GUIDELINES ON LISTED REAL ESTATE INVESTMENT TRUSTS

SC-GL/1-2018 (R4-2026)

1st Issued: 15 March 2018

Revised: 27 March 2026

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Effective Date upon 1st Issuance:	9 April 2018

List of Revisions

Revision Series	Revision Date	Effective Date of Revision	Series Number
1st Revision	18 June 2019	18 June 2019	SC-GL/1-2018 (R1-2019)
2nd Revision	28 November 2022	28 November 2022[1]	SC-GL/1-2018 (R2-2022)
3rd Revision	26 February 2024	26 February 2024	SC-GL/1-2018 (R3-2024)
4th Revision	27 March 2026	27 March 2026	SC-GL/1-2018 (R4-2026)

[1] Save for the requirements in paragraph 2.01 relating to the 12 years tenure limit under paragraph (g) in definition of 'independent director', paragraph (h) in definition of 'independent member', and paragraph 3.04(b) in respect of management companies of a listed REIT with market capitalisation below RM2 billion as at 31 December 2021, which will take effect on 1 June 2023.

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Chapter 1

INTRODUCTION

1.01 The *Guidelines on Listed Real Estate Investment Trusts* (Guidelines) is issued by the SC under section 377 of the *Capital Markets and Services Act 2007* (CMSA).

1.02 These Guidelines set out requirements for a proposal in relation to the listing and quotation of units of a conventional or Islamic real estate investment trust (REIT) on the Main Market of Bursa Securities, which may include the following:

(a) Establishment of a conventional or Islamic REIT in Malaysia; and

(b) Issue and offering of units of such REIT.

1.02A In addition to complying with these Guidelines, any proposal in relation to the listing and quotation of units of an Islamic REIT on the Main Market of Bursa Securities and conversion to an Islamic REIT must also comply with the *Guidelines on Islamic Capital Market Products and Services*.

1.03 In the case of listed REITs, these Guidelines shall supersede the *Guidelines on Real Estate Investment Trusts* and *Guidelines for Islamic Real Estate Investment Trusts*.

1.04 The securities laws and these Guidelines form the regulatory framework for REITs in Malaysia, and must be read together.

1.05 To assist with the interpretation of the requirements under these Guidelines and their application, Guidance has been inserted, where appropriate. Any action or conduct which departs from the Guidance will be taken into account by the SC in determining compliance with these Guidelines.

1.06 The SC may, upon application, grant an exemption from or variation to the requirements of these Guidelines if the SC is satisfied that–

(a) such variation is not contrary to the intended purpose of the relevant requirement in these Guidelines; or

(b) there are mitigating factors which justify the said exemption or variation.

Thereafter, an exemption or variation shall be referred to as “relief” in these Guidelines.

Chapter 2

DEFINITIONS

2.01 Unless otherwise defined, all words used in these Guidelines shall have the meaning as defined in the CMSA. In these Guidelines, unless the context otherwise requires:

accounting records	includes invoices, receipts, orders for payment of money, bills of exchange, cheques, promissory notes, vouchers, and other documents of prime entry and also includes such working papers and other documents necessary to explain the methods and calculations by which the financial statements are made up;
adviser	means a holder of a CMSL for advising on corporate finance or such other person as may be approved by the SC based on the person's qualification, expertise and experience;
approved accounting standards	has the meaning assigned to it in the *Financial Reporting Act 1997*;
Bursa Securities	means Bursa Malaysia Securities Bhd;
CMSL	means Capital Markets Services Licence;
CMSRL	means Capital Markets Services Representative's Licence;

CMSA	means the *Capital Markets and Services Act 2007*;
collective investment schemes (CIS)	means any arrangement where–

(a) it is made for the purpose, or having the effect, of providing facilities for persons to participate in or receive profits or income arising from the acquisition, holding, management or disposal of securities, derivatives or any other assets (referred to as fund's assets) or sums paid out of such profits or income;

(b) the persons who participate in the arrangements do not have day-to-day control over the management of the fund's assets;

(c) the contributions from the persons who participate in the arrangements and the profits or income from which payments are made, are pooled; and

(d) the fund's assets are managed by an entity who is responsible for the management of the fund's assets and is approved, authorised or licensed by a relevant regulator to conduct fund management activities;

	For the purpose of these Guidelines, the definition of CIS does not include business trusts;
eligible market	means a market that– (a) is regulated by a regulatory authority; (b) operates regularly; (c) is open to the public; and (d) has adequate liquidity for the purposes of the fund in question;
financial institution	means– (a) if the institution is in Malaysia, licensed bank, licensed investment bank, or licensed Islamic bank; or (b) if the institution is outside Malaysia, any institution that is licensed, registered, approved, or authorised by the relevant banking regulator to provide financial services;
financial statements	has the meaning as set out in the approved accounting standards issued or approved by the Malaysian Accounting Standards Board pursuant to the *Financial Reporting Act 1997*;

fund manager	means a person who is appointed by the management company to undertake the fund management function, or part thereof, for a REIT and who is either – (a) a holder of a CMSL for the regulated activity of fund management in relation to asset management restricted to REITs; or (b) in the case of a company outside Malaysia, a person properly licensed or authorised by the relevant regulator in its home jurisdiction to carry out fund management activities;
general public	means the general public within Malaysia;
group of companies	means any company and its related corporations;
independent director	means a director who is independent of management and free from any business or other relationship which could interfere with the director's exercise of independent judgement or the ability to act in the best interest of the unit holders of the REIT as a whole. Without limiting the generality of the foregoing, an independent director is one who –

(a) is not, and has not been within the last 3 years, an officer of the management company or any related corporation of the management company (each corporation is referred to as "said Corporation") of the REIT managed by the said Corporation, and the trustee, or any related corporation of the trustee, of the REIT managed by the said Corporation. For this purpose, "officer" has the meaning given in section 2 of the *Companies Act 2016* but excludes a director who has served as an independent director in any one or more of the said Corporations for a cumulative period of less than 12 years;

(b) is not a major shareholder of the said Corporation or a major unit holder of the REIT managed by the said Corporation;

(c) is not a family member of, any officer or major shareholder of the said Corporation, or major unit holder of the REIT managed by the said Corporation;

(d) is not acting as a nominee or representative of any executive director or major shareholder of

the said Corporation, or major unit holder of the REIT managed by the said Corporation;

(e) has not been engaged as an adviser by the said Corporation, or the REIT managed by the said Corporation under such circumstances as prescribed in paragraph 4.0 of Practice Note 13 of the Main Market Listing Requirement ("PN 13 of the MMLR"), or is not presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the said Corporation or the REIT managed by the said Corporation under such circumstances as prescribed in paragraph 4.0 of PN 13 of the MMLR; or

(f) has not engaged in any transaction with the said Corporation or the REIT managed by the said Corporation under such circumstances as prescribed in paragraph 5.0 of PN 13 of the MMLR, or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation

(other than subsidiaries of the management company) which has engaged in any transaction with the said Corporation or the REIT managed by the said Corporation under such circumstances as prescribed in paragraph 5.0 of PN 13 of the MMLR; and

(g) has not served as an independent director in any one or more of the said Corporations or an independent member of investment committee or Shariah adviser of the REIT for a cumulative period of more than 12 years from the date of his first appointment in such capacity.

For purposes of these Guidelines –

(i) the term "said Corporation" under paragraph 4.0 and 5.0 of PN 13 of the MMLR has the same meaning with the definition of "said Corporation" stated in paragraph (a) above; and

(ii) the term "related corporation" refers to section 7 of the *Companies Act 2016*.

independent member	in relation to the investment committee and the Shariah adviser of the REIT, means a person who is free from any relationship with the management company or a major shareholder of the management company that would otherwise interfere with the member's exercise of independent judgement. In any case, a period of three years must elapse before a person who was previously connected to the management company or a major shareholder can be deemed independent. The following is a non-exhaustive list of persons that would not be considered as an independent member: (a) in relation to the investment committee of a REIT, an officer of the said Corporation but excluding its independent director; (b) in relation to a Shariah adviser, an officer of the said Corporation; (c) An officer of the trustee of the REIT or any related corporation of the trustee; (d) An officer of any body corporate or unincorporated body that has the power to appoint or make recommendations towards the

appointment of members of the investment committee or the Shariah adviser of the REIT;

(e) A person related to an officer of the management company or trustee of the REIT, or major unit holder of the REIT managed by the said Corporation;

(f) A person representing or seen to be representing any body corporate or unincorporated body which is a major shareholder in the management company or major unit holder of the REIT managed by the said Corporation;

(g) A person who, within three years prior to his appointment as an independent member, has derived any remuneration or benefit, other than retirement benefit, from the management company or any body corporate or unincorporated body that has the power to appoint or make recommendations towards the appointment of members of the board of directors of the management company, members of the investment committee and the Shariah adviser of the REIT; or

	(h) A person who has served as an independent member of investment committee or Shariah adviser of the REIT for a cumulative period of more than 12 years from the date of his first appointment in such capacity.
licensed bank	has the meaning assigned to it in the *Financial Services Act 2013*;
licensed investment bank	has the meaning assigned to it in the *Financial Services Act 2013*;
licensed Islamic bank	has the meaning assigned to it in the *Islamic Financial Services Act 2013*;
Main Market Listing Requirements	means the *Bursa Securities Main Market Listing Requirements*;
major shareholder	has the meaning assigned to it in the Main Market Listing Requirements;
major unit holder	has the meaning assigned to it in the Main Market Listing Requirements;
net asset value (NAV)	means the value of all the REIT's assets less the value of all the REIT's liabilities at the valuation point;

non-real estate assets	means: (a) Units of other listed REITs; (b) Listed shares; (c) Listed securities of and issued by property companies; (d) Debt securities or sukuk issued by, or fully guaranteed by, the government of Malaysia; (e) Debt securities or sukuk issued by property companies, and real estate-related asset-backed securities; and (f) Commercial papers or Islamic commercial papers; or debt securities or sukuk issued by companies or institutions falling within the top three long-term credit rating and highest short-term credit rating by any domestic or global rating agency;
offer for sale	means an invitation by, or on behalf of, an existing holder to purchase units of the REIT already in issue or allotted;
offer for subscription	means an invitation by, or on behalf of, the REIT to subscribe units of the REIT not yet in issue or allotted;

ordinary resolution	means a resolution passed by a simple majority of votes validly cast at a meeting of unit holders;
person connected	has the meaning assigned to it in the Main Market Listing Requirements;
principal adviser	has the meaning assigned to it in the *Principal Adviser Guidelines*;
property development activities	means an activity which involves a construction or an extension of a building, or any other activity which results in the REIT being unable to receive or be entitled to any rental income from that building or land during the period of construction or redevelopment;
real estate investment trust (REIT)	means a unit trust scheme that invests or proposes to invest primarily in income-generating real estate;
real estate	means land and all things that are a natural part of the land as well as things attached to the land both below and above the ground and includes rights, interests and benefits related to the ownership of the real estate, but excludes mineral, or oil and gas assets and resources;
related party	means– (a) the management company of

	the REIT; (b) the trustee of the REIT; (c) a major unit holder of the REIT; (d) a director, chief executive officer or major shareholder of the management company; or (e) a person connected with any of the above;
restricted offer for sale	means an invitation to an identifiable group or pool of investors by, or on behalf of, an existing unit holder to purchase units of the REIT already in issue or allotted;
restricted offer for subscription	means an invitation to an identifiable group or pool of investors by, or on behalf of, an existing unit holder to subscribe for units of the REIT not yet in issue or allotted;
SC	means the Securities Commission Malaysia established under the *Securities Commission Malaysia Act 1993*;
Shariah adviser	has the meaning assigned to it in the *Guidelines on Islamic Capital Market Product and Services*;
special resolution	means a resolution that is passed by a majority of not less than 75% of the total voting rights of the unit

	holders who are entitled to vote on the resolution at the meeting. For the purpose of terminating a REIT, a special resolution is passed by a majority in number representing at least 75% of the total voting rights of the unit holders voting at the meeting*;*
stock exchange	has the meaning assigned to it in the CMSA, and includes stock exchanges in foreign jurisdictions;
sukuk	has the meaning assigned to it in the *Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework*;
total asset value	means the value of all the REIT's assets based on the latest valuation.

Calculation of Time Period

2.02 Reference to "days" in these Guidelines will be taken to mean calendar days unless otherwise stated. Furthermore, any time period stated in these Guidelines where no specific method for determining the time period is set out, the period starts on the day after the day of the event.

Chapter 3

THE MANAGEMENT COMPANY

General

3.01 For the purpose of these Guidelines, a management company is a company that–

(a) establishes a REIT;

(b) issues, offers for subscription, makes an invitation to subscribe for or purchase units of the REIT; and

(c) operates and manages the REIT.

3.02 A management company must–

(a) be an entity incorporated in Malaysia; and

(b) hold a CMSL for the regulated activity of fund management in relation to asset management restricted to REITs.

Directors

3.03 The directors of a management company must represent and safeguard the interests of unit holders of the REIT.

3.04 The board of directors of a management company must comprise at least–

(a) two independent directors, while maintaining a minimum ratio of at least one-third independent directors at all times; and

(b) one woman director.

3.05 A director of a management company must not–

(a) hold office as a director of more than one management company at any one time; and

(b) hold office as a member of the investment committee of a REIT operated by another management company.

Roles and Responsibilities of a Management Company

3.06 In performing its duties as stipulated under the CMSA, a management company must–

(a) exercise the degree of care and diligence that a reasonable person would exercise in the position of a management company;

(b) act in the best interest of unit holders and, if there is a conflict between unit holders' interests and its own interests, give priority to unit holders' interests;

(c) observe high standards of integrity and fair dealing in managing the REIT to the best and exclusive interest of unit holders;

(d) ensure that the assets of the REIT are–

(i) clearly identified as the REIT's assets; and

(ii) held separately from the assets of the management company and any other REIT managed by the management company;

(e) conduct all transactions for the REIT on arm's length basis;

(f) [Deleted]

(g) appoint a compliance officer who must directly report to the board of directors;

(h) appoint an individual as a designated person responsible for the real estate management of the REIT, who must possess the necessary experience and expertise in real estate investment;

(i) where the REIT's investment strategy includes investments in non-real estate assets, ensure that a designated person responsible for such investments is appointed, whether the

function is undertaken internally within the management company or externally. Where the function is undertaken internally, the management company must ensure that the designated person appointed possess the necessary experience and expertise to manage non-real estate assets. Where the function is undertaken by an external party, the management company must ensure that the external party appoints a designated person for the REIT;

(j) not take on, lease or otherwise acquire, except for the purposes of operating the REIT and those entered into in the ordinary course of business, any immovable real estate or interest therein; and

(k) ensure that all real estate acquired are insured in the name of the trustee.

3.07 For the purpose of subparagraph 3.06(i), the designated person appointed by the external party must be a holder of a CMSRL to carry on the regulated activity of fund management in relation to portfolio management. Where such designated person is in a foreign fund management company, the designated person must be licensed, registered, approved or authorised to carry on the activity of fund management by the relevant regulator in his home jurisdiction.

Property Manager

3.08 Where a property manager is appointed, the management company must ensure that the property manager possesses the necessary experience and expertise in real estate management.

3.09 Where a management company has an equity interest in the property manager, the property manager must only manage the real estate of the REIT managed by such management company.

Foreign Investments

3.10 Where investments involve real estate located outside Malaysia, the management company must ensure that it has the necessary experience, capability, resources, and competence to deal with the legal and other regulatory requirements of real estate located outside Malaysia.

3.11 A management company must, at a minimum, be able to demonstrate that it has the requisite competence, experience, and resources to–

(a) analyse the issues and risks associated with foreign investments;

(b) develop, implement, and keep up-to-date a set of effective internal controls and risk management systems to deal with existing and foreseeable risks associated with foreign investments; and

(c) inform investors in a clear, concise, and timely manner of the investment profile and risk to the REIT.

3.12 A management company must have a contingency plan that enables it to proactively respond to any urgent need that may arise in the course of its investment and management of real estate located outside Malaysia and its divestment of such real estate.

Valuations

3.13 A management company must take all reasonable steps and exercise due diligence to ensure that the REIT's assets are correctly valued in accordance with the securities laws, these Guidelines, prospectus and deed.

3.14 For the purpose of valuing the REIT's assets, a management company must not do or omit anything that would or might confer on itself a benefit or advantage at the expense of unit holders or investors.

Maintenance of Records

3.15 A management company must maintain, or cause to be maintained for a period of at least seven years–

(a) the accounting records and other books to sufficiently explain the transactions and financial position of the REIT and enable true and fair financial statements to be prepared from time to time; and

(b) such accounting records and other books in such a manner as will enable them to be conveniently and properly audited.

3.16 A management company must ensure that the financial statements of the REIT give a true and fair view of the REIT's financial position as at the end of the REIT's financial year end.

Provision of Information

3.17 A management company must submit or make available any information relating to the REIT, its business and any other information as may be required by the trustee from time to time.

Chapter 4

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Chapter 5

APPOINTMENT OF THIRD PARTY TO UNDERTAKE FUNCTIONS

General

5.01 A management company may appoint a third party to undertake its fund management function.

5.02 The management company is responsible for proper conduct of the function undertaken by such third party and will be held equally responsible for the action and omission by the third party.

5.03 For the purpose of these Guidelines, a third party appointed by a management company to undertake the fund management function for a REIT will be referred to as "fund manager".

5.04 A management company must ensure that–

(a) adequate procedures are in place to monitor the conduct of the fund manager and to ensure that the function undertaken is performed in a proper, diligent and efficient manner;

(b) the fund manager has controls in place to ensure compliance with the securities laws, these Guidelines, prospectus and deed; and

(c) in relation to an appointment of a foreign fund manager, a letter of undertaking is provided by the foreign fund manager to the SC that–

(i) it will maintain for a period of at least seven years, proper records to sufficiently explain the transactions entered into on behalf of the REIT and the financial position of the REIT in relation to such transactions; and

(ii) it would enable such records to be conveniently and properly audited or inspected.

5.05 In appointing a fund manager, a management company must also ensure that the person appointed is suitable to undertake the particular function, including that it–

(a) is duly licensed or authorised by the relevant authority;

(b) has adequate financial resources;

(c) has an adequate track record in the performance of the function; and

(d) has adequate and appropriate human resources, systems, procedures and processes, including compliance with applicable requirements, policies and procedures on internal controls, to carry out the function.

5.06 The service agreement governing the appointment of a fund manager must, among others, contain clear provisions on–

(a) the services to be provided;

(b) the fees, remuneration and other charges;

(c) any restriction or prohibition regarding the performance of the function to be undertaken; and

(d) reporting requirements, including the line of reporting to the management company, and means of evaluating the performance of the fund manager.

Appointment of a Fund Manager

5.07 An appointment of a fund manager by a management company requires prior notification to the SC in writing.

5.08 Where a management company appoints a foreign fund manager, the service agreement between the management company and the foreign fund manager must include, in addition to the requirements set out in paragraph 5.06, provisions on the following:

(a) Adequate training arrangements between the foreign fund manager and the management company; and

(b) Powers of examination and inspection by the management company, the trustee and the SC to ensure that the foreign fund manager is in compliance with the securities laws, these Guidelines, prospectus and the deed.

5.09 An officer of a fund manager must not hold office as a member of–

(a) the investment committee of any REIT for which the fund manager is appointed to manage; or

(b) the Shariah adviser of any REIT for which the fund manager is appointed to manage.

5.10 The fund manager's remuneration must be borne by the management company and not be charged to the REIT.

5.11 [Deleted]

5.12 [Deleted]

Chapter 6

INVESTMENT COMMITTEE

General

6.01 In addition to the appointment of a trustee, a management company is encouraged to establish and maintain additional oversight arrangements to provide an oversight over the operation and management of the REIT, such as appointing an investment committee for the REIT.

6.02 Where an investment committee is appointed, the investment committee should comprise–

(a) at least three individual members; and

(b) at least two independent members, while maintaining a minimum ratio of at least one-third independent members at all times.

6.03 A member of the investment committee should not hold office as–

(a) member of an investment committee of a REIT managed and administered by another management company;

(b) director of another management company;

(c) Shariah adviser for the same REIT; or

(d) an officer of the fund manager for the REIT.

Roles and Responsibilities

6.04 An investment committee should ensure that the REIT is managed in accordance with–

(a) the REIT's investment objective;

(b) the deed;

(c) the prospectus;

(d) the securities laws and these Guidelines;

(e) the internal investment restrictions and policies; and

(f) acceptable and efficacious investment management practices within the real estate investment industry.

6.05 An investment committee's roles and responsibilities include the following:

(a) Select appropriate strategies to achieve the proper performance of the REIT in accordance with the investment policies;

(b) Ensure that the strategies selected are properly and efficiently implemented by the management company or the fund manager, if any; and

(c) Actively monitor, measure and evaluate the performance of the management company or the fund manager, if any.

Fit and Proper Criteria

6.06 The persons appointed should–

(a) be of good repute and character;

(b) observe high standards of integrity and fair dealing in carrying out their duties and responsibilities;

(c) act with due skill, care, and diligence in carrying out their duties and responsibilities;

(d) take reasonable care to ensure that they carry out their duties and functions in accordance with these Guidelines; and

(e) possess the necessary qualifications, expertise, and experience, particularly in the respective fields to perform their duties and responsibilities in a fit and proper manner.

6.07 The persons should not have been involved in any unethical or inappropriate practice. Among others, the persons could be subject to a disqualification in any of the following events:

(a) A petition filed under bankruptcy laws or the persons have been declared bankrupt;

(b) A criminal proceeding for the conviction for the fraud, dishonesty or any other offence punishable with imprisonment of one year or more, anywhere in the world;

(c) Any inquiry or investigation carried out by any government or statutory authority or body, in which an adverse finding was found; and

(d) Any unethical practice and activity which would render the persons unfit to perform an oversight function.

6.08 It is the responsibility of the management company to assess the ability of the person to carry out the duties and responsibilities required of him. In the case of an establishment of a new management company, such responsibility lies with the holding company or promoter and its board of directors.

6.09 Where any person becomes subject to any disqualification or becomes otherwise unfit to hold office, the management company must ensure that the person vacates the position immediately.

6.10 Where an individual is appointed as a member for more than one committee of REITs operated and managed by the same management company, he must act separately and independently for each of the fund he is appointed for.

Chapter 7

CONSTITUTION OF A REAL ESTATE INVESTMENT TRUST

Instrument Constituting the REIT

7.01 In addition to the requirements of the CMSA, the deed to be registered by the SC must contain the minimum requirements prescribed in Schedule A.

7.02 The contents of the deed must not be prejudicial to the interest of a unit holder and must not contain any matter which is inconsistent with the securities laws and relevant guidelines issued by the SC.

7.03 The management company and trustee are responsible for maintaining the deed and making necessary amendments to the deed in accordance with the securities laws and relevant guidelines issued by the SC.

Name of the REIT

7.04 The management company and trustee must ensure that the name of the REIT is appropriate and not misleading.

Guidance to paragraph 7.04

The SC will consider a REIT's name to be inappropriate if it contains terms in relation to SRI (sustainable and responsible investments) or ESG (environmental, social and governance) but the REIT is not a qualified fund under the *Guidelines on Sustainable and Responsible Investment Funds*.

Examples of SRI or ESG-related terms include, but is not limited to, "sustainability", "carbon efficient", "environment", "climate".

7.05 The SC may require the management company to change the name of the REIT if the SC is of the opinion that the name of the REIT is inappropriate or misleading.

Guidance to paragraph 7.05

The SC will take into account, among other matters, whether the name of the REIT–

(a) implies that the REIT has merits which are not justified;

(b) is inconsistent with the REIT's investment objective or policy;

(c) might mislead investors into thinking that a person other than the management company is responsible for the REIT or part of the REIT;

(d) is substantially similar to the name of another REIT in Malaysia or elsewhere; or

(e) is, in the opinion of the SC, likely to offend the public.

Investment Objective of the REIT

7.06 The investment objective of the REIT must be clear, specific and stipulated in the deed.

7.07 Where the strategies adopted to meet the investment objective of the REIT involve investment in a particular type of real estate, market or geographic area, it is the management company's duty to ensure that an appropriate portion of the REIT is invested in accordance with that intention.

Chapter 8

INVESTMENTS OF THE REAL ESTATE INVESTMENT TRUST

General

8.01 The REIT's assets must–

(a) be relevant and consistent with the investment objective and strategy of the REIT; and

(b) provide a prudent spread of risk, in line with the investment objective and strategy of the REIT.

8.02 All dealings in the REIT's assets must be appropriate to the REIT and consistent with the securities laws, these Guidelines, prospectus and deed.

8.03 A management company must–

(a) inform the trustee in writing and keep them updated on any proposal relating to acquisitions or disposals of real estate;

(b) inform the trustee in writing of any acquisition or disposal of non-real estate assets within one business day after which the acquisition or disposal was effected;

(c) ensure that the REIT's assets have proof of title or ownership of interests to allow proper custodial arrangements to be made; and

(d) cancel a transaction or make a corresponding acquisition or disposal at its own expense to secure restoration of the previous position where the trustee conveyed an opinion that a particular acquisition or disposal exceeds the powers conferred on it, or is otherwise contrary to the interests of unit holders.

Permissible Investments

8.04 Subject to the requirements and restrictions on investments and activities outlined in this Chapter, a REIT may only invest in the following:

(a) Real estate;

(b) Non-real estate assets; and

(c) Cash, deposits and money market instruments.

Requirements and Restrictions on Investments and Activities

8.05 At least 75% of a REIT's total asset value must be invested in real estate that generates recurrent rental income at all times.

Investments in Real Estate

8.06 An investment in real estate may be by way of direct ownership or through a shareholding in a special purpose vehicle. Where the investment is through a shareholding in a special purpose vehicle, a management company must ensure that–

(a) the investment is in the best interest of unit holders;

(b) there are valid commercial reasons for investing through the special purpose vehicle instead of in the real estate directly;

(c) the REIT owns the entire equity interest in the special purpose vehicle. However, where this is not possible, the REIT must have majority ownership of and control over the special purpose vehicle such that it is able to exercise all rights and interests over the real estate without any hindrance; and

(d) the value of the special purpose vehicle is backed by the value of the real estate.

8.07 Where a REIT acquires a real estate through a shareholding in a special purpose vehicle, the management company must not assume any liability of the special purpose vehicle, except for the commitments in

relation to loan or financing facilities with financial institutions relating to the real estate.

8.08 For the purposes of an initial listing of a REIT or acquisitions by a listed REIT, a management company must ensure the following:

(a) The real estate has a good track record or good prospects for reasonable levels of future net rental income;

(b) If capital expenditure is to be incurred to enhance the real estate, such expenditure would not materially affect the yield to unit holders; and

(c) The real estate is free from encumbrances at the time of listing or acquisition, except for charges entered by financial institutions, trustee or management company in relation to borrowing or financing facilities.

Guidance to subparagraph 8.08(a)

Factors which should be taken into consideration include, but are not limited to, the following:

(a) For the purpose of determining whether the real estate has a good track record, historical tenancy levels for the real estate and the net rental income generated from it which demonstrates a reasonable yield for the REIT that is sustainable; and

(b) For the purpose of determining whether the real estate has good prospects–

(i) the ability of the real estate to yield a reasonable return within a reasonable period of time;

(ii) there should be good potential to secure tenants; and

(iii) it should be competitive and located within good catchment areas.

8.09 A management company must ensure the following:

(a) The REIT has good marketable legal and beneficial title in all its real estate; and

(b) The REIT has majority ownership of and control in the real estate acquired to enable the REIT to exercise all rights and interests over the real estate without any hindrance.

Guidance to subparagraph 8.09(a)

Where the legal title to the real estate is not transferred to the REIT on the completion date of the sale and purchase agreement, in ensuring that the REIT has good marketable legal and beneficial title in all its real estate, a management company is expected to—

(a) obtain a legal opinion from a suitably experienced legal firm specialising in real estate matters, ensuring or confirming, as the case may be, that relevant and appropriate measures are in place towards ensuring that such transfer of legal title is completed;

(b) take reasonable steps to effect the transfer of legal title in favour of the REIT and is satisfied that the REIT will have good marketable legal and beneficial title in the real estate upon completion of the transfer; and

(c) make relevant disclosures to the unit holders of the REIT regarding the risks associated with the transfer of title and the measures implemented to mitigate such risks.

Guidance to subparagraph 8.09(b)

In determining whether a REIT has control over a subdivided real estate, a management company must assess and determine that the REIT is able to manage the risks associated with such ownership, including maintenance and asset enhancement.

For this purpose, “subdivided real estate” means any real estate comprising a parcel or multiple parcels in a subdivided building, or any real estate which is a single en bloc parcel of a building block within an integrated development comprising various component blocks.

8.10 Notwithstanding subparagraph 8.09(a), a REIT may invest in a real estate through a lease arrangement, provided that the management company ensures the following:

(a) Where the lease relates to a real estate located in Malaysia, the lease must be registered with the land authority;

(b) Where the lease relates to a real estate located outside Malaysia, the lease must be registered or recognised by the relevant land authority under a land registry framework equivalent to that of Malaysia;

(c) The REIT has the relevant rights, interests and benefits (including the right to sub-lease) related to the REIT's interests as a lessee of the real estate;

(d) The total value of investment through a lease arrangement, where the real estate having remaining lease period of less than 30 years must not exceed 25% of the REIT's total asset value at the point of listing or acquisition, as the case may be; and

(e) The interests of unit holders of the REIT are protected with respect to the risk relating to the REIT not being the registered proprietor of the real estate. Legal opinion must be obtained for this purpose.

8.11 Where it is not possible to register or recognise the lease with the relevant land authority as set out in subparagraphs 8.10(a) and (b), the REIT may enter into such lease arrangement, provided that the following additional criteria are met:

(a) The real estate is ancillary to a real estate of the REIT, whether existing or proposed to be acquired;

(b) It is in the best interest of the unit holders; and

(c) The value of the arrangement does not exceed 5% of the value of the real estate that it is ancillary to.

Guidance to subparagraph 8.11(a)

Example of ancillary real estate includes a pedestrian bridge, tunnel or path, or car park space.

Guidance to subparagraph 8.11(c)

A higher percentage may be allowed where there are valid commercial justifications. In such cases, prior consent from the SC must be obtained.

8.12 A management company must ensure that where the consents of the relevant authorities or parties to transfer the lease interest in the real estate are required, such consents have been obtained–

(a) in the case of a REIT which is seeking listing, before the REIT's prospectus is registered with the SC; or

(b) in the case of a REIT which is already listed, before the acquisition of the real estate.

8.13 A REIT may invest in real estate where it does not have a majority ownership and control provided that–

(a) the total value of these real estate does not exceed 25% of the REIT's total asset value at the point of listing or acquisition, as the case may be; and

(b) the investment in these real estate is in the best interest of unit holders.

8.14 A management company may only acquire vacant land provided that –

(a) such acquisition is undertaken for the purposes of property development activities;

(b) the aggregate investments of such acquisition and property development activities must comply with paragraph 8.17; and

(c) the developed real estate is intended to be held for at least two years upon completion.

8.15 The developed real estate may be disposed within two years from the date of completion of the development provided that the management company obtains–

(a) the trustee's consent; and

(b) unit holders' approval by way of a special resolution at a general meeting.

8.16 Subject to paragraph 8.17, a REIT may invest in real estate under construction, provided that the following criteria are met:

(a) The arrangement or agreement to acquire the real estate under construction is made subject to the completion of the building with sufficient cover for construction risks;

(b) The arrangement or agreement to acquire the real estate under construction must be on terms which are the best available for the REIT and which are no less favourable to the REIT than an arm's length transaction between independent parties; and

(c) The prospects for the real estate to be acquired upon its completion are reasonably expected to be favourable.

8.17 The aggregate investments in property development activities (Property Development Costs) and real estate under construction must not exceed 15% of the REIT's total asset value. For avoidance of doubt, such investments cannot be accounted towards meeting the requirement of paragraph 8.05.

8.18 Property Development Costs refers to:

(a) Costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities; and

(b) Where applicable, the acquisition cost of the real estate that is being acquired for development purposes.

Guidance to paragraph 8.18

For the purpose of calculating Property Development Costs:

(a) The management company is expected to include a prudent buffer to cater for cost overruns that may arise during the course of development; and

(b) Where the management company undertakes property development activities for existing real estate, the book value of such real estate should not be included.

8.19 Where a REIT proposes to invest in real estate located outside Malaysia, the management company must ensure that–

(a) such an investment is in the best interest of the REIT and its unit holders; and

(b) the relevant laws, rules and guidelines are complied with, and that approvals or authorisations from the relevant authorities (foreign or domestic) have been obtained prior to the initial listing of a REIT or acquisitions by a listed REIT, as the case may be.

Guidance to subparagraph 8.19(a)

Factors which should be considered by a management company in ensuring that investments in real estate located outside Malaysia are in the best interest of the REIT and its unit holders include, but are not limited to, the following:

(a) Entry barriers, such as foreign ownership restrictions, foreign exchange and remittance control, and anti-competition provisions;

(b) Economic and political environment, legal, judicial and financial reporting framework, and the real estate market in the foreign country;

(c) Operational barriers, such as enforcement of legal rights as landlord and transparency of financial reporting;

(d) Taxation matters that may affect operations of a REIT investing in the foreign country concerned;

(e) Where applicable, the existence of a foreign entity to whom functions are delegated, the ability of the management company to maintain sufficient on-going supervision of such foreign entity and the presence of any constraint or limitation in engaging such an entity;

(f) Possible exit strategies or mechanisms for the foreign market and termination arrangements for the REIT's foreign investments; and

(g) Practical and effective measures that would address any issue or mitigate the risks that may arise out of the foreign investment.

8.20 A management company must arrange adequate insurance coverage in relation to all real estate of the REIT.

Investments in Non-real Estate Assets

8.21 A REIT's investment in non-real estate assets is subject to the following investment limits and restrictions:

(a) The securities must be traded in or under the rules of an eligible market, except for unlisted debt securities or sukuk;

(b) The value of a REIT's investments in securities issued by any single issuer must not exceed 5% of the REIT's total asset value;

(c) The value of a REIT's investments in securities issued by any group of companies must not exceed 10% of the REIT's total asset value; and

(d) A REIT's investments in any class of securities must not exceed 10% of the securities issued by any single issuer.

8.22 The management company must ensure that the limits and restrictions for investments in non-real estate assets are complied with at all times based on the most up-to-date value of the REIT's assets.

> **Guidance to paragraph 8.22**
>
> The use of the REIT's latest total asset value, as disclosed in the latest audited financial statements of the REIT and adjusted for any proposed transaction since the issuance of such financial statements, is acceptable in determining compliance with the limits and restrictions.

8.23 The limits and restrictions in paragraph 8.21 do not apply to securities issued or guaranteed by the Malaysian government or Bank Negara Malaysia.

8.24 In determining compliance with the limits or restrictions, any accrued entitlement on the securities held by the REIT may be excluded. The entitlement must not be exercised if the exercise results in the breach of any limit or restriction.

8.25 Notwithstanding paragraph 8.24, the right of convertibility may be exercised even if it results in a breach of any limit or restriction, provided there are justifiable reasons and prior consent of the trustee has been obtained. Nonetheless, the management company must, within a time frame of not more than one month from the date of the breach, take all necessary steps and actions to rectify the breach.

8.26 Investments in non-real estate assets in a foreign market are limited to foreign markets where the regulatory authority is an ordinary or associate member of the International Organization of Securities Commissions (IOSCO). A management company must also ensure that the foreign market is an eligible market where it also has satisfactory provisions relating to–

(a) the regulation of the foreign market;

(b) the general carrying on of business in the market with due regard to the interests of the public;

(c) adequacy of market information;

(d) corporate governance;

(e) disciplining of participants for conduct inconsistent with just and equitable principles in the transaction of business, or for a contravention of, or a failure to comply with, the rules of the foreign market; and

(f) arrangements for the unimpeded transmission of income and capital from the foreign market to the REIT.

Investments in Cash, Deposits and Money Market Instruments

8.27 The REIT's assets may consist of placement of deposits provided that it is with a financial institution.

Usage of Derivatives

8.28 A REIT may use derivatives for the sole purpose of hedging a REIT's existing risk exposure.

Borrowings or Financing Facilities

8.29 A REIT may use borrowings or financing facilities to invest in real estate and for capital expenditure purposes.

8.30 A REIT may only borrow or obtain financing facilities from financial institutions or through the issuance of debt securities or sukuk.

8.31 In relation to the issuance of debt securities or sukuk for the purpose of investment in real estate, a management company, may do so through a special purpose vehicle wholly owned by the REIT.

8.32 The total borrowings or financing facilities, including borrowings or financing through issuance of debt securities or sukuk, and deferred payment arrangements of a REIT, must not exceed 50% of the total asset value of the REIT at the time the borrowings or financing facilities, or deferred payment arrangements are incurred.

Guidance to paragraph 8.32

For the purpose of calculating this limit, only deferred payment arrangements in relation to the acquisition of real estate must be included.

8.33 For the purpose of calculating the total borrowings or financing facilities of a REIT, hybrid securities may be excluded provided that the following criteria are met:

(a) The securities have a perpetual term;

(b) The redemption is at the sole discretion of the REIT;

(c) The distributions are non-cumulative;

(d) There are no features that will have the effect of incentivising the REIT to redeem its units (e.g. step-up in interest or profit rates); and

(e) The securities are deeply subordinated in the event of liquidation.

8.34 The management company may pledge the REIT's assets to secure borrowings or financing facilities provided that the consent of the trustee has been obtained.

8.35 The trustee must ensure that the REIT's borrowings or financing facilities and pledging of the REIT's assets are not prejudicial to the interests of the unit holders.

Breach of Limits and Restrictions

8.36 Where a REIT fails to comply with any of the limits and restrictions under this Chapter, the management company must–

(a) notify the SC within three business days after it becomes aware of such breach;

(b) take all necessary steps and actions to rectify the breach, and must not enter into any transaction that could increase the extent of the breach; and

(c) notify the SC as soon as practicable where such breach has been rectified.

8.37 Where the breach of limits and restrictions is a result of an appreciation or depreciation of the REIT's total asset value, the management company must rectify such breach within a period of not more than three months from the date it becomes aware of such breach.

8.38 Notwithstanding paragraph 8.37, the three-month period may be extended if it is in the best interest of unit holders and trustee's consent is obtained.

8.39 In the event the three-month period is extended, the management company must notify the SC and unit holders on the progress of the rectification of the breach through the quarterly reports.

8.40 Where a REIT fails to comply with paragraph 8.05 as a result of disposals of real estate, divestments or issuance of new units, the management company must take all necessary steps and actions to rectify the breach, within a period of 12 months from the date of the breach.

8.41 For investments in non-real estate assets, a 5% allowance in excess of any limit or restriction is permitted where the limit or restriction is breached through an appreciation or depreciation of the REIT's total asset value.

Non-Permissible Activities

8.42 A REIT is not permitted to conduct the following activities:

(a) Extension of loans, financing facilities or any other credit facility to any person; and

(b) Acquisition of a vacant land, except for the purposes of property development activities.

Chapter 9

CONFLICT OF INTEREST AND RELATED-PARTY TRANSACTIONS

9.01 A management company and a fund manager must avoid any conflicts of interest. Where a conflict cannot be avoided, appropriate safeguards must be put in place to protect the interests of the unit holders and ensure that the REIT is not disadvantaged by the transaction concerned.

9.02 If a management company manages more than one REIT and a transaction involves two or more of the REITs managed by the management company, transactions between these two REITs are deemed as related-party transactions for each of the REIT involved in the transactions.

9.03 Any related-party transaction, dealing, investment, and appointments involving a REIT must be made on terms which are the best available for the REIT and which are no less favourable to the REIT than an arm's length transaction between independent parties.

9.04 The appointment or renewal of appointment of a fund manager who is a related party of the management company must be approved by the independent directors of the management company.

Chapter 10

VALUATION

10.01 To determine the REIT's NAV per unit, a fair and accurate valuation of all assets and liabilities of the REIT must be conducted.

Real Estate

10.02 A valuation of the real estate of a REIT must be carried out by an independent valuer as follows:

(a) In the case of a REIT seeking listing, all real estate which will be in the REIT's investment portfolio upon listing; and

(b) In the case of a listed REIT –

(i) all real estate in the REIT's investment portfolio at least once a financial year; and

(ii) all real estate to be acquired or disposed by the REIT.

10.03 A valuation of the real estate of a REIT must comply with the *Asset Valuation Guidelines* in the following circumstances:

(a) Where a REIT is to be listed on the Main Market of Bursa Securities; and

(b) Where the valuation is conducted for a transaction that requires unit holders' approval.

10.04 In circumstances other than paragraph 10.03, the valuation report must be–

(a) prepared in accordance with the Malaysian Valuation Standards or, in the case of a foreign real estate, other applicable valuation standards;

(b) prepared for a date of valuation that must not be more than six months before the date of the sales and purchase agreement or six months before the REIT's financial year end, where applicable; and

(c) updated where there are significant changes affecting the valuation between the date of valuation and the date of the sales and purchase agreement or the date of the auditor's report, where applicable.

10.05 Where the REIT acquires a real estate with income support arrangements, the management company and trustee must ensure that the market value of the real estate acquired excludes the effects of the income support arrangement.

10.06 The valuer–

(a) must be duly appointed by the trustee; and

(b) may conduct valuation on any particular real estate of a REIT for up to three consecutive years only.

10.07 A trustee may, at any time and on its own accord, appoint a valuer to conduct a valuation of the real estate owned by a REIT.

10.08 The SC reserves the right to, at the cost of the REIT, seek a second opinion on the value of a real estate.

Non-real Estate Assets

10.09 A valuation must be carried out on all non-real estate assets in accordance with Schedule C.

10.10 Valuations of these types of assets must be based on a process which is consistently applied and leads to objective and independently verifiable valuations.

10.11 The valuation points for these types of assets must be at the end of each quarter of the REIT's financial year.

10.12 Upon completion of the valuation, the management company must notify the trustee immediately of the NAV per unit of the REIT.

Incorrect Valuation

10.13 Where incorrect valuation occurs, the management company must–

(a) take immediate remedial action to rectify such incorrect valuation;

(b) notify the trustee; and

(c) notify the SC, unless the trustee considers the incorrect valuation to be of minimal significance.

Chapter 11

FEES AND EXPENSES

Fees

11.01 A management company and trustee may only be remunerated by way of an annual fee charged to the REIT.

11.02 A management company may charge a fee for the acquisition or disposal of real estate by the REIT, provided it has clear justification for each type of fees payable to the management company.

11.03 Such fees may only be charged to the REIT if permitted by the deed and are clearly disclosed in the prospectus, circular or announcement.

11.04 The fees must not be higher than that disclosed in the prospectus unless–

(a) the management company has notified the trustee in writing of the new higher rate, and the trustee agrees after considering matters as stated in paragraph 11.05;

(b) for trustee fee, the trustee has notified the management company in writing of the new higher rate and the management company agrees after considering matters as stated in paragraph 11.07;

(c) the management company has announced to Bursa Securities of the higher fee rate and its effective date; and

(d) 30 days have elapsed since the date of the announcement.

11.05 A management company must demonstrate, and the trustee must agree, that the management fee is reasonable, considering–

(a) the roles, duties, and responsibilities of the management company;

(b) the interests of unit holders;

(c) the nature, quality and extent of the services provided by the management company;

(d) the size and composition of the REIT's assets;

(e) the success of the management company in meeting the REIT's investment objective;

(f) the need to maximise returns to unit holders; and

(g) the maximum rate stipulated in the deed.

11.06 If at any time the trustee is of the opinion that the management fee charged to the REIT is unreasonable, the trustee must take necessary actions, which may include convening a unit holders' meeting, to ensure that the fee charged commensurate with the services provided by the management company.

11.07 The trustee fee must be fair and reasonable, considering–

(a) the roles, duties, and responsibilities of the trustee;

(b) the interests of the unit holders;

(c) the maximum rate stipulated in the deed; and

(d) the size and composition of the REIT's assets.

Expenses of the REIT

11.08 Only expenses, or part thereof, directly related and necessary in operating and administering a REIT may be paid out of the REIT. These include, but are not limited to, the following:

(a) Maintenance of real estate;

(b) Taxes and other duties charged on the REIT by the government and other authorities;

(c) Fees and other expenses properly incurred by the auditor appointed for the REIT;

(d) Fees for the valuation of any investment of the REIT by independent valuers for the benefit of the REIT;

(e) Costs incurred for the modification of the deed of the REIT other than those for the benefit of the management company or trustee;

(f) Costs incurred for any meeting of the unit holders other than those convened for the benefit of the management company or trustee; and

(g) Expenses for the listing on the stock exchange.

11.09 General overheads and costs for services expected to be provided by a management company must not be charged to the REIT.

11.10 A trustee must ensure that all expenses charged to the REIT are legitimate. In addition, a trustee must ensure that the quantum of expenses charged to the REIT is not excessive or beyond the standard commercial rates. Where uncertainties arise, the trustee must exercise its discretion carefully and appropriately in determining whether or not to allow the expense or the quantum of the expense to be charged to the REIT.

11.11 A trustee may be reimbursed by the REIT for any expenses appropriately incurred in the performance of its duties and responsibilities as a trustee.

Chapter 12

PUBLIC OFFERINGS AND LISTINGS

12.01 The initial size of a REIT proposing a primary listing on the Main Market of Bursa Securities must be at least RM500 million.

12.02 In determining the size of the REIT, a management company must take into account its resources, expertise, experience, and overall capability to carry out its duties in accordance with the securities laws, these Guidelines and the deed.

Methods of Offering of Units

General

12.03 The methods of offering of units chosen should enable the REIT to have a broad base of unit holders and comply with the unit holding spread requirements of Bursa Securities.

12.04 A REIT must, as part of its listing scheme, undertake an offering of units to the general public and the allocation for such units must be made through a balloting process. The balloted portion must constitute at least 2% of the approved size of the REIT, or an aggregate of 10 million units, whichever is higher.

12.05 Expenses incurred relating to an offer for sale or restricted offer for sale of units must be borne by the offeror.

Placement of Units

12.06 The principal adviser must act as the placement agent or where applicable, joint placement agent, for any placement of units under an initial public offering.

12.07 The principal adviser or any other placement agent must not retain any unit being placed for its own account, except under the following circumstances:

(a) Where such units are taken up following an underwriting agreement, in the event of an under-subscription; or

(b) Where such units being retained are over and above the total number of units required to be in the hands of public unit holders, to meet the unit holding spread requirement of Bursa Securities. The retention of units for the purposes of this paragraph must not result in the principal adviser or placement agent holding, whether directly or indirectly, 5% or more of the total number of units issued.

12.08 Units may not be placed with persons connected to the placement agent, except under the following circumstances:

(a) Where such persons connected to the placement agent are–

(i) statutory institutions managing funds belonging to the general public; or

(ii) entities established as collective investment schemes which are considered to represent the general public; or

(b) Where the placement is made following a book-building exercise, in which case–

(i) the placement agent or book-runner must establish internal arrangements to prevent the persons connected to it from accessing the book;

(ii) the placement agent or book-runner must fully inform the management company and obtain the management company's consent before inviting persons connected to it to bid for the units;

(iii) the persons connected to the placement agent or book-runner must disclose to the placement agent or book-runner and the management company, the bid amounts which they have put in for their own or proprietary account or customer account, as applicable; and

(iv) the allocation to persons connected to the placement agent or book-runner must be consistent with the allocation policy that has been communicated to and agreed by the management company of the REIT,

including the number of units to be allocated to a single party.

12.09 The aggregate number of units placed with persons connected to the placement agent above must not be more than 25% of the total number of units made available for placement by the placement agent.

12.10 Placement of units may not be made to–

(a) directors of the management company, existing unit holders of the REIT or persons connected to them, whether in their own names or through nominees, except under restricted offers stated in paragraph 12.14; and

(b) nominee corporations unless the names of the ultimate beneficiaries are disclosed.

12.11 As soon as practicable after the placement exercise but in any event, no later than three market days after the listing of the REIT, the principal adviser must submit to the SC the following:

(a) For each placement agent, the final list setting out the names, home or business addresses, identity card or passport or company registration numbers, occupations or principal activities and Central Depository System (CDS) account numbers of all the placees and in the case where the placees are nominee corporations or funds, the ultimate beneficial owners of the units placed, and the amount and price of units placed to each placee; and

(b) A confirmation from the principal adviser that to the best of its knowledge and belief, after having taken all reasonable steps and made all reasonable enquiries, the details set out in the final list of placees in subparagraph (a) are accurate and the placement exercise complies with the requirements on placement as stated in these Guidelines.

12.12 The information on the ultimate beneficiaries of the units as required in subparagraph 12.11(a) need not be submitted for the following types of placees:

(a) Statutory institutions managing funds belonging to the general public;

(b) Collective investment schemes or prescribed investment schemes approved by the SC; and

(c) Collective investment schemes which are authorised, approved or registered investment schemes incorporated, constituted or domiciled in a jurisdiction other than Malaysia and regulated by the relevant regulatory authority in that jurisdiction, subject to the principal adviser confirming to the SC that such schemes have been duly authorised, approved or registered.

12.13 The SC reserves the discretion to require submission of such further information on the placement exercise and the placees as the SC may consider necessary for the purpose of establishing the propriety of the exercise or the independence of the placees.

Restricted Offers

12.14 Restricted offers for sale and restricted offers for subscription which are undertaken as part of the listing scheme may only be made to the following groups of persons:

(a) Directors and employees of the management company;

(b) Directors and employees of the subsidiary or holding company of the management company;

(c) Other persons who have contributed to the success of the real estate, such as long-term tenants; and

(d) Shareholders of the holding company of the management company, if the holding company is listed.

12.15 The aggregate amount of units which may be offered to the groups of persons under subparagraphs 12.14 (a), (b) and (c) must not be more than 10% of the total number of units issued upon listing or 25% of the units offered, whichever is lower.

Pricing of a Unit

12.16 The issue price of units offered for subscription or sale, for which a listing is sought, must be at least RM0.50 each.

12.17 Where units are offered to related parties in conjunction with the initial public offering, the price of such units must be set at least at the issue price to the public.

Underwriting

12.18 Underwriting arrangements are at the discretion of the management company and its principal adviser.

12.19 The principal adviser must be part of the syndicate of underwriters for the units offered under the initial public offering if there is an underwriting arrangement.

12.20 A REIT seeking listing on the Main Market of Bursa Securities must disclose in its prospectus–

(a) the minimum level of subscription and the basis for determining the minimum level based on factors, such as the level of funding required by the REIT and the extent of the unit holding spread needed; and

(b) the level of underwriting that has been arranged, together with justifications for the level arranged.

12.21 Where the minimum level of subscription is not achieved, the offering of units must be terminated and all consideration received must be immediately returned to all subscribers.

Chapter 13

OPERATIONAL MATTERS

Distribution of Income

13.01 Any distribution of income must only be made from realised gains or realised income, after taking into consideration the following:

(a) Total returns for the period;

(b) Income for the period;

(c) Cash flow for distribution;

(d) Stability and sustainability of distribution of income; and

(e) The investment objective and distribution policy of the REIT.

Rebates and Soft Commission

13.02 A management company, fund manager, trustee or trustee's delegate must not retain any rebate from, or otherwise share in any commission with, any broker or dealer in consideration for directing dealings in a REIT's assets. Accordingly, any rebate or shared commission must be directed to the account of the REIT concerned.

13.03 Notwithstanding paragraph 13.02, goods and services (soft commission) provided by any broker or dealer may be retained by the management company, fund manager, trustee or trustee's delegate if–

(a) the goods and services are of demonstrable benefit to unit holders and in the form of research and advisory services that assist in the decision-making process relating to the REIT's investments;

(b) dealings with the broker or dealer are executed on terms which are the most favourable for the REIT; and

(c) the practice of the management company, fund manager, trustee or trustee's delegate in relation to soft commissions is adequately disclosed in the prospectus and annual reports, including a description of the goods and services received by the management company, fund manager, trustee or trustee's delegate.

13.04 Where paragraph 13.03 applies, the compliance officer must verify and inform the management company's board of directors or the audit and compliance committee, if any, that any goods or services received by the management company or the fund manager, comply with the requirements of these Guidelines.

Creation and Cancellation of Units

13.05 A management company must instruct the trustee in writing to create or cancel units of a REIT.

13.06 A trustee must create or cancel units immediately on receipt of, and in accordance with, the instructions given by the management company.

13.07 A management company must not, when giving instructions to the trustee for the creation or cancellation of units, do or omit to do, anything which would confer on itself or the fund manager a benefit at the expense of a unit holder or an investor.

13.08 Any instruction for the creation or cancellation of units may be modified but only if the trustee agrees and has taken reasonable care to determine that–

(a) the modification corrects an error in the instruction; and

(b) the error is an isolated one.

Trustee May Refuse to Create or Cancel Units

13.09 Notwithstanding any other requirements under these Guidelines, a trustee may by notice to the management company refuse to–

(a) create units;

(b) cancel units; or

(c) create or cancel units in the number instructed by the management company,

where the trustee considers the creation or cancellation is not in the best interest of unit holders or it would result in a breach of the securities laws, these Guidelines or the deed.

Terminating a REIT

13.10 A REIT must be terminated upon the occurrence of any of the following events:

(a) The SC's approval is withdrawn;

(b) A special resolution is passed at a unit holders' meeting to terminate the REIT; and

(c) The REIT has reached its maturity date as specified in the deed.

13.11 Upon the occurrence of any of the events under paragraph 13.10–

(a) Chapter 8 (Investments of the Real Estate Investment Trust) ceases to apply to the REIT;

(b) dealings in, and creation and cancellation of units must cease;

(c) the trustee must –

(i) realise all the REIT's assets remaining in its hands;

(ii) after paying or retaining adequate amount for all liabilities payable and cost of termination, distribute to unit holders the net cash proceeds available for the purpose of such distribution in proportion to the number of units held by unit holders respectively; and

(iii) in relation to any monies held by the trustee that remain unclaimed after 12 months, transfer such monies to the Registrar of Unclaimed Moneys, in accordance with the requirements of the *Unclaimed Moneys Act 1965*.

13.12 The management company or trustee must as soon as practicable after the termination of the REIT, undertake the following:

(a) In circumstances where unit holders' resolution for the termination is not required, inform unit holders of such termination; and

(b) Publish a notice on the termination of the REIT in one national Bahasa Malaysia newspaper and one national English newspaper.

13.13 The management company and trustee must notify the SC in writing–

(a) upon the passing of a resolution to terminate the REIT, or upon the court confirming the unit holders' resolution to terminate the REIT; and

(b) upon the completion of the termination of the REIT.

13.14 While a REIT is being terminated–

(a) the financial period continues to run; and

(b) annual reports continue to be required, unless after consulting the auditor and the SC, the management

company has taken reasonable care to determine that timely production of an annual report is not required in the interests of unit holders. The management company must ensure that, in addition to the requirements in Schedule B, the annual report must contain information on the progress of the termination.

13.15 The trustee must also arrange for the auditor of the REIT to conduct a final audit of the REIT's financial statements upon completion of the termination of the REIT.

13.16 Within two months of the completion of the termination of the REIT, the following must be provided to unit holders and submitted to the SC:

(a) A copy of the final audited financial statements;

(b) An explanation from the management company as to how the real estate has been disposed of, salient terms of disposal and the net proceeds; and

(c) A trustee's report that the management company has terminated the REIT in accordance with these Guidelines and the deed.

Meetings of Unit Holders

13.17 A management company and trustee may convene a meeting of the unit holders at any time, other than the required circumstances provided for in the CMSA.

13.18 In addition, a management company shall–

(a) hold a general meeting of the unit holders of the REIT, to be called "annual general meeting" in every calendar year within six months of the REIT's financial year end and not more than 15 months after the holding of the last preceding annual general meeting; and

(b) at the annual general meeting, lay before the unit holders of the REIT the annual report of the REIT for the period

since the preceding statement, or in the case of the first statement, since the establishment of the REIT, made up to a date not more than four months before the date of the said meeting.

13.19 Notwithstanding subparagraph 13.18(a), a management company shall not be required to hold an annual general meeting in the year of its establishment provided that the management company hold its first annual general meeting within six months of its first financial year end.

Notice of Meetings

13.20 When a management company or trustee decides to convene a unit holders' meeting, it must–

(a) give at least 14 days written notice to unit holders;

(b) specify in the notice, the place, time, and terms of the resolutions to be proposed; and

(c) publish an advertisement giving the relevant notice of the unit holders' meeting in the national language and English daily newspaper circulating in Malaysia.

13.21 For the annual general meeting or a general meeting for the passing of a special resolution, the management company must–

(a) give at least 21 days written notice to unit holders;

(b) specify in the notice the place, time and the terms of the resolutions to be proposed; and

(c) publish an advertisement giving the relevant notice of the annual general meeting in the national language and English daily newspapers circulating in Malaysia.

Quorum

13.22 The quorum required for a meeting is five unit holders, whether present in person or by proxy, provided always that the quorum for a meeting which requires a special resolution is five unit holders holding in aggregate at least 25% of the units in issue at the time of the meeting.

13.23 Unless otherwise provided in the deed, if within half an hour from the time appointed for the meeting, a quorum is not present, the meeting–

(a) if convened at the request of the unit holders, must be dissolved; and

(b) in any other case, must stand adjourned to–

(i) a day and time which is seven or more days after the day and time of the meeting; and

(ii) a place appointed by the chairman.

Resolutions

13.24 A resolution passed at a meeting of unit holders binds all unit holders, whether or not they were present at the meeting. No objection may be made as to any vote cast unless such objection is made at the meeting.

13.25 In the case where a general meeting is convened for the removal of a management company, such removal must be by way of an ordinary resolution.

Voting Rights

13.26 A management company must not exercise the voting rights for the units it holds or its nominees hold in any unit holders' meeting, regardless of the party who requested for the meeting and the matter or matters that are laid before the meeting.

13.27 Notwithstanding paragraph 13.26, a management company may exercise the voting rights for the units it holds or its nominees hold in a general meeting held for the removal of the management company.

13.28 Related parties of the management company must not vote or be counted in the 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 unit holders.

Proxies

13.29 A unit holder may appoint another person to attend a unit holders' meeting and vote in the unit holder's place.

13.30 Every notice calling a unit holders' meeting must contain a statement that a unit holder is entitled to attend and vote, or may appoint a proxy.

13.31 The document appointing a proxy must be deposited at the office of the management company, or at such other place within Malaysia as specified in the notice convening the meeting, not less than 48 hours before the meeting or adjourned meeting.

13.31A However, if during the convened meeting and where the discussion pertaining to the resolution of the meeting has concluded, the chairman of the meeting decides to hold the poll voting of the resolution at a later date, the document appointing a proxy must be deposited not less than 24 hours before the time appointed for the taking of the poll.

Guidance to paragraphs 13.31 and 13.31A

The timeframe for appointment of proxy to be valid is consistent with the timeframe provided for companies under the Companies Act 2016. In this regard, clarification provided by the Companies Commission of Malaysia in its '*Frequently Asked Questions on Companies Act 2016 and Transitional Issues*' under 'Part O – Meetings and Decision Making' is referred to.

Guidance to paragraph 13.31A

In the event the chairman decides to hold the poll voting of the resolution at a later date, the time fixed for taking the poll does not constitute an adjournment of a meeting but a continuation of the meeting. In such an event, the document appointing a proxy must be deposited where –

(a) a unit holder chooses to appoint a proxy for the poll voting; or

(b) a unit holder chooses to change the proxy for the poll voting.

In this regard, if a unit holder had appointed a proxy for a meeting pursuant to paragraph 13.31, and the same proxy is to also take the poll voting at the later date, a new proxy form need not be deposited under paragraph 13.31A.

Adjournment and Minutes

13.32 The chairman–

(a) may, with the consent of any meeting of unit holders at which a quorum is present; and

(b) should, if so directed by the meeting,

adjourn the meeting.

13.33 A management company must ensure that–

(a) minutes of proceedings at every unit holders' meeting are made and kept; and

(b) minutes referred to in subparagraph (a) are signed by the chairman of the unit holders' meeting.

Corporate Governance

13.34 A management company and the fund manager should adopt good corporate governance practices and best industry standards for all activities conducted in relation to the REIT and any matter arising out of its listing or trading on a stock exchange.

13.35 The property manager and valuer of the REIT should observe the best of corporate governance practices and standards.

Chapter 14

ANNUAL REPORT AND AUDIT

Annual Report

14.01 A management company must prepare an annual report for the REIT to provide all necessary information to enable unit holders to evaluate the performance of the REIT.

14.02 If a management company intends to change a REIT's financial year end, the management company must obtain–

(a) a written confirmation from the REIT's auditor that the change would not result in any significant distortion to the financial position of the REIT; and

(b) the SC's prior consent before implementing the change.

14.03 An annual report of a REIT must include the following:

(a) Audited financial statements;

(b) Auditor's report;

(c) Management company's report;

(d) Trustee's report; and

(e) For an Islamic REIT, Shariah adviser's report.

14.04 The minimum content of the documents required under –

(a) subparagraphs 14.03(a), (c), and (d) are set out in Schedule B; and

(b) subparagraph 14.03(e) is set out in Chapter 33 of the *Guidelines on Islamic Capital Market Products and Services*.

14.05 The audited financial statements must be–

(a) approved by the board of directors of the management company; and

(b) accompanied by a statement from the management company in accordance with the resolution of the board of directors whether in its opinion the financial statements of the REIT is drawn up, in accordance with the applicable accounting standards, to give a true and fair view of the financial position and performance of the REIT. Such statement must be signed by at least two directors;

(c) accompanied with a statutory declaration by a director of the management company, or where the director is not primarily responsible for the financial management of the REIT by the person so responsible, stating his opinion as to the correctness or otherwise of the financial statements.

14.06 The management company's report must be–

(a) approved by the board of directors of the management company; and

(b) signed on behalf of the board by at least two directors, whose names must be stated.

Audit

14.07 A management company and trustee must ensure that the financial statements of the REIT are audited annually.

14.08 Where the SC is of the opinion that the auditor appointed by the trustee is not suitable, or where an auditor has not been appointed, the SC may direct the trustee to replace or appoint an auditor to the REIT.

14.09 A trustee may, from time to time, if it deems appropriate, remove the auditor of the REIT and appoint another in its place. In addition, unit holders may by way of an ordinary resolution request the trustee to replace the auditor.

Co-operation with Auditors

14.10 A management company must take reasonable steps to ensure that its employees–

(a) provide such assistance as the auditor reasonably requires to discharge its duties;

(b) give the auditor right of access at all reasonable times to relevant records and information;

(c) do not interfere with the auditor's ability to discharge its duties;

(d) do not provide false or misleading information to the auditor; and

(e) report to the auditor any matter which may significantly affect the financial position of the REIT.

14.11 A management company must, in writing, require a fund manager to co-operate with the REIT's auditor in accordance with the requirements specified in paragraph 14.10.

PART B: [Deleted]

Chapter 15

[Deleted]

Chapter 16

[Deleted]

Chapter 17

[Deleted]

Chapter 18

[Deleted]

PART C: SUBMISSION, IMPLEMENTATION AND REPORTING

Chapter 19

APPLICATION AND SUBMISSION

Application for Approval and Lodgement

19.01 Submissions to the SC for the following must be made by a principal adviser and be accompanied by the relevant information and documents as specified on the SC's website:

(a) Application for listing and quotation of units of a REIT on the Main Market of Bursa Securities under section 212 of the CMSA;

(b) Where applicable, application for the approval of a management company under section 289(1) of the CMSA;

(c) [Deleted]

(d) Application for registration of a REIT's deed under sections 293(1) and 295(1) of the CMSA;

(e) Lodgement of a REIT's deed under section 296 of the CMSA; and

(f) Any other proposal involving a REIT under these Guidelines.

19.02 [Deleted]

19.03 Applications to the SC under these Guidelines for proposals involving a management company of a REIT may be submitted by a principal adviser or the management company.

19.03A Applications to the SC for registration, and lodgement of a REIT's supplementary or replacement deed may be submitted by a principal adviser or the management company.

19.03B An application to register a deed of a REIT proposing to list and quote its units on the Main Market of Bursa Securities must be submitted upon

the SC confirming in writing that it has no further comments on the draft deed.

19.03C An application to register a supplementary deed must be submitted immediately upon the execution of the deed.

19.04 The SC may return applications which are deemed unsatisfactory or which do not comply with the requirements of the SC.

19.05 [Deleted]

Valuation Reports

19.06 Where valuation reports for real estate are required to be prepared for applications submitted under these Guidelines, the valuation reports for real estate must be submitted to the SC as stipulated in the *Asset Valuation Guidelines*, before the submission of the application proper for the proposals.

Annual Report

19.06A For the purpose of lodgement of the annual report under section 298(1)(a) of the CMSA, the submission must be made in a manner as specified on the SC's website.

Further Information and Documents Required by the SC

19.07 The SC may, at its discretion, request for additional information and documents other than those specified in these Guidelines.

19.08 The SC must be immediately informed of–

(a) any material change in circumstances that may impact the application; and

(b) any material change or development in circumstances relating to a proposal occurring subsequent to the SC giving its approval.

19.09 Where the material change or development occurs prior to the issue of documents to unit holders or investors, it must be disclosed in those documents.

Submission of Applications

19.10 All submissions required to be made under these Guidelines to the SC, unless otherwise specified in these Guidelines, must be made in a manner as specified on the SC's website.

Fees and Charges

19.11 Each application must be accompanied by the relevant fees prescribed by the SC and the fee checklist provided on the SC's website. An application is deemed incomplete if the requisite fee is not submitted.

19.12 In addition, charges may be payable to the SC for incidental expenses incurred in relation to the processing of applications under paragraph 19.01.

Chapter 20

IMPLEMENTATION

20.01 This chapter applies to proposals for the listing and quotation of units of a REIT on the Main Market of Bursa Securities.

Deadline

20.02 Proposals must be completed within six months from the date of approval. Failure to complete a proposal within the specified period would render the SC's approval to lapse.

20.03 Where an applicant has submitted an application for a review of the SC's decision, the time period for implementation commences from the date on which the decision on the review is conveyed to the applicant.

Extension of Time

20.04 An extension of time for the completion of an approved proposal may be granted only in exceptional cases.

20.05 The application for extension of time must be fully justified and made through a principal adviser no later than 30 days before the approval expires.

20.06 All applications for extension of time for completion of the proposals must be accompanied by a confirmation letter by the directors of the applicant that, save as disclosed, there has been no material change or development in the circumstances and information relating to the proposals.

20.07 Where the approval of the SC is subject to certain conditions which must be fulfilled within a specified period of time, any application for extension of time to fulfil the conditions must be fully justified and be made no later than 30 days before the expiry of the said specified period.

Post-implementation Obligations

20.08 The principal adviser and the applicant must submit to the SC the following:

(a) Date of completion for an approved proposal;

(b) A written confirmation of the compliance with terms and conditions of the SC's approval once the proposal has been completed; and

(c) Where an indicative issue price and number of securities to be issued are provided in the application for the proposals, the actual figures, once determined.

Chapter 21

NOTIFICATIONS AND SUBMISSION OF DOCUMENTS TO THE SECURITIES COMMISSION MALAYSIA

Notifications and Documents to be Submitted to the SC

21.01 A management company must notify the SC of the following, in a manner as specified on the SC's website, unless otherwise specified:

(a) Appointment or resignation of an investment committee member, if any;

(b) [Deleted];

(c) Appointment of a fund manager to perform fund management function for the management company;

(d) Appointment or resignation of the property manager and any delegates;

(e) A resolution passed to terminate a REIT and where applicable, a court order confirming the same;

(f) Commencement and completion of the termination of a REIT; and

(g) Any breach of the requirements in these Guidelines and where applicable, the rectification of such breach.

21.02 [Deleted]

Submission of Notifications and Documents to the SC

21.03 All submissions required to be made under these Guidelines to the SC, unless otherwise specified in these Guidelines, must be made in a manner as specified on the SC's website.

21.04 [Deleted]

Chapter 22

REPORTING TO THE SECURITIES COMMISSION MALAYSIA

General

22.01 For the purpose of reporting to the SC, a management company is required to submit a Statistical and Investment Return (collectively referred to as REIT Returns) of the REIT. The REIT Returns must be submitted on a quarterly basis via a system as may be specified by the SC.

22.02 The reporting period must cover a period starting from the first day until the last day of the respective quarter. For information required at a certain cut-off, it must be as at the last day of the quarter.

22.03 For a newly-listed REIT, the REIT Returns must commence from the quarter in which the REIT is listed. For example, if a REIT was listed on 18 May, the first REIT Returns must be submitted for the first quarter ending June.

22.04 A management company must take all necessary precautions to ensure that the information provided in the REIT Returns is true, complete and accurate.

22.05 The chief executive officer is ultimately responsible for all information submitted to the SC. The chief executive officer must ensure that the necessary policies and procedures are in place and the information submitted to the SC is true and accurate.

22.06 The REIT Returns must be submitted to the SC within seven business days of the quarter following the end of the period of reporting.

22.07 The Investment Return must be submitted to the trustee for verification that it is true, complete and accurate to the best of the trustee's knowledge and belief prior to submitting it to the SC.

22.08 The SC considers the REIT Returns submitted via the system as final.

22.09 Should there be errors or omissions discovered after the submission has been made, the management company must immediately make the rectification and submit the amended REIT Returns to the SC.

Submission of REIT Returns during Termination

22.10 While a REIT is being terminated, a management company must continue to submit REIT Returns until the termination is complete.

SCHEDULE

SCHEDULE A

DEED OF A REAL ESTATE INVESTMENT TRUST

In addition to the requirements under these Guidelines and the securities laws, the constitution of a deed for a REIT must include provisions in relation to the creation of the REIT or declaration of trust and contain at least the following:

1. Name of the REIT;

2. Investment objective of the REIT;

3. If the REIT has a limited duration, a statement to that effect;

4. Distribution policy of the REIT;

5. Financial period of the REIT;

6. Unit holders' rights and the extent of their liability, including their ability to take any action against the management company and trustee for any breach of their duties as set out in the CMSA and these Guidelines;

7. The appointment of a trustee and the management company of the REIT;

8. A statement that the deed–

   (a) is binding on each unit holder as if it had been a party to it and that it is bound by its provisions;

   (b) authorises and requires the management company and the trustee to do things required or permitted of them by terms of the deed; and

   (c) is made and governed under the laws of Malaysia;

9. Management company

   (a) Duties of the management company which are prescribed under the CMSA and these Guidelines;

(b) Duty of the management company to list and maintain the listing of the REIT on the Main Market of Bursa Securities and to comply with the listing requirements;

(c) Circumstances, procedures and processes for retirement, removal and replacement of management company; and

(d) The extent of the indemnity provided by the management company;

10. Trustee

(a) Duties of the trustee which are prescribed under the CMSA and the *Guidelines on the Registration and Conduct of Capital Market Services Providers*;

(b) Duty of the trustee to maintain the listing of the REIT on the Main Market of Bursa Securities and to comply with the listing requirements; and

(c) Circumstances, procedures and processes for retirement, removal and replacement of trustee;

11. Auditor

Circumstances, procedures and processes for the appointment, retirement, removal and replacement of the auditor of the REIT;

12. Investments of the REIT

(a) Authorised investment of the REIT;

(b) Limits and restrictions, including limits on borrowings or financing facilities of the REIT; and

(c) Full particulars on circumstances in which, and methods by which, all or any of the investments may be varied;

13. Valuation

(a) Valuation basis of the assets of the REIT;

(b) Frequency of valuing the real estate and non-real estate assets of the REIT; and

(c) Full particulars on the provision to be made for investments in real estate that depreciates in value, including the source from which the replacement is to be made or from which the cost of replacement is to be met. If no provision is made, a statement to that fact must be clearly stated;

14. Fees and expenses

(a) Particulars of the remuneration of the management company and trustee, respectively; and

(b) Other expenses payable out of the REIT;

15. Meeting of unit holders

(a) Circumstances under which the meetings are to be held; and

(b) Provisions on the manner in which meetings are conducted, including the manner in which votes may be given at a meeting of unit holders;

16. Termination of the REIT

(a) Circumstances under which the REIT can be terminated; and

(b) Procedures and processes for termination of the REIT;

17. Other provisions

(a) Provision in relation to the creation of the REIT or declaration of trust, which also sets out full particulars of the trust, including precise information as to the circumstances in which the money, securities, investments, and properties subject to the REIT are or will be vested in that trustee, and the duties and obligations of the trustee onwards;

(b) Provisions in relation to the creation and cancellation of units of a REIT;

(c) Provision for the full particulars on circumstances in which, and methods by which, all or any of the investments may be varied;

(d) Where any unit to which the deed relates consists of rights or interests in or arising out of an investment relating to a real estate that tends to depreciate in value through use or effluxion of time, particulars of the provision made or to be made for the replacement of that real estate and the source for the replacement of that real estate and the source or sources from which replacement is to be made or from which the cost of the replacement is to be met or, if no provision is made, a statement of that fact;

(e) Where the deed requires, or confers a right on, unit holders to enter into an agreement in connection with the REIT, a provision incorporating the terms and conditions of that agreement;

(f) Provisions in relation to circumstances under which the dealing in units can be deferred or suspended;

(g) Provision for the full particulars on the conditions governing the transfer of any unit to which the deed relates;

(h) Provisions governing the modification of the deed;

(i) A statement to the effect that the provisions in the deed shall in no way be construed as derogating from or limiting any of the requirements of the CMSA, these Guidelines and relevant laws; and

(j) A statement to the effect that the requirements of the CMSA, these Guidelines and relevant laws shall prevail in the event of any conflict or inconsistency between the provisions in the deed and the requirements of the CMSA, these Guidelines and relevant laws.

SCHEDULE B

CONTENTS OF A REIT'S ANNUAL REPORT

1. The information required by the SC under this Schedule is the minimum that must be included in a REIT's annual report.

2. A REIT's annual report does not need to adopt the terms used under this Schedule. Where possible, the report should avoid unnecessary jargon and use terms which are easily understood by unit holders.

3. In selecting a format for the presentation of the annual report, consideration must be given, not only to its completeness and accuracy, but also to the clarity of the overall presentation.

Manager's Report

4. The manager's report must include the following details:

   (a) Names of all directors of the management company in office at the date of the manager's report;

   (b) Description and explanation of significant changes in the state of affairs of the REIT during the period and up to the date of the manager's report, not otherwise disclosed in the financial statements;

   (c) Whether–

      (i) at the end of the financial year to which the report relates, there subsists any arrangement to which the management company is a party, being an arrangement whose object is to enable any director or all directors of the management company to acquire benefits by means of the acquisition of units in, or debentures of, the REIT; or

(ii) there have, at any time in that year, subsisted such an arrangement as aforesaid to which the management company was a party,

and if so, the report must contain a statement explaining the effect of the arrangement and giving the names of the persons who at any time in that year were directors of the management company and held, or whose nominees held, units in, or debentures of, the REIT acquired in pursuance of the arrangement;

(d) In respect of each person who, at the end of the financial year to which the report relates, was a director of the management company for the REIT,–

(i) whether or not he was, at the end of that financial year, interested in units in, or debentures of, the REIT, or both, and, if he was, the number and amount of units in, or debentures of, the REIT, or both, in which he was then interested;

(ii) whether or not he was, at the beginning of the year, or, if he was not then a director, when he became a director, interested in units in, or debentures of, the REIT, or both, and, if he was, the number and amount of units in, or debentures of, the REIT, or both, in which he was interested at the beginning of that year or when he became a director, as the case may be; and

(iii) the total number of units in, or debentures of, the REIT, or both, bought and sold by him during that financial year;

(e) Whether the management company, before the financial statements were prepared, took reasonable steps to ascertain what action had been taken in relation to writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts;

(f) Whether at the date of the manager's report the management company is aware of any circumstances which would render the amount written off for bad debts or the amount of the provision

for doubtful debts inadequate to substantial extent and, if so, particulars of the circumstances;

(g) Whether the management company, before the financial statements were prepared, has taken reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the REIT have been written down to an amount which the current assets might be expected so to realise;

(h) Whether at the date of the manager's report the management company was aware of any circumstances–

(i) which would render the values attributed to current assets in the accounts misleading; and

(ii) which have arisen which would render adherence to existing method of valuation of assets or liabilities of the REIT misleading or inappropriate, and, if so, give particulars of the circumstances;

(i) Whether there exists at the date of the manager's report–

(i) any charge on the REIT's assets which has arisen since the end of the financial year which secures the liabilities of any other person and, if so, giving particulars of any such charge and, so far as practicable, of the amount secured; and

(ii) any contingent liability which has arisen since the end of the financial year and, if so, stating the general nature of the liability and, so far as practicable, the maximum amount, or an estimate of the maximum amount, for which the company could become liable in respect of the liability;

(j) Whether any contingent or other liability has become enforceable, or is likely to become enforceable, within the period of 12 months after the end of the financial year which, in the opinion of the management company, will or may affect the ability of the REIT to meet its obligations when they fall due and, if so, giving particulars of any such liability;

(k) Whether at the date of the manager's report the management company is aware of any circumstances not otherwise dealt with in the report or accounts which would render any amount stated in the accounts misleading and, if so, giving particulars of the circumstances;

(l) Whether the results of the REIT's operations during the financial year were, in the opinion of the management company, substantially affected by any item, transaction or event of a material and unusual nature and, if so, giving particulars of that item, transaction or event and the amount or the effect of the item, transaction or event, if known or reasonably ascertainable;

(m) Whether there has arisen in the interval between end of the financial year and the date of the manager's report any item, transaction or event of a material and unusual nature likely, in the opinion of the management company, to affect substantially the results of the REIT's operations for the financial year in which the report is made and, if so, giving particulars of the item, transaction or event;

(n) A statement from the directors of the management company whether they have, since the end of the previous financial year, received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of remuneration received or due and receivable by the directors shown in the accounts or the fixed salary of a full-time employee of the management company, by reason of a contract made by the management company or related corporation with the director or with the firm of which he is a member of, or with a company in which he has substantial financial interest, and, if so, the general nature of the benefit;

(o) A statement whether any soft commission has or has not been received by the management company or the fund manager for the period under review from any broker or dealer by virtue of transactions conducted for the REIT. If any soft commission is received, the following must be disclosed:

(i) Identification of the goods or services received; and

(ii) Manner in which the goods or services received were utilised.

Trustee's Report

5. A trustee must prepare a report stating in its opinion whether the management company has managed the REIT in accordance with the following:

(a) Limitations imposed on the investment powers of the management company and the trustee under the securities laws, these Guidelines and the deed; and

(b) Valuation is carried out in accordance with the deed and any regulatory requirement.

6. If the trustee is of the opinion that the management company has not done so, the trustee must disclose the shortcoming which may have an impact on the decision of the unit holders or investors to remain invested or to invest in the REIT. The trustee must highlight steps taken to address the shortcoming and to prevent the recurrence of the shortcoming.

7. The report prepared by the trustee under (5) must include a further statement stating its opinion whether the distribution of returns by the REIT is relevant and reflects the investment objective of the REIT.

8. [Deleted]

9. [Deleted]

10. [Deleted]

Audited Financial Statements

11. The financial statements must include the following additional items:

NAV of the REIT (before and after distribution);

(c) NAV per unit (before and after distribution);

(d) Fees and charges paid to the management company, with each type of fee and charge shown separately;

(e) Fees paid to trustee and any reimbursement of trustee's expenses;

(f) Valuation fees;

(g) Borrowing ratio of the REIT;

Borrowing ratio means the ratio of the total borrowings or financing facilities, including borrowings or financing through issuance of debt securities or sukuk, and deferred arrangements of a REIT to the total asset value of the REIT, i.e.

$$\frac{\text{Total borrowings or financing facilities, including borrowings or financing through issuance of debt securities or sukuk, and deferred arrangements of the REIT}}{\text{Total asset value of the REIT}} \times 100$$

(h) For Islamic REIT, amount channelled to *baitulmal* or charitable bodies;

(i) Total amount available for distribution and distribution per unit (interim and final);

(j) Basis for the fees and charges paid to the management company and trustee;

(k) Movements in the number of units created or cancelled during the period, highlighting the number of units created as additional distribution, if any;

(l) For investments in non-real estate assets, information on transactions with brokers or dealers must include the following:

(i) Top 10 brokers or dealers by value of trade;

(ii) The aggregate amount of brokerage fees or commissions paid by the REIT as well as the amount of fees or commissions paid to each broker or dealer, highlighting brokers or dealers relating to the management company or fund manager, expressed in both value and percentage;

(iii) Parties related to the management company and fund manager must be clearly highlighted; and

(iv) Statement on whether dealings with related parties have been transacted at an arm's length basis;

(m) The number of units and value held by the management company and related parties and whether the units are held legally or beneficially;

(n) Nature of the interest the REIT holds in the real estate (e.g. whether it is a freehold or held under a lease arrangement, and the remaining of the lease period if it is held under a lease arrangement);

(o) Composition of the investment portfolio of the REIT as at the date of the financial report grouped in appropriate categories, e.g. real estate (listed by types e.g. residential, commercial, industrial), non-real estate assets, that would facilitate a meaningful analysis. For each category, the following must be stated:

(i) Quantity held;

(ii) Cost of the investment;

(iii) Fair value of the investment; and

(iv) Fair value for each holding as a percentage of NAV.

For investments in real estate, the nature of the interest the REIT holds in such real estate (e.g. whether it is a freehold or held

under a lease arrangement, and the remaining lease period if it is held under a lease arrangement) must be disclosed.

For investments in non-real estate assets, a list of suspended counters must be separately identified. Actions to be taken on these suspended counters must be disclosed. For Islamic REIT, the securities that have been reclassified as Shariah non-compliant must be separately identified.

(p) Management expense ratio (MER)

MER means the ratio of the sum of fees and the recovered expenses of the REIT to the average value of the REIT calculated on a quarterly basis, i.e.

$$\frac{\text{Fees of the REIT + Recovered expenses of the REIT}}{\text{Average value of the REIT calculated on a quarterly basis}} \times 100$$

Where:

Fees	=	all ongoing fees deducted or deductible directly from the REIT in respect of the period covered by the MER, expressed as a fixed amount, calculated on a quarterly basis. This would include the annual management fee, the annual trustee fee and any other fees deducted or deductible directly from the REIT;
Recovered expenses	=	all expenses recovered from, or expenses charged to, the REIT, as a result of the expenses incurred by the operation of the REIT, expressed as a fixed amount. This should not include expenses that would otherwise be incurred by an individual investor (e.g. brokerage, taxes and levies); and

Average value of the REIT	=	the net asset value of the REIT, including net income value of the REIT, less expenses on an accrued basis, in respect of the period covered by the MER, calculated on a quarterly basis;

(q) [Deleted]

(r) Sources of distribution made to unit holders must be disclosed (the prescribed format is as follows):

Distribution to unit holders is from the following sources:

	20X7 RM'000	**20X8 RM'000**
Rental income	XXX	XXX
Dividend income	XXX	XXX
Interest income	XX	XX
Realised gains [less losses] on sale of investments	XXX	XXX
Previous year/period's realised gains	XX	XX
Other income	XXX	XXX
	XXXX	XXXX
Less:	XX	XX
Expenses		
Taxation	XX	XX
	XXX	XXX
Distribution per unit (sen)	X	X

(s) Additional statements on distributions are required when–

(i) there are unrealised losses (arising during the year or period or brought forward from previous year or period) within the REIT; and/or

(ii) distributions are made from previous year's realised gains.

SCHEDULE C

VALUATION

Investment Instruments	**Valuation Basis**
Real estate	Market value.
Securities listed on any exchange	Market price. However, if– (a) a valuation based on the market price does not represent the fair value of the securities, for example, during abnormal market conditions; or (b) no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by the trustee, then the securities should be valued at fair value, as determined in good faith by the management company or the fund manager, based on the methods or bases approved by the trustee after appropriate technical consultation.
Unlisted debt securities or sukuk denominated in ringgit Malaysia	Price quoted by a bond pricing agency (BPA) registered with the SC. Where a management company is of the view that the price quoted by BPA for a specific unlisted debt securities or sukuk differs from the "market price" by more than 20 basis points, the management company or the fund manager may use the

Investment Instruments	**Valuation Basis**
	"market price" provided that the management company or the fund manager– (a) records its basis for using a non-BPA price; (b) obtains necessary internal approvals to use the non-BPA price; and (c) keeps an audit trail of all decisions and basis for adopting the "market yield".
Other unlisted debt securities or sukuk	Fair value by reference to the average indicative yield quoted by three independent and reputable institutions.
Unlisted collective investment schemes	Last published repurchase price.
Any other investments	Fair value as determined in good faith by the management company or the fund manager, on methods or bases which have been verified by the auditor of the REIT and approved by the trustee and, adequately disclosed in the prospectus of the REIT.

SCHEDULE D

[Deleted]

SCHEDULE E

[Deleted]