2015 compared to FPE 30 June 2014

##### Total revenue

Al-Salām REIT's total revenue increased by approximately 199.1% from approximately RM6.0 million achieved in the FPE 30 June 2014 to approximately RM17.8 million in the FPE 30 June 2015.

##### Rental income

In the FPE 30 June 2015, the rental income of Al-Salām REIT had increased by approximately 200.3% from approximately RM5.5 million for the FPE 30 June 2014 to approximately RM16.7 million. The increase was mainly due to the following Subject Properties:-

- (a) KOMTAR JBCC, whereby it commenced operations on 17 July 2014 and recorded approximately RM8.5 million of rental income during the FPE 30 June 2015; and
- (b) Menara KOMTAR, whereby the occupancy rate had increased from approximately 51% as at FPE 30 June 2014 to approximately 96% as at 30 June 2015. This was due to the commencement of JCorp Group's tenancy, which took place in two (2) phases in August 2014 and November 2014, respectively. This resulted in an increase of rental income from approximately RM1.2 million for the FPE 30 June 2014 to approximately RM3.9 million in the financial period under review.

##### Other income

Other income increased by approximately 183.0% from RM408,342 for the FPE 30 June 2014 to approximately RM1.2 million for the FPE 30 June 2015. The substantial increase in other income was mainly due to the commencement of operation of KOMTAR JBCC, whereby car park income and other miscellaneous income was generated due to the increase in occupancy rate of KOMTAR JBCC and Menara KOMTAR in the financial period under review as compared to the previous FPE 30 June 2014.

##### Property Operating Expenses

Property operating expenses increased by approximately 52.0% from approximately RM7.0 million for the FPE 30 June 2014 to approximately RM10.6 million for the FPE 30 June 2015.

##### Utilities expenses

Utilities expenses increased by approximately 178.0% from approximately RM1.2 million for the FPE 30 June 2014 to approximately RM3.3 million for the FPE 30 June 2015. The substantial increase was mainly due to the commencement of operation of KOMTAR JBCC, which recorded utilities expenses of approximately RM1.8 million for the FPE 30 June 2015.



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**7. FINANCIAL INFORMATION (Cont'd)**

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**Maintenance expenses**

Maintenance expenses increased by approximately 15.5% from RM743,981 for the FPE 30 June 2014 to RM859,305 for the FPE 30 June 2015. The increase was mainly due to the inclusion of maintenance expenses incurred by KOMTAR JBCC due to the commencement of operation of KOMTAR JBCC during the financial period under review.

**Quit rent and assessment**

Quit rent and assessment increased by approximately 6.0% from RM362,146 for the FPE 30 June 2014 to RM384,025 for the FPE 30 June 2015. The increase was mainly due to the increase in payment of assessment for KFCH College for the financial period under review.

**Other operating expenses**

Other operating expenses increased by approximately 29.5% from approximately RM4.7 million for the FPE 30 June 2014 to approximately RM6.1 million for the FPE 30 June 2015. The increase was mainly due to the commencement of operation of KOMTAR JBCC and increase in other operating expenses arising from the increase in occupancy rate for Menara KOMTAR during the financial period under review.

**NPI**

As a result of the abovementioned factors, Al-Salām REIT recorded a NPI of approximately RM7.2 million for the FPE 30 June 2015 as compared to the net property loss of approximately RM1.0 million for the FPE 30 June 2014.

**(ii) FYE 31 December 2014 compared to FYE 31 December 2013****Total revenue**

Total revenue increased by approximately 34.1% from approximately RM11.1 million for the FYE 31 December 2013 to approximately RM14.9 million for the FYE 31 December 2014.

**Rental income**

Rental income increased by approximately 29.0% from approximately RM10.6 million for the FYE 31 December 2013 to approximately RM13.7 million for the FYE 31 December 2014.

This was primarily due to the commencement of operation of KOMTAR JBCC in July 2014 and increase in occupancy rate in Menara KOMTAR from 59% achieved in the previous financial year to 94% in the FYE 31 December 2014. KOMTAR JBCC recorded rental income of approximately RM1.1 million for the FYE 31 December 2014. Menara KOMTAR rental income increased by approximately 69.0% from approximately RM2.4 million for the FYE 31 December 2013 to approximately RM4.0 million for the FYE 31 December 2014.

**Other income**

Other income increased by approximately 139.4% from RM512,605 for the FYE 31 December 2013 to approximately RM1.2 million for the FYE 31 December 2014. The substantial increase in other income was mainly due to car park income and other miscellaneous income of RM678,787 recorded for the FYE 31 December 2014 upon commencement of operation of KOMTAR JBCC in July 2014.

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**7. FINANCIAL INFORMATION (Cont'd)**

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**Property Operating Expenses**

Property operating expenses increased by approximately 181.9% from approximately RM6.0 million for the FYE 31 December 2013 to approximately RM17.0 million for the FYE 31 December 2014.

**Utilities expenses**

Utilities expenses increased substantially by approximately 150.4% from approximately RM1.8 million for the FYE 31 December 2013 to approximately RM4.6 million for the FYE 31 December 2014. The substantial increase was mainly due to the commencement of operation of KOMTAR JBCC in July 2014.

**Maintenance expenses**

Maintenance expenses increased by approximately 35.5% from approximately RM1.1 million for the FYE 31 December 2013 to approximately RM1.5 million for the FYE 31 December 2014. The increase was mainly due to the commencement of operation of KOMTAR JBCC in July 2014 as KOMTAR JBCC incurred maintenance expenses of RM500,797 for the FYE 31 December 2014 as compared to maintenance expenses incurred of RM24,000 for the FYE 31 December 2013.

**Quit rent and assessment**

Quit rent and assessment increased by approximately 66.4% from RM435,229 for the FYE 31 December 2013 to RM724,288 for the FYE 31 December 2014. The increase was mainly due to new rate imposed by the relevant authorities for KOMTAR JBCC and Menara KOMTAR based on its respective new market value.

**Other operating expenses**

Other operating expenses increased substantially by approximately 283.8% from approximately RM2.7 million for the FYE 31 December 2013 to approximately RM10.2 million for the FYE 31 December 2014. The increase was mainly due to the commencement of operation of KOMTAR JBCC in July 2014 whereby KOMTAR JBCC incurred a substantial increase in other operating expenses of approximately 160.9% from approximately RM2.8 million for the FYE 31 December 2013 to approximately RM7.3 million for the FYE 31 December 2014.

**NPI**

As a result of the abovementioned factors, Al-Salām REIT incurred a net property loss of approximately RM2.1 million for the FYE 31 December 2014, which represented approximately 140.8% decrease from NPI of approximately RM5.1 million for the FYE 31 December 2013.

**(iii) FYE 31 December 2013 compared to FYE 31 December 2012****Total revenue**

Total revenue increased by approximately 3.3% from approximately RM10.8 million for the FYE 31 December 2012 to approximately RM11.1 million for the FYE 31 December 2013.

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**7. FINANCIAL INFORMATION (Cont'd)**

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**Rental income**

Rental income increased slightly by approximately 3.5% from approximately RM10.3 million for the FYE 31 December 2012 to approximately RM10.6 million for the FYE 31 December 2013. This was primarily due to the slight increase in occupancy rate in @Mart Kempas from 95% achieved in the previous financial year to 98% in the FYE 31 December 2013, and the increase in the average rental rate of @Mart Kempas from RM4.54 per sq. ft. in the previous financial year to RM5.19 per sq. ft. in the FYE 31 December 2013.

**Other income**

Other income of Al-Salām REIT for the FYE 31 December 2013 remains consistent with the other income recorded in the previous FYE 31 December 2012.

**Property operating expenses**

Property operating expenses increased by approximately 2.3% from approximately RM5.9 million for the FYE 31 December 2012 to approximately RM6.0 million for the FYE 31 December 2013.

**Utilities expenses**

Utilities expenses decreased by approximately 10.0% from approximately RM2.0 million for the FYE 31 December 2012 to approximately RM1.8 million for the FYE 31 December 2013. The substantial decrease was mainly due to cessation of tenancies by two (2) major tenants in Menara KOMTAR in May and November 2012 respectively.

**Maintenance expenses**

Maintenance expenses increased by approximately 5.9% from approximately RM1.0 million for the FYE 31 December 2012 to approximately RM1.1 million for the FYE 31 December 2013. The slight increase was mainly due to additional building rectification works carried out for @Mart Kempas.

**Quit rent and assessment**

Quit rent and assessment decreased by approximately 9.8% from RM482,685 for the FYE 31 December 2012 to RM435,229 for the FYE 31 December 2013. The decrease was mainly due to no reimbursement payment for the quit rent of KFCH College in 2013 by the beneficial owner, DASB to the registered owner, JLand.

**Other operating expenses**

Other operating expenses increased by approximately 13.9% from approximately RM2.3 million for the FYE 31 December 2012 to approximately RM2.7 million for the FYE 31 December 2013. The increase was mainly due to the increase in fees in relation to the cleaning and security services for Menara KOMTAR and @Mart Kempas.

**NPI**

As a result of the abovementioned factors, Al-Salām REIT recorded a NPI of approximately RM5.1 million for the FYE 31 December 2013, which represented approximately 4.4% increase from NPI of approximately RM4.9 million for the FYE 31 December 2012.

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**7. FINANCIAL INFORMATION (Cont'd)**

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**(iv) FYE 31 December 2012 compared to FYE 31 December 2011****Total revenue**

Total revenue increased by approximately 8.8% from approximately RM9.9 million for the FYE 31 December 2011 to approximately RM10.8 million for the FYE 31 December 2012.

**Rental income**

Rental income increased by approximately 5.9% from approximately RM9.7 million in FYE 31 December 2011 to approximately RM10.3 million in FYE 31 December 2012, primarily as a result of an increase in the NLA of @Mart Kempas arising from the extension of the premise, which in turn resulted in an increase in rental income. The decrease in occupancy rate at Menara KOMTAR from 75% as at 31 December 2011 to 57% as at 31 December 2012 was offset by the increase in NLA and rental income of @Mart Kempas.

**Other income**

Other income increased by approximately 140.2% from RM215,265 for the FYE 31 December 2011 to RM517,120 for the FYE 31 December 2012. The increase was mainly due to full-year operation of @Mart Kempas as well as income contribution from the promotional events held at @Mart Kempas.

**Property operating expenses**

Property operating expenses increased by approximately 12.3% from approximately RM5.3 million for the FYE 31 December 2011 to approximately RM5.9 million for the FYE 31 December 2012. The increase was mainly due to the construction cost incurred in regards to the extension of the premises of @Mart Kempas in line with the objective to increase its NLA.

**Utilities expenses**

Utilities expenses increased by approximately 17.8% from approximately RM1.7 million for the FYE 31 December 2011 to approximately RM2.0 million for the FYE 31 December 2012. The increase was mainly due to increase in usage due to increase in NLA and tenants of @Mart Kempas as a result of full-year operation in 2012.

**Maintenance expenses**

Maintenance expenses increased by approximately 21.3% from RM863,234 for the FYE 31 December 2011 to approximately RM1.0 million for the FYE 31 December 2012. The increase was mainly due to maintenance expenses incurred for @Mart Kempas as a result of full-year operation in 2012.

**Quit rent and assessment**

Quit rent and assessment increased by approximately 84.8% from RM261,165 for the FYE 31 December 2011 to RM482,685 for the FYE 31 December 2012. Such increase was consequentially due to the extension of the premises of @Mart Kempas, which resulted in an increase in its NLA.

**Other operating expenses**

Other operating expenses decreased by approximately 2.9% from approximately RM2.4 million for the FYE 31 December 2011 to approximately RM2.3 million for the FYE 31 December 2012. The slight decrease was mainly due to reduction of advertising expenses for @Mart Kempas.

**NPI**

As a result of the abovementioned factors, Al-Salām REIT recorded a NPI of approximately RM4.9 million for the FYE 31 December 2012, which represented approximately 4.8% increase in NPI of approximately RM4.7 million for the FYE 31 December 2011.

**(v) FYE 31 December 2011 compared to FYE 31 December 2010****Total revenue**

Total revenue increased by approximately 212.3% from approximately RM3.2 million for the FYE 31 December 2010 to approximately RM9.9 million for the FYE 31 December 2011.

**Rental income**

Rental income increased by approximately 209.3% from approximately RM3.1 million in FYE 31 December 2010 to approximately RM9.7 million in FYE 31 December 2011 primarily due to the opening of @Mart Kempas and KFCH College on March 2011 and February 2011, respectively.

**Other income**

Other income increased by approximately 460.6% from RM38,397 in FYE 31 December 2010 to RM215,265 in FYE 31 December 2011. The increase was mainly due to the commencement of operation of @Mart Kempas in March 2011.

**Property operating expenses**

Property operating expenses increased by approximately 41.7% from approximately RM3.7 million for the FYE 31 December 2010 to approximately RM5.3 million for the FYE 31 December 2011.

**Utilities expenses**

Utilities expenses increased by approximately 35.6% from RM1.3 million for the FYE 31 December 2010 to approximately RM1.7 million for the FYE 31 December 2011. The increase was mainly due to the commencement of operation of @Mart Kempas.

**Maintenance expenses**

Maintenance expenses decreased by approximately 15.3% from approximately RM1.0 million for the FYE 31 December 2010 to RM863,234 for the FYE 31 December 2011. The decrease was due to decrease in repair and maintenance cost arising from revision of service provider fees for Menara KOMTAR.

**Quit rent and assessment**

Quit rent and assessment increased by approximately 18.5% from approximately RM220,382 for the FYE 31 December 2010 to RM261,165 for the FYE 31 December 2011. Such increase was mainly due to the commencement of operation of @Mart Kempas and KFCH College on March 2011 and February 2011, respectively.

**Other operating expenses**

Other operating expenses increased by approximately 101.5% from approximately RM1.2 million for the FYE 31 December 2010 to approximately RM2.4 million for the FYE 31 December 2011. The increase was consequentially due to commencement of operation of @Mart Kempas.

**NPI**

As a result of the abovementioned factors, Al-Salām REIT recorded a NPI of approximately RM4.7 million for the FYE 31 December 2011 compared to a net property loss of RM533,874 for the FYE 31 December 2010.

**7.4.4 Liquidity and capital resources**

The Manager is of the opinion that Al-Salām REIT's working capital would be sufficient for its operations as rental income is received in advanced monthly and generally, tenants are required to provide a security deposit of three (3) months of their monthly rental payable. The Manager anticipates that Al-Salām REIT's primary uses of cash will be to fund distributions, for payments of its day-to-day operation expenses, trust expenses, servicing of debt, maintenance and other property-related costs as well as for its capital expenditure, asset enhancement and future property acquisitions.

Funding of the foregoing will come from a combination of net cash from operations and financing. Al-Salām REIT will also have future funding capacity through debt financing and based on Al-Salām REIT's Pro Forma Statement of Financial Position, the expected gearing level at the time of the Listing will be approximately 38.28% of its Total Asset Value (excluding cash and bank balances) while regulated maximum under the REITs Guidelines is 50.0% of its Total Asset Value (excluding cash and bank balances) at the time the borrowings are incurred. If required and deemed necessary or appropriate, Al-Salām REIT will also consider other opportunities to raise additional equity capital through the issuance of new Units.

**7.4.5 Capital expenditure**

Save for the capital expenditure of the Subject Properties disclosed in **Section 6** of this Prospectus, the Manager confirms that there has been no other major capital expenditure undertaken in relation to the Subject Properties. However, for DASB Properties, the Manager envisages that there will be continuous upgrading, renovating and refurbishment programme from time to time, to ensure that these properties remain competitive in terms of attracting and/or retaining tenants.

For QSR Properties, the lessor, being Al-Salām REIT shall carry out, at its own cost and expenses, for the total replacement of the lessor's fixtures, fittings, plant and equipment as stipulated in the master lease agreements, as well as the repairs or work necessary to be done to the rooftop and the main external and/or internal structure of the QSR Properties, whilst the QSR Lessees will bear all expenses in relation to the internal renovation and refurbishment works as well as image enhancement of QSR Properties. For further details on the capital expenditure to be undertaken by QSR Lessees, please refer to **Section 6.9.7** of this Prospectus.

The Manager does not expect any major capital expenditure during the Estimate Period 2015 and Forecast Year 2016.

**7.5 PROFIT FORECASTS**

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.

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**7. FINANCIAL INFORMATION (Cont'd)**

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*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.*

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7.5.1 Reporting accountants' letter on the Profit Forecasts



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4 August 2015

The Board of Directors  
Damansara REIT Managers Sdn Berhad  
Unit 1-19-02, Level 19  
Block 1 V SQUARE  
Jalan Utara, 46200 Bandar Petaling Jaya  
Petaling Jaya, Selangor  
Malaysia

Dear Sirs,

**AL-SALĀM REAL ESTATE INVESTMENT TRUST (“AL-SALĀM REIT”)  
REPORTING ACCOUNTANTS’ LETTER ON THE PROFIT ESTIMATE FOR THE  
FINANCIAL PERIOD 30 MARCH 2015 (DATE OF ESTABLISHMENT OF AL-SALĀM REIT)  
TO 31 DECEMBER 2015 AND PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31  
DECEMBER 2016 AND THE NOTES THEREON  
(COLLECTIVELY REFERRED TO AS THE “PROFIT FORECASTS”)**

We have examined the Profit Forecasts and the basis of the assumptions upon which they are based, of Al-Salām REIT for the financial period 30 March 2015 (date of establishment of Al-Salām REIT) to 31 December 2015 and for the financial year ending 31 December 2016 as set out in the accompanying statement (stamped by us for the purpose of identification) in accordance with the International Standards on Assurance Engagement ISAE 3400 “The Examination of Prospective Financial Information” as adopted by the Malaysian Institute of Accountants.

The Profit Forecasts have been prepared for inclusion in the prospectus (“Prospectus”) issued in connection with the listing of Al-Salām REIT on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing”).

**Directors’ Responsibilities**

The Directors of Damansara REIT Managers Sdn Berhad are solely responsible for the preparation and presentation of the profit estimate and forecast and the assumptions on which the Profit Forecasts are based.

**Our Responsibilities**

Our examination has been undertaken to enable us to report as to whether the Profit Forecasts, in all material respects, are properly prepared on the basis of the assumptions made by the Directors of Damansara REIT Managers Sdn Berhad.

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### **Basis of Opinion**

We have conducted our work in accordance with the International Standards on Assurance Engagement ISAE 3400 “The Examination of Prospective Financial Information” as adopted by the Malaysian Institute of Accountants.

Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which the Directors expect to take place and the actions which the Directors expect to take place as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and variation could be material. Consequently, we do not express any opinion as to the possibility of achievement of the Profit Forecasts.

### **Opinion**

Based on our examination:

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors of Damansara REIT Managers Sdn Berhad, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the Profit Forecasts; and
- (ii) the Profit Forecasts, so far as the calculations are concerned, have been properly compiled on the basis of assumptions made by the Directors of Damansara REIT Managers Sdn Berhad as set out in the accompanying statement.

### **Emphasis of Matter**

We wish to draw attention that Note 3(a) to the Profit Forecasts of Al-Salām REIT which indicates that the relevant sales and purchase agreements for Phase 2 Acquisition (as defined in the Profit Forecasts) will only be completed prior to or on the Listing date. The Profit Forecasts have been prepared based on the assumption that the relevant sales and purchase agreements are duly completed.

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**7. FINANCIAL INFORMATION (Cont'd)**

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4 August 2015  
Al-Salām Real Estate Investment Trust  
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**Other Matters**

This report has been issued for the sole purpose of inclusion in the Prospectus issued in connection with the Listing (in compliance with the Guidelines on Real Estate Investment Trusts and Prospectus Guidelines for Collective Investment Schemes). As such, this report is not to be used, circulated, quoted or otherwise referred to, for any other purposes nor is it to be filed with, reproduced, copied, disclosed or referred, in whole or in part, in any document other than the Prospectus.

Yours very truly,



**DELOITTE**  
AF 0080  
Chartered Accountants



**HUANG KHEAN YEONG**  
Partner - 2993/05/16 (J)  
Chartered Accountant

Enclosure

**AL-SALĀM REAL ESTATE INVESTMENT TRUST  
PROFIT ESTIMATE FOR THE FINANCIAL PERIOD 30 MARCH 2015 (DATE OF  
ESTABLISHMENT) TO 31 DECEMBER 2015 AND PROFIT FORECAST FOR THE  
FINANCIAL YEAR ENDING 31 DECEMBER 2016 AND THE NOTES THEREON**

The Directors of Damansara REIT Managers Sdn Berhad ("Manager"), being the Manager of Al-Salām Real Estate Investment Trust ("Al-Salām REIT") have prepared the profit estimate and forecast of the statement of profit or loss for the financial period 30 March 2015 (date of establishment of Al-Salām REIT) to 31 December 2015 ("Estimate Period 2015") and for the financial year ending 31 December 2016 ("Forecast Year 2016") of Al-Salām REIT (collectively, the Estimate Period 2015 and Forecast Year 2016 are referred to as the "Profit Forecasts"), based on the assumptions disclosed in the accompanying notes thereon, as follows:

	<b>Estimate Period 2015 (9 months) RM'000</b>	<b>Forecast Year 2016 (12 months) RM'000</b>
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>
Net property income	19,947	58,696
Investment income	151	311
Net investment income	20,098	59,007
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 tax</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
Initial public offering ("IPO") price (RM/Unit)	1.00	1.00
Distribution yield on IPO price	1.81%	6.41%

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**AL-SALĀM REAL ESTATE INVESTMENT TRUST  
PROFIT ESTIMATE FOR THE FINANCIAL PERIOD 30 MARCH 2015 (DATE OF  
ESTABLISHMENT) TO 31 DECEMBER 2015 AND PROFIT FORECAST FOR THE  
FINANCIAL YEAR ENDING 31 DECEMBER 2016 AND THE NOTES THEREON**

**1. GENERAL**

The Profit Forecasts have been prepared for inclusion in the prospectus ("Prospectus") issued in connection with the initial public offering ("IPO") and listing of Al-Salām REIT on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("the Listing"). Further details about the listing scheme are set out in Note 3 below.

**2. SUMMARY OF PROPOSED ACCOUNTING POLICIES**

The Profit Forecasts of Al-Salām REIT have been prepared for illustrative purposes and in a manner consistent with both the format of the financial statements and the accounting policies to be adopted by Al-Salām REIT. The summary of accounting policies to be adopted by Al-Salām REIT is set out in Section 7.6.2 of the Prospectus.

**3. LISTING SCHEME**

The listing scheme in relation to the Listing comprises the following:

(a) Acquisition of the following properties:

- (i) KOMTAR JBCC: a four-level shopping mall together with an allocation of 1,187 car park bays and 480 motorcycle bays located in Johor Bahru City Centre, Johor Bahru;
- (ii) Menara KOMTAR: a twenty five-storey office building together with 145 car park bays located in Johor Bahru City Centre, Johor Bahru;
- (iii) @Mart Kempas Community Hypermarket: a single-storey hypermarket located within Kempas, Johor Bahru ("@Mart Kempas"); and
- (iv) KFCH International College: a four-storey building located in Bandar Dato' Onn, Johor Bahru ("KFCH College");

from Damansara Assets Sdn Bhd, a wholly-owned subsidiary of Johor Corporation ("JCorp") (collectively, KOMTAR JBCC, Menara KOMTAR, @Mart Kempas and KFCH College are referred to as "DASB Properties"), and

- (v) Twenty seven (27) properties, comprising restaurant properties and non-restaurant properties ("QSR Properties")

from the following wholly-owned subsidiaries of QSR Brands (M) Holdings Sdn Bhd ("QSR"), a 51% owned subsidiary of JCorp:

- (i) KFC (Peninsular Malaysia) Sdn Bhd;
- (ii) SPM Restaurants Sdn Bhd;
- (iii) Pintas Tiara Sdn Bhd;
- (iv) QSR Manufacturing Sdn Bhd;
- (v) Chippendales (M) Sdn Bhd;
- (vi) Kentucky Fried Chicken (Malaysia) Sendirian Berhad;
- (vii) Pizza Hut Restaurants Sdn Bhd; and
- (viii) KFC (Sabah) Sdn Bhd

(Collectively, DASB Properties and QSR Properties are referred to as the "Subject Properties")

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**AL-SALĀM REAL ESTATE INVESTMENT TRUST  
PROFIT ESTIMATE FOR THE FINANCIAL PERIOD 30 MARCH 2015 (DATE OF  
ESTABLISHMENT) TO 31 DECEMBER 2015 AND PROFIT FORECAST FOR THE  
FINANCIAL YEAR ENDING 31 DECEMBER 2016 AND THE NOTES THEREON**

The Subject Properties will be acquired by the Trustee of Al-Salām REIT, namely AmanahRaya Trustees Berhad (“the Trustee”), on behalf of Al-Salām REIT at a purchase consideration of RM903.14 million to be satisfied by:

- (i) the issuance of 327,640,000 new units of RM1.00 each in Al-Salām REIT (“Unit(s)”) (“Consideration Units”); and
- (ii) cash consideration of RM575.5 million, which will be partly financed through the proceeds raised from the IPO Offerings (as defined herein) and the funds received from the drawdown of a portion of the Financing Facility (as defined herein).

(the “Acquisitions”)

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 Cheston International (KL) Sdn Bhd and Cheston International (Johor) Sdn Bhd (collectively referred to as the “Independent Property Valuers”). The dates of the valuation reports prepared by the Independent Property Valuers are as follows:

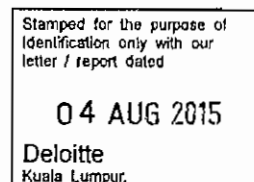
<b>Subject Properties</b>	<b>Date of Valuation Reports</b>
KOMTAR JBCC	18 July 2014
Menara KOMTAR	18 July 2014
@Mart Kempas	15 April 2014
KFCH College	15 April 2014
QSR Properties	Ranged between 7 January 2014 and 28 February 2014

On 6 May 2015, the acquisition of the thirteen (13) QSR Properties, which do not require relevant State authority’s consent to transfer and/or charge, were duly completed in accordance with the terms of the respective sales and purchase agreements dated 27 April 2015 at an aggregate purchase consideration of RM126.04 million (“Phase 1 Acquisition”). The purchase consideration was satisfied by proceeds received from the partial drawdown of the Financing Facility (as defined herein) amounting to RM136.04 million.

The remaining Subject Properties, namely DASB Properties and the remaining fourteen (14) QSR Properties are still pending completion and is expected to be completed prior to or on the Listing Date (“Phase 2 Acquisition”).

- (b) The IPO of 252,360,000 new Units 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.

(“IPO Offerings”)



**AL-SALĀM REAL ESTATE INVESTMENT TRUST  
PROFIT ESTIMATE FOR THE FINANCIAL PERIOD 30 MARCH 2015 (DATE OF  
ESTABLISHMENT) TO 31 DECEMBER 2015 AND PROFIT FORECAST FOR THE  
FINANCIAL YEAR ENDING 31 DECEMBER 2016 AND THE NOTES THEREON**

- (c) The listing of and quotation for the entire 580,000,000 issued Units on the Main Market of Bursa Securities comprising:
- (i) 327,640,000 Consideration Units; and
- (ii) 252,360,000 new Units arising from the IPO Offerings.

The Acquisitions and IPO Offerings are inter-conditional upon each other. The Acquisitions are conditional upon the listing and quotation of Al-Salām REIT on the Main Market of Bursa Securities.

(Collectively, (a), (b) and (c) are referred to as the "Listing Scheme")

#### 4. BASES AND ASSUMPTIONS

The Manager has prepared the Profit Forecasts of Al-Salām REIT based on the following assumptions, for which the Directors are solely responsible:

##### Assumptions Specific to Al-Salām REIT

- (a) It is assumed that the Listing Scheme will be completed on 29 September 2015.
- (b) Rental income and related expenses of Al-Salām REIT arising from the properties acquired under Phase 1 Acquisition commenced from 6 May 2015, being the date of completion of Phase 1 Acquisition. Rental income and related expenses of Al-Salām REIT arising from the remaining Subject Properties to be acquired under Phase 2 Acquisition is assumed to commence from 1 September 2015.
- (c) Total Revenue

For the Estimate Period 2015, the Manager estimated total revenue to be approximately RM26.50 million attributed from the following Subject Properties:

	<b>KOMTAR JBCC RM'000</b>	<b>Menara KOMTAR RM'000</b>	<b>@Mart Kempas RM'000</b>	<b>KFCH College RM'000</b>	<b>QSR Properties RM'000</b>	<b>Total RM'000</b>
Gross rental income	10,577	2,831	2,109	767	8,643	24,927
Other income	1,288	122	160	-	-	1,570
<b>Total</b>	<b>11,865</b>	<b>2,953</b>	<b>2,269</b>	<b>767</b>	<b>8,643</b>	<b>26,497</b>

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**AL-SALĀM REAL ESTATE INVESTMENT TRUST  
PROFIT ESTIMATE FOR THE FINANCIAL PERIOD 30 MARCH 2015 (DATE OF  
ESTABLISHMENT) TO 31 DECEMBER 2015 AND PROFIT FORECAST FOR THE  
FINANCIAL YEAR ENDING 31 DECEMBER 2016 AND THE NOTES THEREON**

For the Forecast Year 2016, the Manager forecasted total revenue to be approximately RM79.43 million attributed from the following Subject Properties:

	KOMTAR JBCC RM'000	Menara KOMTAR RM'000	@Mart Kempas RM'000	KFCH College RM'000	QSR Properties RM'000	Total RM'000
Gross rental income	37,268	8,501	6,401	2,340	18,066	72,576
Other income	5,819	531	504	-	-	6,854
<b>Total</b>	<b>43,087</b>	<b>9,032</b>	<b>6,905</b>	<b>2,340</b>	<b>18,066</b>	<b>79,430</b>

Total revenue consists of gross rental income and other income (both as defined herein).

(c) Gross rental income

Gross rental income comprise of base rent, service charges and percentage rent.

For the Estimate Period 2015, the Manager estimated gross rental income to be approximately RM24.93 million attributed from the following Subject Properties:

	KOMTAR JBCC RM'000	Menara KOMTAR RM'000	@Mart Kempas RM'000	KFCH College RM'000	QSR Properties RM'000	Total RM'000
Base rent	8,855	2,831	2,109	767	8,643	23,205
Service charges	1,722	-	-	-	-	1,722
<b>Total</b>	<b>10,577</b>	<b>2,831</b>	<b>2,109</b>	<b>767</b>	<b>8,643</b>	<b>24,927</b>

For the Forecast Year 2016, the Manager forecasted gross rental income to be approximately RM72.58 million attributed from the following Subject Properties:

	KOMTAR JBCC RM'000	Menara KOMTAR RM'000	@Mart Kempas RM'000	KFCH College RM'000	QSR Properties RM'000	Total RM'000
Base rent	30,011	8,501	6,401	2,340	18,066	65,319
Service charges	6,457	-	-	-	-	6,457
Percentage Rent	800	-	-	-	-	800
<b>Total</b>	<b>37,268</b>	<b>8,501</b>	<b>6,401</b>	<b>2,340</b>	<b>18,066</b>	<b>72,576</b>

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*Base rent*

The Manager has assumed the following in arriving at the base rent for the tenancies of the Subject Properties for the Estimate Period 2015 and Forecast Year 2016:

- (i) KOMTAR JBCC: The base rent is estimated based on committed tenancies for the Estimate Period 2015 and Forecast Year 2016. No expiring of tenancies during the Estimate Period 2015 and Forecast Year 2016. Occupancy rate is expected to be approximately 87% during the Estimate Period 2015 and is forecasted to increase to approximately 93% during the Forecast Year 2016. The Profit Forecasts includes contribution to gross rental income (excluding percentage rent) arising from expected vacant lots taken up of approximately RM1.0 million and RM5.6 million (4.0% and 7.8% of total projected gross rental income) for the Estimate Period 2015 and Forecast Year 2016, respectively.
- (ii) Menara KOMTAR: Occupancy rate is expected to remain at approximately 96% during the Estimate Period 2015 and Forecast Year 2016 as expiring tenancies at Menara KOMTAR are assumed to be renewed based on previously negotiated rates.
- (iii) @Mart Kempas: Occupancy rate is expected to remain at approximately 94% during the Estimate Period 2015 and Forecast Year 2016 as expiring tenancies at @Mart Kempas are assumed to be renewed based on:
  - a. previously negotiated rates; or
  - b. the Manager's estimated renewal rates; or
  - c. a 10% increase in base rent. This increase in base rent was assumed after taking into consideration the property's age profile, existing rental rates, market conditions as well as tenancy demand.
- (iv) KFCH College: The occupancy rate of KFCH College for the Estimate Period 2015 and Forecast Year 2016 is 100% as it is leased to a single tenant occupying the entire land and building of KFCH College. The base rental has been assumed to increase by 10% from RM2.20 per sq ft to RM2.42 as at 1 November 2016 as per the terms in the tenancy agreement.
- (v) QSR Properties: The occupancy rate of QSR Properties for the Estimate Period 2015 and Forecast Year 2016 is 100% as it is based on Triple Net Lease (as defined herein). The base rental yield on QSR Properties is estimated at the agreed rate of 6.5% on the fair value of QSR Properties of approximately RM277.94 million for the Estimate Period 2015 and Forecast Year 2016.

Triple Net Lease is a lease that designates the lessee as being solely responsible for all of the costs relating to the assets being leased such as the 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 lease. The lessor however will fully bear the expenditure in relation to the major repair and total replacement of the lessor's fixture and fittings.

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*Service charges*

Service charges are contributions paid by tenants towards the usage of utilities, operating and maintenance as well as marketing and promotional expenses of the property. The charges are computed based on the amount of space occupied by the respective tenants. Service charges are solely charged to tenants of KOMTAR JBCC.

The service charges for the Estimate Period 2015 and Forecast Year 2016 are approximately RM1.7 million and RM6.5 million, respectively. The service charges rate for the Forecast Year 2016 is assumed to increase by 25%.

*Percentage rent*

Percentage rent is an additional rent charged to all tenants (excluding money changers and ATM providers) of KOMTAR JBCC based on a percentage ranging from 1.0% to 25.0% of total sales revenue generated by the tenants of KOMTAR JBCC in accordance with the tenancy agreements. In the event the percentage rent is higher than the base rent or gross rental income, the difference will be charged as additional rental. In the event the percentage rent is lower than the base rent or gross rental income, no additional rental will be charged.

There is no percentage rent estimated for the Estimate Period 2015 as KOMTAR JBCC only commenced its operations on 17 July 2014. However for the Forecast Year 2016, the Manager has forecasted approximately RM0.8 million as percentage rent based on the historical track record of a single tenant's sales. Moving forward, the Manager believes that there is a further potential upside to the rental income generated by KOMTAR JBCC contributed by other participating tenants, which will increase over time as tenants' sales increases.

(d) Other Income

Other income consists of parking income as well as events and advertising income.

For the Estimate Period 2015, the Manager estimated other income to be approximately RM1.6 million attributed from the following Subject Properties:

	KOMTAR JBCC RM '000	Menara KOMTAR RM '000	@Mart Kempas RM '000	KFCH College RM '000	QSR Properties RM '000	Total RM '000
Parking income	764	71	-	-	-	835
Events and advertising Income	524	51	160	-	-	735
<b>Total</b>	<b>1,288</b>	<b>122</b>	<b>160</b>	<b>-</b>	<b>-</b>	<b>1,570</b>

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For the Forecast Year 2016, the Manager forecasted other income to be approximately RM6.9 million attributed from the following Subject Properties:

	KOMTAR JBCC RM '000	Menara KOMTAR RM '000	@Mart Kempas RM '000	KFCH College RM '000	QSR Properties RM '000	Total RM '000
Parking income	3,632	378	-	-	-	4,011
Events and advertising income	2,187	153	504	-	-	2,843
<b>Total</b>	<b>5,819</b>	<b>531</b>	<b>504</b>	<b>-</b>	<b>-</b>	<b>6,854</b>

*Parking income*

The parking income comprises of car and motorcycle parking, which is charged via (i) hourly collections and (ii) season passes. The parking income is solely derived from KOMTAR JBCC and Menara KOMTAR, with an aggregate of 1,332 car park bays and 480 motorcycle bays.

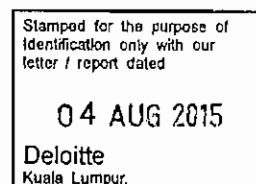
Hourly parking income is calculated based on the assumption that the parking premises will operate from 7am - 12 am with an average parking occupancy rate of approximately 70% for the Estimate Period 2015 and Forecast Year 2016. Whereas, the season passes are fixed at a monthly rate and assume to occupy approximately 22.1% of the aggregate car park bays of KOMTAR JBCC and Menara KOMTAR.

Parking income is expected to contribute approximately 53.2% and 58.5% to other income for the Estimate Period 2015 and Forecast Year 2016, respectively.

*Events and advertising income*

Events income are revenue earned from renting out of spaces (applicable to Menara KOMTAR and KOMTAR JBCC only) and push carts (applicable to KOMTAR JBCC only) for events and promotions. Advertising income are revenue generated from standees and advertising spaces/light-boxes located at prominent locations around KOMTAR JBCC and @Mart Kempas, where applicable.

The Manager has assumed that the events and advertising income rates used are based on the Manager's estimate on allocation of space and the expected level of sales and promotional activities to be carried out for KOMTAR JBCC and Menara KOMTAR and historical trends from advertising income for @Mart Kempas for the Estimate Period 2015 and Forecast Year 2016. Events and advertising income are estimated to be approximately RM0.7 million and RM2.8 million for the Estimate Period 2015 and Forecast Year 2016, respectively. The events and advertising income are expected to contribute approximately 46.8% and 41.5% to other income for the Estimate Period 2015 and Forecast Year 2016, respectively.



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## (e) Investment Income

The investment income is derived from placement of Shariah compliant deposit on the minimum balance required to be maintained in the Finance Service Reserve Account ("FSRA"), with a bank nominated by the facility agent. The Trustee shall be the sole signatory to the FSRA. The estimated Islamic financing rates range between 3.50% - 3.75% per annum.

## (f) Property Operating Expenses

For the Estimate Period 2015, the Manager estimated property operating expenses to be approximately RM6.6 million attributed from the following Subject Properties:

	KOMTAR JBCC RM'000	Menara KOMTAR RM'000	@Mart Kempas RM'000	KFCH College RM'000	*QSR Properties RM'000	Total RM'000
Utilities	1,198	431	196	-	-	1,825
Maintenance	449	258	82	10	-	799
Quit rent and assessment	46	18	102	34	-	200
Other property expenses	1,092	162	281	21	-	1,556
Property manager fee	-	-	-	-	-	118
Property management reimbursable costs	1,476	187	332	57	-	2,052
<b>Total</b>	<b>4,261</b>	<b>1,056</b>	<b>993</b>	<b>122</b>	<b>-</b>	<b>6,550</b>

For the Forecast Year 2016, the Manager forecasted property operating expenses to be approximately RM20.7 million attributed from the following Subject Properties:

	KOMTAR JBCC RM'000	Menara KOMTAR RM'000	@Mart Kempas RM'000	KFCH College RM'000	*QSR Properties RM'000	Total RM'000
Utilities	3,592	1,318	617	-	-	5,527
Maintenance	1,635	698	250	32	-	2,615
Quit rent and assessment	772	152	306	102	-	1,332
Other property expenses	3,689	485	865	-	-	5,039
Property manager fee	-	-	-	-	-	270
Property management reimbursable costs	4,157	581	1,035	178	-	5,951
<b>Total</b>	<b>13,845</b>	<b>3,234</b>	<b>3,073</b>	<b>312</b>	<b>-</b>	<b>20,734</b>

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*Note:*

\* *Based on Triple Net Lease.*

## (i) Utilities Expenses

Utilities refer to electricity, sewage and water charges which are estimated and forecasted to be incurred by KOMTAR JBCC, Menara KOMTAR and @Mart Kempas.

The Manager forecasts the above properties to incur utilities expenses of approximately RM1.8 million and RM5.5 million for the Estimate Period 2015 and Forecast Year 2016, respectively. It is based on the Manager's estimates of historical utilities consumption as well as taking into consideration the increase in occupancy of KOMTAR JBCC and Menara KOMTAR. The Manager has assumed that the utilities expenses are to remain consistent with historical maintenance expenses and Manager's estimate for the Estimate Period 2015. It is assumed that there will be no changes to the tariff rates in the Forecast Year 2016.

## (ii) Maintenance Expenses

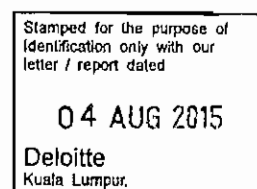
Maintenance expenses refer to costs for contractual maintenance as well as the general repair and upkeep of the DASB Properties. For example, the maintenance of air conditioners and the parking system, electrical maintenance, consumables, insurances, the maintenance of lifts and escalators, and waste disposal. Takaful policy proceeds are payable for coverage which include amongst others (i) fire, (ii) public liability (including personal injury), (iii) consequential loss of income, (iv) burglary and (v) all other risks.

The Manager has assumed that the maintenance expenses are to remain consistent with historical maintenance expenses for the Estimate Period 2015 as well as the Forecast Year 2016. The DASB Properties are forecasted to incur maintenance charges of approximately RM0.8 million and RM2.6 million for the Estimate Period 2015 and Forecast Year 2016, respectively.

## (iii) Quit Rent and Assessment

Quit rent and assessment is an amount prescribed and payable to the state government and local council on DASB Properties. Assessment is computed based on the rate prescribed by the local council on the annual value of DASB Properties.

These expenses are forecasted to be approximately RM0.2 million and RM1.3 million for the Estimate Period 2015 and Forecast Year 2016, respectively.



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(iv) Other Property Expenses

The other property expenses for the Estimate Period 2015 and Forecast Year 2016 are forecasted to be approximately RM1.6 million and RM5.0 million, respectively comprising, amongst others, the following:-

a. *Cleaning expenses*

Cleaning expenses are incurred for the contractual services of cleaners for DASB Properties. The cleaning expenses are forecasted to be approximately RM0.7 million and RM2.3 million for the Estimate Period 2015 and Forecast Year 2016, respectively.

b. *Security services expenses*

Security services expenses are incurred for hiring security personnel or contractual security services for KOMTAR JBCC, Menara KOMTAR and @Mart Kempas. The security expenses are forecasted to be approximately RM0.4 million and RM1.1 million for the Estimate Period 2015 and Forecast Year 2016, respectively.

c. *Advertising and promotional expenses*

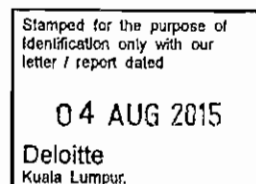
Advertising and promotional expenses are incurred for the on-going monthly site decoration, awareness banners, posters and Corporate Social Responsibility ("CSR") programmes. The advertising and promotional expenses are forecasted to be approximately RM0.5 million and RM1.6 million for the Estimate Period 2015 and Forecast Year 2016, respectively.

(v) Property Manager Fee (Other Operating Expenses)

Pursuant to a property management agreement to be entered into between the Manager, the Trustee (on behalf of Al-Salām REIT) and the Property Manager dated 6 May 2015, the property management fee is RM7,000 per month (excluding service tax) for the month of May 2015 to August 2015 pursuant to the Phase 1 Acquisition.

The property management fee would be increased to RM22,500 per month (excluding service tax) upon completion of the Listing and the acquisition of the remaining Subject Properties.

For the Estimate Period 2015 and Forecast Year 2016, property manager fee is forecasted to be approximately RM0.1 million and RM0.3 million, respectively.



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(vi) Property Management Reimbursable Costs (Other Operating Expenses)

The Property Manager is also entitled to reimbursement costs relating to the employment by the Property Manager of any service provider for the Subject Properties, where applicable, as well as costs and expenses incurred in the operation, maintenance, management and marketing of the Subject Properties (including but not limited to the cost relating to the employment and remuneration of on-site staff provided) which are:

- a. approved under the annual business plan and budget for the Subject Properties or incurred with prior approval by the Trustee and the Manager; and
- b. supported by receipts, vouchers or other evidence of payment acceptable to the Trustee and the Manager.

For the Estimate Period 2015 and Forecast Year 2016, property management reimbursable costs are forecasted to be approximately RM2.0 million and RM6.0 million, respectively.

(g) Trust Expenses

Trust expenses comprise the following:

(i) Manager's Management Fees

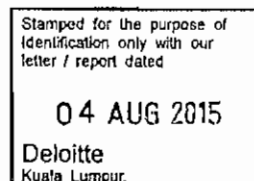
The Manager's management fee is up to 1.0% per annum of the Total Asset Value (excluding cash and bank balances) of Al-Salām REIT to be paid wholly in cash. For the Estimate Period 2015 and Forecast Year 2016, the Manager's management fee will be calculated based on 0.25% per annum of the Total Asset Value (excluding cash and bank balances) of Al-Salām REIT, which is estimated to be approximately RM0.9 million and RM2.3 million, respectively.

(ii) Trustee's Fees

The fee payable to the Trustee is up to 0.02% per annum of the Net Asset Value of Al-Salām REIT. For the Estimate Period 2015 and Forecast Year 2016, the Trustee's Fees payable has been fixed at RM80,000 and RM114,100, respectively.

(iii) Shariah Advisers' Fees

The Shariah advisers' fees are payable to members of the Shariah Committee of Al-Salām REIT. The said fees are charged based on the number of estimated meetings to be attended by members of the Shariah Committee. For the Estimate Period 2015 and Forecast Year 2016, the Shariah advisers' fee is RM3,000 and RM6,000, respectively.



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(iv) Borrowing Costs

Borrowing costs relate to Commodity Murabahah Term Financing-i (“CMTF-i”) amounting to RM350.0 million from RHB Islamic Bank Berhad and Maybank Islamic Berhad (collectively “the Banks”) to part finance the acquisition of the Subject Properties. The CMTF-i is comprised of Tranche 1 and Tranche 2 amounting to RM136.04 million and RM213.96 million, respectively.

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 24 months and COF + 1.50% per annum for the remaining duration of the CMTF-i. The COF is based on each respective Banks’ COF. For the Estimate Period 2015 and Forecast Year 2016, borrowing cost comprise of approximately RM8.42 million and RM18.64 million, respectively. The profit payable for the CMTF-i which includes approximately RM0.86 million per annum of amortised transactions costs over a period of five (5) years incurred in establishing the CMTF-i.

(v) Other Trust Expenses and Miscellaneous

Other trust expenses of Al-Salām REIT consist of annual audit fees, taxation fees, valuation fees, market research fees, legal and professional fee, public relations expenses and other expenses relating to preparation and distribution of reports to Unitholders, together with other miscellaneous expenses such as postage, printing and stationery.

(h) Taxation

Al-Salām REIT will be exempted from income tax provided that Al-Salām REIT distributes 90.0% or more of its total income as defined in the Malaysian Income Tax Act, 1967 (“ITA”) to its Unitholders within two (2) months from the close of its financial period which forms the basis period for the period of assessment of Al-Salām REIT. 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 financial period ending 31 December 2015.

No current tax liabilities have been included for the Estimate Period 2015 and Forecast Year 2016 as it is assumed that at least 90.0% of Al-Salām REIT (as defined in ITA) will be distributed to Unitholders within two months after the close of the Financial Period and Financial Year.

(i) Investment Properties and Valuation

For the purpose of the Estimate Period 2015 and Forecast Year 2016, the Manager has assumed that there will be no material fluctuation on the fair value of the Subject Properties of RM903.14 million. The Directors of the Manager are of the view that there is no reasonable basis for determining the market value for the Subject Properties as of any future date. Accordingly, no fair value adjustments are forecasted in the Profit Forecasts for the Estimate Period 2015 and the Forecast Year 2016.

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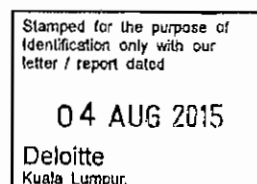
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(j) Distribution of Income

The Manager has assumed that Al-Salām REIT will distribute 99.9% of its Distributable Income for the Estimate Period 2015 and Forecast Year 2016.

**5.0 GENERAL ASSUMPTIONS**

- (a) There will be no significant changes in the prevailing economic and political conditions in Malaysia and elsewhere that may directly or indirectly affect the activities or performance of Al-Salām REIT.
- (b) There will be no material changes in the present legislation and government regulations, including taxation and guidelines of regulatory authorities which will affect Al-Salām REIT's activities or the market in which Al-Salām REIT operates.
- (c) Inflation rates will remain at current levels and there will not be any material fluctuation in prevailing exchange rates of foreign currencies against Ringgit Malaysia.
- (d) Existing financing facilities will remain available and the level of financing costs will not change materially from those presently prevailing.
- (e) There will be no major industrial disputes or any abnormal factors or changes, both domestic and overseas, which will adversely affect Al-Salām REIT's operations.
- (f) There will be no significant changes in the principal activities, management structure and accounting policies adopted by Al-Salām REIT.
- (g) All tenancies are enforceable and will be performed in accordance with their terms with no premature termination of tenancies.
- (h) Significantly all revenue receivable by Al-Salām REIT, such as rental proceeds, will be received within the credit term for such receivables.
- (i) There will be no material contingent liabilities arising during the Estimate Period 2015 and Forecast Year 2016, which may adversely affect the Estimate Period 2015 and Forecast Year 2016. Al-Salām REIT will not be engaged in any material litigation and there will be no legal proceedings which will affect Al-Salām REIT's activities or performance or give rise to additional contingent liabilities which may materially affect the results of Al-Salām REIT.
- (j) It has been assumed that there will be no major changes in the Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board or other financial reporting requirements that may have a material effect on the Estimate Period 2015 and Forecast Year 2016.
- (k) There will be no adverse economic, political or property market conditions which will materially affect the activities and performance of the Subject Properties.





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- (l) There will be no significant changes in the terms and conditions contracts and agreements: including the tenancy agreements, Master Lease Agreements, Sales and Purchase Agreements for the Acquisitions, the Deed and the Property Management Agreements during the Estimate Period 2015 and Forecast Year 2016.
- (m) The implementation of Goods and Services Tax (“GST”) will not materially affect the Profit Forecasts of Al-Salām REIT in the Estimate Period 2015 and Forecast Year 2016.

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## 7. FINANCIAL INFORMATION (Cont'd)

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### 7.5.2 Directors' analysis and commentary

The Directors confirm that the Profit Forecasts of Al-Salām REIT and the underlying bases and assumptions stated herein have been reviewed by the Directors. After due and careful inquiries, with the Directors taking into account the future prospects of the industry, the future direction of Al-Salām REIT and its level of gearing, liquidity and working capital requirements, the Directors are of the opinion that barring any unforeseen circumstances, the Profit Forecasts of Al-Salām REIT are achievable and the assumptions made are reasonable at the time of issue of this Prospectus.

Nevertheless, the bases and assumptions are inherently subject to significant business, economic and competitive uncertainties and contingencies, which are beyond the Manager's control. Therefore, future events, regionally and globally, may have a material impact on the actual results of Al-Salām REIT during the Estimate Period 2015 and Forecast Year 2016.

### 7.6 FACTORS AFFECTING AL-SALĀM REIT'S FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

#### General economic conditions

Al-Salām REIT business and financial condition will be materially affected by general economic conditions of Malaysia. Please refer to **Appendix B** "Independent Property Market Report" of this Prospectus.

#### Rental rates

The rental rates for tenancies at the DASB Properties are affected by, amongst others, the following:-

- (i) rental rates of comparable properties in the vicinity;
- (ii) tenant mix (excluding KFCH College and QSR Properties);
- (iii) renewal options on the tenure/terms of the tenancy;
- (iv) configuration and layout of NLA of KOMTAR JBCC and @Mart Kempas;
- (v) shopper traffic to KOMTAR JBCC and @Mart Kempas;
- (vi) the level of tourism in Johor; and
- (vii) general macroeconomic and supply and demand trends affecting the retail real estate market in Malaysia.

For QSR Properties, the restaurant and non-restaurant properties have been leased to the QSR Lessees through seven (7) master lease agreements for a period 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 said master lease agreements, Al-Salām REIT will also grant these QSR Lessees with an option to renew the lease for a further period of fifteen (15) years subject to the terms and conditions contained therein. The base rent of QSR Properties for the first three (3) years of rental is 6.5% of the Appraised Value of QSR Properties and the said base rent will be revised at the end of every three (3) years of rental thereof based on a formula, which takes into consideration, the historical three (3) years of aggregate consumer price index. Further details on the computation of the revised base rent are set out in **Section 6.9.5** of this Prospectus.

### **Occupancy rates and tenancy expiries and renewals**

Another factor affecting rental income is occupancy rate. Occupancy rates of the Subject Properties, in particular KOMTAR JBCC, Menara KOMTAR and @Mart Kempas, will depend on factors such as supply and demand trends affecting the retail real estate markets, the minimisation of the potential vacancy periods arising from tenancy expiries and early terminations, and rental rate of other competing properties within the locality. See **Section 6.14** "Competition" of this Prospectus.

### **Operating cost management and inflation**

Significant factors affecting property operating expenses are changes in maintenance and utility expenses (due to higher rates and/or usage), the age and the condition of the DASB Properties, fee and reimbursement arrangements with the Property Manager, inflation and changes in property assessments, employment conditions (which may affect labour costs of the Property Manager, which are re-charged to Al-Salām REIT), the cost of takaful premiums and costs relating to the holding of marketing events and activities to attract shoppers to KOMTAR JBCC and @Mart Kempas.

### **Financing costs**

Financing costs consist of expenses incurred on financing and amortisation of transaction costs on financing capitalised. Financing cost will depend on financing rates incurred by Al-Salām REIT. Please refer to the section on "Financial liabilities" under **Section 7.6.2** "Critical and significant accounting policies" of this Prospectus for further details.

### **Fair value of the Subject Properties and cyclicity**

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. Any increase or decrease in valuation will be credited or charged directly to Al-Salām REIT's statement of NPI as a fair value gain or loss on investment properties. The revaluation of the Subject Properties may therefore in the future result in significant fluctuations in the financial performance of Al-Salām REIT.

Property values are affected by, amongst others, supply of and demand for comparable properties, asset enhancement initiatives undertaken, fluctuation of financing rates and inflation. Retail property markets have historically been cyclical and future cyclical changes may result in fluctuations in the fair value of investment properties and Al-Salām REIT's financial condition.

#### **7.6.1 Sensitivity analysis**

The Profit Forecasts are based on a number of assumptions that have been outlined in **Section 7.5.1** of this Prospectus. The Profit Forecasts is also subject to a number of risks as outlined in **Section 5** "Risk Factors" of this Prospectus. The actual performance of Al-Salām REIT and the Subject Properties could differ materially from the forward-looking statements in this Prospectus.

Investors should be aware that future events cannot be predicted with any certainty and that deviations from the figures forecasted in this Prospectus are to be expected. Depicted below is the sensitivity analysis on Al-Salām REIT's DPU for the Estimate Period 2015 and Forecast Year 2016 as a result of changes in vacancy allowance for Al-Salām REIT, rate of increase in base rent for Al-Salām REIT, financing rate for the Financing Facility, property operating expenses and occupancy rate of KOMTAR JBCC, Menara KOMTAR and @Mart Kempas, where applicable. The assumptions for these items have been set out in **Section 7.5.1** of this Prospectus.

## 7. FINANCIAL INFORMATION (Cont'd)

The sensitivity analysis is intended to provide a guide only and variations in actual performance could exceed the ranges shown. Movement in other variables may offset or compound the effect of a change in any of the aforementioned variables beyond the extent shown.

### (i) Impact of variations in the vacancy allowance for the rental income of KOMTAR JBCC, Menara KOMTAR and @Mart Kempas on DPU

The provision of vacancy allowance is for the vacancy period before the rent becomes payable under the new tenancy and to cover changeover of tenancies and loss income.

Vacancy allowance for the rental income for KOMTAR JBCC	<sup>(1)</sup> DPU (sen)	
	Estimated Period 2015	Forecast Year 2016
No vacancy allowance (base case)	1.81	6.41
1.0% vacancy allowance	1.79	6.35
3.0% vacancy allowance	1.76	6.22

Vacancy allowance for the rental income for Menara KOMTAR	<sup>(1)</sup> DPU (sen)	
	Estimated Period 2015	Forecast Year 2016
No vacancy allowance (base case)	1.81	6.41
1.0% vacancy allowance	1.80	6.40
3.0% vacancy allowance	1.79	6.37

Vacancy allowance for the rental income for @Mart Kempas	<sup>(1)</sup> DPU (sen)	
	Estimated Period 2015	Forecast Year 2016
No vacancy allowance (base case)	1.81	6.41
1.0% vacancy allowance	1.81	6.40
3.0% vacancy allowance	1.80	6.38

**Note:-**

(1) On the assumption that the other Subject Properties are not subject to any vacancy allowances.

### (ii) Impact of variations in the rates of increase in base rent on renewal of tenancies for @Mart Kempas expiring in Estimate Period 2015 and Forecast Year 2016 on DPU

Rate of increase in base rent on renewal of tenancies for @Mart Kempas	DPU (sen)	
	Estimate Period 2015	Forecast Year 2016
No increase	1.81	6.40
Increase of 5.0%	1.81	6.40
Increase of 10.0% (base case)	1.81	6.41

**Note:-**

The Manager does not envisage any revision of base rental on renewal of tenancies in respect of KOMTAR JBCC and Menara KOMTAR in the Estimate Period 2015 and Forecast Year 2016. Hence, only @Mart Kempas was considered for the above analysis.

**7. FINANCIAL INFORMATION (Cont'd)**

**(iii) Impact of variations in financing rate for the Financing facility on DPU**

Financing rate	DPU (sen)	
	Estimate Period 2015	Forecast Year 2016
0.25% above assumed rate	1.76	6.26
Base case: assumed rate <sup>(1)</sup>	1.81	6.41
0.25% below assumed rate	1.86	6.56

**Note:-**

(1) The financing rate for the Financing Facility is assumed to be 5.08% for RM350.0 million financing facility for the Estimated Period 2015 and Forecast Year 2016.

**(iv) Impact of variations in the property operating expenses on DPU**

Property operating expenses	DPU (sen)	
	Estimate Period 2015	Forecast Year 2016
5.0% above assumed rate	1.76	6.23
Base case: assumed property operating expenses <sup>(1)</sup>	1.81	6.41
5.0% below assumed rate	1.87	6.59

**Note:-**

(1) The assumed property operating expenses for the Estimated Period 2015 and Forecast Year 2016 is RM6.6 million and RM20.7 million, respectively.

**(v) Impact of variation in the occupancy rate<sup>(1)</sup> of KOMTAR JBCC, Menara KOMTAR and @Mart Kempas**

Occupancy rate of KOMTAR JBCC	DPU (sen)	
	Estimate Period 2015	Forecast Year 2016
87% for the Estimate Period 2015 and 93% for the Forecast Year 2016 (base case)	1.81	6.41
85% for the Estimate Period 2015 and 90% for the Forecast Year 2016	1.76	6.22

Occupancy rate of Menara KOMTAR	DPU (sen)	
	Estimate Period 2015	Forecast Year 2016
96% for the Estimate Period 2015 and Forecast Year 2016 (base case)	1.81	6.41
90% for the Estimate Period 2015 and Forecast Year 2016	1.78	6.32

Occupancy rate of @Mart Kempas	DPU (sen)	
	Estimate Period 2015	Forecast Year 2016
94% for the Estimate Period 2015 and Forecast Year 2016 (base case)	1.81	6.41
90% for the Estimate Period 2015 and Forecast Year 2016	1.80	6.37

## 7. FINANCIAL INFORMATION (Cont'd)

### Notes:-

- (1) The impact of variations in the Occupancy Rate is in respect of reduction in Rental Income only without any corresponding changes in Property Operating Expenses.
- (2) On the assumption that the other Subject Properties are not subject to any variation in occupancy rates.

### 7.6.2 Critical and significant accounting policies

The following accounting policies are to be adopted by Al-Salām REIT as at date of establishment.

#### Basis of preparation

The financial statements of Al-Salām REIT ("**Fund**") will be prepared in accordance with the provisions of the Deed dated 26 March 2015, MFRS modified by the Guidelines, and the applicable securities laws in Malaysia. The financial statements also comply with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board.

The financial statements will be prepared under the historical cost convention unless otherwise indicated in the accounting policies below. The financial statements will be presented in RM.

#### Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these standards, if applicable, when they become effective.

Description		Effective for annual periods beginning on or after
Amendment to MFRS 5	Non-current Assets Held for Sales and Discontinued Operations (Annual Improvements to MFRSs 2012-2014 Cycle)	1 January 2016
Amendments to MFRS 7	Financial Instruments: Disclosures (Annual Improvements to MFRSs 2012-2014 Cycle)	1 January 2016
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 101	Disclosure Initiative	1 January 2016

## 7. FINANCIAL INFORMATION (Cont'd)

Description		Effective for annual periods beginning on or after
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendment to MFRS 119	Employee Benefits (Annual Improvements to MFRS 2012-2014 Cycle)	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Amendment to MFRS 134	Interim Financial Reporting (Annual Improvements to MFRS 2012-2014 Cycle)	1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2017
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018

The above MFRS and amendments to MFRS are not expected to have a material impact on the financial statements of the Fund, except as discussed below:

### **Amendments to MFRS 127: Equity Method in Separate Financial Statements**

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Fund's financial statements.

### **Amendments to MFRS 101: Disclosure Initiatives**

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The Manager of the Fund do not anticipate that the application of these amendments will have a material impact on the Fund's financial statements.

## 7. FINANCIAL INFORMATION (Cont'd)

### **Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception**

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

### **MFRS 9 Financial Instruments**

In November 2014, the Malaysian Accounting Standards Board issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Fund's financial assets, but no impact on the classification and measurement of the Fund's financial liabilities.

### **Annual Improvements to MFRSs 2011–2013 Cycle**

The Annual Improvements to MFRSs 2011-2013 Cycle include a number of amendments to various MFRSs, which are summarised below. The Manager of the Fund do not anticipate that the application of these amendments will have a significant impact on the Fund's financial statements.

<b>Standards</b>	<b>Descriptions</b>
MFRS 3 Business Combinations	The amendments to MFRS 3 clarifies that contingent consideration classified as liabilities (or assets) should be measured at fair value through profit or loss at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of MFRS 9 or MFRS 139. The amendments are effective for business combinations for which the acquisition date is on or after 1 July 2014.
MFRS 8 Operating Segments	The amendments are to be applied retrospectively and clarify that: <ul style="list-style-type: none"><li>- an entity must disclose the judgements made by management in applying the aggregation criteria in MFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar; and</li><li>- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.</li></ul>
MFRS 124 Related Party Disclosures	The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services.



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## 7. FINANCIAL INFORMATION (*Cont'd*)

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### Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Fund holds it to earn rentals. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

### Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Fund principal financial assets are trade and other receivables, cash and bank balances and fixed deposits with licensed banks all of which are designated as loan and receivables.

### Loans and receivables

- Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.
- Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.
- Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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## 7. FINANCIAL INFORMATION (*Cont'd*)

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Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, the date that the Fund commit to purchase or sell the asset.

### Impairment of financial assets

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Fund considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Fund's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

### Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and other short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

### Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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**7. FINANCIAL INFORMATION (Cont'd)**

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Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

The Fund has not designated any financial liabilities as at fair value through profit or loss.

(ii) Other financial liabilities

The Fund's principal financial liabilities include other payables and long-term Islamic financing.

Financings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Financings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Leases

(i) As lessee

Finance leases, which transfer to the Fund substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of return on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Fund will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(ii) As lessor

Leases where the Fund retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Revenue includes rental and rent related income, service and promotional charges and parking income.

Revenue from rental of investment properties are recognised on an accrual basis. Other rent related and parking income are recognised in the accounting period in which the services being rendered.

Financing costs

Financing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Financing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of cost of those assets.

The capitalisation of financing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, financing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of financing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific financings pending their expenditure on qualifying assets is deducted from the financing costs eligible for capitalisation.

Income taxes

In accordance with Section 61A(1) of the Income Tax Act 1967, the total income of the Fund will be exempted from income tax provided that at least 90% of the total taxable income of the Fund is distributed to unit holders within two months from the end of the financial year.

Equity instruments

Instruments classified as equity are stated at cost on initial recognition and are not re-measured subsequently. Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity. Units are classified as equity. Distribution of income by the Fund is recognised in equity in the period in which they are declared.

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**7. FINANCIAL INFORMATION (Cont'd)**

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*Significant accounting judgements and estimates*

The preparation of the Fund's financial statement requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(i) Judgements made in applying accounting policies

In the process of applying the Fund's accounting policies, the Manager is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements and consolidated financial statements.

(ii) Key sources of estimation uncertainty

The Manager believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Fund within the next financial year except for the valuation of investment properties.

The fair values of investment properties are based on valuations performed by independent firm of professional valuers using the investment method of valuation.

The investment method involves the capitalisation of the net rental which is derived from the gross rental less the outgoings and other operating expenses.

The valuers have considered the results of the above methods in their valuation and applied professional judgement in the determination of the fair value of these investment properties.

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## **8. BACKGROUND INFORMATION ON SPONSOR AND MAJOR UNITHOLDERS**

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### **8.1 THE SPONSOR**

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.

In its latest audited FYE 31 December 2014, the JCorp Group generated revenue of approximately RM4.69 billion, with a total asset base of approximately RM20.44 billion.

The Sponsor is the holding company of DASB, a major Unitholder of Al-Salām REIT who is the ultimate holding company of the Manager, DRMSB.

#### **8.1.1 REIT Sector**

Since inception, the Sponsor, through its subsidiaries has ventured into numerous sectors, including the establishment of a healthcare REIT, namely Al-`Aqar REIT. Al-`Aqar REIT was listed on the Main Board of Bursa Securities (presently known as Main Market of Bursa Securities) on 10 August 2006 and is managed by the Manager. Al-`Aqar REIT was established with an initial portfolio of six (6) assets and has since grown to 25 assets comprising 21 hospitals and four (4) healthcare related properties spanning across Malaysia, Indonesia and Australia. As at 31 December 2014, Al-`Aqar REIT's asset size stood at approximately RM1.59 billion with a market capitalisation of approximately RM960.79 million.

#### **8.1.2 Property Development Sector**

The Sponsor's presence in the property development sector is spearheaded by JLand, its wholly-owned subsidiary that focuses on residential and commercial properties development.

JLand has grown to be a dominant player in the property development business in Johor where it has a strong track record in building thriving communities in Johor since 1972. The notable achievement of JLand is its development of the residential township in Pasir Gudang, Johor. JLand is also involved in the development of the following projects:

- (a) Bandar Dato' Onn, which is located within Iskandar Malaysia, spread over 1,514 acres of freehold land and located only 12km from the Johor Bahru city center. The township is scheduled to be completed over ten (10) to fifteen (15) years and will feature approximately 17,200 properties with expected gross development value of RM8 billion.
- (b) Bandar Tiram which is rapidly becoming an address of choice among discerning buyers in Johor Bahru. This development covering 485 hectares (Bandar Tiram Phase 1-5) will consist of 11,000 residential and commercial units. The entire project has an estimated gross development value of RM3 billion.
- (c) Taman Bukit Dahlia, sited on a 168 hectares parcel of land is strategically located in Pasir Gudang municipality, one of Johor's growth corridors. This mixed development will house more than 3,800 units of terraced and semidetached houses, bungalows and commercial complexes. The project is expected to generate a gross development value of RM930 million.

## 8. BACKGROUND INFORMATION ON SPONSOR AND MAJOR UNITHOLDERS (Cont'd)

- (d) Taman Damansara Aliff is developed on 90 hectares of land comprising shop offices, apartment and residential units. It is located in Johor Bahru and is directly accessible by both Perling-Pasir Gudang Highway and Jalan Tampoi.
- (e) The Twin Residences, a twin tower 14 storey block apartment is another on-going project developed by JLand which offers 320 units of apartment with an estimated gross development value of RM126 million.

In recognition of JLand's achievements since its inception, JLand was awarded with MS ISO 9002:1994 for Development of Residential and Commercial properties from SIRIM in August 1999 and in February 2002, JLand was rewarded further with an upgrade to MS ISO 9001: 2000 for Certification for Design Management, Development of Residential and Commercial Properties.

### 8.1.3 Property Management Sector

DASB is a wholly-owned subsidiary of JCorp and the principal activities of the company are commercial property management, property investment and development as well as management of REITs via its subsidiary, DRMSB.

Through its property management activities, DASB manages its own buildings such as KOMTAR JBCC, Menara KOMTAR and Galleria @Kotaraya, which are located in the Central Business District of Johor Bahru. DASB also manages @Mart Kempas, KFCH College and Pusat Perniagaan Taman Dahlia.

Pursuant to the Listing, KOMTAR JBCC, Menara KOMTAR, @Mart Kempas and KFCH College will be injected into Al-Salām REIT.

DASB has also been appointed as the property manager by JCorp, Kulim (Malaysia) Berhad ("Kulim"), Larkin Sentral Property Sdn Bhd, JLand, KPJ and Majlis Perbandaran Pasir Gudang to manage their buildings, which are mostly located in Johor and Kuala Lumpur.

The buildings in Johor include Menara Ansar which is located within the Central Business District of Johor Bahru, Larkin Sentral which is located in Larkin, Kompleks Pusat Bandar in Pasir Gudang and Tanjung Leman Jetty and Tunjuk Laut Beach Resort which are located in Mersing.

In Kuala Lumpur, DASB manages Menara JCorp and Menara 238, both being office towers located along Jalan Tun Razak and VSQ Tower 1 of Menara VSQ, an office tower in Petaling Jaya.

DASB is also involved in the business of commercial property development. Amongst its notable commercial property development project is the development of Johor Bahru City Centre (JBCC), an integrated development comprising KOMTAR JBCC and Menara KOMTAR 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 with estimated gross development value of approximately RM1 billion.

DASB is also the holding company to the Manager, Harta Consult Sdn Bhd, Bukit Damansara Development Sdn Bhd, Pro Biz Solutions Sdn Bhd, SMMSB, Tunjuk Laut Resort Sdn Bhd, Tg. Leman Theme Park Sdn Bhd and AB Theme Park Sdn Bhd.

These companies are involved in REITs management, commercial property management, theme park management, small businesses centre management as well as owners of assets.

## 8. BACKGROUND INFORMATION ON SPONSOR AND MAJOR UNITHOLDERS (Cont'd)

DASB is currently a member of the International Council of Shopping Centres and Malaysia Shopping Malls Association. DASB has been awarded ISO 9001:2008 (Property Management) certification by SIRIM, DASB has proven its continuous commitment towards providing the best services in the industry worthy of the most stringent standards.

### 8.2 MAJOR UNITHOLDERS

The total number of Units in issue upon Listing will be 580,000,000 Units.

The following table sets out a summary of the major Unitholders of Al-Salām REIT and their unitholdings upon Listing:

	Units held upon Listing			
	Direct		Indirect	
	No. of Units	%	No. of Units	%
DASB	<sup>(1)</sup> 327,640,000	56.49	-	-
JCorp	-	-	<sup>(2)</sup> 327,640,000	56.49

**Notes:-**

<sup>(1)</sup> For information purposes, DASB, on behalf of JCorp, will undertake a payment scheme to the entitled unitholders of "Skim Penambahbaikan Dana Johor RM1/unit" ("SDJ1") in the form of Units of up to RM60.47 million on an ex-gratia basis ("**Proposed Ex-Gratia Payment**"). The said SDJ1 scheme was launched by JCorp on 2 July 2012 and is managed by Pelaburan Johor Berhad, a wholly-owned subsidiary of JCorp. Under the Proposed Ex-Gratia Payment, DASB will make payment to the entitled unitholders of SDJ1 who have provided DASB with their CDS account details up to 31 December 2015, or an extended period to be determined.

Assuming all the entitled unitholders of SDJ1 provides DASB with the required CDS account details, DASB, on behalf of JCorp, will pay 60.47 million Units to the SDJ1 unitholders. Accordingly, the equity interest of DASB in Al-Salām REIT shall decrease from 56.49% to 46.06% after the completion of Proposed Ex-Gratia Payment.

<sup>(2)</sup> Deemed interested through its interest in DASB pursuant to Section 6A of the Act.

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## 9. THE MANAGER

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### 9.1 CORPORATE INFORMATION

DRMSB is the Manager of Al-Salām REIT. The Manager was incorporated in Malaysia pursuant to the Act on 8 December 2005. As at the date of this Prospectus, it has an issued and paid-up share capital of RM1,000,000. The Manager is a wholly-owned subsidiary of DASB, which in turn is, a wholly-owned subsidiary of JCorp. The Manager is a Capital Markets Services License holder, authorised to carry out fund management activities in relation to REIT.

As at the date of this Prospectus, the Manager manages two (2) funds, namely Al-`Aqar REIT and Al-Salām REIT. As at 31 December 2014, Al-`Aqar REIT's asset size stood at approximately RM1.59 billion with a market capitalisation of approximately RM960.79 million.

### 9.2 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE MANAGER

The Manager shall, subject to the provisions of the Deed and Relevant Laws and Requirements, carry out all activities, as it may deem necessary for the management of Al-Salām REIT and its business. The Manager's main responsibility is to manage activities in relation to Al-Salām REIT.

The Manager, shall, in managing Al-Salām REIT, undertake primary management activities in relation to Al-Salām REIT, including but not limited to overall strategy, risk management strategy, new acquisition and disposal analysis, marketing and communications, monitoring individual asset performance and business planning, market performance analysis and other activities as provided under the Deed.

The Manager's functions, duties and responsibilities shall include, *inter alia*, the following:

- (i) ensuring that proper accounting records and other records relevant to Al-Salām REIT (including records of all transactions, dividends and income received and distributed in respect of Al-Salām REIT) are kept;
- (ii) developing a business plan for the Assets of Al-Salām REIT in the short, medium and Long Term with a view to maximising the income of Al-Salām REIT;
- (iii) managing, supervising and overseeing the Assets of Al-Salām REIT including through:
  - (a) purchase, transfer, acquire, hire, let, lease, exchange, dispose of, convey, surrender of the properties of Al-Salām REIT or otherwise deal with any investments permitted by the REIT Guidelines in furtherance of the investment policy and prevailing investment strategy of Al-Salām REIT;
  - (b) lease audit, systems control, data management and business plan implementation thereof in accordance with the Deed; and
  - (c) the procurement of service providers to carry out specified activities, including but not limited to onsite property management, property maintenance, letting and leasing services and rent collection and arrear control;
- (iv) managing the finances of Al-Salām REIT including account preparation, coordination of the budget process and forecast modelling;
- (v) ensuring legal and corporate compliance in relation to the Assets of Al-Salām REIT;
- (vi) developing and maintaining investors' relations including information coordination and distribution and customer service to the investors and the Unitholders;

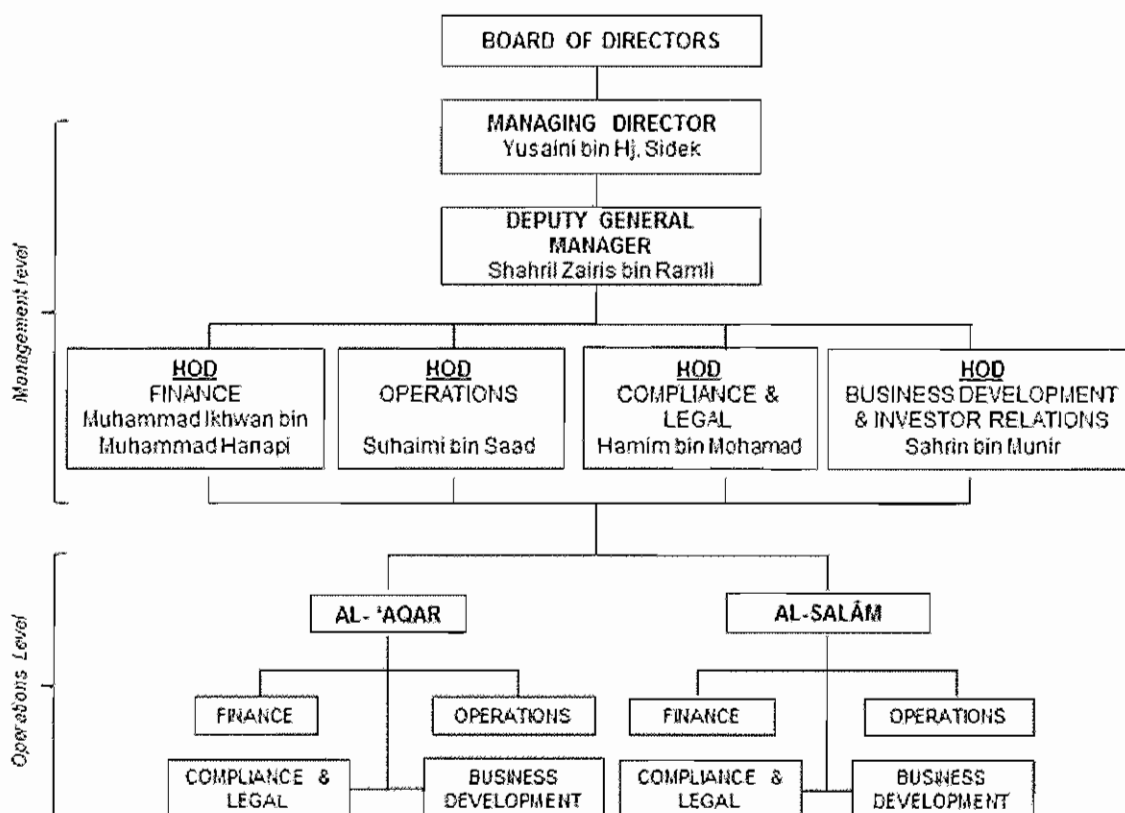
**9. THE MANAGER (Cont'd)**

- (vii) carrying out such other activities as the Manager may consider necessary from time to time; and
- (viii) any other roles, duties and obligations as provided under the Deed.

In carrying out the aforesaid functions, duties and responsibilities, the Manager shall:

- (i) carry out and conduct its business in a proper, diligent and efficient manner and ensure that Al-Salām REIT is managed and administered in a proper, diligent and efficient manner and in accordance with the Deed, the Relevant Laws and Requirements and the acceptable and efficacious business practice in the REIT industry;
- (ii) observe high standards of integrity and fair dealing in managing Al-Salām REIT to the best and exclusive interest of the Unitholders;
- (iii) act with due care, skills and diligence in managing Al-Salām REIT and effectively employ the resources and procedures necessary for the proper performance of Al-Salām REIT; and
- (iv) not make improper use of its position in managing Al-Salām REIT to gain directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interests of the Unitholders.

**9.3 MANAGEMENT REPORTING STRUCTURE**



## 9. THE MANAGER (Cont'd)

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 deemed to be different. Al-`Aqar REIT focuses its investments on healthcare real estate and healthcare related assets<sup>(1)</sup> whilst Al-Salām REIT focuses on all types of real estates (save for healthcare real estate and healthcare related assets).

**Note:-**

<sup>(1)</sup> For avoidance of doubts, healthcare related assets are property assets that fully cater/serve the healthcare industry. For illustration purposes, a hotel that largely caters for medical tourism will not be deemed suitable for Al-`Aqar REIT as the hotel only caters largely for medical tourism and not fully (i.e. 100%).

Notwithstanding the above, the Manager has also ensure that there are two (2) separate teams to manage the operations of Al-Salām REIT as disclosed in the above diagram, The Manager also has an experienced senior management team who will oversee the operations of both REITs. Further details on the profile of the Directors of the Manager and its senior management are set out in **Sections 9.4.1** and **9.5.1** of this Prospectus.

To mitigate any potential conflict of interest within the management reporting structure, the Manager had set up the relevant procedures and processes in managing the said risk, if any. Please refer to **Section 14.4.2** of this Prospectus for further details on the relevant procedures.

### 9.4 DIRECTORS OF THE MANAGER

The Board is responsible for the overall governance of the Manager, including establishing goals for management and monitoring the achievement of these goals. The Board consists of nine (9) Directors.

The following table sets forth certain information regarding the Directors:

Name	Nationality	Designation
Dato' Kamaruzzaman bin Abu Kassim	Malaysian	Chairman & Non-Independent Non-Executive Director
Yusaini bin Hj. Sidek	Malaysian	Managing Director & Non-Independent Director
Lukman bin Hj. Abu Bakar	Malaysian	Non-Independent Non-Executive Director
Jamaludin bin Md Ali	Malaysian	Non-Independent Non-Executive Director
Mohd Yusof bin Ahmad	Malaysian	Non-Independent Non-Executive Director
Tan Sri Siti Sa'diah binti Sheikh Bakir	Malaysian	Independent Non-Executive Director
Dr. Mohd Hafetz bin Ahmad	Malaysian	Independent Non-Executive Director
Zainah binti Mustafa	Malaysian	Independent Non-Executive Director
Dato' Mani a/l Usilappan	Malaysian	Independent Non-Executive Director

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## 9. THE MANAGER (Cont'd)

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### 9.4.1 Experience and Expertise of the Board of Directors

Information on the business and working experience of the Directors is set out below:

**Dato' Kamaruzzaman bin Abu Kassim**, aged 51, is the Chairman and Non-Independent Non-Executive Director of the Manager. He was appointed to the Board as a Director on 12 January 2007 and as the Chairman on 12 January 2011. In addition, he is currently the President & Chief Executive of JCorp with effect from 1 December 2010.

He graduated with a Bachelor of Commerce (Accountancy) from University of Wollongong, New South Wales, Australia in 1987.

He is also the Chairman of several listed companies on the Main Market of Bursa Securities, namely, Kulim and KPJ. Further, he is also the Chairman and/or Director of several companies within the JCorp Group which includes, amongst others, JLand, QSR and Waqaf An-Nur Corporation Berhad ("**Waqaf An-Nur**"), an Islamic endowment institution which spearheads JCorp's corporate social responsibility programmes.

He embarked his career as an Audit Assistant with Messrs K.E Chan & Associates in May 1988 and later joined Messrs Pricewaterhouse Coopers (formerly known as Messrs Coopers & Lybrand) in 1989. In December 1992, he joined Perbadanan Kemajuan Ekonomi Negeri Johor (currently known as Johor Corporation) as a Deputy Manager in the Corporate Finance Department and was later promoted to General Manager in 1999. He then served as the Chief Operating Officer of JCorp beginning 1 August 2006 and later appointed as the Senior Vice President, Corporate Services & Finance of JCorp beginning 1 January 2009 and Acting President & Chief Executive of JCorp beginning 29 July 2010.

**Yusaini bin Hj. Sidek**, aged 47, is the Managing Director of the Manager. He was appointed to the Board as an Executive Director in 2009 and subsequently assumed his current role on 1 February 2013. Prior thereto, he had served as the Chief Executive Officer of the Manager since 2006. He is also presently the Executive Director of DASB being appointed on 1 December 2012.

He graduated with a Master of Business Administration ("**MBA**"), with specialisation in International Business from University of Southern Queensland, Australia in 2010. He also holds a Bachelor of Business Administration from Universiti Kebangsaan Malaysia in 1999 and a Diploma in Valuation from Universiti Teknologi Malaysia in 1989.

He has approximately 24 years' experience in the Malaysian property industry, particularly in property valuations and building management. He gained professional experience via attachment with numerous property-related companies and/or entities in Malaysia, namely, the Valuation and Property Services Department of the Ministry of Finance, Colliers Jordan Lee & Jaafar Sdn Bhd, Bank Industri Malaysia Berhad, FIMA Corporation Berhad, CSM Corporation Berhad and Empire Tower (M) Sdn Bhd.

During his tenure with the aforementioned companies, amongst the buildings under his supervision are Bank Industri Building, Airtel Complex, Plaza Damansara, Jaya Shopping Centre, Menara CSM, Empire Tower and City Square Complex. He has vast experience in building management, primarily in the areas of tenancy management, marketing as well as promotion and maintenance management. In 2001, he had joined Harta Consult Sdn Bhd, a wholly-owned subsidiary of JCorp as a Senior Manager and subsequently assigned to manage the properties under DASB.

He has obtained a Capital Markets Services Representatives' Licence for REIT as a Licensed Director to carry on regulated activities specified under the CMSA. In January 2015, he was appointed as the Vice Chairman of the Malaysian REIT Managers Association ("**MRMA**"), an organisation that act as a platform for the Malaysian REIT managers to engage with the regulatory bodies in proposing changes to the industry to promote its growth.

**Lukman bin Hj. Abu Bakar**, aged 56, is the Non-Independent Non-Executive Director of the Manager. He was appointed to the Board on 12 January 2007 and as a member of the audit committee on 18 August 2010.

He graduated with a Bachelor of Urban and Regional Planning (Hons) from the Universiti Teknologi Malaysia in 1982. He also holds a Post Graduate Diploma (Housing, Building and Planning) from Institute for Housing Studies, Rotterdam, Holland in 1985.

Upon graduation, he joined JCorp as a Town Planning Officer. He had held various positions in the JCorp Group before he was promoted as the Deputy Manager of JCorp in 1989. In 1992, he was appointed as the manager cum Deputy Secretary of Pasir Gudang Local Authority (now known as Pasir Gudang Municipal Council). In 1993, he joined Sindora Berhad as the Deputy General Manager and was promoted as the General Manager in 1995. On 1 January 2006, he was appointed as the Senior General Manager of JCorp. On 1 July 2008, the Pasir Gudang Local Authority was upgraded as a full-fledged Municipal Council. Concurrently, he was appointed as its first President and served until 31 August 2009 when the Council was handed over to the administration of the State Government of Johor. Thereafter, he was promoted as a Senior Vice President in JCorp on 1 September 2009.

He is currently the Managing Director of JLand since 1 January 2010 and the Senior Vice President of Property Division of JCorp since 1 May 2015. He is also the Chairman of Syarikat Pengangkutan Maju Berhad as well as few other companies within the JCorp Group.

**Jamaludin bin Md Ali**, aged 57, is the Non-Independent Non-Executive Director of the Manager. He was appointed to the Board on 1 February 2013.

He graduated with a Bachelor of Economics (Honours) Degree from the University of Malaya in 1982 and Master of Business Administration from University of Strathclyde, Glasgow Scotland in 1987.

He started his career with Malayan Banking Berhad as a Trainee Officer in 1982 and later served as an International Fund Manager in Permodalan Nasional Berhad in 1991. He joined JCorp in 1992 and was appointed as the Managing Director of Johor Capital Holdings Sdn Bhd in 1998. He was appointed as the Managing Director of Pelaburan Johor Berhad in 2000.

He was appointed as the Group Chief Operating Officer of JCorp in 2001. Subsequently, he was appointed as a Director of QSR Brands Berhad ("**QSR Brands**") on 7 June 2006 and KFC Holdings (Malaysia) Sdn Bhd ("**KFC Holdings**") on 27 June 2006. He was then appointed as the Managing Director for both QSR Brands and KFC Holdings on 8 June 2006 and 2 July 2006, respectively.

He is presently the Executive Director of Kulim since 4 December 2012 and also the Senior Vice President of Corporate Social Responsibility Division of JCorp since 1 May 2015.

He presently sits on the board of various companies within the JCorp Group.

**Mohd Yusof bin Ahmad**, aged 47, is the Non-Independent Non-Executive Director of the Manager. He was appointed to the Board on 4 February 2014.

He graduated with a Bachelor of Science Surveying (Property Management) from Universiti Teknologi Malaysia in 1992.

Upon graduation, he gained experience as a Valuation Executive in Sailan & Co and KGV Lambert Smith Hampton. In 1993, he joined JLand as an Executive and later served as Valuation Executive at Planning Department in 1995.

Since 2000, he had served several departments in JLand which includes Property Management, Marketing Department, Corporate Office and Planning Department. He is currently the General Manager, Business Development and Planning of JLand since his appointment on 1 January 2015. He is also the General Manager, Special Projects of the Property Division of JCorp since 1 May 2015.

He presently sits on the board of various companies within the JCorp Group.

**Tan Sri Siti Sa'diah binti Sheikh Bakir**, aged 63, is the Independent Non-Executive Director of the Manager. She was appointed to the Board on 22 June 2006. Tan Sri holds a Bachelor of Economics from University of Malaya and an MBA from Henley Business School, University of Reading, London, United Kingdom.

Tan Sri Siti Sa'diah was appointed as a Non-Independent Non-Executive Director of KPJ in January 2013, and subsequently re-designated as an Independent Non-Executive Director on 1 May 2015. She is the Chairman and Pro-Chancellor of KPJ Healthcare University College (KPJUC) since August 2011.

Prior to that, Tan Sri Siti Sa'diah served as the Managing Director of KPJ from 1 March 1993 until her retirement on 31 December 2012. She had also served as KPJ's Corporate Advisor from 1 January 2013 until 31 December 2014. She is also the Chairman and Pro Chancellor of KPJ Healthcare University College since 1 August 2011 to date.

Tan Sri's career with JCorp commenced in 1974 and she has been directly involved in JCorp's Healthcare Division since 1978. She was appointed as the Chief Executive of Kumpulan Perubatan (Johor) Sdn Bhd from 1989 until the listing of KPJ in November 1994.

Throughout her career in KPJ, Tan Sri is directly involved in developing and implementing the transformational strategies that made KPJ one of Malaysia's leading private healthcare services provider with 25 hospitals nationwide, 4 hospitals abroad and more under development.

Tan Sri currently sits as a Director of Kulim and Chemical Company of Malaysia Berhad (CCM). She was a Board member of KFC Holdings (Malaysia) Bhd and QSR Brands Bhd from 2010 until their privatization in 2013. Tan Sri sat as an independent Non-Executive Director of Bursa Malaysia from 2004 to 2012 and a Board member of MATRADE from 1999 to 2010.

Committed to promoting excellence in healthcare, Tan Sri is the President of the Malaysian Society for Quality in Health, the national accreditation body for healthcare services, elected since its inception in 1997 to date. Currently, she also sits on many other councils and committees at the national level.

In 2010, Tan Sri was named the 'CEO of the Year 2009' by the New Straits Times Press and the American Express. She has also received many more awards and accolades from 2011 to 2014, due to her contributions to the healthcare industry in Malaysia.

Tan Sri is a member of the Academic Committee of the Razak School of Government. She is also a member of the University of Reading Malaysia Advisory Board, a member of the Centre for University-Industry Collaboration Advisory Council of University Utara Malaysia ("UUM") and as the Adjunct Professor of UUM's Othman Yeop Abdullah Graduate School of Business, and as a Member of University Malaya's Research Advisory Committee.

**Dr. Mohd Hafetz bin Ahmad**, aged 65, is the Independent Non-Executive Director of the Manager. He was appointed to the Board on 22 June 2006.

He obtained his Medical Degree from University Malaya in 1975. He did his housemanship in Hospital Sultanah Aminah, Johor Bahru, Johor and continued as Medical Officer in the same hospital. In 1978, he did his specialist training in Obstetrics and Gynaecology at the University Hospital, Kuala Lumpur. Thereafter, he served as a Trainee Lecturer and then as a Lecturer at the Department of Obstetrics and Gynaecology, University Malaya.

He joined Johor Specialist Hospital ("JSH") in 1983 as a Consultant Obstetrician and Gynaecologist. Besides his clinical practice, he has been involved in various aspects of hospital management and clinical governance in his capacity as Chairman, JSH Consultant's Advisory Committee (1990-1994) and Medical Director (1994 to-2014).

He was the President of the Obstetrical and Gynaecological Society of Malaysia ("OGSM") from 2004 to 2005 and he also served as a council member of the OGSM from 2003 to 2006. He is a member of the Malaysian Medical Association, Malaysian Medical Association, Malaysian Menopause Society and Persatuan Perubatan Islam Malaysia. In 2011, he was awarded Johan Mangku Negara (JMN) by DYMM Yang Di Pertuan Agong.

Dr. Mohd Hafetz presently sits on the Board of Directors of Kluang Utama Specialist Hospital and is a member of KPJ Group Medical Advisory Committee. Previously, he was an Independent Non-Executive Director of Johor Land Berhad, Sindora Berhad, Wakaf An Nur Corporation and was a Director of KPJ Johor Specialist Hospital, KPJ Puteri Specialist Hospital and KPJ University College.

He has no directorships in other public companies in Malaysia.

**Zainah binti Mustafa**, aged 60, is the Independent Non-Executive Director of the Manager. She was appointed to the Board and as the Chairman of the Manager's audit committee on 16 February 2007.

She graduated from Institut Teknologi MARA (presently Universiti Teknologi MARA) in 1977. She obtained her Association of Chartered Certified Accountants ("ACCA") United Kingdom in 1976. She is now a Fellow of ACCA.

In 1977, she started her career as an Assistant Senior Auditor in Perbadanan Nasional Berhad. She joined JCorp in October 1978 and rose through the ranks to the Group Chief Financial Officer before retiring on 31 October 2002.

She is also presently the Independent Non-Executive Director of KPJ and Damansara Realty Berhad ("DBhd") and sits on the board of various companies within the JCorp Group.

## 9. THE MANAGER (Cont'd)

**Dato' Mani a/l Usilappan**, aged 65, is the Independent Non-Executive Director of the Manager. He was appointed to the Board on 1 November 2010.

He is a Chartered Surveyor of 38 years, having passed the final examination of the Royal Institution of Chartered Surveyors ("RICS") in 1976. He holds a Masters in Property Development from Southbank University London with Distinction in 1992.

He served nine (9) years as Deputy Director General and subsequently retired as Director General of the Valuation and Property Services Department, Ministry of Finance, Government of Malaysia in 2006. He was a past president of the Royal Institution of Surveyors Malaysia and also a council member of Persatuan Penilai Swasta. He was a former President of the Board of Valuers, Appraisers and Estate Agents and also the RICS.

### 9.4.2 Directorships of Directors of the Manager in other management companies

As at the LPD, none of the Directors of the Manager hold directorships in any other management companies managing REITs.

### 9.4.3 Role of the Board of Directors

The key roles of the Board are to:

- (i) guide the corporate strategy and directions of the Manager (including acquisition and divestment of Authorised Investments);
- (ii) oversee the proper conduct of the Manager (including budgeting approval and all other financial matters);
- (iii) set the guidelines for the internal controls;
- (iv) ensure compliance with the Relevant Laws and Requirements;
- (v) determine and approve the distribution amounts to Unitholders and payment of the Management Fee; and
- (vi) evaluate and approve the acquisition and divestment of properties.

## 9.5 MANAGEMENT TEAM OF THE MANAGER

The executive officers of the Manager are entrusted with the responsibility for the daily operations of the Manager. The following table sets forth information regarding the executive officers of the Manager:

Name	Nationality	Designation
Yusaini bin Hj. Sidek	Malaysian	Managing Director/Chief Executive Officer
Shahril Zairis bin Ramli	Malaysian	Deputy General Manager
Suhaimi bin Saad	Malaysian	Head of Operations
Muhammad Ikhwan bin Muhammad Hanapi	Malaysian	Head of Finance
Hamim bin Mohamad	Malaysian	Head of Compliance and Legal
Sahrin bin Munir	Malaysian	Head of Business Development and Investor Relations



**9.5.1 Expertise and experience of executive officers**

Save for the profile of Yusaini bin Hj. Sidek, being the designated person responsible for the fund management of Al-Salām REIT, which is set out in **Section 9.4.1** of this Prospectus, the information on the working experience of the executive officers of the Manager are as follows:

**Shahril Zairis bin Ramli**, aged 45, is currently the Deputy General Manager of the Manager. He joined the Manager in July 2012. He graduated with a Bachelor of Arts in Banking and Finance from University of Wales, Bangor in 1995 after obtaining a Diploma in Investment Analysis from Universiti Teknologi Mara in 1992. He started his career with BSN Merchant Bank Berhad in 1997. In 1999, he joined DBhd and subsequently, in 2008 he joined JCorp and was later assigned to a few companies within the JCorp Group. Throughout his career, he was primarily involved in the corporate planning and business development of the respective companies under the JCorp Group. He has obtained a Capital Markets Services Representatives' Licence for REIT from the SC as a Licensed Representative.

**Suhaimi bin Saad**, aged 45, is currently the Head of Operations of the Manager. He joined the Manager in June 2006. He graduated with a Bachelor of Arts (Hons) in Urban Studies and Planning from University of Malaya in 1996. He has numerous experience in property management and planning and has been working in the property management sector since 1997. In 2001, he joined Damansara Harta Management Sdn Bhd as Property Executive and subsequently, in 2004, he joined Damansara Town Centre Sdn Bhd, which is involved in the management of Pusat Bandar Damansara, Kuala Lumpur. He then joined the Manager in June 2006 primarily to oversee asset management, leasing activities and the implementation of organic growth strategies to enhance the performance of Al-'Aqar REIT's portfolio. He has obtained a Capital Markets Services Representatives' Licence for REIT from the SC as a Licensed Representative.

**Muhammad Ikhwan bin Muhammad Hanapi**, aged 29, is currently the Head of Finance of the Manager. He joined the Manager in 2011. He started his career as an Audit Assistant with KPMG Desa Megat & Co. in February 2008 and advanced to Assistant Manager position within three (3) years with the firm. He has audit experience from various industries which includes oil & gas trading, railway transportation, plantations, manufacturing, services and trading. He graduated from ACCA in February 2008 and subsequently admitted as an Associate Member in May 2011. He joined the Manager in October 2011 as an Accountant and is primarily in charge of the accounting and financial matters of the Manager. He is also a member of the Malaysian Institute of Accountants since July 2012.

**Hamim bin Mohamad**, aged 38, is currently the Head of Compliance and Legal of the Manager. He joined the Manager in July 2014. He graduated with Bachelor Degree of Engineering from Universiti Kebangsaan Malaysia in 1999. He started his career with Mayban Securities Sdn Bhd in 2000 before joining DBhd in 2002. During his 12 years employment with DBhd, he has been exposed to and gained experience in various legal function including litigation management, conveyance, risk management as well as corporate legal. He is primarily in charge of all legal matters of the Manager and ensuring the business and activities of the Manager are in compliance with the relevant laws and guidelines. He has obtained approval from the SC as the Compliance Officer of the Manager in September 2014.

**Sahrin bin Munir**, aged 33, is currently the Head of Business Development and Investor Relations of the Manager. He joined the Manager in May 2013. He graduated with a Bachelor of Management (Technology) from Universiti Teknologi Malaysia in 2004. He started his career with DBhd in 2006. In 2008, he joined a venture capital management company, subsidiary of Bank Pembangunan Malaysia Berhad as Investment Analyst overseeing small and medium enterprises from various industries which involve amongst others, oil and gas, manufacturing, services and trading. He then joined FELDA as Investment Officer in 2011. He is responsible for facilitating the strategic planning of Al-Salam REIT as well as for communication and liaison with Unitholders, fund managers, analysts and potential investors.

**9.5.2 Roles of the Executive Officers of the Manager**

The **Chief Executive Officer** leads the team of the Manager to plan overall strategies and ensure their effective execution to achieve the objectives of the Manager. Additionally, the Chief Executive Officer will work together with the management team to address strategies, business operations, financial performance and risk management in meeting the strategic, investment and operational objectives of Al-Salām REIT. The Chief Executive Officer will plan and set clear strategic directions, which are approved by the Board, and help ensure long-term sustainability of Al-Salām REIT.

The **Deputy General Manager** is responsible to develop investment strategies and the growth of Al-Salām REIT's investment portfolio through strategic acquisitions. The Deputy General Manager shall actively identify, research and evaluate potential investment proposals that shall add value to the portfolio of Al-Salām REIT through potential future capital appreciation and/or yield accretive income growth. The Deputy General Manager is also responsible on the overall day-to-day management and operations of Al-Salām REIT and working with the Manager's investment, asset management, financial and legal and compliance personnel in meeting the strategic, investment and operational objectives of Al-Salām REIT.

The **Head of Operations** is responsible to formulate strategies and business plans to ensure continuous asset enhancement initiatives are carried out to enhance property income and values in the long run. The Head of Operation will also manage and supervise the services of the Property Manager or any other services providers appointed by the Manager or Trustee in relation to the management of Al-Salām REIT and/or its assets.

The **Head of Finance** is in charge of the finance team, which is responsible for the financial management functions including monitoring of cash flow of Al-Salām REIT. Key functions of the finance team shall include monitoring and reporting financial performance of Al-Salām REIT as well as prepare relevant financial reports for statutory requirements. The Head of Finance is also responsible for applying the appropriate capital management strategy, including tax and treasury matters, as well as finance and accounting matters, overseeing implementation of Al-Salām REIT's short and medium-term business plans, cash and funding management activities and financial condition.

The **Head of Compliance and Legal** is responsible to attend to all legal matters in relation to the management of Al-Salām REIT and/or its assets and ensure that in every transaction involving Al-Salām REIT, all its rights are well protected. The Head of Compliance and Legal is also responsible to ensure that the management and business activities of Al-Salām REIT are in compliance with the relevant laws and guidelines and submit the relevant report to the Authority.

The **Head of Business Development and Investor Relations** is responsible for facilitating and coordinating the formulation of strategic plans which focused primarily on the creation of Unitholders' value, maintaining continuous disclosure and communication to Unitholders, public and potential investors, and promoting and marketing Al-Salām REIT to existing and prospective investors through regular communications, events and website. The Head of Business Development and Investor Relations will also assist the Deputy General Manager in sourcing investment opportunities, evaluating divestment needs and ensuring that investments are in line with Al-Salām REIT's investment policy, objective and strategies.

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## 9. THE MANAGER (*Cont'd*)

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### 9.6 MANAGEMENT FEE

#### 9.6.1 Details of the Management Fee

Subject to the REIT Guidelines, the Manager shall be entitled to receive for its own account out of the income of Al-Salām REIT, a Management Fee (exclusive of service tax, if any) which consists of the following:-

(i) **Base Fee**

- (a) A base fee ("**Base Fee**") up to one percent (1.0%) per annum of the Total Asset Value (excluding cash and bank balances) of Al-Salām REIT calculated on a monthly accrual basis based on a year of twelve (12) months as follows:-

$$\text{Base Fee: } \frac{\text{Total Asset Value} \times \text{Annual Base Rate}}{12 \text{ months}}$$

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.

The Manager will determine the actual amount chargeable, subject to the consideration of the Trustee, which include:-

- (i) the roles, duties and responsibilities of the Manager;
  - (ii) the interest of the Unitholders;
  - (iii) the nature, quality and extent of the services provided by the Manager;
  - (iv) the size and composition of the portfolio of Al-Salām REIT;
  - (v) the Manager's success in meeting the investment objectives of Al-Salām REIT;
  - (vi) the need to maximise returns to the Unitholders;
  - (vii) the performance of Al-Salām REIT, including Income of Al-Salām REIT, and the maintenance or appreciation of capital; and
  - (viii) the maximum rate as stipulated in this **Section 9.6**.
- (b) The Base Fee will be paid to the Manager in cash only and monthly in arrears.
- (c) There will be no payment due to the Manager by way of remuneration for its services upon the subscription for a sale of a Unit and upon any distribution of income and capital otherwise.
- (d) Any increase or upward variation exceeding the maximum permitted level of the Manager's Base Fee must be approved by the Trustee in writing of the new higher rate but subject to the Trustee's completion of consideration for the matters provided under **Section 9.6.1 (i) (a)** above and must be approved by the Unitholders by a Special Resolution passed at a meeting convened in accordance with the Deed (or such other majority as may be required under the Guidelines and the CMSA).

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9. THE MANAGER (Cont'd)

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- (e) Notwithstanding the above, any increase of the Manager's fee under the Deed shall only be made by way of supplemental deed(s) and such supplemental deed(s) shall be first registered with the SC in accordance with Section 295(6) of the CMSA prior to any effective commencement of increase of Manager's fees in accordance with such supplemental deed(s).
- (f) Save for the expenses incurred for the general overheads and costs for services which the Manager is expected to provide, or failing within the normal expertise of the Manager, the Manager has right to be reimbursed the fees, the costs, charges, expenses and outgoings incurred by it that are directly related and necessary to the business of Al-Salām REIT.

(ii) **Acquisition Fee**

- (a) An acquisition fee ("**Acquisition Fee**") of one percent (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.
- (b) 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.
- (c) 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).
- (d) Any increase in the permitted level of Acquisition Fee of more than one percent (1.0%) must be approved by the Trustee in writing of the new higher rate but subject to the Trustee's completion of consideration for the matters provided under **Section 9.6.1 (ii) (a)** above and by a Special Resolution passed at a meeting convened in accordance with the Deed (or such other majority may be required under the Guidelines and the CMSA).
- (e) Notwithstanding the above, any increase of the Acquisition Fee under the Deed shall only be made by way of supplemental deed(s) and such supplemental deed(s) shall be first registered with the SC in accordance with Section 295(6) of the CMSA prior to any effective commencement of increase of the Acquisition Fee in accordance with such supplemental deed(s).
- (f) For the avoidance of doubt, no Acquisition Fee is payable with respect to the acquisition of the Assets in connection with the Listing. However, the Acquisition Fee is payable to the Manager with respect to acquisition of any Real Estate, Real Estate-Related Assets and/or SPV from a Related Party subject to the prior approval of the Trustee being obtained.

(iii) Divestment Fee

- (a) A divestment fee ("**Divestment Fee**") zero point five percent (0.5%) of the transaction value (being the total sale price) of any Real Estate and/or the SPVs ("collectively referred to as "**Divestment Assets**"<sup>(1)</sup>) 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.
- (b) 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 pro-rated, if applicable, to the proportion of Al-Salām REIT's interest.
- (c) 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).

**Note:-**

*For avoidance of doubt, the Divestment Assets include Real Estates that are under compulsory acquisition by the Government.*

- (d) Any increase in the permitted level of Divestment Fee or more than zero point five percent (0.5%) must be approved by the Trustee in writing of the new higher rate but subject to the Trustee's completion of consideration for the matters provided under **Section 9.6.1(iii)(a)** above and by Special Resolution passed at a meeting convened in accordance with the Deed (or such other majority may be required under the Guidelines and the CMSA).
- (e) Notwithstanding the above, any increase of the Divestment Fee under the Deed shall only be made by way of supplemental deed(s) and such supplemental deed(s) shall be first registered with the SC in accordance with Section 295(6) of the CMSA prior to any effective commencement of increase of the Divestment Fee in accordance with such supplemental deed(s).
- (f) For the avoidance of doubt, the Divestment Fee is payable to the Manager with respect to all disposal or divestment of any Real Estate, Real Estate-Related Assets and/or SPVs which includes disposal or divestment of any Real Estate, Real Estate-Related Assets and/or SPVs to a Related Party as well as compulsory acquisition of any Real Estate by the relevant authority(ies) subject to the prior approval of the Trustee being obtained.

Based on the Profit Forecasts, the Management Fee estimated for the Estimate Period 2015 and Forecast Year 2016 amounts to approximately RM0.9 million and RM2.3 million, respectively which were computed based on a base fee of 0.25% per annum of the Total Asset Value (excluding cash and bank balances) of Al-Salām REIT.

9.6.2 Illustration of the Management Fee payable

To illustrate the Management Fee payable in any particular financial year (other than for FPE 2015), the following scenarios for Al-Salām REIT's financial position and performance as well as acquisition and divestment activities are assumed to be as follows:

Total Asset Value as : RM1,000.0 million  
at the end of the  
current FYE

Acquisition activities : Acquisition 1: Acquisition of a Real Estate for a purchase  
during the FYE consideration of RM200.0 million

Acquisition 2: Acquisition of an SPV, which holds a Real Estate  
valued at RM200.0 million (by an independent valuer) and has  
financing of RM120.0 million, for a purchase consideration of  
RM80.0 million

Divestment activities : Divestment 1: Divestment of a Real Estate for a sale  
during the FYE consideration of RM200.0 million

Divestment 2: Divestment of an SPV, which holds a Real Estate  
valued at RM200.0 million (by an independent valuer) and has  
financing of RM120.0 million, for a sale consideration of RM80.0  
million

Based on the above, the Management Fee payable by Al-Salām REIT are illustrated on the two (2) following scenarios as set out in the table below:

Base Case : Assuming Management Fee is charged at the Base Fee of 0.25%

Maximum Case : Assuming Management Fee is charged at the maximum rate  
provided for under the Deed

	Base Case	Maximum Case
Base Fee	0.25% of Total Asset Value = 0.25% of RM1,000.0 million = RM2.5 million	1% of Total Asset Value = 1.0% of RM1,000.0 million = RM10.0 million
Acquisition Fee	<b>Acquisition 1:</b> 1.0% of transaction value = 1.0% of RM200.0 million = RM2.0 million <b>Acquisition 2:</b> 1.0% of the net assets of the SPV = 1.0% of RM80.0 million = RM0.8 million	
Divestment Fee	<b>Divestment 1:</b> 0.5% of transaction value = 0.5% of RM200.0 million = RM1.0 million <b>Divestment 2:</b> 0.5% of the net assets of the SPV = 0.5% of RM80.0 million = RM0.4 million	

**9.7 OUTSOURCING OF THE REGISTRAR FUNCTION**

The SC has approved the outsourcing of the registrar function by the Manager to Pro Corporate on 18 February 2015. Subsequently, the Manager had on 31 July 2015, entered into a service agreement with Pro Corporate to delegate the function of registrar to Pro Corporate.

Pro Corporate was incorporated in Malaysia under the Act on 4 July 1995 as a private limited company under the name of Phoenix Synergy (M) Sdn Bhd. It changed its name to Pro Corporate Management Services Sdn Bhd on 2 March 2005 and has assumed its present name since.

As at the LPD, the authorised share capital of Pro Corporate is RM100,000 comprising 100,000 ordinary shares of RM1.00 each ("**Pro Corporate Shares**") and its issued and paid-up capital is RM100,000 comprising 100,000 Pro Corporate Shares. Pro Corporate is principally involved in the provision of share registrars and company secretarial services.

The principal services to be provided by Pro Corporate as the Registrar shall comprise, inter alia, the following:

- (i) setting up maintenance of the principal register and keeping the same updated in compliance with the CMSA and the Relevant Laws and Requirements and in accordance with the provisions in the Deed;
- (ii) maintaining of records, books and documents for the time period in accordance to the provisions as stipulated in the Relevant Laws and Requirements;
- (iii) attending to relevant correspondences and enquiries from the Unitholders and any other parties pertaining to the principal register which include changes of names and addresses, replacement of lost certificates (if applicable), distribution statements, registration of powers of attorneys, letters of administration, grant of probate, indemnities, court orders and any other matters ancillary thereto;
- (iv) acting as adviser to the Manager on all matters in relation to Bursa Depository or the Relevant Laws and Requirements and be the official link between Bursa Depository and the Manager;
- (v) performing registration formalities on consolidation and splitting of unit certificates received from Bursa Depository;
- (vi) despatching annual reports, interim reports, circulars, notices and documents to Unitholders;
- (vii) providing statistical reports or detailed Unitholders' information that may be required by the Manager or the relevant authorities on a regular basis or upon receipt of a written request;
- (viii) preparing, verifying and despatching of distribution cheques and statements as well as reconciling and submitting the distribution accounts to the Registrar of Unclaimed Moneys in accordance with the Unclaimed Moneys Act, 1965 (if applicable);
- (ix) processing issue of new Units including computation and allotment, verification of data for crediting into the respective CDS account and the subsequent despatching of new certificates, notices of allotment and relevant confirmation letter(s) to the Unitholders;
- (x) providing where applicable, information to Bursa Depository on relevant dates for book closure and payment; and
- (xi) preparing for and handling the registration for Unitholders' meeting which includes the following:

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**9. THE MANAGER (Cont'd)**

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- (a) handling registration of Unitholders for meeting purpose; and
- (b) handling lodgement and processing of proxy forms received as well as providing the analysis of voting instruction based on proxy forms received.

Notwithstanding the above, the services of the Registrar are not intended, in anyway, to diminish the responsibilities of the Manager. The registrar function is the responsibility of the Manager.

**9.8 OUTSOURCING OF THE INTERNAL AUDIT FUNCTION**

The SC has approved the outsourcing of the internal audit function by the Manager to the Group Compliance and Internal Audit Department of JCorp on 18 February 2015.

The Manager has entered into a service agreement with JCorp on 2 August 2015 to delegate the function of internal auditor to the Group Compliance and Internal Audit Department of JCorp. Please refer to **Section 8** "Background Information on Sponsor and Major Unitholders" of this Prospectus for further details of the Sponsor.

The Group Compliance and Internal Audit Department of JCorp were established for the purposes of providing internal audit services for the Sponsor.

The principal services to be provided by the Internal Auditors to the Manager shall comprise, inter alia, the following:

- (i) developing an annual internal audit plan;
- (ii) conducting an annual internal control review covering key business processes, including but not limited to, procurement and payment of property operating expenses and property enhancement services, tenancy management, collection of rentals, acquisition and divestment of investment properties and fund management activities;
- (iii) presenting the findings on internal control reviews to the Board as and when required; and
- (iv) conducting a follow-up review to report on the status of implementation of management action plans arising from the internal control review conducted, as necessary.

Notwithstanding the above, the primary obligation, accountability and responsibility with regards to the scope of internal audit services shall remain with the Board and the Manager at all times.

The Manager and the Sponsor shall ensure that the internal audit function implemented is an audit approach for Al-Salām REIT which is guided by the International Professional Practice Framework of the Institute of Internal Auditors Malaysia.

**9.9 UNITHOLDINGS OF SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL OF THE MANAGER IN AL-SALĀM REIT**

As Al-Salām REIT was only established on 30 March 2015, the substantial shareholders, Directors and key management personnel of the Manager will not hold any Units, direct and/or indirect, in Al-Salām REIT prior to the Acquisitions and IPO.

Save for the unitholding of the substantial shareholders as disclosed in the table below, none of the Directors and key management personnel of the Manager will hold any Units, direct and/or indirect, in Al-Salām REIT after the Acquisitions and IPO.



## 9. THE MANAGER (Cont'd)

	Units held post Acquisitions and IPO			
	Direct		Indirect	
	No. of Units	%	No. of Units	%
DASB	<sup>(1)</sup> 327,640,000	56.49	-	-
JCorp	-	-	<sup>(2)</sup> 327,640,000	56.49

### Notes:-

<sup>(1)</sup> For information purposes, DASB, on behalf of JCorp, will undertake a payment scheme to the entitled unitholders of "Skim Penambahbaikan Dana Johor RM1/unit" ("SDJ1") in the form of Units of up to RM60.47 million on an ex-gratia basis ("Proposed Ex-Gratia Payment"). The said SDJ1 scheme was launched by JCorp on 2 July 2012 and is managed by Pelaburan Johor Berhad, a wholly-owned subsidiary of JCorp. Under the Proposed Ex-Gratia Payment, DASB will make payment to the entitled unitholders of SDJ1 who have provided DASB with their CDS account details up to 31 December 2015, or an extended period to be determined.

Assuming all the entitled unitholders of SDJ1 provides DASB with the required CDS account details, DASB, on behalf of JCorp, will pay 60.47 million Units to the SDJ1 unitholders. Accordingly, the equity interest of DASB in Al-Salam REIT shall decrease from 56.49% to 46.06% after the completion of Proposed Ex-Gratia Payment.

<sup>(2)</sup> Deemed interested through its interest in DASB pursuant to Section 6A of the Act.

## 9.10 SUMMARY OF THE MANAGER'S FINANCIAL POSITION

As the LPD, the authorised share capital of the Manager is RM1,000,000 divided into 1,000,000 ordinary shares of par value of RM1.00 each and its issued and paid-up share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

A summary of the Manager's audited financial statements for the past three (3) FYE 31 December is set out below:

	FYE 31 December		
	2012 (RM)	2013 (RM)	2014 (RM)
Paid-up capital	1,000,000	1,000,000	1,000,000
Shareholders' funds	1,532,317	1,540,302	2,032,521
Revenue	1,623,187	1,675,689	2,638,325
Profit before taxation	22,802	16,390	496,960
Profit after taxation	11,225	7,985	492,220

## 9.11 RETIREMENT, REMOVAL AND REPLACEMENT OF THE MANAGER

### 9.11.1 Retirement

The Manager may retire upon giving six (6) months' written notice to the Trustee (or such shorter period as may be agreed upon with the Trustee) and the Trustee shall subject to the approval of the SC, appoint in writing any other corporation as Manager.

**9.11.2 Removal**

**(a) By the Trustee**

The Trustee may remove the Manager by giving notice in writing to the Manager in any of the following events:-

- (i) the Manager ceases to exist;
- (ii) the Manager is not validly appointed;
- (iii) the Manager is not eligible to act as a Manager in accordance with the provisions of covenants of the Deed or the provisions of the CMSA and/or Relevant Laws and Requirements;
- (iv) the Manager fails or refuses to act as manager in accordance with the provisions or covenants of the Deed or the provisions of the CMSA and/or Relevant Laws and Requirements;
- (v) the Manager has a receiver appointed over the whole or a substantial part of its assets or undertaking and the Manager has not ceased to act under the appointment, or a petition is presented for the winding-up of the Manager (other than for the purpose of and followed by a reconstruction, unless during or following such reconstruction it becomes or is declared to be insolvent); or
- (vi) the Manager is charged for conduct that contravenes the Act, and/or the CMSA or any other law.

In any of the cases aforesaid, the Trustee shall, subject to the approval of the SC appoint another person eligible under the CMSA as the new/replacement manager of Al-Salām REIT and the Manager shall upon receipt of such notice by the Trustee execute such deed as the Trustee may require to appoint the new manager to be manager of Al-Salām REIT and shall thereafter ipso facto cease to be the Manager.

Without prejudice to the Trustee's right to appoint a replacement manager, the Manager shall have the right to nominate a new manager (which is eligible to be appointed to act as manager under the CMSA) which shall not be a related corporation or an associated person of the Manager as provided under the CMSA, within fourteen (14) days of its removal for consideration by the Trustee.

**(b) By the Unitholders**

The Unitholders may remove the Manager by Special Resolution passed at a duly convened meeting of the Unitholders on the grounds that the Manager is in breach of its obligations under the Deed or Relevant Laws and Requirements and the Manager has failed to remedy the breach despite the request from the Trustee to remedy the breach and another manager (eligible to be appointed to act as manager under the CMSA and duly approved by the SC) shall be appointed.

**(c) By the SC**

The SC may remove the Manager in accordance with the provisions of the CMSA and the REIT Guidelines.

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**9. THE MANAGER (Cont'd)**

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**9.12 RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST**

The Deed provides that the Manager, the Trustee and any delegate of either of them shall avoid conflicts of interest arising or, if conflicts arise, shall ensure that Al-Salām REIT is not disadvantaged by the transaction concerned. The Manager must not make improper use of its position in managing Al-Salām REIT to gain, directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interest of Unitholders.

The Directors are under a fiduciary duty towards Al-Salām REIT to act in the best interest of Al-Salām REIT. In addition, the Executive and Non-Executive Directors (including the Chief Executive Officer) and the executive officers of the Manager are expected to act with honesty and integrity at all times.

Please refer to **Section 14** "Corporate Governance, Related Party Transactions and Conflicts of Interest" of this Prospectus for further details on conflicts of interest and related party transactions.

**9.13 CORPORATE GOVERNANCE**

Please refer to **Section 14** "Corporate Governance, Related Party Transactions and Conflicts of Interest" of this Prospectus.

**9.14 MATERIAL LITIGATION AND ARBITRATION**

As at the LPD, the Manager is not engaged in any material litigation and arbitration, either as plaintiff or defendant, which has a material effect on its financial position and its Directors do not know of any proceedings pending or threatened or of any facts likely to give rise to any proceeding which might materially and adversely affect its financial position or business or any of its delegates.

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## 10. THE PROPERTY MANAGER

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The information contained in **Section 10.1** "Corporate Information", **Section 10.3** "Experience in Property Management and Properties Managed" and **Section 10.4** "Information on Key Personnel and Staff Strength" has been prepared and provided by the Property Manager whilst the information contained in **Section 10.9** "The Service Provider" has been prepared and provided by SMMSB. None of the Sponsor, Manager, Principal Adviser and any other person has independently verified the information contained in **Sections 10.1, 10.3, 10.4 and 10.9**, and, therefore, none of the Sponsor, Manager and Principal Adviser make any representation as to the correctness, accuracy or completeness of such information. Accordingly, prospective investors should not place undue reliance on such information.

### 10.1 CORPORATE INFORMATION

The Property Manager, ExaStrata Solutions Sdn Bhd was incorporated on 21 December 2010 as a real estate consultancy firm specialising in the provision of real estate solutions.

The Property Manager is registered with the Board of Valuers, Appraisers and Estate Agents Malaysia while its principals are members of the Royal Institution of Surveyors Malaysia ("**RISM**"), RICS, Association of Private Valuers, Property Managers and Estate Agents ("**PEPS**") and Malaysian Institute of Professional Property Managers ("**MIPPM**").

### 10.2 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE PROPERTY MANAGER

The Trustee, the Manager and the Property Manager entered into the Property Management Agreement on 6 May 2015 for the appointment of the Property Manager to administer the Subject Properties upon the terms and conditions therein.

The services provided by the Property Manager for the properties under its management include, amongst others, the following:-

- (a) property management services which involve the operation and maintenance of the Subject Properties, recommending third party contracts for provision of property maintenance and building security services, supervising the performance of contractors, and ensuring the compliance with building and safety regulations;
- (b) financial management services by assisting the Manager and/or the Trustee in respect of the financial, cost and budgetary coordination, administration and measurement including preparation of budgets for management operation, procedures for monitoring budgetary performance and compliance, monthly and annual reports as well as analysis of operation performance;
- (c) letting and tenancy management services, including coordinating handover of premises and tenants' fitting-out requirements, administration of rental collection, management of rental arrears and rental collection policies and practices, formulating letting policies and tenancy terms;
- (d) property promotion services, including advising the Manager on marketing and public relations, planning, preparation of and contracting for advertising and promotional programs;
- (e) professional service management to seek advice and consult with other expertise within the Property Manager on capital value, assessment value and other professional advice and with other professionals in legal, technical, financial and accounting matters; and
- (f) car park management services, including managing car park collection and payments and monitoring car park traffic pattern.

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## 10. THE PROPERTY MANAGER (Cont'd)

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Notwithstanding anything stating to the contrary in the Property Management Agreement, the Property Manager's scope of services in respect of KFCH College and QSR Properties is reduced to solely a supervisory role over the said properties to ensure that the said tenants carries out the services outlined in paragraphs (a) and (b) above satisfactorily and in accordance to terms in KFCH College's tenancy agreement and the master lease agreements, respectively.

In accordance with the terms of the Property Management Agreement, the Property Manager shall, during the duration of the Property Management Agreement, employ, by itself or through third party service providers, personnel required to properly operate, maintain, manage and market all the Subject Properties on such terms and conditions as are commercially reasonable or appropriate having regard to the qualification, skill and experience of the persons employed for the relevant positions, responsibilities and duties.

Please refer to **Section 10.6** of this Prospectus for further details of the Property Management Agreement.

### 10.3 EXPERIENCE IN PROPERTY MANAGEMENT AND PROPERTIES MANAGED

The Property Manager has extensive experience in property management, carrying out numerous assignments relating to commercial properties consultancy, leasing and management.

Its key members have hands on experience in carrying out property, facility and centre management, real estate market research, project feasibility, investment as well as retail development consultancy. The previous experiences of the key members of the Property Manager include the management of the following commercial properties:

- (i) Summit Subang USJ in Selangor;
- (ii) Island Plaza in Penang;
- (iii) Subang Parade in Selangor (for Hektar REIT);
- (iv) Mahkota Parade in Malacca (for Hektar REIT);
- (v) Wetex Parade in Johor (for Hektar REIT);
- (vi) Perda City Mall in Penang; and
- (vii) Prima Klang Avenue Retail and Business Centre in Klang.

Current residential and commercial properties under the management of the Property Manager are:

- (i) Jaya 33 Retail and Office Complex in Petaling Jaya;
- (ii) Ndayu 28 Residences in Bandar Sunway;
- (iii) Villa@Serai Saujana in Shah Alam; and
- (iv) Wisma Consplant 1 & 2 in Subang Jaya.

### 10.4 INFORMATION ON KEY PERSONNEL AND STAFF STRENGTH

The profiles of the key personnel of the Property Manager who are involved in the management of the Subject Properties are as follows:

**Adzman Shah bin Mohd Ariffin**, aged 49, is the Chief Real Estate Consultant of the Property Manager. He holds a Bachelor of Science Degree in Urban Estate Management. He is a Registered Property Manager, Valuer and Estate Agent with the Board of Valuers, Appraisers & Estate Agents Malaysia, a Professional Member of the RICS, a Fellow Member and Vice President of the RISM and is the Chairman of Property Management, Estate Agency and Valuation Surveying Section of the RISM for the 2011/2012, 2012/2013 and 2013/2014 terms. He is currently a Council Member of RISM.

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## 10. THE PROPERTY MANAGER (Cont'd)

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He has over twenty five (25) years of experience in matters relating to the real estate industry. He was also Vice President of the MIPPM. He currently sits on the Board of Governors for The National Valuation Institute (INSPEN), advisor to PUNB Property Working Committee, a Committee Member of Bumiputera Retailers Organisation (BRO) and certified training speaker for the Ministry of Housing and Local Government on strata property management.

He was previously the Chief Executive Officer of Hektar Property Services Sdn Bhd which was responsible for managing five (5) retail properties under Hektar REIT. Prior to that, he was also the Deputy Managing Director of DTZ Property Consultants Sdn Bhd, which was responsible to oversee the management of Sunway REIT property portfolio, AmFirst REIT commercial and retail property portfolio, Shell Malaysia property portfolio, Macquarie property portfolio and Pramerica retail property portfolio. His scope of work included design development and optimisation, pre-opening planning and management, marketing and leasing and property/centre management.

**Dainah binti Mahmud**, aged 61, is the Senior Consultant/Director, of the Property Manager. She is a Registered Property Manager, Valuer and Estate Agent with the Board of Valuers, Appraisers & Estate Agents Malaysia. She has over thirty (30) years of experience in valuation, property management, feasibility studies, real estate agency, research and retail consultancy services. Previous experience includes the management of the convention, office and retail building of Putra World Trade Centre. She is currently a Committee Member of the PEPS and MIPPM. She was previously the Secretary General of RISM. She is currently in charge of the management of Jaya 33 retail and office complex in Petaling Jaya.

### 10.5 PROPERTY MANAGEMENT FEE

Under the Property Management Agreement, the Property Manager is entitled to receive property management fees for the amount equal to a fixed fee of RM22,500 per month excluding 6% GST.

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).

### 10.6 SALIENT TERMS OF THE PROPERTY MANAGEMENT AGREEMENT

The salient terms of the Property Management Agreement are summarised below:

- (i) Subject to the right of termination under the Property Management Agreement, the appointment of the Property Manager shall take effect from 6 May 2015 and shall, unless terminated in accordance with the provisions of the Property Management Agreement, continue for an initial period of two (2) years ("**Management Term**").

The Manager shall have the option with the prior approval of the Trustee, and within three (3) months prior the expiry of the Management Term, to renew the appointment of the Property Manager for such period or periods and upon such terms, conditions and fees to be mutually agreed upon between the Manager and Property Manager, and with the prior approval of the Trustee.

- (ii) The functions, duties and responsibilities of the Property Manager under the Property Management Agreement is summarised in **Section 10.2** of this Prospectus.
- (iii) The Property Management Agreement may be terminated under any one of the following circumstances:-
  - (a) upon expiry of the Management Term unless renewed; or

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**10. THE PROPERTY MANAGER (Cont'd)**

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- (b) upon termination by the Trustee of the appointment of the Manager as the management company to Al-Salām REIT;
- (c) upon exercise by any parties therein of the right of mutual termination by giving six (6) months' notice in writing to the other parties;
- (d) upon occurrence of any of the events of default stipulated in the Property Management Agreement and such event of default is not remedied to the satisfaction of the non-defaulting party;
- (e) upon occurrence of any force majeure event which results in the failure of the Property Manager to deliver any or most of the services (as the Trustee and the Manager deem appropriate) contemplated under the Property Management Agreement for at least fourteen (14) days;
- (f) at the option of the Manager (with the approval of the Trustee) and/or the Trustee, upon occurrence of any one or more of the following events:-
  - (i) the Property Manager is in breach or default of the terms or conditions or any provision of the Property Management Agreement which is not capable of being remedied or if capable of being remedied such default is not remedied within a reasonable time of thirty (30) days (unless otherwise stated under the Property Management Agreement) after its receipt from the Manager and/or the Trustee a notice specifying such breach and requesting that the same be remedied;
  - (ii) there is a revocation, withholding or modification of licence, authorisation or approval that impairs or prejudices the Property Manager's ability to comply with the material terms and conditions of the Property Management Agreement;
  - (iii) any of the material provisions in the Property Management Agreement becomes ineffective, invalid or unenforceable;
  - (iv) the Property Manager changes the nature or scope of its core business, suspends or ceases or threatens to suspend or cease a substantial part of its business operations;
  - (v) an order is made or a resolution is passed for winding-up or dissolution of the Property Manager; and/or
  - (vi) the Property Manager becomes insolvent or a receiver has been appointed over the whole or any part of its assets or undertaking.

For the purposes of this Section 10.6, "**Force Majeure Event**" means all events which are beyond the reasonable control of the parties to the Property Management Agreement and which are unforeseen or if foreseen are unavoidable and which render impossible the performance of any material obligation or the exercise of any material right under the Property Management Agreement by any of the parties and shall include but is not limited to (i) war, invasion, rebellion, revolution, insurrection or civil war; (ii) act of government in its sovereign capacity; (iii) earthquakes, fire, lightning, tempest, thunder, storms, floods, inclement weather, landslide, earthquake or any other occurrence caused by the operation of the forces of nature or any other inevitable cause or act of God; (iv) strikes, lockouts, boycotts or labour disputes affecting the operation of any of the Subject Properties; (v) terrorism, sabotage, explosion or arson; and (vi) change in law.

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## 10. THE PROPERTY MANAGER (*Cont'd*)

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### 10.7 UNITHOLDINGS OF THE PROPERTY MANAGER IN AL-SALĀM REIT

The Property Manager will not hold any Units upon Listing.

### 10.8 SERVICE PROVIDER TO PROVIDE PERSONNEL TO THE PROPERTY MANAGER

Pursuant to the Property Management Agreement, the Property Manager may appoint any third party service provider to, *inter alia*, provide personnel to the Property Manager in order for the Property Manager to carry out its duties under the Property Management Agreement to the best of its abilities provided that the appointment of such third party service providers has been approved by the Manager. The amount of such third party service providers' fees will be determined under the approved annual business plan and budget for the Subject Properties. The service providers' fees and costs and expenses properly incurred by the service providers for the provision of the services will form part of the property expenses to be paid by the Trustee under the Property Management Agreement. The Trustee, on the instruction of the Manager and the concurrence of the Property Manager, is authorised to make payment of such fees, costs and expenses from the account of Al-Salām REIT either (i) directly to the service provider, or (ii) to the operating account of the Manager for the Manager to utilise such payment to pay the service provider.

The Property Manager has entered into the Service Level Agreement with SMMSB on 4 August 2015, wherein SMMSB will provide the Property Manager with, among others, a team of personnel with the necessary qualification, expertise, experience and internal working and operation knowledge of the DASB Properties in accordance with the terms and conditions of the Service Level Agreement. The profile of SMMSB is set out in the ensuing section of this Prospectus.

### 10.9 THE SERVICE PROVIDER

The service provider, SMMSB, formerly known as Evolve Global Sdn Bhd, incorporated on 28 June 2010 is a wholly-owned subsidiary of DASB. The latter is a wholly-owned subsidiary of the Sponsor.

The service provider core business activity is to focus on commercial property management consisting of shopping centres and office towers with potential to be injected into public REIT. Its main activities include marketing and leasing of retail and office spaces, management of parking spaces, cleaning, security and maintenance services.

The profiles of the key personnel of SMMSB who are involved in the management of the DASB Properties are as follows:

**Jennie Parr**, aged 61, an Australian, is the Chief Executive Officer of SMMSB cum Centre Manager of KOMTAR JBCC. She holds a Certificate of Marketing conferred by the Australian Building Owners and Managers Association (BOMA). She has almost 30 years of shopping centre management and marketing experience within major regional complexes in Australia and Malaysia. Her key skills include development and launching of shopping centres from marketing and management perspective, significant experience in management of tenant relationships across a number of high profile food and beverage establishments and international luxury brands, people management skills encompassing staff development, performance management and mentoring.

She was appointed as the Chief Executive Officer of SMMSB cum Centre Manager of KOMTAR JBCC on 1 June 2014. Prior to her current position, she was the Retail Manager for Walker Corporation, one of Australia's leading private property developers. She was once the Marketing Manager for Suria KLCC Shopping Centre from February 1997 to March 1999 as part of Westfield Management Team to assist in the development of the launch programs and ongoing marketing strategies.



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**10. THE PROPERTY MANAGER (Cont'd)**

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**Aziah binti Ahmad**, aged 49, is the Chief Financial Officer of DASB group of companies including SMMSB. She has over 20 years of experience in Finance, Accounts and Property. She graduated with Bachelor of Commerce majoring in Accountancy from the University of Wollongong, New South Wales, Australia in 1989. She obtained her Australian Certified Practising Accountant certificate in 1995. She is a Chartered Accountant and is a member of the Malaysian Institute of Accountants since 1995. She is also a member of the Malaysian Association for Shopping and High-rise Complex Management and is a Certified Marketing Manager as well as a Certified Complex Operation Manager.

She started her career as an Audit Assistant with Messrs. Coopers & Lybrand (currently known as PricewaterhouseCoopers) in December 1989. In July 2006, she subsequently joined Pelangi Berhad as Senior Manager, Finance and Accounts and was promoted to Deputy General Manager, Finance and Administration Division cum Chief Financial Officer. She then joined PNB Commercial Sdn Berhad to manage the commercial properties of the Company as well as properties located in Southern Region of Peninsular Malaysia owned by PNB Real Estate Investment Trust subsequently named PNB Property Trust. During her employment with PNB Commercial Sdn Berhad, she was also the Acting Chief Financial Officer from 1 November 2011 to 31 August 2012. She joined JCorp as a General Manager in 2014.

**Samsubahri bin Selamat**, aged 53, is currently the General Manager, Operation (Asset Management) of SMMSB. He graduated with a Bachelor of Science (Property Management) from Universiti Teknologi Malaysia in 1992. He also holds a Diploma in Valuation from the same university. He is a member of various professional bodies, namely, RISM, Malaysia Institute of Professional Property Manager and International Council of Shopping Centers.

He has over 30 years of experience in valuation and property management. He started his career as a Valuation Officer in Majlis Bandaraya Johor Bahru ("MBJB") in 1983 and was appointed as the Head of Privatisation Department of MBJB in 1995. In 1997, he joined DASB as Senior Executive and was appointed as the head of Business Development Department and Marketing Department. Over the years, he has held numerous positions within DASB and was subsequently promoted to his current position in 2012.

**Ismahana binti Musbah**, aged 48, is the General Manager of SMMSB and the Deputy Centre Manager for Centre Management Office of KOMTAR JBCC. She graduated with a Degree in Business Administration, majoring in Marketing from Universiti Utara Malaysia.

Started her career in 1992, she has over 23 years of experience in property and centre management. She has been working for DASB for over a period of 15 years. In 2007, she was transferred to TMR Urusharta (M) Sdn Bhd as the General Manager to head the Southern Region Operations

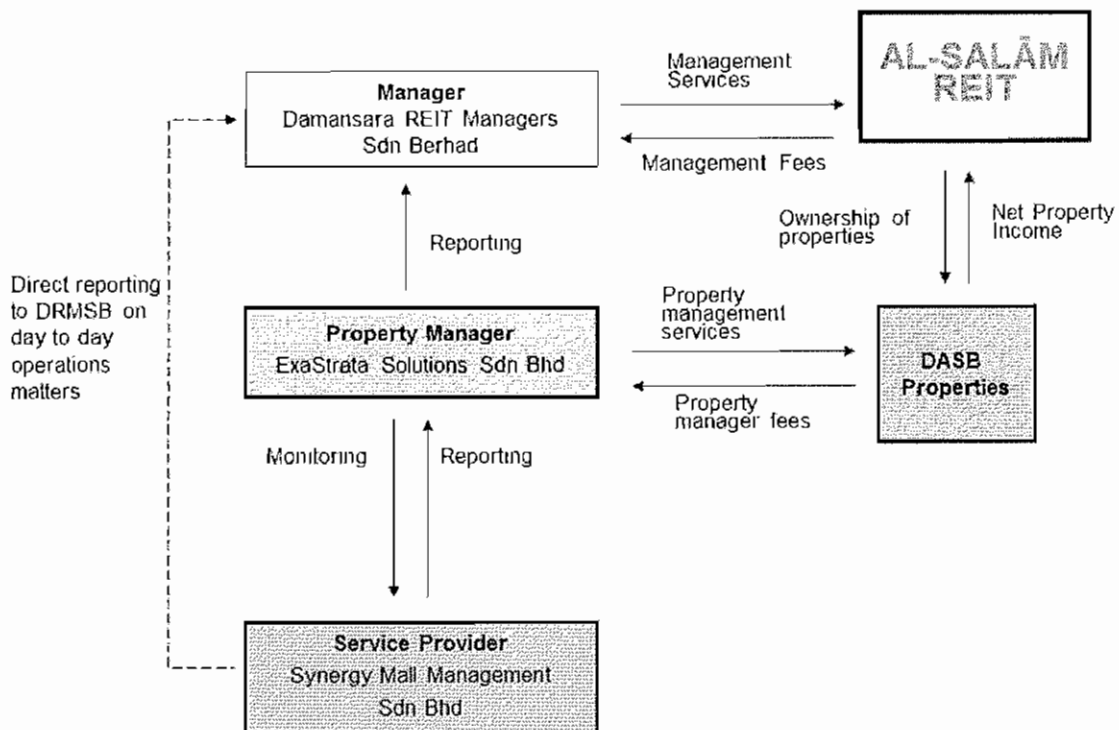
**Hamidunbaki bin Paijan**, aged 41, is the Building Manager of SMMSB. He graduated with Bachelor of Science majoring in Property Management from Universiti Teknologi Malaysia in 1999. He also holds a Diploma in Valuation from the same university. He is also a member of RISM.

He has over 18 years of experience in valuation and property management. He started his career in 1994 with a property consultant company, Jurunilai Bersekutu. In 2000, he joined VPC Alliance Sdn Bhd as Valuation Executive responsible for property valuations and marketing of properties. In 2007, he joined DASB as a Property Executive and was subsequently promoted to his current role as Building Manager.

10. THE PROPERTY MANAGER (Cont'd)

10.10 RELATIONSHIP BETWEEN THE PROPERTY MANAGER AND THE SERVICE PROVIDER

The following diagram illustrates the relationship between the parties involved in the property management services of DASB Properties:



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## 11. THE TRUSTEE

The following information in this section (save where it relates to the Deed) has been prepared and provided by the Trustee. None of the Manager, Principal Adviser and any other person has independently verified this information and, therefore, neither the Manager nor the Principal Adviser makes any representation as to the correctness, accuracy or completeness of such information. Accordingly, prospective investors should not place undue reliance on such information.

### 11.1 CORPORATE INFORMATION

AmanahRaya Trustees Berhad was incorporated in Malaysia under the Act on 23 March 2007. It is registered as a trust company under the Trust Companies Act, 1949 and is also registered with the SC as an eligible trustee for unit trust schemes, private retirement schemes and private debt securities. As at the LPD, the authorised share capital of the Trustee is RM5,000,000 comprising 500,000 ordinary shares of RM10.00 each. As at the LPD, the issued capital of the Trustee stands at RM2,000,000 comprising 200,000 shares of RM10.00 each and the paid up capital of the Trustee stands at RM1,000,000 (for each of the 200,000 shares, only RM5.00 out of RM10.00 has been called and paid up).

The principal activity of the Trustee is the provision of corporate trusteeship services in the Malaysian financial services industry. The Trustee has been in the trustee business for more than 48 years. As at the LPD, the Trustee's staff strength comprises 63 executive staff and 21 non-executive staff.

The Trustee specialises in corporate trustee services which include acting as trustee for private debt securities, unit trust funds, private retirement schemes and REITs. As at the LPD, the Trustee is trustee for 190 unit trust funds and two (2) listed REITs.

### 11.2 BOARD OF DIRECTORS OF THE TRUSTEE

The following table sets out the information regarding the Board of Directors and Chief Executive Officer of the Trustee as at the LPD:

Name	Directorship
Dato' Haji Ismail Bin Ibrahim	Independent Non-Executive Chairman
Dato' Haji Che Pee Bin Samsudin	Non-Independent Non-Executive Director
Datuk Johar Bin Che Mat	Non-Independent Non-Executive Director
Tuan Haji Mansor Bin Salleh	Non-Independent Non-Executive Director
Tuan Haji Zulkifly Bin Sulaiman	Independent Non-Executive Director
Puan Mahfuzah Binti Baharin	Non-Independent Non-Executive Director
Hajjah Habsah binti Bakar	Chief Executive Officer

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**11.3 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE TRUSTEE**

The Trustee's functions, duties and responsibilities are set out in the Deed. The general functions, duties and responsibilities of the Trustee include, but are not limited to, the following:

- (a) at all times, through proper and adequate supervision, to safeguard the interests of the Unitholders and will actively monitor the administration of Al-Salām REIT by the Manager to ensure that the interests of Unitholders are upheld at all times;
- (b) to act continuously as Trustee under the trust created by the Deed until the trust is terminated as provided in the Deed or until the Trustee has retired from Al-Salām REIT in the manner provided in the Deed;
- (c) to ensure that Al-Salām REIT has, at all times, an appointed Manager and Shariah Committee Members;
- (d) to ensure that the Manager does not make improper use of its position in managing Al-Salām REIT to gain, directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interest of the Unitholders; and
- (e) to immediately notify the SC of any irregularity, breach of the Deed, any Relevant Laws and Requirements or any other matter properly regarded by the Trustee as not being in the interests of Unitholders.

In addition, on the Manager's recommendations, the Trustee may incur borrowings for the acquisition of any authorised investments stated in the REIT Guidelines or Real Estate-Related Assets by Al-Salām REIT provided that the borrowings of Al-Salām REIT shall not exceed the limit prescribed under the REIT Guidelines. The Trustee may further consent to and pledge the Assets of Al-Salām REIT to secure borrowings up to the permitted level of borrowings, provided that borrowings by Al-Salām REIT and the pledging of the Assets of Al-Salām REIT are not prejudicial to the interest of the Unitholders.

The Deed provides that the Trustee will be indemnified against all losses, claims, damages, suits and costs and expenses arising from the execution of the Deed if the same are not caused by any negligence, recklessness or willful act or omission or breach of trust on the part of the Trustee or by its failure to show the degree of care, due diligence and vigilance required of a trustee, or where a special majority which is to be measured by a percentage of the votes of all Unitholders for the time being, voting at a meeting summoned for the purpose, released the Trustee with respect to specific acts or omissions.

**11.4 FINANCIAL INFORMATION OF THE TRUSTEE**

A summary of the Trustee's audited financial statements for the past three (3) FYE 31 December is set out below:

	FYE 31 December		
	2012 (RM'000)	2013 (RM'000)	2014 (RM'000)
Paid-up capital	1,000	1,000	1,000
Shareholders' funds	7,140	9,421	9,657
Revenue	28,307	27,861	30,326
Profit before taxation	21,196	20,332	22,806
Profit after taxation	15,877	15,281	17,236

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## 11. THE TRUSTEE (*Cont'd*)

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### 11.5 TRUSTEE'S FEE

In accordance with the Deed, Al-Salām REIT will pay the Trustee an annual trustee's fee of up to 0.02% per annum of the NAV of Al-Salām REIT. Any other upward variation exceeding the maximum limit will only be made with the prior approval of the Unitholders by a Special Resolution at a meeting convened in accordance with the Deed or approved by such other majority as may be required under the Guidelines and the CMSA.

### 11.6 RETIREMENT, REMOVAL AND REPLACEMENT OF THE TRUSTEE

#### 11.6.1 Retirement

- (a) The Trustee may retire upon giving six (6) months written notice to the Manager (or such shorter period as may be agreed with the Manager). The Manager shall within three (3) months after becoming aware of the intention of the Trustee to retire, appoint a replacement trustee who is eligible to be appointed under the CMSA and who is approved by the SC.
- (b) On retirement, the Trustee must vest the Assets of Al-Salām REIT in the new Trustee, and give the new Trustee all books, documents, records and any other Shariah-compliant property held by or on behalf of the Trustee relating to Al-Salām REIT.

#### 11.6.2 Removal of Trustee

##### (a) By the Manager

The Manager shall as soon as practicable after becoming aware of any of the following events take all reasonable steps to remove the Trustee from its appointment under the Deed, by giving a notice in writing to the Trustee:-

- (i) the Trustee ceases to exist;
- (ii) the Trustee is not validly appointed;
- (iii) the Trustee is not eligible to act as Trustee in accordance with the provisions of covenants of the Deed or the provisions of the CMSA;
- (iv) the Trustee fails or refuses to act as trustee in accordance with the provisions or covenants of the Deed or the provisions of the CMSA;
- (v) the Trustee has a receiver appointed over the whole or substantial part of its assets or undertaking and the Trustee has not ceased to act under the appointment, or a petition is presented for the winding-up of the Trustee (other than for the purpose of and followed by a reconstruction, unless during or following such reconstruction, the Trustee becomes or is declared to be insolvent); or
- (vi) the Trustee is under investigation for conduct that contravenes the Trust Companies Act 1949, the Trustee Act 1949, the Act, the CMSA or any other law in Malaysia and an adverse finding is found and/or the Trustee is charged under the aforementioned legislations or any other law in Malaysia.

In any of the cases aforesaid, the Manager shall, subject to the approval of the SC, appoint another eligible person as the new/replacement trustee of Al-Salām REIT and the Trustee shall upon receipt of such written notice by the Manager execute such deed as the Manager may require to appoint the new/replacement trustee to be trustee of Al-Salām REIT and shall thereafter ipso facto cease to be the Trustee.

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## 11. THE TRUSTEE (*Cont'd*)

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### (b) By the Unitholders

The Unitholders may remove the Trustee by Special Resolution passed at a duly convened meeting of the Unitholders on the grounds that the Trustee is in breach of its obligations under the Deed or Relevant Laws and Requirements and the Trustee has failed to remedy the breach despite the request from the Manager to remedy the breach and another Trustee (eligible to be appointed to act as Trustee under the CMSA and duly appointed by the SC) has been appointed.

### (c) By the SC

The SC may remove the Trustee in accordance with the provisions of the CMSA.

### 11.6.3 Cost of Removal

Any costs and expenses incurred in connection with the removal or retirement of the Trustee under this **Section 11.6.1** and **11.6.2** above shall be payable out of income of Al-Salām REIT.

### 11.6.4 New Trustee

- (a) The Trustee covenants with the Manager, that upon the removal or retirement of the Trustee under the Deed, it will not cease to be the Trustee of the Deed until:-
- (i) subject to the approval of the SC, an approved replacement trustee nominated and consented by the Manager has been duly appointed (provided that the Manager has not nominated an approved replacement trustee within three (3) months of the date of notice given as set out under **Section 11.6.1** or the occurrence of events under **Section 11.6.2**, as the case maybe).
  - (ii) the replacement Trustee has executed a deed whereby the replacement Trustee covenants to carry out the trusts and obligations contained in the Deed to which the Trustee is a party, and any other deed it is required to be a party to, from the date of its appointment; and
  - (iii) the Trustee has assigned or transferred all of its rights under the transaction documents (to which it is a party) to the replacement trustee.
- (b) The appointment of the replacement Trustee is not complete until and unless the requirements as set out in sub-paragraphs (i) to (iii) above have been fulfilled.
- (c) The Trustee and the Manager must use all reasonable endeavours to ensure that the matters referred to in sub-paragraphs (i) to (iii) are fulfilled as soon as possible after any notice has been given pursuant to **Section 11.6.1** or **11.6.2**.

## 11.7 TRUSTEE'S RESPONSIBILITY STATEMENT

The Trustee has stated its willingness to assume the position as trustee of Al-Salām REIT and all the obligations in accordance with the Deed and all Relevant Laws and Requirements.

## 11.8 MATERIAL LITIGATION AND ARBITRATION

As at the LPD, the Trustee is not engaged in any material litigation and arbitration, either as plaintiff or defendant, which may have a material effect on the financial position of the Trustee and the board of directors of the Trustee does not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of the Trustee.

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**11. THE TRUSTEE (Cont'd)**

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**11.9 DELEGATION OF THE TRUSTEE'S FUNCTION**

As at the LPD, none of the Trustee's function in relation to the Al-Salām REIT has been delegated.

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## **12. THE SHARIAH COMMITTEE MEMBERS**

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### **12.1 BACKGROUND INFORMATION**

Al-Salām REIT has appointed the following individuals to be its Shariah Committee Members to advise on all Shariah matters and to ensure full compliance with the Guidelines:

- (i) Dato' Haji Nooh bin Gadot;
- (ii) Professor Madya Dr. Ab. Halim bin Muhammad; and
- (iii) Professor Dr. Mohamad @ Md. Som bin Sujimon.

All the above Shariah Committee Members are individuals who have been approved by the SC to act in the capacity of a Shariah adviser, pursuant to the SC's List of Registered Shariah Advisers. As at the date of this Prospectus, all of them are also members of Al-`Aqar REIT's Shariah committee members.

### **12.2 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE SHARIAH COMMITTEE MEMBERS**

The role of the Shariah Committee Members is to ensure that the operations and investments made on behalf of Al-Salām REIT are in compliance with Shariah principles and requirements. The Shariah Committee Members shall provide the following Shariah advisory services:

- (i) Ensuring that Al-Salām REIT is managed and administered in accordance with Shariah principles and other relevant requirements;
- (ii) Conducting half-yearly review on the assets and/or investments to ensure compliance with Shariah principles and other relevant requirements;
- (iii) Providing expertise and guidance for Al-Salām REIT in all matters relating to Shariah principles and requirements, including on the Deed and this Prospectus, its structure and investment process, and other operational and administrative matters;
- (iv) Assessing any property to be acquired by Al-Salām REIT;
- (v) Preparing a report to be included in Al-Salām REIT's interim and annual report certifying whether Al-Salām REIT has been managed in accordance with applicable guidelines, ruling or decision issued by the SC pertaining to Shariah matters;
- (vi) Scrutinising Al-Salām REIT's compliance report, transaction report and any other report deemed necessary for the purpose of ensuring that Al-Salām REIT's investments are in line with Shariah principles and requirements;
- (vii) Consulting the SAC of the SC, where there is any ambiguity or uncertainty as to an investment, instrument, system, procedure and/or process to be undertaken by Al-Salām REIT;
- (viii) Organising and attending Shariah Committee Members' meetings which to be held not less than two (2) times a year and as when required; and
- (ix) Assisting and attending to any ad-hoc meeting called by the SC and/or any other relevant authority.



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## 12. THE SHARIAH COMMITTEE MEMBERS *(Cont'd)*

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### 12.3 PROFILE OF THE SHARIAH COMMITTEE MEMBERS

The designated persons responsible for Shariah matters relating to Al-Salām REIT are as follows:

**Dato' Haji Nooh bin Gadot**, aged 69, was appointed as the Chairman and Member of Shariah Committee of Al-Salām REIT on 9 July 2015. Currently, Dato' Haji Nooh is the Islamic Advisor to DYMM Sultan Johor and Advisor to Johor State Islamic Council. He is a member of the Johor Royal Council and Islamic Religious Council (Johor).

He graduated from the Al-Azhar University in Egypt with a Bachelor in Islamic Law and Shariah Islamiah. He obtained his tertiary Islamic education from Maahad Institution in Johor majoring in As-Syahadah Al-Thanawiyah, Arabic Secondary School, Segamat Madrasah Al-Khairiyah Al-Arabiyyah – AsSyahadah Al-Ibtidaiyyah, Segamat and Islamic Primary School State of Johor Special Class. On 22 April 2012, he obtained the Ijazah Kehormat Sarjana Sastera (Master of Art) from Asia e University.

In addition to his official studies, Dato' Haji Nooh attended a course on Managing Fatwa Darul Iffa in Ministry of Justice of Egypt under the supervision of State Mufti of Egypt, Al-Ustaz Al-Kabeer Dr. Syed Muhammad Tantawi and courses on Management and Administration of Wakaf organised by Egypt Wakaf Authority.

Before his appointment as Mufti of Johor from year 1999, Dato' Haji Nooh was appointed as Vice Mufti of Johor and Chief Assistant Director, Department of Administration of Shariah Law (Chief Kadi). His vast experience in Islamic practise and jurisprudence, juristic methodology, hadith and its sciences and spirituality was gained throughout his services as Acting Kadi, Syarie Lawyer, Islamic Affair Officer Religious Department (Prime Minister Department), Acting Assistant Examination and Registrar Religious School of Johor State and Religious Teacher of Johor State. He compulsorily retired as Mufti of Johor in November 2002 and continued his service until 13 November 2008 and now remains as the Advisor to the Islamic Religious Council (Johor). Currently, he holds various positions which includes amongst others, the Board Member of Waqaf An-Nur Corporation Berhad, Board Member of Kolej Pengajian Islam Johor ("**MARSAH**"), Vice Chairman of Pengawalan dan Perlesenan Pencetakan Teks Al-Qur'an Kementerian Dalam Negeri, Board Member of Yayasan Dakwah Islamiah Malaysia, Shariah Committee of QSR Brands and KFC Holdings, Shariah Committee of Jabatan Kemajuan Islam Malaysia (JAKIM), Shariah Committee of Permodalan Nasional Berhad (PNB), Board Member of Infaq Lil-Waqaf Angkatan Koperasi Kebangsaan Malaysia Berhad ("**ANGKASA**"), Shariah Committee of NCB Holdings Bhd and Joint Chairman of Institut Ahli Sunnah Wal Jamaah Johor (IASWJ).

Since year 2001 until now, Dato' Haji Nooh is active in presenting his proposals and working papers in various issues related to religion that brings into effect the social and spiritual life of the communities. He was conferred the prestigious award Ma'al Hijrah for the State of Johor in year 2009, award Tokoh Dakwah Sempena Sambutan Jubli Emas dan Sempena Anugerah Kecemerlangan Maahad Johor and prestigious award of Maulidur Rasul National Award for the year 1434H/2013M as well as Pingat Bakti Setia (Anugerah Menteri Dalam Negeri) in conjunction with the celebration of 224<sup>th</sup> Prison Day.

**Professor Madya Dr. Ab. Halim bin Muhammad**, aged 70, was appointed as the Shariah Committee Member of Al-Salām REIT on 9 July 2015.

He obtained his Bachelor in Shariah from Al-Azhar University in Egypt in 1972 and subsequently obtained his PhD in Shariah from St. Andrews, University of Scotland in 1977.

He began his career with Universiti Kebangsaan Malaysia as the Head of Department of Quran and Sunnah, Faculty of Islamic Studies and Lecturer at Faculty of Law Universiti Kebangsaan Malaysia.

## 12. THE SHARIAH COMMITTEE MEMBERS (Cont'd)

He has served as Shariah Advisor and Shariah committee member at several corporate organisation like Tabung Haji, Bank Negara Malaysia, Dewan Bahasa dan Pustaka, Takaful Nasional and Terengganu Trust Fund as well as financial institutions namely, Bank Muamalat Malaysia Berhad, Bank Kerjasama Rakyat Malaysia Berhad, RHB Bank Berhad and Bank Pembangunan Malaysia Berhad. He was also appointed as Shariah Advisor to the SC.

At present he is the Shariah committee member of Bank Muamalat Malaysia Berhad, ANGKASA and Terengganu Trust Fund.

**Professor Dr. Mohamad @ Md. Som bin Sujimon**, aged 60, was appointed as the Shariah Committee Member of Al-Salām REIT on 9 July 2015.

He graduated from University of Al-Azhar, Egypt with a Bachelor of Honour from the Faculty of Islamic Jurisprudence and Law in 1979. He obtained his Master of Arts in Teaching from Mississippi State University, United States of America in 1982 and completed his PhD in Islamic and Middle Eastern Studies at the Faculty of Arts in University of Edinburgh, Scotland, United Kingdom in 1997.

He began his career as a Lecturer at the Faculty of Arts and Social Science, Universiti Malaya from 1983-1986. He was then migrated to Brunei Darussalam whereby he was part of the team which founded three (3) institutions, namely Universiti Brunei Darussalam (“**UBD**”), Universiti Islam Sultan Syarif Ali (“**UNISSA**”) and Kolej Universiti Perguruan Ugama Seri Begawan (“**KUPU SB**”).

In Brunei Darussalam, he was an Associate Professor at the Faculty of Shariah and Law, UNISSA as well as an Associate Professor at the UBD and Institute of Islamic Studies Sultan Haji Omar Ali Saifuddien. He was also an Associate Professor at the International Islamic University Malaysia from 1999 to 2005.

He has published many papers including Fikah Kekeluargaan; The Problems of the Illegitimate Child (walad zina) and Foundling (laqit) in the Sunni School of Law; Kes-kes Kehakiman Berkaitan Jenayah Hudud, Qisas dan Kekeluargaan Di Zaman Khulafa’ al-Rashidin; Concept and Implementation of Islamic Finance During the Caliphate of Islam; Translated from Arabic work by Dr. Subhi Mahmasani; Modelling Retail Sukuk in Indonesia and Manual Mazhab Hanafi Yang Dilupakan Murshid al-Hayran ila Ma’rifat Ahwal al-Insan by Mohammed Kadri Pasha (The Forgotten Hanafite Manual of Murshid al-Hayran ila Ma’rifat Ahwal al-Insan by Mohammed Kadri Pasha); Pertukaran dan Perdagangan Matawang Dalam Islam: Satu Sorotan Awal (Exchange and Money Transaction in Islam: A Preliminary Survey); and many other notable intellectual writings.

He was a Senior Researcher at the International Shariah Research Academy (“**ISRA**”) and is currently the Chief Executive Officer of MARSAM and member of the Shariah committee for HSBC Amanah Takaful. In December 2013, he was appointed as the Chairman for the Shariah Board of Brisbane Islamic Investment Fund, an Australian regulated Islamic investment fund and Islamic finance business custodians which dealing with manufacturing and services, energy and resources, real estate, solar and clean energy and live stocks.

### 12.4 SHARIAH COMPLIANCE CRITERIA

In order to ensure compliance with the Islamic REIT Guidelines, the properties under Al-Salām REIT’s portfolio of investments shall adhere to the following:

- (i) the tenants of the properties of Al-Salām REIT (including the Subject Properties) shall operate permissible activities according to the Shariah principles and requirements;
- (ii) the rental income of Al-Salām REIT are derived from Shariah permissible activities and shall remain guided by the 20% benchmark as determined by the SAC of the SC for the criteria on rental from non-permissible activities;

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**12. THE SHARIAH COMMITTEE MEMBERS (Cont'd)**

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- (iii) Al-Salām REIT will ensure that all forms of investment, deposit and financing instruments comply with Shariah principles and requirements;
- (iv) the Manager will obtain and maintain takaful scheme coverage on the Assets of Al-Salām REIT (including the Subject Properties) against fire and public liability, which are statutory takaful requirements as well as loss of rental coverage. Only if the takaful schemes are unable to provide the coverage, Al-Salām REIT is permitted to use conventional insurance schemes; and
- (v) any other requirements as stipulated under the Guidelines.

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## 13. SALIENT TERMS OF THE DEED

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*The Deed is a complex document and the following is a summary only and is qualified in its entirety by, and is subject to, the contents of the Deed. Certain salient terms of the Deed are summarised in other sections of this Prospectus. Recipients of this Prospectus and all prospective investors in the Units should refer to the Deed itself to confirm specific information or for a detailed understanding of Al-Salām REIT. The Deed is available for inspection at the registered office of the Manager. The terms and abbreviations used herein shall have the same meanings as those defined in the Deed.*

### 13.1 THE DEED

Al-Salām REIT is a REIT constituted by the Deed, as entered into between the Trustee and the Manager on 26 March 2015. The Deed came into effect on 30 March 2015 when it was registered with the SC.

Each Unitholder and all persons claiming through it shall be entitled to the benefit of and shall be bound by the terms and conditions of the Deed and any supplementary deed as if it had been a party thereto and as if the Deed contained covenants on the part of each Unitholder to observe and be bound by all the provisions thereof and an authorisation by each Unitholder to do all such acts and things as the Deed may require the Trustee or the Manager (as the case may be) to do. The Deed does not establish either the Trustee or the Manager as the agent of the Unitholders and does not create any other relationship other than that which is established by the provisions of the Deed.

Pursuant to the Deed, the Trustee shall hold the Assets of Al-Salām REIT upon trust for the Unitholders and the Assets of Al-Salām REIT so held shall be segregated from the general assets or any other asset/property held by the Trustee. The rights of the Unitholders under the Deed are conferred on the Units or attached to the Units held.

The Manager and the Trustee shall in the performance of their respective duties under the Deed, at all times comply with applicable provisions of the Relevant Laws and Requirements, subject to compliance with any applicable waiver or exemption given by any relevant regulatory authority (including the SC or Bursa Securities, as the case may be) in respect of the Relevant Laws and Requirements. See “Information Summary – Fees and Charges” of this Prospectus for a summary of fees payable to the Manager and the Trustee; **Section 9.6** “Management Fee” of this Prospectus for further details of the Management Fee payable to the Manager; and **Section 11.5** “Trustee’s Fee” of this Prospectus for further details of the Trustee’s fee payable to the Trustee, pursuant to the terms of the Deed.

The Deed is governed by, and shall be construed in accordance with, the laws of Malaysia.

### 13.2 NATURE OF UNITS

- (a) Each Unit is of equal value and represents an undivided interest in Al-Salām REIT. There is only one class of Units in Al-Salām REIT, and all issued Units rank *pari passu* in all respects with other issued Units of Al-Salām REIT (including voting rights and rights to all distribution of monies be declared subsequent to the date of allotment of the Units) provided the issue price is fully paid.
- (b) A Unitholder has no equitable or proprietary interest in any of the Assets.
- (c) A Unit only confers a Unitholder such interest in Al-Salām REIT as a whole as is conferred on a Unit under the provisions of the Deed.

### 13.3 RIGHTS OF UNITHOLDERS

The Units shall confer on the Unitholder the rights (amongst others) to receive any Distribution Entitlement and such other rights, benefits, entitlements and privileges as are conferred on the Units or attached to the Units by the provisions of the Deed.

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**13. SALIENT TERMS OF THE DEED (Cont'd)**

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A Unitholder is entitled to:

- (a) receive Distribution Entitlements and other distributions attributable to Al-Salām REIT;
- (b) receive the interim reports within two (2) months from the end of the relevant period covered (where applicable) and also to receive the annual report of Al-Salām REIT within two (2) months from the end of each Financial Year;
- (c) participate in the termination of Al-Salām REIT by receiving a share of all net cash proceeds derived from the sale or realisation of the Assets less the liabilities, in accordance with their proportionate interests in Al-Salām REIT at the date of the termination of Al-Salām REIT;
- (d) attend and vote at any meeting of Unitholders, and to appoint another person (whether a Unitholder or not) as its proxy to attend and vote;
- (e) remove or replace the Trustee by passing a Special Resolution in accordance with the Deed;
- (f) remove or replace the Manager by passing a Special Resolution in accordance with the Deed;
- (g) remove the auditor of Al-Salām REIT by a Special Resolution in accordance with the Deed; and
- (h) terminate Al-Salām REIT by passing a Special Resolution in accordance with the Deed.

**13.4 LIMITATIONS ON THE RIGHTS OF UNITHOLDERS**

Subject to the rights of the Unitholders created in the Deed and by the Relevant Laws and Requirements:-

- (a) a Unitholder has no legal, equitable or proprietary interest in the Assets and is not entitled to the transfer of the Assets or any part of the Assets or of any estate or interest in the Assets or in any part of the Assets;
- (b) the right of a Unitholder in the Assets and under the Deed is limited to the right to require the due administration of Al-Salām REIT in accordance with the Deed including, without limitation, by suit against the Trustee or the Manager; and
- (c) without limiting the generality of the foregoing, each Unitholder is deemed to acknowledge and agree when he becomes a Unitholder that:-
  - (i) he shall not commence or pursue any action against the Trustee or the Manager seeking an order for specific performance or for injunctive relief in respect of the Assets or any part of the Assets and shall waive any rights he may otherwise have to such relief;
  - (ii) if the Trustee or the Manager breaches its duties or obligations to a Unitholder under the Deed, that Unitholder's recourse against the Trustee or Manager is limited to a right to recover damages or compensation from the Trustee or the Manager in a court of competent jurisdiction; and
  - (iii) damages or compensation is an adequate remedy for such breach.

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**13. SALIENT TERMS OF THE DEED (Cont'd)**

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**13.5 RESTRICTIONS ON THE RIGHTS OF UNITHOLDERS**

Subject to the Deed, a Unitholder is deemed to acknowledge and agree when he becomes a Unitholder that he shall not (whether at the meeting of Unitholders or otherwise):

- (a) interfere or seek to interfere with the rights, powers, authority or discretion of the Manager or the Trustee or restrict the exercise of any discretion expressly conferred on the Manager or the Trustee under the Deed or the determination of any matter which, under the Deed, requires the agreement of either or both of the Manager and the Trustee;
- (b) exercise any right in respect of the Assets or any part of the Assets or lodge any caveat or other notice affecting the Assets or any part of the Assets or otherwise claim any interest over the Assets or any part thereof;
- (c) require that any Assets or any Authorised Investment forming part of the Assets be transferred to the Unitholder;
- (d) give any directions to the Manager or Trustee which shall cause the Manager or the Trustee to do or omit to do anything which may result in Al-Salām REIT ceasing to comply with the Relevant Laws and Requirements or which may result in the Manager or Trustee to be in breach of their duties at law or under the Deed SAVE FOR directions duly given pursuant to a resolution passed at a duly convened meeting of the Unitholders; and
- (e) have any right solely by reason of him being a Unitholder to attend any meetings of shareholders, stockholders or debenture holders of the Manager, the Trustee or a company whose shares form part of the Assets, or to vote or take part in or consent to any such company or shareholders', stockholders' or debenture holders' action.

**13.6 ISSUE OF UNITS****13.6.1 Exclusive Right**

- (a) Subject to the provisions of the Deed, the Manager shall have the exclusive right to effect the issuance of Units for the account of Al-Salām REIT whether on an initial issue of Units, a rights issue, an issue of new Units otherwise than by way of a rights issue or any issue pursuant to a reinvestment of distribution arrangement PROVIDED THAT the Manager shall not be bound to accept an initial application for Units so as to give rise to a holding of fewer than one hundred (100) Units (or such other number of Units as may be determined by the Manager).
- (b) A Unit shall be deemed to have been issued to the person entitled to such Unit when the name of such person has been added onto the Record of Depositors.

**13.6.2 No Fractions**

The Manager may ignore fractions and round down each Unitholder's entitlement under the Deed to the nearest whole number and may in its absolute discretion resolve any difficulties arising incidentally in relation to the creation or distribution of Units under the Deed in a fair and equitable manner as the Board may deem fit.

**13.6.3 Updating of CDS Account**

For so long as the Units are listed, the Manager shall cause the Bursa Depository to effect the book entry of Units issued to a Unitholder into such Unitholder's CDS Account no later than the Tenth (10<sup>th</sup>) Market Day after the date on which those Units are agreed to be issued by the Manager.

**13.6.4 Statement of Dealings**

The Manager shall furnish to the Trustee from time to time on demand a statement of all issues of Units and of the terms on which the same are issued and of any investments which it determines to direct to be purchased for account of Al-Salām REIT, and also a statement of any investments which in accordance with the powers hereinafter contained it determines to direct to be sold for account of Al-Salām REIT, and any other information which may be necessary so that the Trustee may be in a position to ascertain at any moment the NAV of the Assets of Al-Salām REIT.

**13.6.5 Suspension of Issue and Dealing of Units**

13.6.5.1 The Manager or the Trustee may, with the prior written approval of the other and subject to the Listing Requirements and the REIT Guidelines on and after the Listing Date, suspend the dealing of Units (including issuance of Units) during any of the following events:

- (a) the existence of any state of affairs which, in the opinion of the Manager or (as the case may be) the Trustee might seriously prejudice the interests of the Unitholders as a whole or of the Assets;
- (b) any breakdown in the means of communication normally employed in determining the price of any investments or (if relevant) the current price thereof on Bursa Securities or when for any reason the prices of any such investments cannot be promptly and accurately ascertained;
- (c) any period when remittance of money which will or may be involved in the realisation of any investments or in the payment for any investments cannot, in the opinion of the Manager, be carried out at normal rates of exchange;
- (d) any period where the issuance of Units is suspended pursuant to any order or direction issued by the Bursa Securities, SC or any other authorised regulatory body;
- (e) when the business operation of the Manager or the Trustee in relation to the operation of Al-Salām REIT are substantially interrupted or closed as a result of or arising from, pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God; or
- (f) in relation to any general meeting of the Unitholders, the period of forty-eight (48) hours before such general meeting or any adjournment thereof.

Such suspension shall take effect forthwith upon the written approval by the Manager or (as the case may be) the Trustee pursuant to any declaration in writing of the same by the other and shall terminate on the day following the first (1<sup>st</sup>) Market Day on which the condition or any other conditions giving rise to the suspension ceases to exist and no other conditions under which suspension is authorised under the Deed shall exist subject always to the Relevant Laws and Requirements. In the event of any suspension while the Units are listed, the Manager shall ensure that immediate announcement of such suspension is made through Bursa Securities.

13.6.5.2 The Trustee shall, in consultation with the Manager and where it deems appropriate and subject to the REIT Guidelines and the Listing Requirements, suspend dealing in the Units due to circumstances, where there is a good and sufficient reason to do so, considering the interests of the Unitholders or the potential investors. Such suspension shall cease as soon as practicable after the circumstances have ceased, and in any event within twenty one (21) days from the commencement of the suspension. Upon such suspensions, the Trustee shall immediately notify the SC in writing stating the reasons for suspensions, the proposed resumption of dealings in Units and the expected date of the proposed resumption.

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## 13. SALIENT TERMS OF THE DEED (Cont'd)

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### 13.7 DISTRIBUTIONS

#### 13.7.1 Distributions of Income

- (a) Subject to the Deed, the Manager will distribute all (or such lower percentage as determined by the Manager in its absolute discretion) of the Distributable Income to Unitholders in cash within two (2) months after the Books Closing Date. The minimum distribution shall be maintained at least ninety percent (90%) of its Distributable Income and made from realised gains or realised income.
- (b) Notwithstanding **Section 13.7.1(a)**, the amount of Distributable Income which the Manager can distribute for any period is subject to:-
- (i) the availability of funds;
  - (ii) compliance with the financing limits prescribed by the REIT Guidelines and any applicable financing covenants which applies to Al-Salām REIT; and
  - (iii) not exceeding the net realised income before tax for the period for which the distributions are declared.
- (c) For clarification, the distribution of income should be made only after the Manager has taken into consideration the following:-
- (i) total returns for the period;
  - (ii) income for the period;
  - (iii) cash flow for distribution;
  - (iv) stability and sustainability of distribution of income; and
  - (v) the investment objective and distribution policy of Al-Salām REIT
- (d) Where a distribution is made, the Manager should send to every Unitholder a statement detailing relevant information on the income distribution. The statement should also include the following information:
- (i) Total returns of Al-Salām REIT; and
  - (ii) NAV per unit prior to, and subsequent to, the distribution.
- (e) For interim distribution, the Manager may, instead of sending a statement required under **Section 13.7.1(d)** above, choose to publish the same information in an advertisement in at least one national Bahasa Malaysia newspaper and one national English newspaper.

#### 13.7.2 Basis for Distribution Entitlement

Each Unitholder's Distribution Entitlement is to be determined in accordance with the following formula:

**Distribution Entitlement** = % of DI x UH/UI

Where:

% of DI = the percentage of Distributable Income in accordance with **Section 13.7.1(a)**;

UH = the number of Units held by the Unitholder at the close of business on the Book Closing Date for the relevant Distribution Period



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**13. SALIENT TERMS OF THE DEED (Cont'd)**

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UI = the number of Units in issue in Al-Salām REIT at the close of business on the Book Closing Date for the relevant Distribution Period

**13.8 INVESTMENT OF THE ASSETS OF AL-SALĀM REIT****13.8.1 Authorised Investments**

13.8.1.1 Subject to the provisions of the Deed, the Guidelines and compliance on Shariah requirements in accordance with the Relevant Laws and Requirements, Al-Salām REIT may invest in the following investments:

- (a) Real Estate;
- (b) SPVs;
- (c) Real Estate-Related Assets;
- (d) Liquid Assets - which include Cash, Shariah compliance deposits with licensed institutions and/or other institutions licensed or approved to accept Shariah-complaint deposits, and any other instruments capable of being converted into cash within seven (7) days as may be approved by the Trustee;
- (e) Non-Real Estate-Related Assets;
- (f) Shariah-compliant asset-backed securities; and
- (g) any other investment not covered by the above paragraphs (a) to (f) above but specified as a permissible investment in the REIT Guidelines which are not non-permissible activities or within specified thresholds as provided under the Guidelines or as otherwise specified by the SC.

13.8.1.2 The Trustee shall act as custodian and take into custody or under its control (in cases of delegation of custody), the Assets and hold the Assets in trust for the Unitholders in accordance with the Deed and the Relevant Laws and Requirements. The Assets shall be registered in the name of the Trustee for and on behalf of the Unitholders, or assigned or novated to the Trustee for and on behalf of the Unitholders, or to the order of Al-Salām REIT.

13.8.1.3 For the avoidance of doubt, subject to the prior approval of the Trustee, the Manager may use financial derivatives including but not limited to entering into futures, forwards, options and swaps contracts for the following purposes:-

- (a) hedging for a specific Real Estate and a specific cash flow; and
- (b) risk-management purposes, and is limited to Al-Salām REIT's existing exposure to fluctuation of interests rates and foreign exchange.

**13.8.2 Investment Restrictions**

13.8.2.1 Subject to the provisions of the Deed and the REIT Guidelines, the Trustee shall ensure that the Manager complies with the following requirements:-

- (a) at least fifty per cent (50.0%) of the Total Asset Value must be invest in Real Estate Assets and/or SPVs at all times; and

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**13. SALIENT TERMS OF THE DEED (Cont'd)**

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- (b) not more than twenty-five percent (25.0%) of the Total Asset Value is invested in Non-Real Estate-Related Assets and/or cash, Shariah-compliant deposits with licensed institutions and/or other institutions licensed or approved to accept Shariah-compliant deposits and/or Islamic money market instruments; and

such other limits and investments as may be permitted by the SC or the Guidelines, provided that arising from the disposal of Assets or pending acquisition of any Authorised Investments or following capital raising of Al-Salām REIT, the actual investment ratio of Al-Salām REIT may be at a variance from the provisions stipulated above and the Guidelines. However, the Manager may, in consultation with the Trustee, vary the investments forming part of the Assets in the best interests of the Unitholders provided that such variance is in compliance with the Guidelines.

13.8.2.2 Provided that investments in both Real Estate-Related Assets and Non-Real Estate-Related Assets are limited as follows:-

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

13.8.2.3 The Manager shall ensure that the investment limits and restrictions are complied with at all times based on the up to date value of the Assets.

**13.8.3 Restrictions on Investments/Activities**

13.8.3.1 Without limiting the generality of the following, and subject always to the provision of the Guidelines, Al-Salām REIT shall not at any time be involved in the following activities:-

- (a) the extension of financing or other credit facilities by Al-Salām REIT;
- (b) investments in or financing to the Manager or the Trustee or any Related Party of the Manager or the Trustee;
- (c) forward purchase or sale of any currency or money including Ringgit Malaysia or any foreign exchange contracts of whatsoever nature, except where Al-Salām REIT has acquired or owns foreign Real Estates, any such participation in forward contracts is subject to the following conditions:
  - (i) it must be for hedging purposes for a specific Real Estate and a specific cash flow; and
  - (ii) it must be for risk-management purposes and limited to Al-Salām REIT's existing exposure;
- (d) property development, except in the circumstances permitted by the Guidelines;
- (e) investment or reinvestment otherwise than in an Authorised Investment or for the taking in exchange of property which is not an Authorised Investment;
- (f) acquisition of vacant land; or
- (g) any other activity which does not comply with the Guidelines and where no waiver from the SC is obtained to exempt compliance with the relevant guidelines.

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**13. SALIENT TERMS OF THE DEED (Cont'd)**

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13.8.3.2 The restriction under **Section 13.8.3.1(d)** does not apply to refurbishment, retrofitting, renovations or extensions carried out on existing Real Estates and/or SPVs within the investment portfolio of Al-Salām REIT.

13.8.3.3 In the event that the tenants or lessees occupying any of the Assets are involved in non-permissible activities as prescribed by the Islamic REIT Guidelines, the Manager shall ensure that the total rental from the non-permissible activities shall not exceed twenty percent (20.0%) of the total turnover of Al-Salām REIT (based on the latest Financial Year) or any other benchmark as prescribed under the Islamic REIT Guidelines.

**13.8.4 Investment Procedures**

- (a) If the Manager at any time and from time to time thinks it desirable in the interests of the Unitholders to purchase, sell or otherwise dispose of, refurbish, retrofit, renovate or extend, exchange, vary, modify or otherwise change any investment forming part of the Assets, it shall inform the Trustee in writing of its proposal in that regard and shall supplement that writing with such information about the proposals as the Trustee reasonably requires and such proposals shall not provide for investment or reinvestment otherwise than in an Authorised Investment.
- (b) Such proposals shall be rejected by the Trustee if they provide for investment or reinvestment otherwise than in an Authorised Investment or in contravention of the **Section 13.8.2**.
- (c) The Manager shall take all steps which in its opinion are necessary or desirable in connection with the investigation of and, negotiation for an acquisition or sale of every Authorised Investment or any Assets which is to be or is to cease to be part of the Assets, as the case may be.
- (d) The Manager may only put forward proposals within the Authorised Investments in **Section 13.8.1**, the investment objectives as provided in the Deed and which do not breach the restrictions on investment in **Section 13.8.2**. The Manager must not act or conduct transactions in any manner that would result in unnecessary cost or risk to Al-Salām REIT or which is unfavourable to the Unitholders.
- (e) The Manager shall have the discretion on whether to reinvest or distribute the proceeds arising from any disposal of any Assets.

**13.9 CONCERNING THE TRUSTEE**

The Trustee is responsible for the safe custody of the Assets as though it were the absolute owner of the Assets of Al-Salām REIT and acting in its personal capacity, safeguard the interests of the Unitholders of Al-Salām REIT, but subject to the REIT Guidelines and terms of the Deed.

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**13. SALIENT TERMS OF THE DEED (Cont'd)**

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The Trustee upon recommendation of the Manager in writing shall be deemed to have full and absolute powers of exercising all the powers of a trustee and the powers that are incidental to the ownership of the Assets; to institute, prosecute, compromise and defend legal proceedings under the Deed Provided That the Trustee shall not be under any obligation to institute, acknowledge service of, appear in, prosecute or defend any action, suit, proceedings or claim in respect of the provisions hereof or in respect of the Assets or any part thereof or any corporate or shareholders' action which in its opinion would or might involve it in expense or liability unless the Manager shall so request in writing and shall often as required by the Trustee furnish it with an indemnity satisfactory to the Trustee against such expense or liability; to raise monies or obtain financing facilities with or without security for the purposes of financing the acquisition of any Authorised Investments or Real Estate-Related Assets; to create, give, renew, alter or vary any mortgage, charge or other encumbrance over the Assets or any part thereof to secure the payment of any money or the performance of any obligation whatsoever or howsoever arising of any person upon such terms and conditions as the Trustee and Manager may think fit; to give any guarantee or indemnity for the payment of money or for the performance of any obligation whatsoever; to approve annual budgets prepared by the Manager for Al-Salām REIT and the management and operation and maintenance of the Assets and investments of Al-Salām REIT; upon the recommendations of the Manager, to manage and turning to account the investments; and to do such other things as may appear to the Trustee to be incidental to any or all of the above powers.

**13.10 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE TRUSTEE**

See **Section 11.3** "Functions, Duties and Responsibilities of the Trustee" of this Prospectus, for details of the functions, duties and responsibilities of the Trustee.

**13.11 RETIREMENT, REMOVAL AND REPLACEMENT OF THE TRUSTEE**

See **Section 11.6** "Retirement, Removal and Replacement of the Trustee" of this Prospectus, for details of the retirement, removal and replacement of the Trustee.

**13.12 LIMITATION OF LIABILITY AND INDEMNITY OF THE TRUSTEE**

Subject to the REIT Guidelines as affecting the extent of such indemnity, the Trustee is entitled to be indemnified and will be indemnified for all the actual losses, claims, damages, suits and costs and expenses arising or for any liability incurred or to be incurred by the Trustee arising from the execution of the Deed and in performing or exercising any of its powers or duties in relation to Al-Salām REIT.

This indemnity is in addition to any indemnity allowed by law, but does not extend to liabilities caused by or arising:-

- (a) from any fraud, negligence, recklessness or willful act or omission or breach of trust or breach of contractual duty on the part of the Trustee; or
- (b) where the Trustee is grossly negligent and fails to show the degree of care, due diligence and vigilance required of a trustee having regard to its powers, authorities and discretions under the Deed, the CMSA, the REIT Guidelines or Relevant Laws and Requirements or where a special majority which is to be measured by a percentage of the votes of all Unitholders for the time being, voting at a meeting summoned for the purpose, released the Trustee with respect to specific acts or omissions.

**13.13 CONCERNING THE MANAGER**

The Manager shall, subject to the REIT Guidelines, the Listing Requirements and the provisions of the Deed, carry out all activities as the Manager may deem necessary for the management of Al-Salām REIT until it retires or is removed. This power extends to the management of the Assets and liabilities of Al-Salām REIT and excludes the Trustee from management except as set out in the Deed, including but not limited to the following:

- (a) manage the Assets and the Liabilities of Al-Salām REIT for the benefit of Unitholders;
- (b) be responsible for the day-to-day management of Al-Salām REIT and be guided by the Shariah Committee Members and shall at the Manager's discretion make recommendations to the Trustee on the annual budget and the management and operation of Al-Salām REIT;
- (c) carry out the activities in relation to the Assets in accordance with the provision of the Deed;
- (d) set the strategic direction and risk management policies of Al-Salām REIT and give recommendations to the Trustee on the acquisition, divestment or enhancement of assets of Al-Salām REIT in accordance with its stated investment strategy which complies with the Shariah principles;
- (e) carry on and conduct the business in a proper, diligent and efficient manner and to ensure that Al-Salām REIT is managed and administered in a proper, diligent and efficient manner and in accordance with the Deed, the Relevant Laws and Requirements and acceptable and efficacious business practices in the real estate investment industry;
- (f) monitor the performance of the Assets;
- (g) issue the annual report and where applicable, the interim report of Al-Salām REIT to Unitholders within two (2) months from the end of Al-Salām REIT's Financial Year and end of the period it covers respectively;
- (h) ensure that Al-Salām REIT is managed within the ambit of the Deed, the CMSA, the Guidelines and other Relevant Laws and Requirements at all times;
- (i) generally advise on and procure through service providers the maintenance of any Real Estate, including but not limited to such repair, painting, alteration, rebuilding and/or improvement of any Real Estate or Real Estate-Related Asset which the Manager considers to be necessary or desirable;
- (j) prepare annual budgets for Al-Salām REIT and the management and operation of the investments of Al-Salām REIT;
- (k) make the necessary announcements in relation to Al-Salām REIT as may be required by the Listing Requirements;
- (l) lodge statutory returns;
- (m) prepare and monitor the financial and statutory accounts of Al-Salām REIT;
- (n) manage all tax affairs of Al-Salām REIT including the appointment of advisors as required;
- (o) act in the best interests of Al-Salām REIT and the Unitholders and provide diligent and responsible management of the assets and liabilities of Al-Salām REIT;

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**13. SALIENT TERMS OF THE DEED (Cont'd)**

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- (p) ensure the proper, smooth and efficient performance of its obligations under the Deed or under law and legislative requirements;
- (q) give directions to the Trustee to ensure the smooth and efficient performance of the Trustee's duties under the Deed or under law or legislative requirements;
- (r) determine if any taxes, expenses, outgoings, losses, debts or obligations will be paid or borne out of the capital or income of Al-Salām REIT;
- (s) institute, defend, conduct, settle, discontinue or compromise legal proceedings as the Manager, with the approval of the Trustee, deems fit;
- (t) carry out such other activities as the Manager may consider necessary from time to time;
- (u) to remain guided by the Shariah Committee Members at all times in discharging its obligations and duties as the Manager of Al-Salām REIT; and
- (v) analyse the issues and risks involved in foreign investments and having a contingency plan to enable proactive response to any urgent need that may arise in the course of investments and management of foreign Real Estate and its divestment of such Real Estate.

**13.14 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE MANAGER**

See **Section 9.2** "Functions, Duties and Responsibilities of the Manager" of this Prospectus for other salient terms of the functions, duties and responsibilities of the Manager as provided in the Deed.

**13.15 RETIREMENT, REMOVAL AND REPLACEMENT OF THE MANAGER**

See **Section 9.11** "Retirement, Removal and Replacement of the Manager" of this Prospectus, for details of the retirement, removal and replacement of the Manager.

**13.16 LIMITATION OF LIABILITY AND INDEMNITY OF THE MANAGER**

Subject to the REIT Guidelines as affect the extent of such indemnity, the Manager is entitled to be indemnified and will be indemnified for the actual losses, claims, damages, suits and costs and expenses arising or for any liability incurred or to be incurred by the Manager arising from the execution of the Deed or in performing or exercising any of its powers or duties in relation to Al-Salām REIT.

This indemnity is in addition to any indemnity allowed by law, but does not extend to liabilities caused by or arising:

- (a) from any negligence, recklessness or willful act or omission or breach of trust on the part of the Manager; or

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**13. SALIENT TERMS OF THE DEED (Cont'd)**

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- (b) where the Manager is grossly negligent and fails to show the degree of care and diligence and vigilance required of a manager having regard to its powers, authorities and discretions under the Deed, the CMSA, the REIT Guidelines or Relevant Laws and Requirements or where a special majority which is to be measured by a percentage of the votes of all Unitholders for the time being, voting at a meeting summoned for the purpose, released the Trustee with respect to specific acts or omissions.

**13.17 MANAGER'S FEE AND TRUSTEE'S FEE**

The provisions on the Manager's fee and the Trustee's fee are set out in the Deed. See **Sections 9.6** "Management Fee" and **Section 11.5** "Trustee's Fee" of this Prospectus for details of the Manager's fee and the Trustee's fee, respectively.

**13.18 PERMITTED CHARGES OF AL-SALĀM REIT**

The Trustee and/or the Manager shall in addition to their remuneration and rights to indemnification or reimbursement conferred under any other provision of the Deed or by any Relevant Laws and Requirements, shall respectively be indemnified and shall be reimbursed out of either the income of the Al-Salām REIT (either directly or, if relevant, indirectly through a SPV) or the capital of Al-Salām REIT (as determined from time to time between the Manager after consultation with the Auditor for all fees, costs, charges, expenses and outgoings reasonably and properly incurred by or on behalf of the Trustee or the Manager as the case may be, that are directly related and necessary to the business of the Al-Salām REIT Provided That such expenses are in compliance and are as permitted under the REIT Guidelines. The general overheads and costs for services which the Manager or Trustee is expected to provide, or falling within the normal expertise of the Manager or Trustee, must not be charged to Al-Salām REIT. Without limitation to the generality of the foregoing, all fees and expenses of any person which the Manager may appoint to carry out its investment management function must not be charged to Al-Salām REIT.

**13.19 MODIFICATION OF THE DEED**

All modifications to the Deed must be made through a deed supplementary to the Deed and will take effect only upon registration of the supplementary deed with the SC. The Manager must submit any such supplementary deed to the SC for such registration pursuant to the REIT Guidelines and/or the CMSA. In addition to the foregoing, any material change to the investment objectives of Al-Salām REIT must be approved by resolution passed by not less than two thirds (2/3) of all Unitholders that are present in person or represented by proxy and voting at the meeting of the Unitholders (or such other majority as may be required by the REIT Guidelines and/or the CMSA from time to time), given at the Unitholders' meeting duly convened and held in accordance with the Deed.

**13.20 TERMINATION AND WINDING-UP OF AL-SALĀM REIT**

Subject to this Deed, the Trustee and the Manager, upon giving three (3) months notice in writing shall terminate Al-Salām REIT in any of the following circumstances:-

- (a) if, after consultation with the Trustee, the Manager, is of the opinion that it is impracticable or inadvisable to continue Al-Salām REIT, taking into account factors such as changes in economic climate or taxation law which have caused or likely to cause Unitholders to be detrimentally affected and the Manager requests that the Trustee convene a meeting of Unitholders and at that Meeting the Manager sets out the recommended action and a Special Resolution (or otherwise in accordance with the requirement of the REIT Guidelines), is passed for Al-Salām REIT to be terminated; or

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**13. SALIENT TERMS OF THE DEED (Cont'd)**

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- (b) if the Manager is in liquidation or where the Trustee is of the opinion that the Manager has ceased to carry on business or has, to the prejudice of the Unitholders, failed to comply with any provisions of any Relevant Laws and Requirements, guidelines or regulatory requirements, and at the meeting summoned in accordance with Section 301 of the CMSA, a Special Resolution is passed; or
- (c) if the Listing does not take place within three (3) months from the date of the Prospectus and a Special Resolution (or otherwise in accordance with the REIT Guidelines) shall be passed at a duly convened meeting of Unitholders (if any) to terminate Al-Salām REIT; or
- (d) if a Special Resolution (or otherwise in accordance with the REIT Guidelines) is passed to terminate Al-Salām REIT at a duly convened meeting of Unitholders; or
- (e) if any time after the Listing Date, the units are suspended from Listing and not readmitted for Listing within a continuous period of ninety (90) Market Days after such suspension and the Unitholders shall thereafter resolve to wind-up Al-Salām REIT, in which case, the winding-up of Al-Salām REIT in accordance with **Section 13.20** shall commence immediately upon obtaining approval from the Unitholders; or
- (f) if the SC's approval is revoked under Section 214 (A) (2) of the CMSA; or
- (g) if an approved transfer scheme has been affected and resulted in Al-Salām REIT being left with no assets or properties.

If termination event in **Section 13.20(b)** above occurs, the Trustee must apply to the Court for an order confirming the Unitholder's resolution. The Court may confirm the resolution if the Court is satisfied that it is in the interests of the Unitholders to do and may make orders for winding-up of Al-Salām REIT (including but not limited to procedures for voluntary winding-up), which order shall be carried out by the Trustee.

Upon termination of Al-Salām REIT (other than that in **Section 13.20(b)** above), the Trustee shall, subject to authorisations or directions (if any) given to it by the Manager, proceed as follows:-

- (a) send a notice in accordance with the Deed to the Unitholders and if deemed appropriate by the Manager, publish an advertisement in a national language newspaper published daily and circulating generally throughout Malaysia to notify commencement of winding-up;
- (b) The Trustee shall as soon as practicable sell, call in and convert into money all investments then remaining in its hands as part of the Assets, and shall repay any financing facility (together with any monies due and remaining unpaid) for the time being outstanding, and thereafter divide the proceeds of such sale, calling in, and conversion less all proper cost and disbursement, commissions, brokerage fees, fees payable to the Manager and the Trustee on termination of Al-Salām REIT and other outgoings and income and all provisions for liabilities of Al-Salām REIT, among the Unitholders in proportion to the number of Units which they hold respectively at the date of termination of Al-Salām REIT PROVIDED THAT the Trustee may at its discretion make a partial distribution of capital from time to time and the Trustee and Manager shall on termination be deemed as preferential creditors;
- (c) the Trustee may postpone the sale, calling in and conversion of any part of the Assets for such time as it thinks desirable to do in the interest of the Unitholders and shall not be responsible for any loss attributable to such postponement except to the extent that such loss may be attributable to the Trustee's own neglect or default;



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**13. SALIENT TERMS OF THE DEED (Cont'd)**

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- (d) The Trustee may retain or control such time as it thinks desirable to do so in the interest of the Unitholders such part of the Al-Salām REIT's monies as in its opinion may be required to meet any outgoings of Al-Salām REIT or any of the investments provided that the investments or monies so retained to the extent that they are ultimately found out not to be so required shall remain subject to Al-Salām REIT for conversion and distribution in accordance with the Deed;
- (e) any unclaimed proceeds or other cash held by the Trustee under the provision of this **Section 13.20** may at the expiration of twelve (12) months from the date upon which the same were payable be paid in a trust account managed by the Trustee and in accordance with the Deed subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment;
- (f) the Trustee and Manager are entitled to:-
  - (i) be paid from the proceeds of realisation of Al-Salām REIT before any payment is made to the Unitholders, all costs incurred:-
    - (1) by the Trustee and Manager before the voluntary winding-up which has not been recouped;
    - (2) by the Trustee and Manager in connection with the voluntary winding-up of Al-Salām REIT and the realisation of the Assets of Al-Salām REIT;
    - (3) by or on behalf of any creditor of Al-Salām REIT, in connection with the voluntary winding-up of Al-Salām REIT; and/or
    - (4) by or on behalf of any agent, solicitor, banker, accountants or other persons employed by the Trustee or the Manager in connection with the voluntary winding-up of Al-Salām REIT;
  - (ii) be remunerated in accordance with the provisions of the Deed following the termination of Al-Salām REIT and until the process of voluntary winding-up of Al-Salām REIT is completed.

**13.21 MEETINGS OF UNITHOLDERS****13.21.1 Meeting**

A meeting of the Unitholders ("**Meeting**") may be convened:-

- (a) by the Trustee or the Manager on behalf of the Trustee at any time; or
- (b) upon an application made by no less than fifty (50) Unitholders or ten percent (10%) of the Unitholders, whichever is less, delivered to the Manager or its registered office.

**13.21.2 Notice**

13.21.2.1 Where the Trustee or the Manager decides to convene a Meeting, it must give or cause to be given to the Unitholders:-

- (a) at least fourteen (14) days notice in writing of any meeting.
- (b) the Manager must specify, in the notice for Meetings, the place, time and the terms of the resolution to be proposed and the general nature of business to be conducted at the Meetings; and

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**13. SALIENT TERMS OF THE DEED (Cont'd)**

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- (c) the Manager or Trustee must publish an advertisement giving the relevant notice of the Meeting in the national language daily newspaper and in one other newspaper circulating in Malaysia.

13.21.2.2 For the annual general meeting ("**AGM**") or a general meeting for the passing of a special resolution, the Manager must:-

- (a) give at least twenty-one (21) days' notice in writing to the Unitholders;
- (b) specify, in the notice for the AGM or a general meeting, the place, time, the terms of the resolution to be proposed and the general nature of business to be conducted at the AGM or general meeting; and
- (c) by itself, or together with the Trustee publish an advertisement giving the relevant notice of the Meeting in the national language or English daily newspaper that shall be circulated in Malaysia.

13.21.2.3 Where a Meeting is requested by the Unitholders pursuant to Section 305(1) of the CMSA, the Manager must:-

- (a) call the Meeting within twenty-one (21) days after receiving the requests from Unitholders.
- (b) give notice to the Unitholders in accordance with Section 305(3) of the CMSA; and
- (c) specify in the notice for Meeting, the place, time, the terms of the resolution to be proposed and the general nature of business to be conducted at the AGM or general meeting.

13.21.2.4 A copy of the notice referred to under **Sections 13.21.2.1, 13.21.2.2 and 13.21.2.3** must be delivered to the SC and the Trustee.

The Trustee, the Manager, the Shariah Committee Members or the Auditor may attend and speak at any meeting, or invite any other person to attend and speak but the Manager, its nominees and any party related to the Manager shall have no voting rights in any Meeting in respect of any Unit held by them.

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## 14. CORPORATE GOVERNANCE, RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

### 14.1 CORPORATE GOVERNANCE

The Manager intends to adopt a corporate governance framework that meets best practices of good governance on structures and internal processes by adopting the requirements and guidelines set out in the REIT Guidelines, the Listing Requirements and the Corporate Governance Guide issued by Bursa Securities, in the performance of its obligations and duties as described in the Deed.

### 14.2 EXISTING AND ON-GOING RELATED PARTY TRANSACTIONS

#### 14.2.1 Acquisition of the Subject Properties

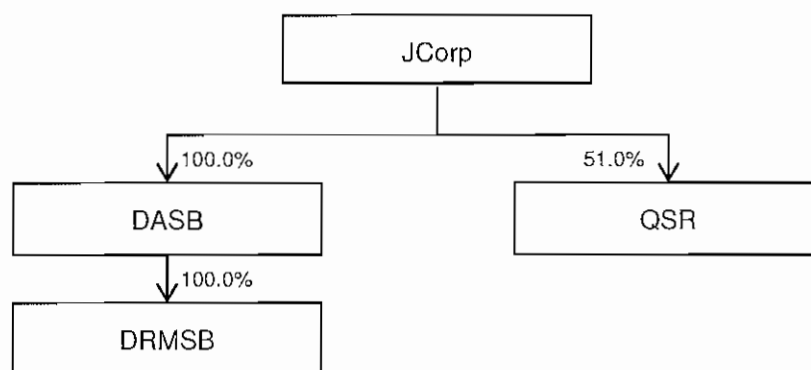
A related party transaction pursuant to the REIT Guidelines is any transaction between the REIT and its Related Parties, and a “related party” includes:

- (i) the management company, the trustee or a major Unitholder of the REIT;
- (ii) a director, chief executive officer or major shareholder of the management company; and
- (iii) persons connected with any director, chief executive officer, or major shareholder of the management company, or a person connected with the management company, trustee or a major Unitholder of the REIT.

The Acquisitions by Al-Salām REIT are deemed related party transactions under the REIT Guidelines in view of the following:

- (i) JCorp is the Sponsor of Al-Salām REIT;
- (ii) The Manager is a wholly-owned subsidiary of DASB;
- (iii) DASB is a wholly-owned subsidiary of the Sponsor; and
- (iv) QSR is 51% owned by the Sponsor.

The organisational chart illustrating the relationship between the Vendors, the Manager and the Sponsor is as follows:



The purchase consideration for the acquisition of the Subject Properties was not more than 110% of the value assessed by the Independent Property Valuers. The acquisition of the Subject Properties is consistent with the investment objective and strategy of Al-Salām REIT. Please refer to **Section 6.1** “Acquisitions by Al-Salām REIT” and **Section 17.3** “Salient Terms of the SPAs” of this Prospectus for more details on the Acquisitions and the SPAs.

## 14. CORPORATE GOVERNANCE, RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

### 14.2.2 Related party transactions

Set out below are the details of the existing and on-going transactions between the Vendors and the Sponsor and/or persons connected with the Sponsor and/or the Manager relating to the Subject Properties. Upon completion of the SPAs, all rights and obligations of the Vendors pursuant to these transactions will be transferred and/or assumed by Al-Salām REIT:

No.	Nature of transactions relating to the Subject Properties that will be assumed by Al-Salām REIT	Transacting/Related Parties	Relationship
1.	Provision of security services to Menara KOMTAR, @Mart Kempas and KFCH College	Teraju Fokus Sdn Bhd ("TFSB")	TFSB is 30% owned by the Sponsor
2.	Provision of auxiliary police services to KOMTAR JBCC	DASB	DASB is a subsidiary of the Sponsor and the immediate holding company of the Manager
3.	Tenant at Menara KOMTAR	JCorp	JCorp is the Sponsor
4.	Tenant at Menara KOMTAR	DASB	DASB is a subsidiary of JCorp and the immediate holding company of the Manager
5.	Tenant at Menara KOMTAR	IPPJ	IPPJ is a company placed within JCorp intrapreneur scheme and is a 75% owned subsidiary of the Sponsor
6.	Tenant at Menara KOMTAR	TPM Technopark Sdn Bhd ("TPM")	TPM is a wholly-owned subsidiary of the Sponsor
7.	Tenant at KFCH College	SPM Restaurants Sdn Bhd ("SPM")	SPM is a wholly-owned subsidiary of QSR through its wholly-owned subsidiary KFC (Peninsular Malaysia) Sendirian Berhad, which in turn is 51% owned by the Sponsor
8.	Provision of management and administration services to Al-Salām REIT	DRMSB	DRMSB is a wholly-owned subsidiary company of DASB, which in turn is a wholly-owned subsidiary of the Sponsor
9.	Provision of service management to DASB Properties	SMMSB	SMMSB is a wholly-owned subsidiary company of DASB, which in turn is a wholly-owned subsidiary of the Sponsor
10.	Delegation of the registrar function by the Manager	Pro Corporate	Pro Corporate is a wholly-owned subsidiary company of JCorp Hotels and Resorts Sdn Bhd, which in turn is a wholly-owned subsidiary of the Sponsor
11.	Delegation of the internal audit function by the Manager	Group Compliance and Internal Audit Department of JCorp	Internal division of the Sponsor
12.	Master lessees in respect of the master lease arrangement for the QSR Properties	QSR Lessees	QSR Lessees are the wholly-owned subsidiaries of QSR, which in turn is 51% owned by the Sponsor

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## **14. CORPORATE GOVERNANCE, RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)**

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### **14.3 POTENTIAL RELATED PARTY TRANSACTIONS**

#### **14.3.1 FROR for property acquisition by Al-Salām REIT**

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. In the event of any acquisition pursuant to the exercise of the FROR, the sale and purchase agreement for such proposed acquisition will be a potential related party transaction. Potential conflict of interest may arise between Al-Salām REIT and the respective vendors of such assets during the negotiation on the terms of such sale and purchase agreement. However, such conflict of interest situation is mitigated in view that a valuation must be undertaken on the properties by a qualified independent valuer and a valuation report must be submitted to the SC and the Trustee for their approval, as provided in the Deed and the Guidelines.

### **14.4 POTENTIAL CONFLICTS OF INTEREST**

#### **14.4.1 JCorp Group**

JCorp Group is engaged in, and/or may engage in amongst others, investment in, and the development, management and operation of mixed development which may compete with the Subject Properties. Further, JCorp Group may also sponsor, manage or invest in other REITs or other vehicles which may compete with Al-Salām REIT.

The Chairman of the Manager, Dato' Kamaruzzaman bin Abu Kassim is also the Chief Executive & President of JCorp and sits on the board of other companies within the JCorp Group. In addition, certain directors of the Manager, being Yusaini bin Hj. Sidek, Lukman bin Hj. Abu Bakar, Jamaludin bin Md Ali and Mohd Yusof bin Ahmad are the senior management of the JCorp Group and they also sit on the board of other companies within the JCorp Group.

As a result, the strategies and activities of Al-Salām REIT to some extent may be influenced by the overall interests of JCorp Group. There can be no assurance that conflicts of interest may not arise amongst Al-Salām REIT, the Manager and JCorp Group in the future.

Furthermore, pursuant to (a) the service agreement between Pro Corporate and the Manager dated 31 July 2015 to provide registry services to the Manager and to perform and exercise the duties of the Manager in respect of the maintenance of the register of Unitholders and (b) the service agreement dated 2 August 2015 between the Sponsor and the Manager, whereby the Manager has appointed the Group Compliance and Internal Audit Department of JCorp to provide internal audit services to the Manager and to perform and exercise the duties of the Manager in respect of the internal audit function, which may give rise to potential conflicts of interest among the Manager and the Sponsor. Additionally, pursuant to the service level agreement entered into between the Property Manager and SMMSB, being the wholly-owned subsidiary of DASB, which in turn is the wholly-owned subsidiary of the Sponsor, SMMSB will provide the Property Manager with, amongst others, a team of personnel with the necessary qualification, expertise, experience and internal working and operation knowledge of the DASB Properties. The appointment of SMMSB as the service provider (including the terms of its remuneration) is subject to the approval of the Manager. In order to mitigate any potential conflicts of interest, such appointment has been approved and the renewal of such appointment will be approved by the independent directors of the Manager.

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## 14. CORPORATE GOVERNANCE, RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (*Cont'd*)

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### 14.4.2 Manager's policy on related party transactions and dealing with conflict of interest situations

Upon Listing, Al-Salām REIT will be subjected to the REIT Guidelines and/or the Listing Requirements (where applicable) on related party transactions. Compliance of Al-Salām REIT with the Listing Requirements and the REIT Guidelines will ensure that related party transactions will not prejudice the interests of the Unitholders as a whole. Any related party transaction, dealing, investment and appointment carried out on behalf of Al-Salām REIT, should be executed on terms not more favourable to the related parties than those generally available to the public.

The REIT Guidelines provide, amongst others, that the trustee's consent is required for all related party transactions which involve real estate, and where the transaction value is equal or greater than 5% of the Total Asset Value of Al-Salām REIT (after acquisition), the prior approval of Unitholders by way of an ordinary resolution is required. In addition, the REIT Guidelines also provides that related parties of the Manager should not vote or be counted as quorum at a meeting if they have interest in the outcome of a transaction tabled for approval which is different from the interests of other Unitholders.

In respect of tenancies entered with related parties, the REIT Guidelines require the Trustee to ensure that the terms and conditions of the tenancy agreements are reasonable under the prevailing market conditions. In determining the rental rates for related tenants, the Trustee should be guided by the recommendation of at least one independent valuer appointed by the Trustee.

The Listing Requirements oblige the Manager to make prompt announcements and disclosures in Al-Salām REIT's annual reports in relation to any related party transactions.

In addition, the Deed also provides that the Manager and the Trustee and any delegate thereof shall avoid conflicts of interest situation and shall ensure that Al-Salām REIT is not disadvantaged by the transaction concerned. The appointment or renewal of appointment of any delegate or service provider who is a related party of the Manager must be approved by the independent directors of the Manager.

In order to minimise the risks of potential conflicts of interest arising, the Manager has established the following procedures in managing potential conflicts of interest in relation to Al-Salām REIT:

- (a) in respect of matters or transactions which a director or senior management personnel as set out in **Sections 9.4.1** and **9.5.1** of this Prospectus and/or any other person connected to them has an interest (directly or indirectly), such director shall not participate in any proceedings of the Board and shall abstain from voting in respect of such matter or transaction;
- (b) the Board shall comprise at least two (2) independent directors while maintaining a minimum ratio of at least one-third (1/3) independent directors at all times;
- (c) the directors of the Manager owe fiduciary duties to the Manager and Al-Salām REIT including the duty to act in good faith and in the best interest of Al-Salām REIT; and
- (d) any transactions in which a conflict of interest will arise should be executed on terms which are the best available for Al-Salām REIT and which are no less favourable to Al-Salām REIT than arm's length transactions between independent parties and be adequately disclosed in the Prospectus and fund reports of Al-Salām REIT.

All related party transactions are subject to regular periodic review by the Audit Committee prior to recommendation to the Board. If a member of the Audit Committee has an interest in a transaction, he is to abstain from participating in the review and recommendation process in relation to that transaction.

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## 14. CORPORATE GOVERNANCE, RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

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### 14.5 INTERESTS OF THE MANAGER AND THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS OF THE MANAGER IN OTHER CORPORATIONS CARRYING ON SIMILAR BUSINESSES

For the purpose of this Section 14.5, “**similar business**” means the management of a REIT with an investment mandate to invest in real estate property in Malaysia and other countries within the Asia-Pacific region.

Save for being the manager of Al-`Aqar REIT, the Manager has no other interests in other corporations carrying on similar businesses.

Save for being the Directors and substantial shareholder of Al-`Aqar REIT, none of the Directors and substantial shareholder of the Manager holds any interests in other corporations carrying on similar businesses.

### 14.6 OTHER PERTINENT INFORMATION

The Manager will comply with all requirements as laid out in the Listing Requirements and the REIT Guidelines on related party transactions including provisions contained in the Deed.

The Manager will establish procedures that will ensure that such transactions are undertaken in full compliance with the REIT Guidelines and are carried out on an arm's length basis and under normal commercial terms and in the best interest of the Unitholders. The Manager would have to demonstrate to the Audit Committee that transactions (whether purchase of services or property) would be taken on normal commercial terms, which may include in the case of the purchase of services, the obtaining of quotations from parties unrelated to the Manager where appropriate, or in the case of purchase of property, the obtaining of valuation from an independent valuer.

Related party transactions will require the Trustee to ensure that such transactions are at arm's length, based on normal commercial terms and not prejudicial to the interest of the Unitholders.

### 14.7 DECLARATIONS BY ADVISERS

#### 14.7.1 RHB Investment Bank

Save as disclosed below, RHB Investment Bank confirms that as at the LPD, there are no equity and/or financial relationship with JCorp Group, other than RHB Capital Berhad (“**RHB Cap**”) and/or its related companies (“**RHB Banking Group**”) having extended various credit facilities with a combined limit of up to an aggregate amount of approximately RM2.0 billion to the JCorp Group. In the ordinary course of business, RHB Banking Group does engage in transactions with and perform services for JCorp Group. RHB Banking Group has extended credit facilities and/or has engaged and in the future may engage in transactions in their ordinary course of business with JCorp Group.

RHB Investment Bank confirms that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Principal Adviser, Sole Global Coordinator, Sole Underwriter and Joint Placement Agent in relation to the IPO on the basis that:-

- (a) RHB Banking Group's existing exposure to JCorp Group of approximately RM2.0 billion only represents approximately 1.40% of RHB Cap's audited consolidated gross loan, advances and financing of approximately RM142.49 billion as at 31 December 2014;

#### 14. CORPORATE GOVERNANCE, RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (*Cont'd*)

- (b) RHB Investment Bank is a licensed investment bank and its appointment as Principal Adviser, Sole Global Coordinator, Sole Underwriter and Joint Placement Agent for the IPO, is in the ordinary course of its business; and
- (c) The conduct of RHB Banking Group's business is regulated by the Financial Services Act, 2013 and RHB Banking Group's own internal controls and checks.

##### 14.6.2 Maybank Investment Bank

Maybank Investment Bank and its related and associated companies ("**Maybank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and fund management and credit transaction services businesses. The Maybank Group has engaged and may in the future, engage in transactions with and perform services for Al-Salām REIT and/or its affiliates, in addition to its role as the Joint Placement Agent as set out in the Prospectus. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with Al-Salām REIT and/or its affiliates, unitholders of Al-Salām REIT and/or its affiliates and/or any other entity or person, hold long or short positions in securities/units issued by Al-Salām REIT and/or its affiliates, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities, units or senior loans of Al-Salām REIT and/or its affiliates. This is a result of the businesses of the Maybank Group generally acting independently of each other, and accordingly, there may be situations where parts of the Maybank Group and/or its customers now have, or in the future, may have interest or take actions that may conflict with the interest of Al-Salām REIT and/or its affiliates. Nonetheless, the Maybank Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, amongst others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

As at 29 July 2015, Al-Salām REIT has approved credit facilities with the Maybank Group. The said credit facilities have been extended by the Maybank Group in its ordinary course of business.

Notwithstanding this, Maybank Investment Bank has confirmed that the aforesaid lending relationship would not give rise to a conflict of interest situation in its capacity as the Joint Placement Agent for the Listing as:

- (i) the extension of credit facilities is part of the ordinary course of business of Maybank Group;
- (ii) the conduct of the Maybank Group in its banking business is strictly regulated by the Financial Services Act 2013 and the Maybank Group's own internal controls and checks;
- (iii) the total outstanding amount owed by the Al-Salām REIT is not material when compared to the audited total assets of the Maybank Group as at 31 December 2014; and
- (iv) the team in charge of the Listing in Maybank Group is independent from the team handling the credit facilities.

Save for the above, Maybank Investment Bank confirms that it is not aware of any conflict of interest in its capacity as the Joint Placement Agent in relation to the IPO and the Listing.



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**14. CORPORATE GOVERNANCE, RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)**

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**14.6.3 Abdul Raman Saad & Associates**

Abdul Raman Saad & Associates confirms that there is no conflict of interest in its capacity as the legal adviser in relation to the IPO and the Listing.

**14.6.4 Deloitte**

Deloitte confirms that there is no conflict of interest in its capacity as the Reporting Accountants of Al-Salām REIT.

**14.6.5 Deloitte Tax Services Sdn Bhd**

Deloitte Tax Services Sdn Bhd confirms that there is no conflict of interest in its capacity as the Tax Adviser of Al-Salām REIT.

**14.6.6 Cheston International (KL) Sdn Bhd and Cheston International (Johor) Sdn Bhd**

Cheston International (KL) Sdn Bhd and Cheston International (Johor) Sdn Bhd confirm that there are no conflict of interest in their capacity as the Independent Property Valuers in relation to the IPO and the Listing.

**14.6.7 Raine & Horne and Smith Zander**

Raine & Horne and Smith Zander confirm that there are no conflict of interests in their capacity as the Joint Independent Market Researchers in relation to the IPO and the Listing.

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## 15. APPROVALS AND CONDITIONS

### 15.1 APPROVALS AND CONDITIONS

- (a) The SC has, through its letter dated 18 February 2015 (“**Approval Letter**”), approved the establishment of Al-Salām REIT, the appointment of the Manager and the Trustee and the Listing. The conditions imposed by the SC and the status of compliance are as follows:

No.	Details of conditions imposed	Status of compliance
1.	In relation to the properties which are subject to Bumiputera restriction, the following to be disclosed in the Prospectus;  (a) Details of the Bumiputera restriction, transferability of the properties and the process, the estimated time to complete the transaction as well as the relevant excerpts of the legal opinion; and  (b) the independent opinion of Cheston International on the implications of the Bumiputera restriction on the property valuation:  (i) as at the date of valuation; and  (ii) after the said properties have been transferred to ART;	Complied. The required disclosures have been included in <b>Section 5.1.13</b> of the Prospectus.
2.	DRMSB or its advisers to provide evidence of compliance with Clause 3.28 of the REIT Guidelines prior to the registration of the prospectus of Al- Salām REIT;	Complied, as informed via a letter to the SC dated 3 August 2015.
3.	DRMSB or its advisers to submit an operational audit report to the SC within six (6) months after Al-Salām REIT is listed. The appointment of the auditors and scope of work shall be subject to the SC’s clearance;	Noted and to be complied by the Manager.
4.	DRMSB or its adviser to inform the SC of the listing date of Al-Salām REIT prior to the listing of the REIT; and	Noted and to be complied with.
5.	The listing of Al-Salām REIT must be completed within six (6) months from the date of the decision letter. SC’s approval is deemed to lapse if DRMSB fails to do so within the stipulated timeframe.	The SC had vide its letter dated 31 July 2015 granted Al-Salām REIT an extension of time to complete the Listing by 17 October 2015.  Noted and to be complied.

Further, the SC had vide its letters dated 31 July 2015 approved the Manager’s application to the SC in relation to the following:-

- (i) an extension for an additional two (2) months up to 17 October 2015 of time to complete the Listing; and

**15. APPROVALS AND CONDITIONS (Cont'd)**

- (ii) the modification of the approved terms of the Approval Letter to vary the 'Purchase Consideration' and 'Cash Consideration' columns by inserting the phrase "up to" ("**Modification**") in anticipation of any possible exclusion of QSR Properties in the event the required state authority's consent to transfer and/or charge the QSR Properties is not obtained, prior to the registration of this Prospectus. The details of the Modification are set out below.

**Existing Term (ii), Section 1.1 of the Approval Letter**

Real Estates	Vendors	Purchase Consideration (RM'000)	To be satisfied by	
			Consideration Units ('000)	Cash Consideration (RM'000)
KOMTAR JBCC	DASB	462,000	281,040	180,960
Menara KOMTAR		70,000	-	70,000
@Mart Kempas		65,000	32,500	32,500
KFCH College		28,200	14,100	14,100
QSR Properties	QSR Vendors	282,440	-	282,440
<b>Total</b>		<b>907,640</b>	<b>327,640</b>	<b>580,000</b>

**Modification on Term (ii), Section 1.1 of the Approval Letter**

Real Estates	Vendors	Purchase Consideration (RM'000)	To be satisfied by	
			Consideration Units ('000)	Cash Consideration (RM'000)
KOMTAR JBCC	DASB	462,000	281,040	180,960
Menara KOMTAR		70,000	-	70,000
@Mart Kempas		65,000	32,500	32,500
KFCH College		28,200	14,100	14,100
QSR Properties	QSR Vendors	Up to 282,440	-	Up to 282,440
<b>Total</b>		<b>Up to 907,640</b>	<b>327,640</b>	<b>Up to 580,000</b>

- (b) The ECU of the SC has, through its letter dated 10 March 2015, approved that no equity condition will be imposed pursuant to the Listing; and
- (c) Bursa Securities has, through its letter dated 6 August 2015, approved the admission of Al-Salām REIT to the Official List and the listing of and quotation for 580,000,000 Units on the Main Market of Bursa Securities.

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## 16. OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN MALAYSIA

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### 16.1 OVERVIEW OF LAWS AND REGULATIONS GOVERNING REITS IN MALAYSIA

In Malaysia, REITs are governed and regulated by the SC and in addition, a listed REIT would also be subject to the purview of Bursa Securities. The SC is empowered to ensure compliance with the CMSA, the Guidelines and the Take-over Code while Bursa Securities is empowered to ensure the compliance of the listed REIT with the relevant sections of the Listing Requirements. The appointments of the management company and the trustee are subject to the approval of the SC. The CMSA, the Guidelines, and the Listing Requirements serve to govern the operation and administration of REITs and together with the Take-over Code serve to protect the interest of unitholders and to facilitate an orderly development of REITs. The trustee and the management company, including their officers and directors, must comply with the CMSA, the Guidelines, the Listing Requirements, the Take-over Code and all other Relevant Laws and Requirements.

#### 16.1.1 Under the CMSA and/or the REIT Guidelines

- (i) **The management company** – A management company must, amongst others, be an entity incorporated in Malaysia; have a minimum shareholders fund of RM1 million at all times and approved by the SC. The REIT Guidelines contain provisions on reconstruction, amalgamation and change in shareholding of the management company (which will require the prior approval of the SC), composition of the board of directors (including independent members), appointment of a chief executive officer, designated person responsible for the REIT, compliance person and property manager.
- (ii) **The trustee** – The appointment of a trustee must be approved by the SC. The minimum requirements of a trustee include, amongst other things, that it must be a trust company registered under the Trust Companies Act 1949 or incorporated under the Public Trust Corporation Act 1995; be registered with the SC; have a minimum issued and paid-up capital of not less than RM500,000; have the adequate human resources, expertise, and experience and have adequate and appropriate systems, procedures and processes, to carry out its duties and responsibilities. A trustee is also obliged by the CMSA to notify the SC as soon as practicable of any irregularity, any breach of the provisions or covenants of the Deed or any contravention of securities laws.
- (iii) **Delegation and outsourcing** – A management company or a trustee may delegate and outsource its functions to third parties. Nonetheless, this does not relieve a management company or a trustee from its responsibilities. When delegation takes place, it is the duty of the management company and the trustee to ensure that adequate procedures are in place and that the trust deed, prospectus, guidelines and securities laws are complied with. Note also that the delegation of a management company's function requires the SC's prior approval.
- (iv) **Investment of the REIT** – The REIT Guidelines set out the investment parameters of REITs in Malaysia including among other things, the spread limits, concentration limits, etc., Real Estate-Related Assets, Non-Real Estate-Related Assets, investments in deposits, investments in foreign real estate/markets and the level of financing (which shall not exceed 50.0% of the Total Asset Value of the REIT at any time), acquisition of real estate (i.e., at a price which shall not exceed 10.0% above the value assessed in a valuation report (unless varied by the SC) and likewise a REIT should not dispose of a real estate asset at a price 10.0% less than the value assessed; and the disposal of any real estate (e.g., any disposal of real estate at a value exceeding 50.0% of the REITs Total Asset Value must be sanctioned by the unitholders by way of an ordinary resolution).

In respect of an Islamic REIT, in addition to the REIT Guidelines, the Islamic REIT will need to adhere to the investment perimeters of an Islamic REIT as set out in the Islamic REIT Guidelines, detail of which are set out in **Section 4.10** "Shariah Investment Guidelines" of this Prospectus.

- (v) **Valuation** – Valuations of real estate are required to be undertaken at least once every three (3) years. The REIT Guidelines also govern the valuation of Real Estate-Related Assets and Non-Real Estate-Related Assets, appointment of the valuer, preparation of the valuation report, regulatory parameters on valuation of real estate and announcement/publication of NAV per unit of REIT.
- (vi) **Fees** – The REIT Guidelines contain provisions for the remuneration of the management company, remuneration of the trustee and other expenses of the REIT. The management company and the trustee may only be remunerated by way of an annual fee charged to the REIT, which must be permitted by the trust deed and disclosed in the prospectus and only expenses directly related to the operation and administration of the REIT may be paid out of the REIT including, amongst other things, the maintenance of real estate belonging to the REIT, fees for the valuation of any investment of the REIT and listing expenses for listing on the stock exchange.
- (vii) **Issue of securities by a REIT** – Unless contemplated in the trust deed constituting the REIT and approved by the SC, any issue of new units by a REIT is subject to approval by the unitholders and, where relevant, the prior approval of the SC.
- (viii) **Operational matters** – The chapter on operational matters in the REIT Guidelines covers issues such as the registration of unitholders, the branch register of unitholders outside Malaysia, distribution of income, rebates and commission, transfer scheme (which is an arrangement to transfer REIT property from a REIT to another REIT), unitholders' meetings, notice, voting rights, chairperson of meetings, quorum, corporate governance principles and best industry standards for all activities conducted in relation to the REIT.

#### **16.1.2 Under the Listing Requirements**

In addition to prescribing the admission procedures and requirements for the admission and listing of a REIT on the Main Market, the Listing Requirements also prescribe the following:

- (i) **Board of directors of the management company** – The board of directors of the management company must have at least two (2) independent directors while maintaining a minimum ratio of at least 1/3 independent directors at all times.
- (ii) **General meetings** – the Deed of a listed REIT is required to be in compliance with the Listing Requirements in relation to notice, proxies and voting rights of the unitholders.
- (iii) **Continuing listing obligation** – The chapter on continuing listing obligation covers the unitholding spread requirement of a listed REIT of at least 25.0% of the total number of listed units must be held by public unitholders.
- (iv) **Continuing disclosure** – The chapter on continuing disclosure requirements sets out the disclosure policy of Bursa Securities which a listed REIT is required to adhere to, immediate disclosure of any material information, preparation of announcements, financial statements and reports, and consequences for failure to comply.

#### **16.1.3 Under the Take-over Code**

The Take-Over Code applies to REITs that are listed on Bursa Securities. Under the Take-over Code, any person acquiring an interest, either individually or with parties acting in concert, in more than 33.0% of the Units (being voting units in Al-Salam REIT) is required to extend a mandatory offer for the remaining Units in accordance with the Take-over Code, unless otherwise exempted. A take-over offer is also required to be made if a person holding more than 33.0% but not more than 50.0% of the Units, either individually or in concert, acquires more than 2.0% of the Units in any six-month period under the Take-over Code, unless otherwise exempted.

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## 16. OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN MALAYSIA (Cont'd)

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As a result, acquisitions of Units which may result in a change in control of Al-Salām REIT will be subject to the provisions of the Take-over Code, such as a requirement to make a mandatory offer for the Units.

### 16.2 OVERVIEW OF LAND LAW

#### 16.2.1 The Land System

In Malaysia, land law is based on the Torrens system of South Australia which operates on the principle of "title by registration". Notwithstanding the adoption of Torrens system in Malaysia, some lands in the state of Penang and Malacca are still governed by the deed system. The National Land (Penang and Malacca Titles) Act 1963 ("**NLCPM**") was thus enacted to govern such lands and to convert the deed system in Penang and Malacca to the Torrens system used under the National Land Code 1965 ("**NLC**").

Pursuant to the Federal Constitution of Malaysia ("**Constitution**"), land matters generally lie with the jurisdiction of the state governments. However, the Constitution specifically provides for federal legislation in such matters for the purpose of ensuring uniformity of law and policy in various aspects of land matters which are not exercisable with regard to the States of Sabah and Sarawak.

The following are the primary pieces of legislation governing land law in Malaysia the operation of which is supplemented by various subsidiary legislations such as the various state land enactments and ordinances which are in force in the respective states in Malaysia:

- (i) the NLC;
- (ii) the NLCPM;
- (iii) Strata Titles Act 1985 ("**STA**");
- (iv) Sarawak Land Code (Cap 81) ("**Sarawak Land Code**"); and
- (v) Sabah Land Ordinance (Cap 68) ("**Sabah Land Ordinance**").

The NLC is an act which amends and consolidates the laws relating to land and land tenure, the registration of title to land and of dealings therewith and the collection of revenue therefrom within the States of Johor, Kedah, Kelantan, Malacca, Negeri Sembilan, Pahang, Penang, Perak, Perlis, Selangor and Terengganu, the Federal Territory of Kuala Lumpur, the Federal Territory of Putrajaya and the Federal Territory of Labuan, and for purposes connected therewith while in the States of Sabah and Sarawak, the respective Sabah Land Ordinance and Sarawak Land Code apply.

The rest of this **Section 16.2** of the Prospectus will cover land law applicable to the states in Peninsular Malaysia and the Federal Territories.

The NLCPM was enacted to provide for the conversion of the system of registration of deeds practiced prior to 1966 to the Torrens system.

STA is an act to facilitate the subdivision of buildings or lands into parcels and the issuance of separate strata titles in relation to the same, and the STA is only applicable to West Malaysia and the Federal Territory of Labuan.

The NLC expressly provides that it shall not (unless expressly provided to the contrary) affect the provisions of:

- (i) any law relating to customary tenure;
- (ii) any law relating to Malay reservations or Malay holdings;

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**16. OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN MALAYSIA (Cont'd)**

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- (iii) any law relating to mining;
- (iv) any law relating to sultanate lands;
- (v) any law relating to wakaf (relating to the endowment of property for religious and/or public purposes in accordance with Islamic teachings) or bait-ul-mal (an Islamic non-profit financial organisation providing benefits to community members and organisations);
- (vi) the Terengganu Settlement Enactment 1356;
- (vii) the Padi Cultivators (Control Rent and Security of Tenure) Ordinance 1955;
- (viii) the Kelantan Land Settlement Ordinance 1955;
- (ix) the Land (Group Settlement Areas) Act 1960;
- (x) the Perlis Land Settlement Enactment 1966; and
- (xi) any law relating to exemptions from the payment of land revenue.

**16.2.2 Indefeasibility of Title**

Pursuant to the NLC, a person will obtain an indefeasible title to or interest in the land after his/her proprietorship to or interest in land is being registered on the document of title. However, the indefeasibility of title can be defeated under those circumstances as provided in Section 340(2) of the NLC, which include fraud or forgery, or where the registration of title or interest is obtained by the use of an insufficient or void instrument or where the title or interest is unlawfully acquired.

**16.2.3 Powers of the State Authority**

The State Authority is vested with the entire property in all state lands under the NLC. "State Authority" refers to the Ruler or Governor of the state, as the case may be, and "state land" refers to all land in the state other than land that has already been alienated or reserved (whether as forest or otherwise) or mining land.

Under the NLC, the State Authority has power to alienate land for either:

- (i) a term not exceeding 99 years (commonly referred to as leasehold); or
- (ii) in perpetuity (commonly referred to as freehold).

The power to alienate land by the State Authority is the most common method of disposal of land. The alienation of land by the State Authority is subject to certain conditions such as:

- (i) payment of annual rent;
- (ii) payment of premium (which is subject to exemption by the State Authority);
- (iii) category of land use; and
- (iv) such conditions and restrictions in interest which may be imposed by the State Authority.

Unless an application is made to the State Authority for the extension of the term and such application is approved by the State Authority usually upon the payment of a premium, land alienated for a term not exceeding 99 years shall upon the expiry of such term revert to the State Authority.

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**16. OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN MALAYSIA (Cont'd)**

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In addition to the power to alienate land, the State Authority also has the power to:

- (i) reserve land and grant leases of reserve land for a specific purpose not exceeding 21 years;
- (ii) permit temporary occupation of land;
- (iii) permit the extraction and removal of rock material from land;
- (iv) permit the use of air space on or above land; and
- (v) dispose of underground land.

#### **16.2.4 Categories of Land Use**

Land in Malaysia is divided into three general categories of land use, namely, agricultural, industrial and building. The category of land use is endorsed on the documents of title issued in respect of those lands alienated by the State Authority pursuant to the NLC. However, on approving the alienation of land, the State Authority may, if it is satisfied that the imposition of express conditions could better control the use of the land, direct that no category of land use be endorsed on the document of title.

An application may be made to the State Authority by the proprietor of any alienated land for the alteration of any category of land use to which the land is for the time being subject, or where it is not so subject, for the imposition of any category.

Each category of land use is subject to implied conditions as more particularly set out in the NLC. Additionally, specific uses may be specified in the documents of title to land. Failure to comply with express or implied conditions of land use may result in the forfeiture of land by the State Authority.

#### **16.2.5 Dealings in Land**

The NLC governs dealings in land and interest in land (which in the context of the NLC includes a registered lease, charge or easement as well as a statutory lien or a tenancy exempt from registration created in respect thereof). Dealings under the NLC may be divided into:

- (i) dealings capable of registration which are transfers, charges, leases and easements; and
- (ii) dealings not capable of registration which are tenancies exempt from registration and statutory liens which are protected by way of an endorsement and the entry of a lienholder's caveat.

In Malaysia, no instrument effecting any dealing with respect to alienated lands and/or interests therein shall be effective until such instrument has been duly registered.

#### **16.2.6 Restrictions in Interest**

Restrictions in interest are restrictions expressly endorsed on the document of title to the land which limits the powers of the registered proprietor to deal with the land. An example of such a restriction is the restriction to transfer, charge or lease the land unless the prior consent of the State Authority has been obtained. It is common to find such restrictions in interest endorsed on the documents of title to lands alienated by the State Authority for terms not exceeding 99 years as opposed to lands alienated by the State Authority in perpetuity.

As restrictions in interest imposed on the document of title to the land binds the land, the restrictions therefore bind the owner(s) (whether present or future) of the land.



In the case of a property held or to be held under a strata title, where there is a restriction in interest endorsed on the document of title to the master land, such restriction will also apply to such property, whether or not the separate strata title to such property has been issued.

### **16.2.7 Restraints on Dealings**

Restraints on dealings include the following:

#### **(i) Private caveats**

Private caveat is one of the restraints on dealings under the NLC. A person claiming title to or any registrable interest in any alienated land or any right to such title or interest may lodge a private caveat to protect his title or interest in such alienated land. Under the NLC, a non-citizen or foreign company is required to obtain the prior approval of the State Authority before lodging a private caveat.

Once a private caveat is lodged, the registered proprietor may not register or endorse any dealing on the document of title to his land without first removing such private caveat or first obtaining the consent in writing of the person who lodged such private caveat. However, the private caveat will not prevent any dealing made by the registered proprietor, the application for the registration or endorsement of which is made by the registered proprietor before the lodgement of such private caveat.

An application may be made to the Registrar of Titles/Land Administrator or the court by a registered proprietor (or any aggrieved person or body) for the removal of the private caveat. A private caveat will expire six years from the time of the lodgement of the same, unless earlier withdrawn or removed by the Registrar of Titles/Land Administrator or the court.

#### **(ii) Prohibitory Orders**

Pursuant to the NLC, "prohibitory order" means where land or an interest in land held by a judgment-debtor is to be sold in execution proceedings, an order made pursuant to rules of court by a court of competent jurisdiction prohibiting the judgment-debtor from effecting any dealing therewith or from effecting such dealing therewith as may be specified in the order.

A prohibitory order will take effect once it has been entered by the land registrar and endorsed on the document of title. The order will prohibit the following endorsement or entry:

- (a) any instrument of dealing executed by or on behalf of the proprietor save and except for any certificate of sale relating thereto;
- (b) any claim to the benefit of any tenancy exempt from registration granted by the proprietor; and
- (c) any lien-holder's caveat.

However, a prohibitory order will not prohibit the registration, endorsement or entry of any instrument, claim or lien-holder's caveat where the instrument was presented, or the application for endorsement or entry received, prior to the time from which the order takes effect.

**16.2.8 Malay Reserve Land and Customary Land**

The Malay Reservation Enactments of the respective states were enacted to secure and protect the Malays' interest in lands reserved for Malays by prohibiting the disposition of such lands by the state and the dealings by the registered proprietors in favour of non-Malays. Any disposal, dealing or attempt to dispose of or deal in Malay reserve land in contravention of the respective Malay Reservation Enactments will be rendered null and void and no action for breach of contract shall be maintained in respect of such disposal or dealing.

The present Malay Reservation Enactments have adopted the policy of providing for exceptions to the prohibition by permitting disposals by the State Authority and dealings by the registered proprietors in favour of certain specified persons and bodies with the approval of the ruler of the state in council of the respective states.

In the same manner, customary land such as those in the state of Malacca, shall only be transferred, charged, leased or transmitted to a Malay pursuant to NLCPM.

**16.2.9 Charges**

It is common for a financier to require a borrower to create a charge over the land or a lease of land of the borrowers in favour of the financiers as a security for the financing provided.

A registered proprietor's power to charge is subject to any prohibition or limitation imposed by the NLC or any other written law for the time being in force, any restriction in interest to which the land in question is for the time being subject and in relation to leases, the provision thereof, express or implied.

A chargee is required to comply with the NLC when enforcing the charge to obtain a sale of the land or lease to which the charge relates in the event of a breach by the borrower. The chargee is required, amongst other things, to serve a default notice in the form as prescribed by the NLC and apply to the court or the land office administrator or the collector of land revenue, as the case may be, for an order for sale. Upon the registration of any certificate of sale given to a purchaser in respect of a charged land or lease, the title or interest of the registered proprietor/charger shall pass to and vest in the purchaser, free and discharged from all liability under the charge in question and any charge subsequent thereto.

**16.2.10 Leases and Tenancies**

Under the NLC, tenancies may be granted for terms not exceeding three years. There is no registration requirement for tenancies under the NLC but the interest of a tenant under a tenancy exempt from registration can be protected by way of an endorsement on the document of title to the land.

The proprietor of any alienated land may grant leases of the whole or any part thereof. A lease granted under the NLC must be more than three years and maximum term for which any lease may be so granted shall be:

- (i) 99 years if it relates to the whole of the land; or
- (ii) 30 years if it relates to a part only thereof.

The lease granted is required to be registered with the relevant Land Registry/Office in order to vest in the lessee the interest in respect of the said lease.

**16.2.11 Sale and Purchase of Real Property**

The sale and purchase of real property in Malaysia may be completed by way of transfer or legal assignment. Any transfer of a property with a separate document of title is effected by registration of an instrument of transfer in a format prescribed under the NLC at the relevant Land Registry/Office. For a property without a separate document of title having been issued, transfer of beneficial ownership of the property is made by way of a legal assignment in favour of a new purchaser of all the rights, interests and title in respect of the property under the principal sale and purchase agreement (made between the original proprietor of the land and/or the developer (as the seller) and the first purchaser).

**16.2.12 Properties held under Strata Titles**

Under the STA, the owner of a building who has sold or agreed to sell any parcel comprised in the building to any person, is required to apply for an individual strata title to the parcel within the period stipulated in the STA.

The establishment and functions of the joint management body ("**JMB**") and the management corporation ("**MC**") for the purpose of managing and maintaining the common areas of those buildings constructed on the land situated within West Malaysia and the Federal Territory of Labuan have been provided for in the respective acts named below:

**(i) Building and Common Property (Maintenance and Management) Act 2007 ("BCPA")**

Pursuant to the BCPA, the JMB, where a building or land intended for subdivision into parcels has been completed:

- (a) before the commencement of BCPA and vacant possession of the parcels has been delivered by the developer to the purchaser but the MC has not come into existence, the JMB shall be established consisting of the developer and parcel owners upon the convening of the first meeting no later than 12 months from the commencement of the BCPA; and
- (b) on or after the commencement of the BCPA, the JMB shall be established consisting of the developer and the parcel owners upon the convening of the first meeting not later than 12 months from the date of delivery of vacant possession of the parcels to the parcel owners.

The JMB is required to elect a joint management committee, consisting of one (1) representative of the developer and not less than five (5) but not more than twelve (12) parcel owners, at a general meeting to perform the duties of the JMB, conduct the business of JMB on its behalf and for that purpose, to exercise the powers of the JMB under the BCPA.

There are three (3) types of meetings namely, the first general meeting, the annual general meetings and the extraordinary general meetings to be held by the JMB. At the first general meeting, each parcel owner who has paid his maintenance charges in respect of his parcel to the building management account of the developer is entitled to vote by show of hands. Joint purchasers will only be entitled to vote by appointing a proxy. The BCPA does not provide for voting on poll and therefore, each parcel owner is only entitled to one (1) vote regardless of the share units allotted to his parcel. Although the BCPA made provisions for rules to regulate the first general meeting of the JMB, there are no provisions on how the subsequent annual general meetings or extraordinary general meetings are to be conducted and it is also not clear whether the rules on quorum and voting rights for the first general meeting of the JMB will apply to subsequent annual general meetings or extraordinary general meetings. The parcel owners and the developer will therefore have to agree on their voting rights in the said meetings.

The JMB will be deemed to be dissolved three (3) months from the date of the first meeting of the MC.

**(ii) STA**

Upon the opening of a book of the strata register in respect of a subdivided building or land, there shall come into existence the MC consisting of all the parcel owners including in the case of phased development, the proprietor of the provisional block or blocks. The MC shall, on coming into existence, become the proprietor of the common property and be the custodian of the issue document of title of the lot. Upon its establishment, the MC is responsible for the maintenance and management of common property (which means so much of the lot as is not comprised in any parcel (including any accessory parcel), or any provisional block as shown in an approved strata plan).

The by-laws set out in the Third Schedule of the STA shall, as and from the opening of a book of the strata register, be in force for all purposes in relation to every subdivided building or land and shall not be amended by the MC. The purposes of by-laws are for regulating the control, management, administration, use and enjoyment of the strata development. The MC may, by special resolution make additional by-laws, or make amendments to such additional by-laws, not inconsistent with the by-laws set out in the Third Schedule of the STA.

The STA provides for meetings to be held periodically. Under the STA, three (3) types of meeting are provided to be held by the MC, namely, the first annual general meeting, the annual general meetings and the extraordinary general meetings.

It shall be the duty of the original proprietor to convene the first annual general meeting of the MC. The agenda for the first annual general meeting includes, amongst other things, to confirm or vary the insurances effected by the MC and the amounts of contributions to the management fund, to determine the members of the council and to elect the council and to decide whether to amend the additional by-laws in force immediately before the holding of the meeting.

Annual general meetings are required to be held by the MC annually for the consideration of accounts, election of council members and such other matters as may be required. Extraordinary meetings are held by the council of the MC upon request by the parcel owners or commissioner of buildings or when the council deems appropriate or necessary.

Each parcel owner shall, at general meetings, have one vote on show of hands and on poll will have such number of votes that corresponds with the number of share units attached to his parcel. A co-proprietor may vote by means of a jointly appointed proxy. Only parcel owners whose separate strata titles to their respective parcels are registered in their names are allowed to vote.

Pursuant to the STA, every parcel shall have a share value approved by the relevant authority and expressed in whole numbers to be known as share units. Share units allotted to the parcels can be based on a few factors, namely, the areas of the parcels and the purpose consideration of the parcels.

The share units allotted to each parcel owner is important as it determines, amongst other things, the following:

- (a) the voting rights of each parcel owner on a poll;
- (b) the quantum of the undivided share of each parcel owner in the common property;
- (c) the proportion of the contribution payable by each parcel owner to the management fund;

**16. OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN MALAYSIA (Cont'd)**

- (d) the proportion of each parcel owner's entitlement to the profits arising from transactions pertaining to the common property;
- (e) the proportion of each parcel owner's liability for the debts of the MC; and
- (f) the proportion of each parcel owner's entitlement to the proceeds of a sale of the lot and his share in the surplus of the funds of the MC, if any, on the termination of the strata scheme.

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## 17. ADDITIONAL INFORMATION

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### 17.1 GENERAL

- (i) No Units will be allotted or issued on the basis of this Prospectus later than twelve (12) months after the date of this Prospectus.
- (ii) The Units will rank *pari passu* in all respects and will be entitled to all distributions that may be declared subsequent to the Listing.
- (iii) In accordance with the Deed and REIT Guidelines, the Manager is required, on a quarterly basis, to carry out a valuation of Al-Salām REIT's investment in Real Estate-Related Assets and Non-Real Estate-Related Assets and announce the NAV of Al-Salām REIT to Bursa Securities. Unitholders are able to keep track of the market price per Unit and the NAV per Unit as announced by the Manager through Bursa Securities' website [www.bursamalaysia.com](http://www.bursamalaysia.com) after the Listing.
- (iv) Al-Salām REIT will also be providing Unitholders with an annual report on its performance which will also include information on the NAV per Unit. The Manager must also give the SC the annual report no later than two (2) months after the end of the financial period the report relates to.

Unitholders can obtain information on the current developments and annual report of Al-Salām REIT from Bursa Securities' website [www.bursamalaysia.com](http://www.bursamalaysia.com) after the Listing.

- (v) If you require further information on Al-Salām REIT, the Manager may be contacted at:

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](mailto:info@drmsb.com.my)  
Website: [www.alsalamreit.com.my](http://www.alsalamreit.com.my)

- (vi) Save as disclosed in this Prospectus, as at the LPD, the Directors confirm that Al-Salām REIT's financial conditions and operations are not affected by any of the following factors:
  - (a) known trends, demand, commitments, events or uncertainties that have had or that the Manager reasonably expect to have, a material favourable or unfavourable impact on Al-Salām REIT's financial performance, liquidity, position and operations;
  - (b) material commitments for capital expenditure; and
  - (c) unusual, infrequent events or transactions or any significant economic changes that have materially affected Al-Salām REIT's financial performance, position and operation.
- (vii) The Manager has not established any specific policies or procedures to counter the risk involving money-laundering activities. It is not pertinent for the Manager to adopt such policies and procedures as unlike other unit trust funds, Al-Salām REIT is a REIT to be listed on the Main Market and will not be sourcing for investment funds on a regular basis nor does Al-Salām REIT allow for redemption of its Units. Further, Al-Salām REIT does not receive monies from investors on cash terms.

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**17. ADDITIONAL INFORMATION (Cont'd)**

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**17.2 MATERIAL CONTRACTS**

Saved as disclosed below, there are no contracts which are material (not being contracts entered into in the ordinary course of business) which have been entered into by Al-Salām REIT since its establishment up to the date of this Prospectus:

- (i) the Deed dated 26 March 2015 constituting Al-Salām REIT and registered with the SC on 30 March 2015 entered into between the Manager and the Trustee, for the benefit of the Unitholders;
- (ii) the SPA dated 2 April 2015 entered between the Trustee and DASB for Menara KOMTAR for a total purchase price of RM70,000,000 to be satisfied in cash;
- (iii) the SPA dated 2 April 2015 entered between the Trustee and DASB for KOMTAR JBCC for a total purchase price of RM462,000,000 to be satisfied in cash and the issuance of the Consideration Units;
- (iv) the SPA dated 2 April 2015 entered between the Trustee and DASB for @Mart Kempas for a total purchase price of RM65,000,000 to be satisfied in cash and the issuance of the Consideration Units;
- (v) the SPA dated 2 April 2015 entered between the Trustee and DASB for KFCH College for a total purchase price of RM28,200,000 to be satisfied in cash and the issuance of the Consideration Units;
- (vi) the SPA dated 10 April 2015 entered between the Trustee and Chippendales (M) Sdn Bhd for one (1) property with individual title for a total purchase price of RM11,600,000 to be satisfied in cash;
- (vii) the SPA dated 10 April 2015 entered between the Trustee and Pintas Tiara Sdn Bhd for two (2) properties with individual title for a total purchase price of RM70,300,000 to be satisfied in cash;
- (viii) the SPA dated 10 April 2015 entered between the Trustee and KFC (Peninsular Malaysia) Sdn Bhd for one (1) property without individual title for a total purchase price of RM2,650,000 to be satisfied in cash;
- (ix) the SPA dated 10 April 2015 entered between the Trustee and KFC (Peninsular Malaysia) Sdn Bhd for one (1) property without individual title subject to restriction in interest or State Authority's consent for a total purchase price of RM2,600,000 to be satisfied in cash;
- (x) the SPA dated 10 April 2015 entered between the Trustee and KFC (Peninsular Malaysia) Sdn Bhd for six (6) properties with individual title for a total purchase price of RM52,550,000 to be satisfied in cash;
- (xi) the SPA dated 10 April 2015 entered between the Trustee and KFC (Sabah) Sdn Bhd for one (1) property without individual title for a total purchase price of RM2,300,000 to be satisfied in cash;
- (xii) the SPA dated 10 April 2015 entered between the Trustee and SPM Restaurants Sdn Bhd for one (1) property with individual title for a total purchase price of RM8,000,000 to be satisfied in cash;
- (xiii) the SPA dated 10 April 2015 entered between the Trustee and Pizza Hut Restaurants Sdn Bhd for one (1) property without individual title for a total purchase price of RM1,900,000 to be satisfied in cash;
- (xiv) the SPA dated 27 April 2015 entered between the Trustee and KFC (Peninsular Malaysia) Sdn Bhd for three (3) properties with individual title and without restriction in interest for a total purchase price of RM20,730,000 to be satisfied in cash;

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**17. ADDITIONAL INFORMATION (Cont'd)**

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- (xv) the SPA dated 27 April 2015 entered between the Trustee and SPM Restaurants Sdn Bhd for eight (8) properties with individual title and without restriction in interest for a total purchase price of RM38,010,000 to be satisfied in cash;
- (xvi) the SPA dated 27 April 2015 entered between the Trustee and Kentucky Fried Chicken (Malaysia) Sdn Bhd for one (1) property with individual title for a total purchase price of RM13,900,000 to be satisfied in cash;
- (xvii) the SPA dated 27 April 2015 entered between the Trustee and QSR Manufacturing Sdn Bhd for one (1) property with individual title for a total purchase price of RM53,400,000 to be satisfied in cash;
- (xviii) the Underwriting Agreement for the Retail Offering dated 10 August 2015 between the Manager, the Trustee, and the Sole Underwriter for the underwriting of 11,600,000 Units at an underwriting commission of RM203,000;
- (xix) the Property Management Agreement dated 6 May 2015 between the Property Manager, the Manager and the Trustee pursuant to which the Property Manager will provide certain property management services for the Subject Properties in consideration of a property management fee of RM22,500 per month (excluding service tax);
- (xx) the Registrar Services Agreement dated 31 July 2015 between the Manager and the Registrar, pursuant to which the Registrar will provide registrar services in consideration of an estimated fee of RM19,900 per year (excluding service tax);
- (xxi) the Internal Auditors Services Agreement dated 2 August 2015 between the Manager and the Internal Auditors pursuant to which the Internal Auditors will provide internal audit services in consideration of an hourly charge between the minimum rate of RM20 to the maximum rate RM200 per hour;
- (xxii) the CMTF-i agreement dated 10 August 2015 entered into between the Joint Financiers and the Trustee in respect of the Financing Facility;
- (xxiii) the Master Lease Agreements ("**MLA(s)**") dated 6 May 2015 between the Trustee, as the Lessor, the Lessee, namely QSR Stores Sdn Bhd and the Manager in relation to the KFC and Pizza Hut restaurants of the QSR Properties in consideration RM4,542,850 per year for the first rental period;
- (xxiv) the MLA dated 6 May 2015 between the Trustee, as the Lessor, the Lessee, namely Efinite Revenue Sdn Bhd and the Manager in relation to the industrial QSR Properties in consideration RM3,544,450 per year for the first rental period;
- (xxv) the MLA dated 6 May 2015 between the Trustee, as the Lessor, the Lessee, namely Pizza Hut Restaurants Sdn Bhd and the Manager in relation to the Pizza Hut restaurants of the QSR Properties in consideration RM52,000 per year for the first rental period;
- (xxvi) the MLA dated 6 May 2015 between the Trustee, as the Lessor, the Lessee, namely PHD Delivery Sdn Bhd in relation to the Pizza Hut delivery outlets of the QSR Properties in consideration RM53,300 per year for the first rental period;
- (xxvii) the MLA dated 3 August 2015 between the Trustee, as the Lessor, the Lessee, namely Efinite Revenue Sdn Bhd and the Manager in relation to the industrial QSR Properties in consideration RM4,719,000 per year for the first rental period;
- (xxviii) the MLA dated 3 August 2015 between the Trustee, as the Lessor, the Lessee, namely QSR Stores Sdn Bhd and the Manager in relation to the KFC restaurants of the QSR Properties in consideration RM5,031,000 per year for the first rental period; and



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## 17. ADDITIONAL INFORMATION (Cont'd)

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- (xxix) the MLA dated 3 August 2015 between the Trustee, as the Lessor, the Lessee, namely Pizza Hut Restaurants Sdn Bhd and the Manager in relation to the Pizza Hut restaurants of the QSR Properties in consideration RM123,500 per year for the first rental period.

### 17.3 SALIENT TERMS OF THE SPAS

The SPAs of the Subject Properties have been divided into SPAs in relation to the DASB Properties and SPAs in relation to the QSR Properties. In respect of the SPAs for the QSR Properties, it has further been divided into SPAs intended for properties that were subject to early acquisition by Al-Salām REIT ("**Category A Property SPA(s)**") and the remaining properties that will be subsequently acquired by Al-Salām REIT's ("**Category B Property SPA(s)**").

The properties under the Category A Property SPAs have individual title deeds and are not subject to any restriction in interest or State Authority's consent for their transfer to Al-Salām REIT's. The acquisition of the properties under the Category A Property SPAs have been completed on 6 May 2015 upon redemption and full payment of the purchase price for the properties.

Meanwhile, the properties under the Category B Property SPAs comprise of properties which have individual title deeds or under a master title and their transfer is subject to restriction in interest requiring the State Authority's consent and/or where applicable, for properties under a master title, the consent of the proprietor or developer of the land. As at the date of this Prospectus, the acquisition of the properties under the Category B Property SPAs are pending completion.

#### 17.3.1 Overview of the SPAs

The DASB Properties which forms part of Al-Salām REIT's initial property portfolio are:

- (i) KOMTAR JBCC;
- (ii) Menara KOMTAR;
- (iii) @Mart Kempas; and
- (iv) KFCH College

There are twenty seven (27) QSR Properties (singly referred to as "**QSR Property**") which forms part of Al-Salām REIT's initial property portfolio. Collectively, there are eight (8) QSR Vendors that has entered into the respective SPAs with the Trustee, as follows:

- (a) KFC (Peninsular Malaysia) Sdn Bhd ("**KFCPM**");
- (b) SPM Restaurants Sdn Bhd;
- (c) Pintas Tiara Sdn Bhd;
- (d) QSR Manufacturing Sdn Bhd;
- (e) Chippendales (M) Sdn Bhd;
- (f) Kentucky Fried Chicken (Malaysia) Sendirian Berhad;
- (g) Pizza Hut Restaurants Sdn Bhd ("**PHR**") ; and
- (h) KFC (Sabah) Sdn Bhd ("**KFCS**").

(Collectively, "**QSR Vendors**", or singly "**QSR Vendor**")

(Both DASB Properties and QSR Properties are collectively referred to as "**the Subject Properties**")

DASB is the registered proprietor for @Mart Kempas and the beneficial owner of the remaining DASB Properties. The registered proprietor for KFCH College is JLand and meanwhile the registered proprietor for Menara KOMTAR and KOMTAR JBCC Mall is JCDSB. Both @Mart Kempas and KFCH College have been issued with individual title whereas KOMTAR JBCC and Menara KOMTAR are still under the Master Title which is pending issuance of its individual strata title.

Five (5) of the QSR Vendors are the registered proprietors and beneficial owners of the relevant QSR Properties whereas three (3) of the QSR Vendors, namely KFCCPM, PHR and KFCS are only the beneficial owners of the relevant QSR Properties as the land on which the QSR Properties have been erected on are still held under a master title (i.e. the individual title to the relevant QSR Properties have not been issued by the relevant authority).

### **17.3.2 SPAs for the Subject Properties**

Set out below is the description of the salient terms of the SPAs for the Subject Properties:

- A.** Under the SPAs for the Subject Properties, the Trustee will acquire the Subject Properties from the Vendors respectively as follows:-
- (i) in respect of Subject Properties with individual title, upon the basis that a separate individual title for the relevant DASB Properties and the relevant QSR Properties have been issued;
  - (ii) free from any claims, charges, liens, encumbrances and equities whatsoever;
  - (iii) with legal possession upon full payment of the purchase price to the Vendors or to its order as at the Completion Date;
  - (iv) in respect of Subject Properties with individual title, subject to all conditions and restrictions whether expressed or implied on the title, registered or to be registered on the individual title to the relevant Subject Properties at the land registry or as may be imposed by the relevant state authority and authorities;
  - (v) in respect of Subject Properties without individual title, subject to all conditions and restrictions whether expressed or implied on the title, registered or to be registered on the block strata title or the issued document of title (as the case may be) to the relevant Subject Properties at the land registry or as may be imposed by the relevant state authority and authorities;
  - (vi) subject to the category of land use of the Subject Properties as stated on the individual title or the block strata title or the issued document of title (upon issuance); and
  - (vii) upon the terms, conditions, covenants, stipulations and the basis that each of the representations and warranties as set out in the SPAs are true and accurate in all respects.

Subject to the fulfilment of the conditions precedent of the SPAs for the Subject Properties, the completion of the sale and purchase transaction of the Subject Properties shall take place on the Completion Date and the beneficial ownership of the Subject Properties will be delivered to the Trustee on the Completion Date.

All the DASB Properties are subject to existing service level agreements and tenancy agreements and all rights, interests and benefits under the existing service level agreements and tenancy agreements of the DASB Properties shall be assigned to the Trustee and a written notice of assignment shall be issued to the respective tenants in respect of such assignment.

Notwithstanding the above, the SPAs for the Subject Properties are not interconditional of each other and the completion of the sale and purchase of each of the Subject Properties may take place at different dates. In other words, the parties shall be at liberty to proceed with the sale and purchase transaction of the relevant Subject Properties if for any reason whatsoever the sale and purchase transaction of one or more of the Subject Properties cannot or does not proceed.

**B. Consideration for the Subject Properties**

The total purchase consideration of the Subject Properties shall be satisfied by the Trustee in accordance with the SPAs as follows:-

(a) DASB Properties:-

- (i) the issuance and allotment of the Consideration Units to DASB and is to be credited into such CDS Account as may be notified by DASB by the Listing Date; and
- (ii) the balance of the purchase consideration by way of Cash Consideration, which shall on or before the Completion Date be utilised towards settlement of the redemption sum required to redeem the relevant DASB Properties from DASB's lenders and the balance (if any) shall be paid to DASB.

(b) QSR Properties:-

The total purchase consideration of QSR Properties, shall be satisfied by the Trustee by way of cash and in the proportion and manner set out in the SPAs for the QSR Properties.

Please see **Section 3.7.1** "Acquisitions" of this Prospectus for the breakdown of the total purchase consideration for the Subject Properties.

**C. Conditions of SPAs for the Subject Properties**

The sale, purchase and transfer of the Subject Properties are conditional *inter alia* upon:-

- (a) the approval of the SC in respect of the application for the establishment of Al-Salām REIT and the Listing Scheme having been obtained;
- (b) the approval of the shareholder and the board of directors of the Vendors being obtained for the disposal of the Subject Properties to the Trustee;
- (c) the approval of the board of directors of the Manager and the Trustee in respect of the acquisition of the Subject Properties by Al-Salām REIT;
- (d) in respect of the Category B QSR Properties, the issuance and receipt of approval in principle of Bursa Securities for the Listing;
- (e) the relevant developer'/proprietor's consent and/or the state authority consent to transfer of the relevant Subject Properties if applicable, to the Trustee having been obtained by the relevant Vendors. The relevant Vendors shall be deemed to have obtained the relevant developer'/proprietor's consent or state authority consent when all conditions imposed by the relevant state authority, if any, have been duly complied with and consent becomes unconditional;
- (f) the relevant state authority consent to charge the relevant Subject Properties, if applicable, in favour of the Trustee's financier has been obtained by the Trustee;
- (g) the notification to the existing lessees and/or tenants (where applicable) to transfer the relevant Subject Properties to the Trustee has been obtained by the relevant Vendors;
- (h) the receipt of a written approval from the existing chargee in respect of the Vendor's proposed disposal of the Subject Properties to the Trustee (if any);
- (i) receipt from the Vendor a copy of the existing chargee's redemption statement cum undertaking addressed to the Trustee or the Trustee's financier (whichever is applicable);

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**17. ADDITIONAL INFORMATION (Cont'd)**

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- (j) receipt of a written confirmation and undertaking from the Trustee's Financier addressed to the Vendor to undertake to release the redemption sum or the relevant amounts to the Vendor or its nominees towards the settlement of the purchase price within the completion period or the extended completion period (as the case may be);
- (k) all such other consents and regulatory and/or governmental approvals required to be obtained by the registered proprietors of the Subject Properties (where applicable), the Vendors, the shareholders of the Vendors and/or the Trustee in order to effect the completion of the transactions contemplated hereunder have been obtained; and
- (l) any other conditions precedent as may be advised by the Trustee's solicitors and contained in the SPAs.

**D. Completion of the SPAs for the Subject Properties**

Subject to the fulfilment of the conditions precedent set out in sub-paragraph (C) above, the following shall occur on the Completion Date of the SPAs:

- (a) the legal possession of the Subject Properties in the same state and condition as they were at the date of the SPAs (save and except for fair wear and tear) shall be deemed to have been delivered by the Vendors to the Trustee;
- (b) in respect of the DASB Properties, the Vendor shall have procured and forwarded the proprietor's consent to the Trustee's solicitors for purposes for transfer and assignment of the relevant DASB Properties from the Vendor to the Trustee;
- (c) all rights, title, interest, benefits or claims in and to the Subject Properties and the risks relating to it shall pass from the Vendors and/or proprietors of the Subject Properties (as the case may be) to the Trustee;
- (d) all outgoings in respect of the DASB Properties shall be apportioned on the Completion Date and Vendors and/or the proprietors of the Subject Properties (as the case may be) shall respectively be entitled to all income received by them and/or the Trustee for the period immediately preceding the Completion Date and the Trustee shall bear and settle the outgoings due and payable on and from the Completion Date;
- (e) in respect of the QSR Properties, all outgoings shall have been settled by the Vendor;
- (f) all income in respect of the DASB Properties shall be apportioned on the Completion Date and the Vendor and the proprietor shall respectively be entitled to all income received by them and/or the Trustee for the period immediately preceding the Completion Date and the Trustee shall be entitled to all income received by them and/or the Trustee for the period on and from the Completion Date;
- (g) the Vendors shall issue written notices to all tenants and/or the subsidiary company of the relevant Vendors (whichever is applicable) to inform them of the assignment of the Vendors' interests, benefits and rights under their respective tenancy agreements in favour of the Trustee and to extend a copy each of such notices within three (3) days of the Completion Date;
- (h) all the rights, interests, benefits and obligations in and under all contracts and guarantees in respect of the Subject Properties will be assigned to the Trustee;
- (i) in respect of the DASB Properties, all takaful/insurance contracts once expired will be renewed by the Trustee whereas for the QSR Properties, all takaful/insurance contracts once expired will be renewed by the Vendor in the joint names of the Vendor as the insured party and the Trustee as the beneficiary or loss payee;

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**17. ADDITIONAL INFORMATION (Cont'd)**

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- (j) all relevant documents including but not limited to all operation and maintenance manuals and files of the tenancies and assets, all agreements (including all tenancy agreements and maintenance contracts) all relevant approvals, licenses, consents, permits, certificates, plans and drawings and all relevant documents for the purpose of registration of the transfers and registration of the charge in respect of the Subject Properties to the extent possible shall be delivered to the Trustee; and
- (k) in respect of the DASB Properties, the Vendor will deliver vacant possession of the untenanted space within the property (if any) together with all keys and access devices in respect of the same unless such spaces have been tenanted by the Vendor prior to the Completion Date.

Only in respect of the DASB Properties, DASB will hold all security deposits, rental and all other payments paid by the tenants (including electricity charges) to DASB on and after the Completion Date upon trust for the Trustee and will pay over the same to the Trustee in accordance with the terms of the SPAs for the DASB Properties.

In addition to the above, the Trustee's solicitors shall have received the memorandum of transfer or deed of assignment for the Subject Properties with the relevant stamp duty endorsement on the same as being exempted from payment of stamp duty pursuant to the Stamp Duty (Exemption) (No 4) Order 2004.

**E. Additional term for the SPAs for Menara KOMTAR and KOMTAR JBCC:**

- (a) Application for subdivision of master title

DASB had, on 29 December 2014 submitted the application for subdivision of the Master Title to the local land registry for the issuance of four (4) separate block strata titles (wherein one (1) separate block strata titles shall be issued in favour of DASB in respect of Menara KOMTAR and KOMTAR JBCC, one (1) separate block strata title shall be issued in favour of JLand in respect of the office block, one (1) separate block strata title shall be issued in favour of DASB in respect of the proposed mosque and one (1) separate block strata title shall be issued in favour of the potential purchaser (as confirmed by DASB as at the date of the SPAs for Menara KOMTAR and KOMTAR JBCC) in respect of the proposed hotel block to be developed at a later stage).

Upon the issuance of the four (4) separate block strata titles, DASB shall procure the JCDSB as the proprietor to execute the memorandum of transfer form in favour of the Trustee in respect of Menara KOMTAR and KOMTAR JBCC as well as obtaining the relevant consent from the state authority for the transfer of Menara KOMTAR and KOMTAR JBCC from JCDSB as the proprietor direct to the Trustee.

**17.4 SALIENT TERMS OF THE MASTER LEASE AGREEMENTS**

The salient terms of the master lease agreements ("**MLA(s)**"), entered into by the Trustee as the lessor ("**Lessor**") and the QSR Lessees ("**Lessee**") under the respective MLAs, are inter alia as follows:

**A. The lease and its term**

- (a) The QSR Properties are leased by the Lessor to the Lessee on an "as is where is" basis ("**Lease**") and based on the Triple Net Lease arrangement for a term of three (3) years commencing from the Completion Date ("**Lease Commencement Date**"). The Lease is renewable every three (3) years up to a maximum of fifteen (15) years ("**Lease Term**") with an option to renew for a further period of fifteen (15) years ("**Extended Lease Term**") at the base rental rate. Based on this arrangement, there will be five (5) rental periods ("**Rental Period**") of three (3) years each during the Lease Term.

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**17. ADDITIONAL INFORMATION (Cont'd)**

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- (b) The Extended Lease Term shall be fifteen (15) years (subject to at least a six (6) months' written notice from the Lessee) at the rental, terms and rate to be mutually agreed by both the parties. Such revised monthly rental shall be at the prevailing market rate but shall not be lower than the monthly rental under the MLAs.
- (c) Since the Lease Commencement Date for each of the QSR Properties may be different from each other, the Lease Commencement Date for each of the QSR Properties shall be the date which coincides with the Completion Date of the respective QSR Properties.

**B. Triple Net Lease**

- (a) The Lease will be based on a Triple Net Lease arrangement.
- (b) Based on the Triple Net Lease arrangement, the Lessees shall bear in addition to the base rental and all utility bills, all real estate taxes (such as quit rents and assessments imposed by the relevant Authority), the takaful policies for the QSR Properties and the normal maintenance and routine maintenance of the QSR Properties.
- (c) The Lessee shall also be responsible for all costs associated with the normal repair and routine maintenance of the QSR Properties including for common areas and the Lessor's fixtures and fittings. The Lessor shall be responsible to make good any major repair or total replacement of the Lessor's fixtures and fittings irregardless whether such repair or total replacement is covered by takaful or insurance.

**C. Rental**

The Lessee shall pay to the Lessor the rental for the QSR Properties as follows:

- (a) Base rental

The base rental for the first Rental Period per year is calculated based on the following formula:-

*Six point five percent (6.5%) x the purchase consideration of the QSR Properties*

The aforesaid amount of the base rental is payable by the Lessee to the Lessor on a monthly basis in arrears for the first rental period under the Lease Term from the Lease Commencement Date.

- (b) Monthly rental

Monthly rental refers to the base rental which is to be paid monthly in advance and clear of all deductions in twelve (12) equally monthly payments (on a proportionate basis if the first month is less than a month) with the first of such payment to be made within seven (7) days from the Lease Commencement Date and the subsequent payments to be made on or before the seventh (7<sup>th</sup>) day of each calendar month.

- (c) Revision of base rental

At the end of every three (3) years (i.e. the Rental Period), the base rental shall be revised and a new base rental for the next rental period, will be calculated based upon and with reference to the aggregate of historical consumer price index as compiled by the Department of Statistics, Malaysia ("CPI") for three (3) financial years prior to the renewal term. The formula for the revision of the base rental is as follows:

*New Base Rental = Current Base Rental x {1 + (CPI + 1.0%)}, subject to a cap of 5.0% from the preceding Base Rental*

For further clarification, (CPI + 1.0%) shall not be more than 5.0%.

## 17. ADDITIONAL INFORMATION (Cont'd)

**Notes:**

- (i) *CPI means average CPI for three (3) preceding years.*
- (ii) *Where average CPI is negative, then CPI shall be deemed to be zero.*
- (iii) *(CPI= refers to the aggregate Consumer Price Index, compiled by the Department of Statistics Malaysia)*

The new Base Rental shall be notified by the Lessor and/or the Manager in writing to the Lessee and shall take effect from the date of commencement of the next rental period.

### D. Lessee's covenants

Some of the Lessee's covenants under the MLAs are as follows:

- (a) the Lessee shall promptly pay to the Lessor the monthly rental for the QSR Properties monthly in advance and shall be clear of all deductions counter claims or set-off and the exclusive rates and outgoings shall be borne by the Lessee;
- (b) the Lessee shall be fully responsible, at its own costs and expense, for the general and total maintenance of the QSR Properties, the facilities enjoyed and available in the QSR Properties and the common areas so as to ensure that the QSR Properties (and the facilities therein) shall be in good repair, clean and tenable condition;
- (c) the Lessee shall fully indemnify and save harmless the Lessor against all actions, demands, claims, liabilities, losses, damages or expenses or proceedings suffered or incurred by the Lessor as a result of the Lessee's failure to maintain the QSR Properties and/or the facilities therein.
- (d) the Lessee shall pay to the relevant Authority all deposits and charges for the supply of electricity and/or water as shown in the separate meters installed and other utilities in respect of the QSR Properties;
- (e) the Lessee shall solely bear, pay and discharge all the quit rent, rates, and assessment imposed on and payable in respect of the QSR Properties within seven (7) days of the said payment, deposit with the Lessor receipts and all other documents evidencing the said payment by the Lessee;
- (f) the Lessee's default to pay and discharge all the quit rent, rates and assessment imposed on and payable in respect of the QSR Properties shall constitute an event of default;
- (g) the Lessee shall take suitable precautions in fencing, guarding and rendering safe the machinery, implements, devices, gadgets and other equipment it intends to install or has installed and ensure that any installation works carried out shall not cause any damage to the permanent structure of the QSR Properties;
- (h) the Lessee shall, at reasonable times, grant access for inspection and repairs to the contractors and workmen for them to carry out the repairs or work necessary to be done or total replacement to be made in relation to the Lessors' fixture and fittings, the structural or external repairs to the QSR Properties or other portions of any building which the QSR Properties forms a part or to any contiguous building not conveniently accessible otherwise than from or through the QSR Properties;
- (i) the Lessee shall at all times during the Lease Term at its own expense, take out and maintain a Takaful or insurance coverage in the joint names of the Lessee as the insured party and the Lessor as the beneficiary or loss payee in respect of the QSR Properties;

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## 17. ADDITIONAL INFORMATION (Cont'd)

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- (j) the Lessee shall observe and comply with all laws, by-laws, rules and regulations of the relevant Authority, obtain and maintain licences, permits, registrations (including trade name) and other consents necessary for the conduct of the Lessee's business and procure the operators at the QSR Properties to comply with relevant applicable laws and requirements in conducting their business activities; and
- (k) the Lessee shall use or procure the operators to use the QSR Properties principally in connection with the Lessee's or operator's business and permitted use under the MLAs.

Other covenants of the Lessee not stated herein are the terms normally provided under a lease agreement.

*"Operators" refers to the subsidiary and related companies (as defined in the Act) of the entities within the QSR Group that will be operating at the QSR Properties.*

### E. Lessor's covenants

Some of the Lessor's covenants under the MLAs are as follows:

- (a) the Lessor shall permit the Lessee to quietly enjoy the QSR Properties during the Lease Term without any interruption or disturbance by the Lessor or any person claiming under or in trust for the Lessor;
- (b) the Lessor shall carry out at its own cost and expenses for the total replacement of the Lessor's fixtures, fittings, plant and equipment as set out in the MLAs ("**Lessor's Fixtures and Fittings**"), the repairs or work necessary to be done to the rooftop, the main external and/or internal structure of the QSR Properties or other portions of the QSR Properties which forms a part of any contiguous building not conveniently accessible otherwise than from or through the QSR Properties within fourteen (14) days from the date of the notice from the Lessee; and
- (c) the Lessor shall, within a reasonable time, carry out the total replacement of such mechanical or electrical fittings and/or accessories which form part of the Lessor's Fixtures and Fittings in the event of a major breakdown of any mechanical or electrical fittings or accessories which form part of the Lessor's Fixtures and Fittings at the cost and expense of the Lessor which cost and expense shall include labour charges.

### F. First right of refusal

- (a) In the event the Lessor intends to sell any/all the QSR Properties acquired under the SPA, the Lessee shall be given the first right of refusal to purchase any/all the QSR Properties by way of a written notice from the Lessor to the Lessee offering to sell any/all of the QSR Properties to the Lessee on such terms and at the prevailing market value in respect of the and in accordance with the REIT Guidelines, the SC's Asset Valuation Guidelines and relevant laws and regulations, to which notice the Lessee shall reply within sixty (60) days thereof.
- (b) The first right of refusal hereby granted shall be valid but shall not be applicable and shall not extend beyond the Lease Term.

## 17.5 CONSENTS

- (i) The written consents of the Principal Adviser, Company Secretaries, Trustee, Registrar, legal adviser, principal bankers, Sole Underwriter, Joint Placement Agents, Issuing House, Property Manager and Internal Auditors to the inclusion in this Prospectus of their names in the manner, form and context in which such names appear in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.



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**17. ADDITIONAL INFORMATION (Cont'd)**

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- (ii) The written consent of the Reporting Accountants to the inclusion in this Prospectus of their name, letter/reports on the Profit Forecasts and the Pro Forma Statement of Financial Position as of 30 March 2015 (date of establishment) and its related notes and all reference thereto in the manner, form and context in which they appear in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (iii) The written consent of the Tax Adviser to the inclusion in this Prospectus, of their letter on taxation of Al-Salām REIT and Unitholders and their names in the manner, form and context in which it appear in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (iv) The written consents of the Independent Property Valuers to the inclusion in this Prospectus of their Valuation Certificates and their names in the manner, form and context in which it appear in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (v) The written consents of the Joint Independent Market Researchers to the inclusion in this Prospectus of their Independent Market Research Report and their names in the manner, form and context in which it appear in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.

**17.6 DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents 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:

- (i) the material contracts referred to in **Section 17.2** "Material Contracts" of this Prospectus;
- (ii) the Deed;
- (iii) the Valuation Certificates as set out in **Appendix A** of this Prospectus as well as the full valuation reports for the Subject Properties;
- (iv) the Independent Market Research Report as set out in **Appendix B** of this Prospectus;
- (v) the Tax Adviser's Letter on Taxation of Al-Salām REIT and Unitholders as set out in **Appendix C** of this Prospectus;
- (vi) the Reporting Accountants' Letter on the Pro Forma Statement of Financial Position of Al-Salām REIT as set out in **Appendix D** of this Prospectus;
- (vii) the Reporting Accountants' Letter on the Profit Forecasts as set out in **Section 7.5.1** of this Prospectus;
- (viii) the letters of consent referred to in **Section 17.5** of this Prospectus;
- (ix) the letters of FROR referred to in **Section 4.3.2** of this Prospectus;
- (x) the letter of authorisation referred to in **Section 4.9** of this Prospectus;
- (xi) the letters of undertaking in relation to the Master Title referred to in **Section 5.1.4** of this Prospectus;
- (xii) the legal opinion referred to in **Section 5.1.13** of this Prospectus;

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**17. ADDITIONAL INFORMATION (Cont'd)**

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- (xiii) the Independent Property Valuers' letter referred to in **Section 5.1.13** of this Prospectus; and
- (xiv) the service level agreement referred to in **Section 10.8** of this Prospectus.

**17.7 RESPONSIBILITY STATEMENTS**

- (i) This Prospectus has been reviewed and approved by the Directors and they collectively and individually accept full responsibility for the accuracy of the information. 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 the Prospectus false or misleading. The Directors accept full responsibility for the Profit Forecasts included in this Prospectus and confirm that the Profit Forecasts have been prepared based on the assumptions made.
- (ii) The information pertaining to the Trustee and the Property Manager were provided by the management and/or directors of the Trustee and the Property Manager. The responsibility of the Directors is therefore restricted to the accurate reproduction of such relevant information as included in this Prospectus.

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21 July 2014

Chartered Surveyors  
International Property Consultants  
Registered Valuers, Real Estate Agents  
Property Managers, Plant & Machinery Valuers

**Damansara REIT Managers Sdn Berhad**  
**(on behalf of AmanahRaya Trustee Berhad,**  
**as the proposed Trustee of Al-Salām REIT)**  
Unit 1-19-02, Level 19  
Block 1, VSQUARE  
Jalan Utara  
46200 Bandar Petaling Jaya  
Petaling Jaya  
**SELANGOR DARUL EHSAN**

**CHESTON INTERNATIONAL (KL) SDN. BHD.**  
(Company Reg. No: 647245 W) VE(1) 0199  
Suite 2A, 2nd Floor, Plaza Flamingo,  
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68000 Ampang, Selangor, Malaysia.  
Tel : +6 03-4251 2599  
Fax : +6 03-4251 6599  
E-mail: cikl@chestonint.com  
Website: www.chestonint.com

Dear Sirs,

**VALUATION OF A 4-LEVEL SHOPPING MALL TOGETHER WITH AN ALLOCATION OF 1,187 CAR PARK BAYS KNOWN AS KOMTAR JBCC, JOHOR BAHRU CITY CENTRE, JALAN WONG AH FOOK, JOHOR BAHRU, JOHOR DARUL TAKZIM (“KOMTAR JBCC”)**

We were instructed by Damansara REIT Managers Sdn Berhad (“DRMSB”), to conduct valuation of KOMTAR JBCC for the purposes of submission to the Securities Commission Malaysia for approval in conjunction with the proposed establishment of Al-Salām REIT.

This Valuation Certificate is prepared for the purposes of inclusion in the prospectus of Al-Salām REIT and is to be read in conjunction with our Valuation Report bearing reference nos. V/Al-Salām/3388813/D.

The relevant date of valuation of the above legal interest is 18 July 2014.

The Report and Valuation has been prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents Malaysia with the necessary professional responsibility and due diligence.

The basis of valuation adopted is the **Market Value** which is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

**CHESTON INTERNATIONAL (PERAK) SDN BHD**  
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**CHESTON INTERNATIONAL (JOHOR) SDN BHD**  
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**1.0 SALIENT DETAILS OF KOMTAR JBCC, JOHOR BAHRU CITY CENTRE**

**1.1 Interest Valued / Type of Property**

The legal interest in a 4-level shopping mall together with an allocation of 1,187 car park bays.

**1.2 Name and Address**

KOMTAR JBCC, Johor Bahru City Centre, Jalan Wong Ah Fook, Johor Bahru, Johor Darul Takzim.

**1.3 Location**

KOMTAR JBCC is located within the integrated development of JBCC which is located in the heart of the Central Business District of Johor Bahru City.

**1.4 An Overview of Johor Bahru City Centre (“JBCC”)**

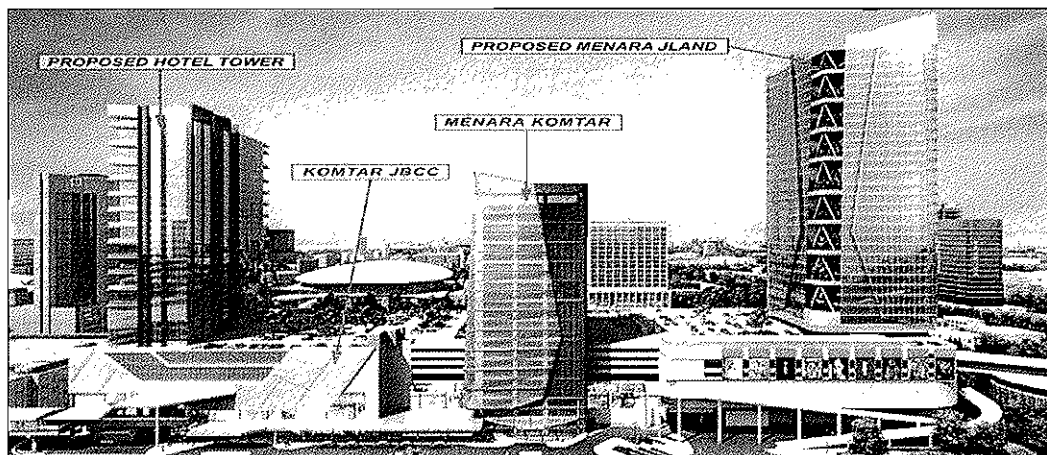
JBCC is redevelopment of the 35-year old former Kompleks Tun Abdul Razak (“KOMTAR”) which consists of a two storey shopping complex and a 26-storey office tower. It is the major player in the urban renewal of Johor Bahru City from the traditional urban centre into a modern metropolis.

The composition of JBCC, the new landmark which will transform the skyline of Johor Bahru City is as follow: -

**Table 1.0: Built-up Area**

Description	Built-up Area In Accordance With Jurubena Bertiga International Partnership					
	Level	Gross Floor Area		Net Lettable Area		No. Of Car Park Bay Allocated
		Sq. Mt.	Sq. Ft.	Sq. Mt.	Sq. Ft.	
A 25-Storey Purpose Built Office Tower Known As Menara KOMTAR	1 to 26	22,499.87	242,194.50 *	14,919	160,592	145
A 4-Level Shopping Mall Known As KOMTAR JBCC	1 to 4	57,913	623,374 *	37,312	401,623	1,187
A Proposed Office Tower Known As Menara JLand	-	38,273	411,817.48 *	32,328	347,975	195
A Proposed Hotel Tower	-	17,064	183,675.20 *	13,542	145,770	175
Common M&E, Circuiation And etc	Basement, 5 to 9	12,066	129,878	-	-	-
Mosque	8 & 9	2,851	30,868	-	-	-
Car Parking Area	4 to 8	56,005	602,833	-	-	-
Motorcycle Parking Area	Basement	3,103	33,400	-	-	-
<b>Total</b>		<b>211,216</b>	<b>2,258,040.18</b>	<b>98,101</b>	<b>1,055,960</b>	<b>1,702</b>

Note: \* Excluding Car Park Area



An Artist's Impression of JBCC



### 1.5 Parent And Strata Title Particulars

KOMTAR JBCC has yet to be issued with a strata title and it is sited on Parent Lot 14530, Town And District of Johor Bahru, Johor Darul Takzim, having an interest in perpetuity.

We were informed that Polaris Survey And Land Consultant has been appointed to make application to the relevant authorities for the issuance of block strata title. Application for the issuance of block strata title is in progress.

Our valuation is on the basis that a block strata title conveying interest in perpetuity in respect of KOMTAR JBCC together with 1,187 car park bays as accessory parcels when issued, will be free all encumbrances and restrictive conditions.

Parent Lot No.: Lot 14530, Title No. Geran 44587, Town and District of Johor Bahru, Johor Darul Takzim.  
Parent Land Area: 21,438 square metres (230,756 square feet).  
Tenure Of Parent Title: Interest In Perpetuity  
Category of Land Use: Building.  
Registered Proprietor: Johor City Development Sdn. Bhd.  
Beneficial Owner: Damansara Assets Sdn. Bhd. ("DASB")

### 1.6 Property Description

KOMTAR JBCC is part of an integrated development, redeveloped over 2 years and is sited on Parent Lot 14530, an elongated and near rectangular shaped parcel of land with high exposure with wide frontages of about 298 metres, 262 metres and 84 metres onto Jalan Wong Ah Fook, Jalan Tun Abdul Razak and Tebrau Highway, respectively.

KOMTAR JBCC is Johor's premier shopping destination which offers all the required ingredients for a complete high end shopping and entertainment centre well designed with convenience, well planned vehicular and pedestrian accessibility, maximum visibility and excellent car and motorcycle parking facilities. The mall is positioned to target affluent families and tourist.

### 1.7 Gross Floor Area (Excluding Car Park Area)

57,913 square metres (623,374 square feet).

### 1.8 Net Lettable Area ("NLA")

37,312 square metres (401,623 square feet).

### 1.9 Car Park

1,187 car park bays are being managed and operated by an in house management team.

### 1.10 Planning Details

KOMTAR JBCC is located within an area designated for commercial use. It was issued with a Certificate of Completion and Compliance dated 17 July 2014.

### 1.11 Tenancy Profile

KOMTAR JBCC is a regional premium fashion mall positioned at the middle to upper income level targeting affluent families and tourist. The mall commenced operation on 18 July 2014 and as at the date of valuation, the mall achieved an occupancy rate of about 9.44% whilst the committed occupancy rate is about 80.23%.

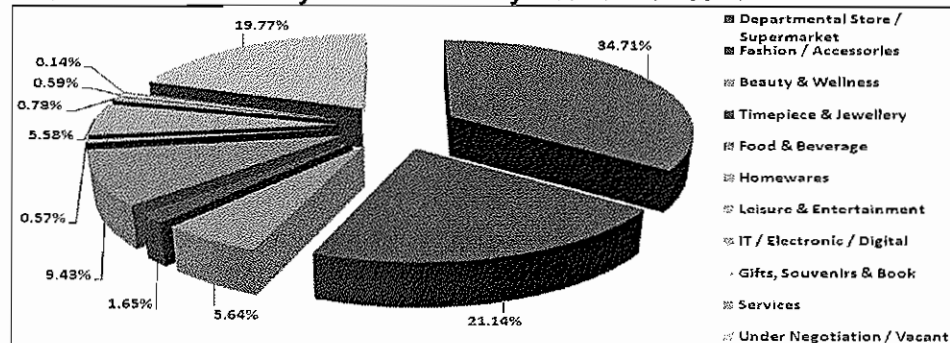


**1.11(a) Tenancy Trade Profile By Net Lettable Area And Rental Income**

KOMTAR JBCC houses various types of retailers comprising well known departmental stores, international and local brand outlets, fashion, specialty, food & beverages and entertainment centres. Anchor tenants comprise Metrojaya Departmental Store and Angry Bird Actively Park whilst the mini anchors and mini majors include Mark & Spencer, Brands Outlets, Padini Concept Store, Sephora, Stadium, Factory Outlets Store (F.O.S) and Kapitan Grocer.

We note that there are three (3) related party tenants comprising Angry Bird Activity Park (5.52 % of NLA), Pizza Hut Restaurants Sdn Bhd (0.54% of NLA) and KFC (Peninsular Malaysia) Sdn Bhd (0.73% of NLA) whilst 73.44% of NLA is tenanted to third party tenants and the remaining 19.77% of NLA is vacant as at the date of valuation.

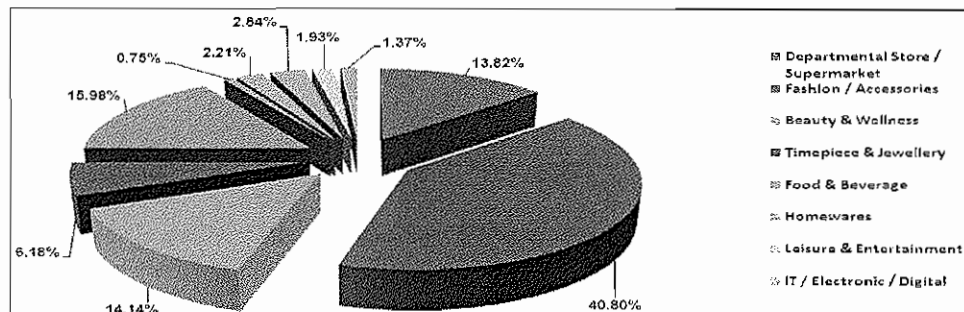
**Chart 1.0: Tenancy Trade Profile By Net Lettable Area**



The tenant mix of KOMTAR JBCC is reflective of it's position as a prime regional shopping mall of Johor. The tenant mix is diversified and independent of any particular trade sector. Fashion & Accessories is the largest trade sector which accounts for 21.14% of the NLA and 40.80% of the total gross rental income. Fashion & Accessories tenants comprise Brands Outlets, Padini Concept Store, Stadium, Factory Outlets Store (F.O.S), Timberland, Fossil, Tumi, Pedro, Charles & Keith, G2000, Adidas, Seen and Puma.

The second largest trade sector comprises Food & Beverage / Food Court accounting for 9.43% of NLA and contributing 15.98% of the total gross rental income. Food & Beverage outlets comprise Tony Roma's, Sushi Zanmai, Dragon-I, Arashi Shabu-shabu and Pizza Hut.

**Chart 2.0: Tenancy Trade Profile By Rental Income**



Beauty & Wellness is the third largest trade sector with 5.64% of NLA and 14.14% of total gross rental income. Beauty & Wellness tenants comprise Estee Lauder, Dior, L'occitane, Kiehl's, M.A.C, Chanel, Clinique, Sephora and Bobbi Brown whilst Departmental Store / Supermarket is the fourth largest trade sector with 34.71% of NLA contributing 13.82% of total gross rental income.

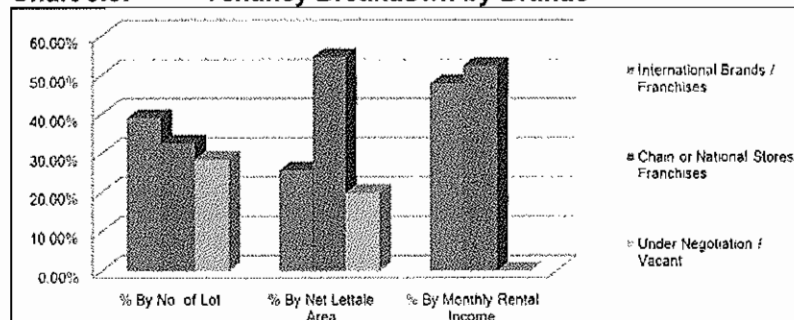


Timepiece & Jewellery, Homewares, Leisure & Entertainment, IT / Electronic / Digital, Gift, Souvenir & Book, services together comprise 9.31% of NLA contributing 15.28% of total gross rental income. The tenants under this category comprise Tissot, WSI, Pandora, Swiss Watch Gallery, Royal Selangor Pewter and Kitchenware.

The remaining 19.77% of NLA is currently under negotiation and vacant.

**1.11(b) Tenancy Breakdown by Brands**

**Chart 3.0: Tenancy Breakdown by Brands**



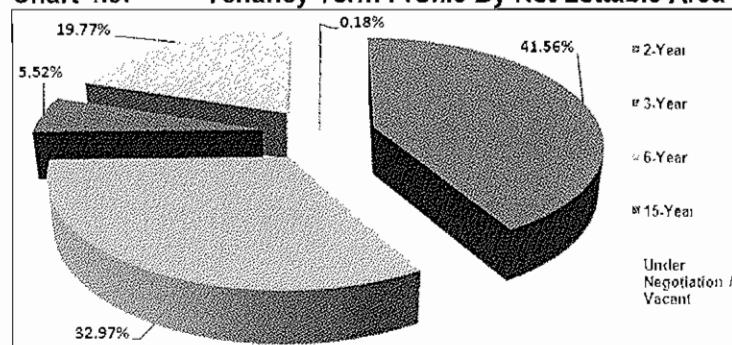
The revenue of KOMTAR JBCC is contributed equally by both International Brands / Franchises and Chain or National Brands / Franchises of which accounting for about 47.68% and 52.32%, respectively. International Brands / Franchises are the majority of the number of tenants accounting about 39.07% with the percentage of NLA of 25.65% whilst the Chain or National Brands / Franchises accounting for about 32.45% of tenants with the NLA of 54.57%. The remaining 28.48% of the lots with about 19.77% of NLA are under negotiation / vacant.

**1.11(c) Tenancy Term Profile By Net Lettable Area**

Generally, retail tenancies are renewable 3-year tenancies whilst the anchor tenants take up long term tenancies / leases.

We note that about 41.56% of the tenancies have been let for a typical renewable 3-year term and about 0.18% of the tenancies have been let for a 2-year term with option to renew for a further similar term.

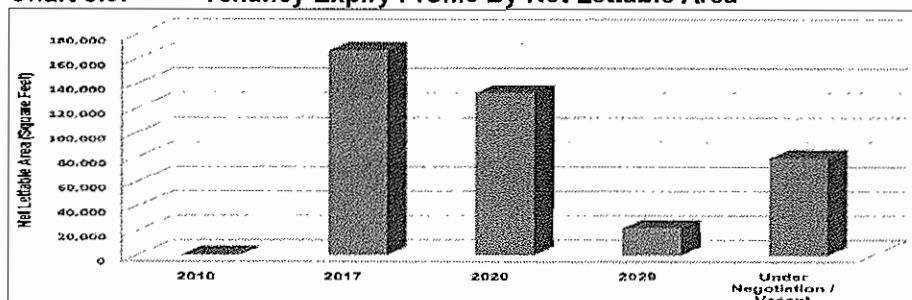
**Chart 4.0: Tenancy Term Profile By Net Lettable Area**



About 38.49% of the NLA comprise the two anchor tenants with 6-year and 15-year leases/tenancies whilst the remaining 19.77% of the NLA is under negotiation/vacant



Chart 5.0: Tenancy Expiry Profile By Net Lettable Area



Overall about 41.56% of the tenancies will expire in year 2017 followed by 32.97% in 2020 and 5.52% in year 2029. About 0.18% will expire in year 2016 and the remaining 19.77% is under negotiation / vacant.

**2.0 MARKET VALUE**

**2.1 Date Of Valuation And Inspection**

18 July 2014

**2.2 Valuation Methodology**

In arriving at our opinion of the Market Value of KOMTAR JBCC, we have adopted the Investment and Comparison Methods of Valuation.

**2.3 Investment Method**

This method is premised on the principle that the value of an income-producing property is represented by “the present worth of future rights to income, or utility”. The value estimated under this method is derived by ascertaining the market rent of the property (i.e. that income which is ascribable to the property under its highest and best use); deducting all reasonable operating expenses (as would be experienced under typical management) and then capitalising the resultant net income by an appropriate rate of capitalisation to obtain the present value of the income stream.

**2.3.1 Term**

Average Gross Rental: **RM5.55** per sq. ft. per month over total NLA.  
 Outgoings: **RM2.50** per sq. ft. per month  
 Capitalisation Rate: **6.50%** adopted for the term

**2.3.2 Reversionary**

Average Gross Rental: **RM9.18** per sq. ft. per month on fully tenanted basis.  
 Car Park Revenue: **RM259,557** per month  
 Void Allowance: **3%**  
 Outgoings: **RM2.60** per sq. ft. per month over total NLA  
 Capitalisation Rate **6.75%** adopted for the reversion

**2.3.3 Gross Rental**

Generally, the rentals payable by all the tenants are either the base rent or percentage of turn over rent (percentage of annual net or gross sales turnover), whichever is higher with the exception of Angry Bird Actively Park which is based on base rent and profit sharing from monthly gross ticket sales. Service charge inclusive of promotion fee is additional for all the tenants except for Metrojaya Departmental Store and Angry Bird Activity Park.





We note that some tenancies are with step up base rental ranging from 5% to 20% annually and some tenancies have a fixed rental rate throughout the term. About 37.96% of the tenancies by NLA are with step up rental whilst 3.77% is with fixed rental rate.

The remaining 38.49% by NLA comprise the two anchor tenants with a 6-year and a 15-year lease/tenancy. Metrojaya Departmental Store is with fixed monthly rental or percentage of net annual sales turnover, whichever is higher throughout the term with options to renewal thereafter whilst the Angry Bird Activity Park is with fixed increasing step up rental rates and profit sharing from monthly gross ticket sales.

We note that the percentage of turnover rent vary depending on the type of tenant and trade. The above provision provides potential financial benefit to the mall with secured minimum base rent.

In our valuation, we did not consider percentage of net or gross sales turnover as the mall has just commenced operation and we do not have record of the trade of the tenants. This valuation is carried out based on the base rent and service charge inclusive of promotional charges. We also did not consider the profit sharing from monthly gross ticket sales from Angry Bird Activity Park as we do not have evidence on the record of sales.

Upon expiry of the tenancy (reversion), the rent is reverted to Market Rent. Our assessment of the Market Rent of KOMTAR JBCC upon reversion is based on the analysis of it's passing rental. We also note that in accordance with Section 22, First Schedule of the Tenancy Agreements that upon reversion, the base rent to be adjusted subject always to the revised monthly rental be higher than the preceding rental.

In light of the above, we have adopted a fixed 10% upward adjustment during the major rent review upon reversion is fair representation, reasonable and is in line with the practice in the retail market industry.

Market rental of every shop within KOMTAR JBCC vary depending on the size, location, level, frontage and there is no specific market rate per floor. The range of market rent adopted in respect of KOMTAR JBCC is as follow:-

Level	NLA* (Sq. Ft.)	Market Rental (RM)	Average Market Rental Adopted Upon Reversion(RM)
Level 1	330 - 2,559	17.20 - 42.90	26.09
Level 2	428 - 2,622	17.20 - 36.30	23.99
Level 3	161 - 3,806	7.15 - 63.80	16.15
Level 4	209 - 3,715	6.20 - 14.74	8.76

Note: \* Excluding Anchors, Mini Anchor, Mini Majors and Kiosks.

We note that the above ranges of Market Rent adopted are in line with other similar quality shopping complexes in Johor Bahru city and other similar regions in Malaysia.

In arriving at our opinion of the Market Rental of KOMTAR JBCC upon reversion, we also have taken into consideration the rental evidences as per Table 3.0



**Table 2.0 Rental Evidences Of Shopping Malls in Johor Bahru.**

No.	Shopping Mall	Floor	NLA (Sq. Ft.)	Monthly Rental (Per Sq. Ft.) (RM)
1	Plaza Angsana, Johor Bahru, Johor	1	603 – 840	14.00 – 16.80
		2	172 – 1,916	13.10 – 20.20
		3	517 – 958	7.80 – 11.30
		4	377 – 1,023	7.20 – 8.10
		5	269 – 807	2.70 – 4.60
2	Sutera Mall, Johor Bahru, Johor	1	108 – 344	15.90 – 17.90
			926 – 980	14.00 – 14.30
			1,184 – 1,776	11.90
		2	108 – 205	29.90 – 36.40
			1,851	7.90
		3	118 – 237	13.90 – 40.30
3	Aeon Bukit Indah Shopping Centre (Jusco Bukit Indah), Johor	Ground	1,733 – 2,185	4.00 – 9.50
		1st	345 – 592	17.34 – 17.87
		2nd	818	11.50
4	KSL City Mall, Johor Bahru, Johor	Ground	409 – 560	11.00 – 20.43
			883 – 1,195	13.00 – 22.43
		1	183 – 344	10.43 – 18.43
			560 – 1,001	10.00 – 18.43
			8,579	3.43
		2	161 – 323	10.43 – 20.40
			560 – 958	10.43 – 18.43
5	Kluang Parade, Kluang, Johor	Basement	161 – 398	1.00 – 3.60
		Ground	118 – 1,087	1.50 – 33.33
		1	97 – 969	2.47 – 12.64
		2	97 – 570	1.50
		5	161 – 18,503	1.15
6	Wetex Parade, Muar, Johor	Ground	129 – 150	26.40 – 26.67
			290 – 474	13.50 – 21.00
			668 – 2,487	7.30 – 13.00
		1	75 – 1,023	10.70 – 20.63
			1,163 – 2,949	6.80 – 11.60
		2	75 – 388	7.34 – 16.63
			420 – 1,798	6.40 – 10.25
		3	75 – 549	6.50 – 12.50
			560 – 1,066	6.30 – 5.10
	1,496 – 4,036	4.00 – 5.00		

Source: Property Market Report 2014 / Cheston Research

In undertaking our assessment of the Market Rental Value upon reversion, we have considered various factors comprising time, location, accessibility, tenant mix & positioning, building, services and facilities, size, past and existing occupancies, quality of the tenant/lessee and carefully assessed the current lease/tenancy profile.

### 2.3.4 Car Park Revenue

The distribution of the car park income and contributions towards the operation and maintenance cost of the car park among the owners of the four component developments will be according to the number of allocated car park bays. The allocated 1,187 car parks of KOMTAR JBCC is divided into Transient (70%) and Season for tenant and Johor Corporation Berhad (30%). The revenue from the car parks is estimated based on the prevailing car park rates of similar type of shopping mall in the vicinity.

We also have investigated the current commanding monthly car park rates of other shopping malls in the vicinity of KOMTAR JBCC.



The prevailing car park rate of selected shopping malls within Johor Bahru City is attached as the table below: -

Shopping Mall	Car Park Rate
Johor Bahru City Square	Monday to Sunday <ul style="list-style-type: none"> <li>• RM2.00 every hour</li> <li>• RM3.00 per entry after 6 pm until 7 am</li> </ul>
Plaza Pelangi	Monday to Friday <ul style="list-style-type: none"> <li>• RM1.60 every hour</li> <li>• RM3.00 per entry after 5pm</li> </ul> Saturday, Sunday and Public Holiday <ul style="list-style-type: none"> <li>• RM3.00 per entry</li> </ul>
Leisure Mall	Monday to Friday <ul style="list-style-type: none"> <li>• RM1.00 every 3 hour</li> </ul> Saturday, Sunday and Public Holiday <ul style="list-style-type: none"> <li>• RM1.00 per entry</li> </ul>
KSL City Mall	Monday to Sunday <ul style="list-style-type: none"> <li>• RM2.00 every hour</li> </ul>

Source: DASB / Cheston Research

We note that the car park rate adopted for KOMTAR JBCC is fair according to the commanding car park rate of other shopping malls in the vicinity. The estimated Annual Gross Revenue of the JBCC Car Park based on the prevailing car park rate is RM6,021,072 and the Annual Gross Revenue of the 1,187 car park bay allocated to KOMTAR JBCC is RM3,895,464 whilst the 480 motorcycle park bay is RM580,608.

Contribution towards the operation and maintenance cost is proportioned according to the allocated number of car park bays which is fair and equitable and in line with the market practise. The estimated car park operation and maintenance cost of the entire JBCC Car Park is RM1,952,055 and the contribution from KOMTAR JBCC according to the allocated car park bay is RM1,361,392.

Thus, the Net Annual Revenue from the allocated car park in respect of KOMTAR JBCC is RM3,114,680.

**2.3.5 Other Revenue**

KOMTAR JBCC is a newly completed shopping mall thus records of other revenue are currently unavailable. As such, we did not consider any other revenue in our valuation.

**2.3.6 Outgoings**

The net rent is arrived which is the residue of gross annual market rent of KOMTAR JBCC less annual expenses (outgoings) required to sustain the rent with allowance for void and management fees.

KOMTAR JBCC is a newly completed shopping mall, thus there is no record of past annual outgoings. The estimated annual outgoings (inclusive of maintenance and management cost of elevated pedestrian walkway which is the responsibility of KOMTAR JBCC) is RM12,007,825 (RM2.49 per sq. ft. per month).

Investigation also made on annual outgoings of other shopping malls and necessary adjustments were made before arriving at the fair annual outgoings of KOMTAR JBCC.

Annual outgoings of other shopping malls are tabulated below.



**Table 3.0: Annual Outgoings Of Shopping Mall**

No.	Shopping Mall	NLA (Square Feet)	Outgoings* (Per sq. ft.)
1	Sunway Carnival Mall, Seberang Jaya, Penang	461,385	RM2.20 – RM2.30
2	Gurney Plaza, Georgetown, Penang	866,984	RM2.50 – RM3.00
3	Sungai Wang Plaza, Kuala Lumpur	448,404	RM2.50 – RM2.70
4	Sunway Pyramid Shopping Mall, Bandar Sunway, Petaling Jaya, Selangor	1,685,568	RM2.70 – RM3.00
5	The Mines, Seri Kembangan, Selangor	716,890	RM2.50 – RM2.70
6	East Coast Mall, Kuantan, Pahang	471,371	RM2.50 – RM2.70

Source: Bursa Malaysia Securities Berhad/Cheston Research

Note: \* As at the date of transaction

Based on the above analysis, taking into consideration KOMTAR JBCC as a brand new mall, we have adopted annual outgoings of RM2.50 per sq. ft. per month for the current term and RM2.60 per sq. ft. per month for the reversion which is considered fair representation of the monthly outgoings of KOMTAR JBCC.

### 2.3.7 Rent Loss Adjustment / Vacancy Allowance

The overall occupancy rate of all categories of shopping complexes in Johor Bahru City is about 75%. KOMTAR JBCC is a premier shopping complex of Johor Bahru City similar to Gurney Plaza (100%) and Queensbay Mall (96.4%) in Penang and East Coast Mall (97%) in Kuantan. The similar grade and quality Johor Bahru City Square shopping complex, adjoining KOMTAR JBCC has been enjoying an occupancy rate of 97%.

Taking into consideration the general trend of retail vacancy for similar grade, class and type of shopping mall in the vicinity and other premier shopping complexes in other regions and the duration of the rent free allowance based on prevailing market practise, we have allocated 3% of the gross annual rental for vacancy period, vacancy between rent reviews and rent free and fitting out periods as fair representation upon reversion.

### 2.3.8 Yield / Capitalisation Rate

We have adopted a market corroborated capitalisation rate to arrive at the capital value of KOMTAR JBCC. In arriving at our opinion of the appropriate capitalisation rate using the above methodology, thorough examination and analysis of several recent sales of shopping malls were carried out. Exercising judgment based on our experience in the industry, we have compared the relative investment characteristics of KOMTAR JBCC and the sale evidences. We have made necessary diligent adjustments to arrive at the fair capitalisation rate of KOMTAR JBCC. We have given emphasis on the location, quality and characteristic of KOMTAR JBCC. We have also taken into account the current economic condition, the existing and future demand and supply of shopping malls in the locality prior to arriving at the fair capitalisation rate.

The above yield analysis reveals that, yields of shopping malls in Peninsular Malaysia range from 5.32% to 6.85% depending on the market condition (time), location and accessibility, tenant mix & positioning, tenant profile, building characteristics, quality, facilities and services, age, condition, size and tenure.

Having considered the above and other relevant factors and carefully analysing the current lease/tenancy profile, we have adopted reversionary yield of 6.75% whilst



the adopted term yield is 6.50% which reflects the security of the existing tenancies, certain, increasing rental trend and quality of the tenants.

The additional spread of 25 basis points (bps) on the reversionary yield is to reflect a higher risk on the future tenancies, Malaysian economy and the future revenue. The above rates adopted are in line with our analysis of prevailing market yields of shopping mall in Peninsular Malaysia.

#### **2.4 Comparison Method**

The Comparison Method is premised on the principle that comparison is made for the property under valuation with sales of other similar properties. Where dissimilarities exist, adjustments are made.

Under this method, an estimate of the market value is derived by comparing the property under valuation with other similar properties that had been sold in the recent past.

In determining the value by this method, a survey was made for property sales that have occurred in this or similar areas within the recent past. These comparable sale prices are then adjusted for comparability to reflect differences in time, location and accessibility, tenant mix & positioning, tenant profile, building characteristics, quality, facilities and services, age, condition, size and tenure to render the sold properties as similar as possible with KOMTAR JBCC.

We have analysed and made diligent adjustments for differences of the comparable sale transactions against KOMTAR JBCC. We note that the analysis of the sale evidences range from RM702.40 per sq. ft. to RM1,364.53 per sq. ft.. After making the necessary adjustments, the adjusted values range from RM1,106.28 to RM1,188.42 per sq. ft.

In arriving at the market value using the Comparison Method, we have emphasized upon Comparable 1, Gurney Plaza, as the most suitable comparable which has the least adjustment against KOMTAR JBCC.

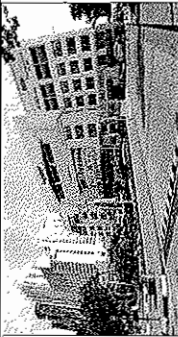
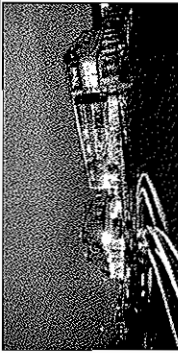
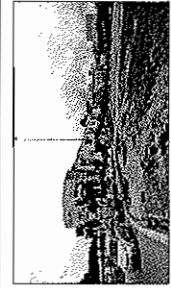
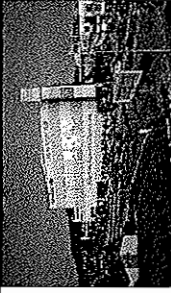

We also note that the average achieved gross revenue of Comparable 1 at the time of transaction including rental, revenue from car park and other mall revenue, analysed over the NLA is about RM7.69 per sq. ft. which is synonymous with KOMTAR JBCC which has recorded average gross revenue over occupied NLA of about RM7.63 per sq. ft..

We have adopted the adjusted value of RM1,188.42 per sq. ft. from the adjustments of Sale Comparable 1 as fair representation which translate into a market value of RM477,298,711 and rounded up to RM477,300,000.

APPENDIX A – VALUATION CERTIFICATES (Cont'd)



Table 4.0: Details Of The Sale Transactions And Comparison Method

	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
					
a)	<b>Gurney Plaza, No. 170, Persiaran Gurney, Georgetown, Penang</b>	<b>The Mines, Jalan Dulang, Mines Resort City, Seri Kembangan, Selangor Darul Ehsan</b>	<b>Queensbay Mall, 100, Persiaran Bayan Indah, Bayan Lepas, Pulau Pinang</b>	<b>East Coast Mall, Jalan Putra Square 6, Putra Square, Kuantan, Pahang Darul Makmur</b>	<b>Sunway Pyramid Shopping Mall, No.3, Jalan PJS 11/15, Bandar Sunway, Petaling Jaya, Selangor Darul Ehsan</b>
b)	A 8-storey shopping complex with 2 levels of basement	A 5-storey shopping centre with a unique Venetian-styled canal inclusive of 4 split-level car parks on Levels 1 & 2	Part of a 8-storey shopping complex with 2 levels of basement	A 4-storey shopping mall with a basement level	A 4-level retail and entertainment mega-mall together with 6 levels of elevated and shopping complex with a basement level 3 levels of basement car park
c)	Building Size (NLA) 706,818	719,329	890,709	441,342	1,685,568
d)	Building Size (Gross Floor Area) 1,106,926	1,257,086	1,524,424	996,902	4,276,945
e)	Year Of Completion 2001	2004	2008	2008	1998
f)	Consideration RM800,000,000	RM530,000,000	RM651,800,000	RM310,000,000	RM2,300,000,000
g)	Date Of Transaction 10-Jun-10	10-Jun-10	22-Dec-10	14-Jun-11	7-May-10
h)	Gross Revenue (including Car Park and Other Income) Over NLA As At Date Of Transaction RM7.69 psf	RM6.26 psf	RM5.85 psf	RM5.50 psf	RM10.00psf
i)	Tenure Interest In Perpetuity	99-year leasehold interest expiring on 20/3/2091	Interest In Perpetuity	99-year leasehold interest expiring on 18/12/2106	99-year leasehold interest expiring in 2097 to 2105
j)	Vendor CapitalRetail Gurney Sdn Bhd	Mutual Streams Sdn Bhd	CP Landmark Sdn Bhd	Astral Realty Sdn Bhd	Sunway Pyramid Sdn Bhd & Sunway City Berhad
k)	Purchaser AmTrustee Berhad, the trustee of CapitalMalls Malaysia Trust	Am Trustees Berhad, the trustee of CapitalMalls Malaysia Trust	CapitalMalls Asia Limited	CIMB Investment Bank Berhad, the trustee of CapitalMalls Malaysia Trust	OSK Trustee Berhad, the trustee of Sunway REIT
l)	Source Bursa Malaysia Securities Berhad	Bursa Malaysia Securities Berhad	Securities Commission Malaysia	Bursa Malaysia Securities Berhad	Bursa Malaysia Securities Berhad
	<b>Analysis (Per Sq. Ft.)</b> RM1,131.83	<b>RM736.80</b>	<b>RM765.46</b>	<b>RM702.40</b>	<b>RM1,364.53</b>
	Adjustment Factors Considered Market Condition (Time), Location & Accessibility, Tenant Mix & Positioning, Building Design/Integrated Development, Size And Tenure.				
	<b>Adjusted Sales Price (Per Sq. Ft.)</b> RM1,188.42	<b>RM1,178.88</b>	<b>RM1,167.32</b>	<b>RM1,088.72</b>	<b>RM1,159.85</b>



**2.5 Reconciliation Of Values**

The market values derived by adopting the valuation methods are tabulated below.

**Table 5.0: Reconciliation of Values**

Method of Valuation	Market Value
Investment Method	RM462,000,000
Comparison Method	RM477,300,000

KOMTAR JBCC is an income generating investment property and we have given greater emphasis on the Investment Method as a more reliable and appropriate method of valuation.

The Comparison Method is an appropriate method to be adopted for homogeneous properties with minimal dissimilarities which require less complicated adjustments. However, for income generating investment properties which are physically, functionally and economically complex where adjustments are numerous and more difficult to quantify, it will be difficult to make adjustments using the Comparison Method. The market value of an investment property is a function of the future income stream. The cash flows of an investment property are subject to the specific nature of the particular investment property and the lease/tenancy terms. It will be strenuous to make all the relevant qualitative and quantitative adjustments accurately for investment properties using Comparison Method.

Nevertheless, the comparative analysis provides a range of values to support the market value derived from the Investment Method as details of sale comparables are easily available. In light of the above, in arriving at our opinion of market value of KOMTAR JBCC, the Comparison Method is adopted as a guide and supportive method to the Investment Method.

Hence, we have considered the market value derived from the Investment Method as fair and accurate representation of the market value of KOMTAR JBCC supported by the Comparison Method.

We wish to highlight that KOMTAR JBCC has just been launched on 18 July 2014 and the tenants have been given various incentives and rent free periods. We did not analyse and incorporate the current net initial yield as it will not represent the actual performance of the mall.

**3.0 OPINION OF VALUE**

Having regard to the foregoing, taking into consideration all pertinent factors and based upon our analysis of relevant market data, we are of the opinion that the market value of the legal interest in KOMTAR JBCC, a 4-level shopping mall together with an allocation of 1,187 car parking bays bearing postal address KOMTAR JBCC, Johor Bahru City Centre, Jalan Wong Ah Fook, Johor Bahru, Johor Darul Takzim, sited on Parent Lot 14530, Town and District of Johor Bahru, Johor Darul Takzim, held under Parent Title No. Geran 44587, subject to existing tenancies/leases and the block strata title when issued will be free of all encumbrances, good, marketable and registrable is RM462,000,000 (Ringgit Malaysia Four Hundred And Sixty Two Million Only).

For And On Behalf Of  
**CHESTON INTERNATIONAL (KL) SDN. BHD.**

**G PAREMES SIVAM, FRISM, MRICS, MPEPS, MIPPM  
 CHARTERED SURVEYOR  
 REGISTERED VALUER, V-480**