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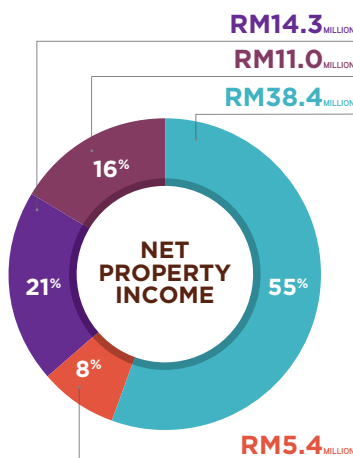
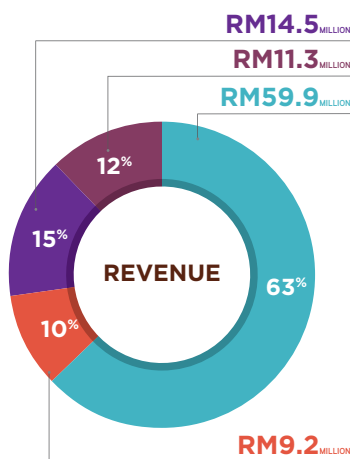
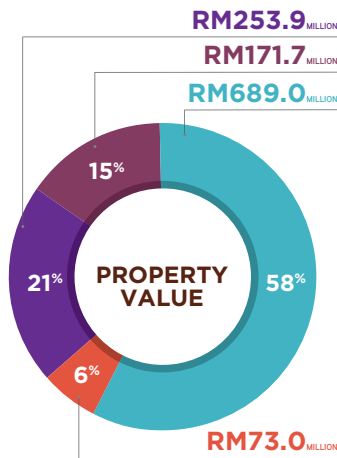
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SECTION 1

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Corporate Overview



NUMBER OF PROPERTIES

49



GROSS FLOOR AREA

2.21 MILLION SQ FT



PROPERTY VALUE

RM1.19 BILLION



REVENUE

RM94.9 MILLION



NET PROPERTY INCOME

RM69.1 MILLION



MARKET CAPITALISATION

RM469.8 MILLION



DISTRIBUTION PER UNIT

4.75 SEN



DISTRIBUTION YIELD

5.9%

Policy, Objective & Strategies

Policy

Al-Salām REIT is an Islamic REIT established with the principal investment policy of investing, directly and indirectly, in a diversified shariah-compliant portfolio with income producing Real Estate which used primarily for commercial retail, office and industrial purposes in Malaysia as well as real-estate-related assets.

Objective

The Manager's key objective is to provide Unitholders with regular and stable distributions, sustainable long-term unit price and distributable income and capital growth of Al-Salām REIT. In the long run, through its key investment strategies, Al-Salām REIT maintain an optimum level of financing and equity capital structure.

Strategies

Active Asset Management Strategy

The Manager will seek to optimise the rental rates, occupancy rates and net lettable area of the subject Properties in order to improve the returns from Al-Salām REIT's property portfolio.

Acquisition Growth Strategy

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

Capital And Risk Management Strategy

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

Al-Salām Real Estate Investment Trust

Al-Salām REAL ESTATE INVESTMENT TRUST (REIT) was listed on the Main Market of Bursa Malaysia Securities Berhad on 29 September 2015

Al-Salām REIT is a Shariah compliant fund with principal activity to invest in diversified Shariah-compliant properties.

With an initial portfolio of 31 properties, Al-Salām REIT has grown to 49 properties comprising 3 retail malls, 1 office building, 38 Food & Beverage restaurants and 7 Food & Beverage Non-Restaurant outlets located across Malaysia. The property value has grown 30% from an initial portfolio of RM911.5 million to RM1.19 billion as at 31 December 2019.

The Fund is managed by Damansara REIT Managers Sdn Berhad (DRMSB or the Manager) a wholly-owned subsidiary of Johor Corporation (JCorp). The Manager is a Capital Markets Service licence holder, authorised to carry out fund management activities in relation to REIT.

As at 31 December 2019, Al-Salām REIT asset value stood at RM1.25 billion with a market capitalisation of RM469.8 million





Manager:
DAMANSARA REIT
MANAGERS SDN
BERHAD
(20050135558)



Registered Office :

Level 16, Menara KOMTAR Johor Bahru City Centre
80000 Johor Bahru Johor
Tel : (+607) 226 7692 / 226 7476
Fax : (+607) 222 3044

Principal Place Of Business :

Unit 1-19-02, Level 19, Block 1 V SQUARE, Jalan Utara
46200 Petaling Jaya Selangor
Tel : (+603) 7932 1692 / 7932 3692
Fax : (+603) 7932 0692

Trustee:
AMANAHRAYA
TRUSTEES BERHAD
(766894-T)



Tingkat 14, Wisma AmanahRaya,
No 2 Jalan Ampang 50508 Kuala Lumpur
Tel : (+603) 2036 5000 / 2036 5129
Fax : (+603) 2072 0320
Email : art@arb.com.my
Website : www.artrustees.com.my

Shariah Committee
Members:



1. Dato' (Dr) Haji Nooh bin Gadot
2. Professor Madya Dr. Ab. Halim bin Muhammad
3. Professor Dr. Mohamad @ Md Som bin Sujimon

Property Manager:
EXASTRATA
SOLUTIONS SDN. BHD
(926251-A)



E-5-4, 4th Floor, East Wing Subang Square,
Jalan SS 15/4G 47500 Subang Jaya, Selangor
Tel : (+603) 5632 7686
Fax : (+603) 5613 1686
Email : admin@exastrata.net
Website : www.exastrata.net

Service Provider:
SYNERGY MALL
MANAGEMENT SDN
BHD
(905962-U)



Level 5, Menara KOMTAR, Johor Bahru City Centre
80000 Johor Bahru, Johor
Tel : (+607) 267 9900
Fax : (+607) 267 9926

Auditor:
DELOITTE PLT
(LLP0010145-LCA)



Level 16, Menara LGB 1 Jalan Wan Kadir,
Taman Tun Dr. Ismail 60000 Kuala Lumpur
Tel : (+603) 7610 8888
Fax : (+603) 7226 8986
Website : www.deloitte.com/my

Registrar:
JOHOR CORPORATION



Level 16, Menara KOMTAR Johor Bahru City Centre
80000 Johor Bahru, Johor
Tel : (+607) 219 5064
Fax : (+607) 223 3175

Solicitors: ABDUL RAMAN SAAD & ASSOCIATES	● C-2-1, Pacific Place Commercial Centre Jalan PJU 1A/4, Ara Damansara 47301 Petaling Jaya, Selangor Tel : (+603) 7859 9229 Fax : (+603) 7734 5777 Email : arsakl@arsa.com.my Website : www.arsa.com.my
Solicitors: KADIR ANDRI & PARTNERS	● Level 10 Menara BRDB, 285 Jalan Maarof, 59000 Kuala Lumpur Tel : (+603) 2730 2888 Fax : (+603) 2780 2832 Email : partner@kaapl原因.com Website : www.kaapl原因.com
Independent Property Valuer : CHESTON INTERNATIONAL (KL) SDN BHD (647245-W)	● Suite 2A, 2 nd Floor, Plaza Flamingo No. 2, Tasik Ampang Jalan Hulu Kelang 68000 Ampang, Selangor Tel : (+603) 4251 2599 Fax : (+603) 4251 6599 Email : cikl@chestonint.com Website : www.chestonint.com
Independent Property Valuer - cont'd: IM GLOBAL PROPERTY CONSULTANTS SDN. BHD (701223-X)	● No. 47-2, Second Floor, Wisma IMG, Jalan 3/76D, Desa Pandan, 55100 Kuala Lumpur Tel : (+603) 9284 8884 Fax : (+603) 9281 1884 Email : valuation@img.com.my Website : www.img.com.my
Independent Property Valuer - cont'd: VPC ALLIANCE (KAJANG) SDN BHD (1101177-H)	● 27-1, Jalan Reko Sentral 2, Reko Sentral, Off Jalan Reko, 43000 Kajang, Selangor Tel : (+603) 8735 0171 Fax : (+603) 8741 6180 Email : vpckajang@vpc.com.my Website : www.vpc.com.my
Stock Exchange Listing:	● Main Market of Bursa Malaysia Securities Berhad Stock Name: ALSREIT Stock Code: 5269
Website	● www.alsalamreit.com.my



Dato' Hj. Mohd Redza Shah Bin Abdul Wahid
Chairman/Independent Non-Executive Director

“ Dear Valued Stakeholders,

On behalf of the Board of Directors of the Manager (the Board), it is my utmost pleasure to present Al-Salām REIT's (the Fund) Annual Report and Audited Financial Statements for the financial year ended 31 December 2019.

Letter To Stakeholders ”

The year 2019 had witnessed Malaysia's tepid economic growth as lingering global trade uncertainties continued to cloud over domestic market performance. On the country's property market, sizeable surplus overhang remained a persistent challenge with rising costs of living weighing upon consumer's discretionary spending for real estate. This is especially the case where most of our investments are in the southern peninsular of Malaysia. We anticipate market activities to maintain at moderate levels all across residential, retail, commercial and industrial property for the immediate and medium term. However, as Malaysia undergoes a restructuring of its economy especially within public spending, we believe that the country will be in stronger footing to weather any global headwinds going forward.

Amidst the challenging environment, Al-Salām REIT remains confident in the Fund's ability for continuous improvement in performance and to unearth value for delivery to unitholders. KOMTAR JBCC being the cornerstone asset of Al-Salām REIT, remains a favourite mainstay for Singaporeans and local patrons due to its strategic location in the heart of Johor Bahru city centre and minutes away from the Johor Bahru Customs, Immigration and Quarantine Complex (CIQ). The shopping mall is poised to benefit from increased customer volume with the recently completed Menara JLand and the upcoming Holiday Inn Hotel as well as the development of Ibrahim International Business District (IIBD).

A marked shift in consumer spending habits had resulted in waning demand for departmental store forcing operators to rethink their offering space. The exit of KOMTAR JBCC anchor tenant had thus presented us the opportunity to undertake asset enhancement initiatives (AEI) in reconfiguring current commercial mix by creating more spaces for mini anchors and specialty tenants. We believe this retail realignment exercise will bring in a greater variety of quality trades and brands that would improve

KOMTAR JBCC's rental return whilst creating a more diversified trade profile and enhance the property's overall ambience. In doing this, Al-Salām REIT will redefine the Fund's key retail asset to capture the ever changing demands of shopping mall patrons.

Other retail assets of the Fund had managed to deliver sustained and increased performance on the back of their respective competitive edge. Mydin Hypermart Gong Badak remained as the biggest shopping mall in Gong Badak with the absence of direct competitors allowing the property to exploit its large catchment area. @Mart Kempas is expected to maintain almost full occupancy and retaining income resilience by virtue of being a community mart that targets the lower and middle income market and offer shoppers a wide range of necessary household products.

The lingering office property supply overhang had weighted heavily upon yield performance within this segment. Nonetheless, the long-term tenancies by Johor Corporation which forms majority of the current 91% occupancy positions at Menara KOMTAR provides uniquely a defensive asset in a challenging sector. The strategy of relying on related party tenancies provides income security and lowers occupancy risks for the property.

For 2019, I am proud to acknowledge the fund's achievement in completing the acquisition of 17 new QSR properties at a total value of RM87 million. These along with other current food and beverage F&B assets operated by QSR Brands (M) Holdings Bhd (QSR) provides income stability on the back of triple net lease arrangement and of the fact that F&B scene in Malaysia has been quite resilient despite the slowing domestic economy and uncertainty in the global economic environment. Al-Salām REIT is confident on QSR's continued operational excellence and market dominance and the fund is positioned to benefit from QSR's plans to adopt an asset-light strategy as the group has a sizeable number of outlets across four countries in the region.

Letter To Stakeholders



**17 new
QSR properties**

total value of
RM87 million



4.75 sen

TOTAL DISTRIBUTION PER UNIT (DPU)

RM27.6 million

TOTAL PAYOUT

The year 2019 bore witness to Malaysia's tepid economic growth as lingering global trade uncertainties continued to cloud over domestic market performance during the observed period

The Malaysian College of Hospitality and Management, being the fund's sole education property asset has also provided stable earnings deriving from the triple net lease arrangement with KPJ Group's education arm.

We are pleased to announce that Al-Salām REIT has distributed a total distribution per unit (DPU) of 4.75 sen in FY2019. This translates into an annual distribution yield of 5.9% based on the closing unit price of RM0.81 as at 31 December 2019. The total payout of RM27.6 million represents approximately 97% of Al-Salām REIT's distributable income for the year.

On this note, I would like to express my sincerest appreciation to Dato Kamaruzzaman Abu Kassim as former Chairman of the Manager and Tuan Haji Lukman Haji Abu Bakar as former Board member of the Manager, on their wisdom and leadership in providing guidance to the team throughout their tenure. My gratitude also to the Board members for their invaluable counsel and advice as well as to the Shariah Committee for their wisdom in ensuring our assets remain shariah compliant throughout. Our achievements are due in large part to their leadership, hard work and commitment. It would not have been possible without them at the helm.



Appreciation also extends to the management team of the Manager for the undivided commitment and dedication towards Al-Salām REIT. My wholehearted acknowledgement also goes to our valued stakeholders- unitholders, trustee, financiers, business partners and relevant authorities for their unwavering support and trust throughout the year.

Dato' Hj. Mohd Redza Shah Bin Abdul Wahid
Chairman

NAME OF
FUND

**Al-Salām Real Estate
Investment Trust**

TYPE OF
FUND



**Income
& Growth**

CATEGORY
OF FUND

**Diversified
Real Estate
Investment Trust**



**ALSREIT
(5269)**

LISTING

**Main
Market
of Bursa
Malaysia
Securities**

STOCK
NAME AND
CODE



LISTING
DATE

29 September 2015



FINANCIAL YEAR END

31 December

DISTRIBUTION
POLICY

**At Least
90%**

Financial Performance

Financial Highlights - GROUP

	FY2015* RM'000	FY2016 RM'000	FY2017 RM'000	FY2018 RM'000	FY2019 RM'000
Statement of Comprehensive Income - Key Data & Financial Ratios					
Gross Revenue	20,665	76,135	80,033	82,151	94,912
Net Property Income	15,707	56,913	56,887	58,245	69,121
Income Available for Distribution (Realised)	7,055	36,037	35,542	31,867	28,395
Earnings Per Unit (Realised) (Sen)	1.22	6.21	6.13	5.49	4.90
Distribution per unit (DPU) (Sen)	1.20	6.00	6.00	5.35	4.75
Annualised DPU (Sen)	4.80	6.00	6.00	5.35	4.75
Annualised distribution yield (%)	5.00	5.60	6.00	6.60	5.86
Management expenses ratio (%)	0.17	0.51	0.66	0.51	0.60
Statement of Financial Position - Key Data & Financial Ratios					
Investment Properties	911,460	922,090	927,470	1,092,686	1,187,635
Other Non-current Assets	-	144	557	895	931
Current Assets	38,226	55,948	60,729	63,580	60,614
Total Asset Value	949,686	978,182	988,756	1,157,161	1,249,180
Current Liabilities	4,787	6,473	10,412	12,732	524,775
Non-Current Liabilities	357,587	359,769	362,048	523,502	100,327
Total Liabilities	362,374	366,242	372,460	536,234	625,102
Net Asset Value (NAV)	587,312	611,940	616,296	620,927	624,078
Total Unitholders' Fund	587,312	611,940	616,296	620,927	624,078
NAV Per Unit (Before Income Distribution) (RM)	1.0126	1.0551	1.0626	1.0706	1.0760
NAV Per Unit (After Income Distribution) (RM)	1.0006	1.0211	1.0311	1.0471	1.0619

Financial Highlights - FUND

	FY2015* RM'000	FY2016 RM'000	FY2017 RM'000	FY2018 RM'000	FY2019 RM'000
Statement of Comprehensive Income - Key Data & Financial Ratios					
Gross Revenue	20,665	76,135	80,033	82,151	94,912
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NAV Per Unit (After Income Distribution) (RM)	1.0006	1.0211	1.0311	1.0471	1.0619
Lowest NAV (RM)	0.99	1.00	1.03	1.04	1.05
Highest NAV (RM)	1.01	1.06	1.06	1.07	1.08
Unit Price as at 31 Dec (RM)	0.93	1.07	1.00	0.81	0.81

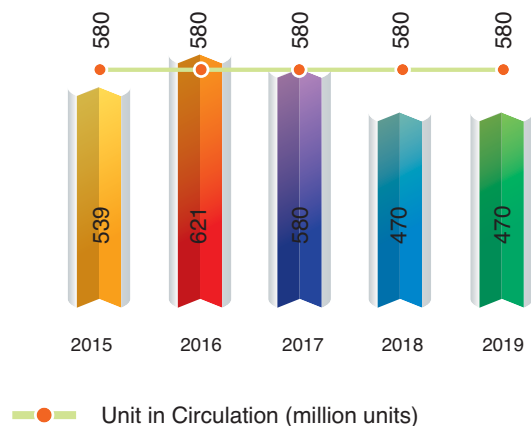
* The financials of 2015 reflect primarily the performance of the Fund from the listing date of 29 September 2015

Trading Performance

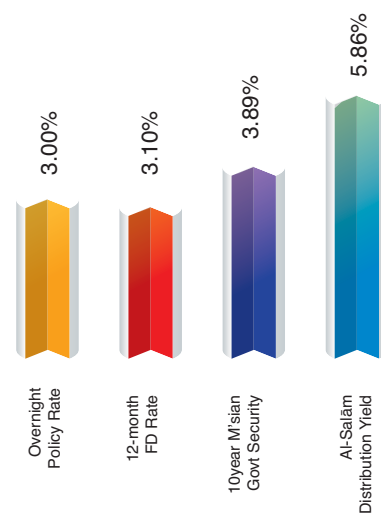
Month	Lowest Traded Price (RM per unit)	Highest Traded Price (RM per unit)	Closing Market Price (RM per unit)	Average Trading Volume ('000 units)	Market Capitalisation (RM'000)
January	0.78	0.82	0.82	53,919	475,600
February	0.80	0.85	0.81	27,588	469,800
March	0.81	0.85	0.84	27,219	487,200
April	0.86	0.91	0.90	95,110	522,000
May	0.889	0.915	0.915	26,861	530,700
June	0.895	0.94	0.925	92,861	536,500
July	0.90	0.93	0.92	40,723	533,600
August	0.89	0.915	0.89	18,411	516,200
September	0.875	0.91	0.88	92,859	510,400
October	0.86	0.9	0.87	8,388	504,600
November	0.84	0.90	0.855	7,480	495,900
December	0.805	0.865	0.81	6,089	469,800

	FY2015*	FY2016	FY2017	FY2018	FY2019
Opening Price (RM)	1.00	0.925	1.04	0.97	0.795
Closing Price (RM)	0.93	1.07	1.00	0.81	0.81
Lowest Traded Price (RM)	0.905	0.90	0.97	0.83	0.78
Highest Traded Price (RM)	1.01	1.07	1.07	0.99	0.94
Number in unit circulation ('000)	580,000	580,000	580,000	580,000	580,000
Market Capitalisation (RM'000)	539,400	620,600	580,000	469,800	469,800
Annual Total Return	-2.0%	20.6%	-1.0%	-12.4%	5.9%

Market Capitalisation & Unit in Circulation Since Inception



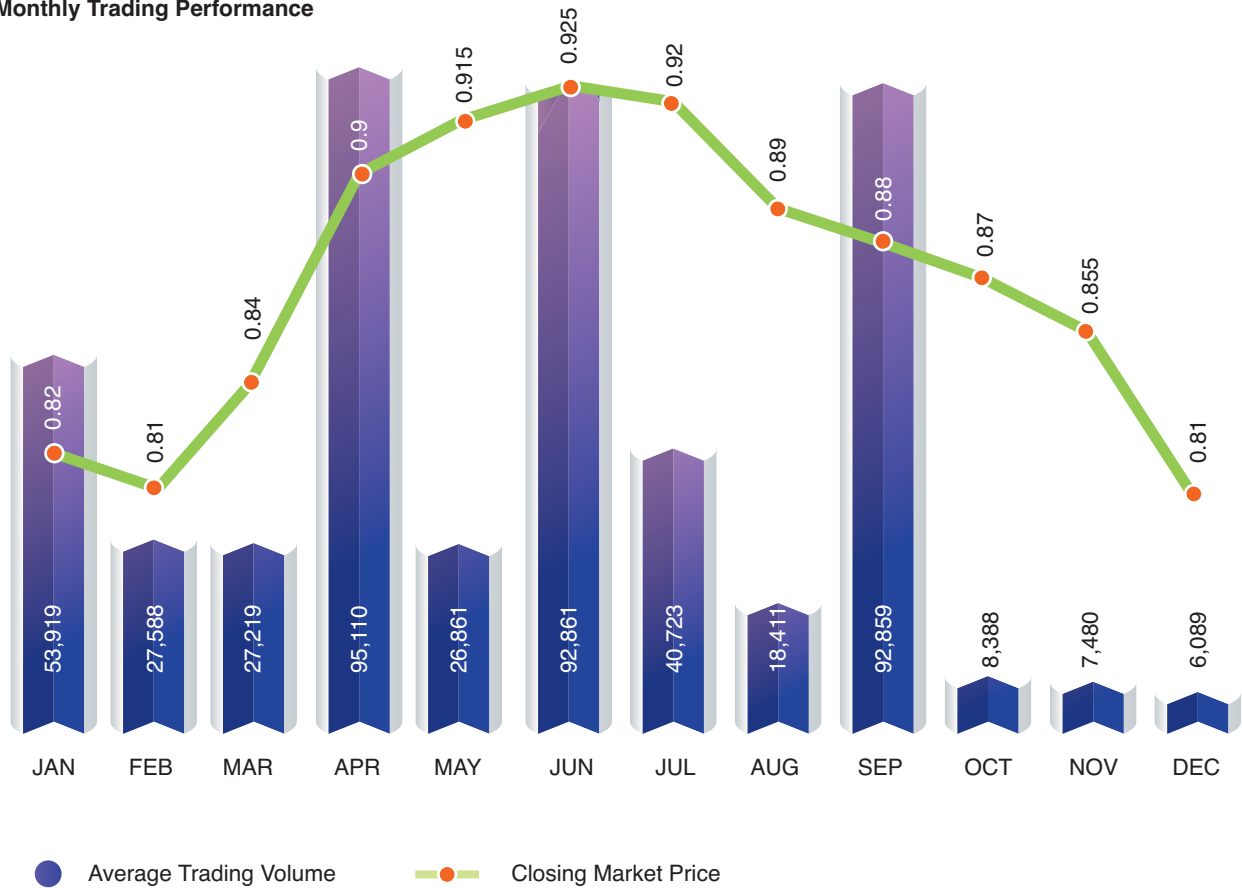
Comparative Yield as at 31 December 2019



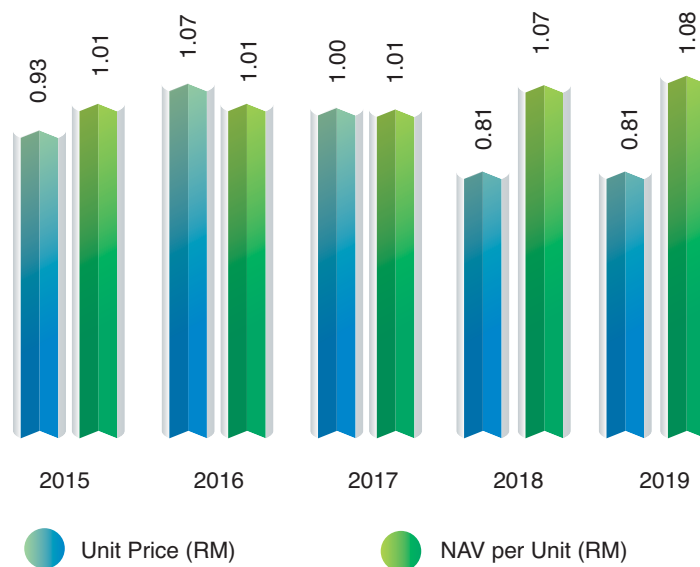
Sources : Bank Negara Malaysia, Maybank, Damansara REIT Manager

Trading Performance

Monthly Trading Performance



Closing Unit Price and Nav Per Unit



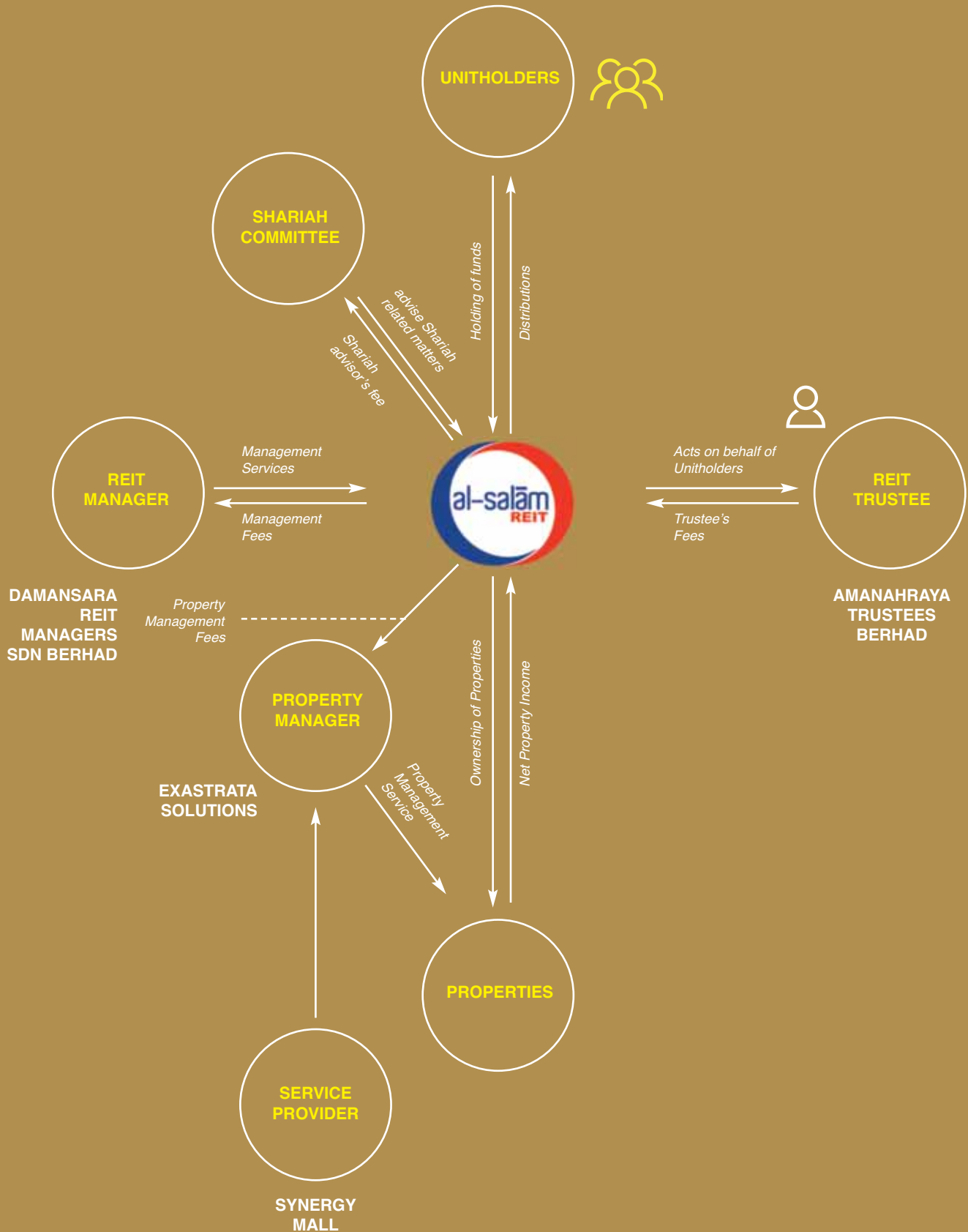
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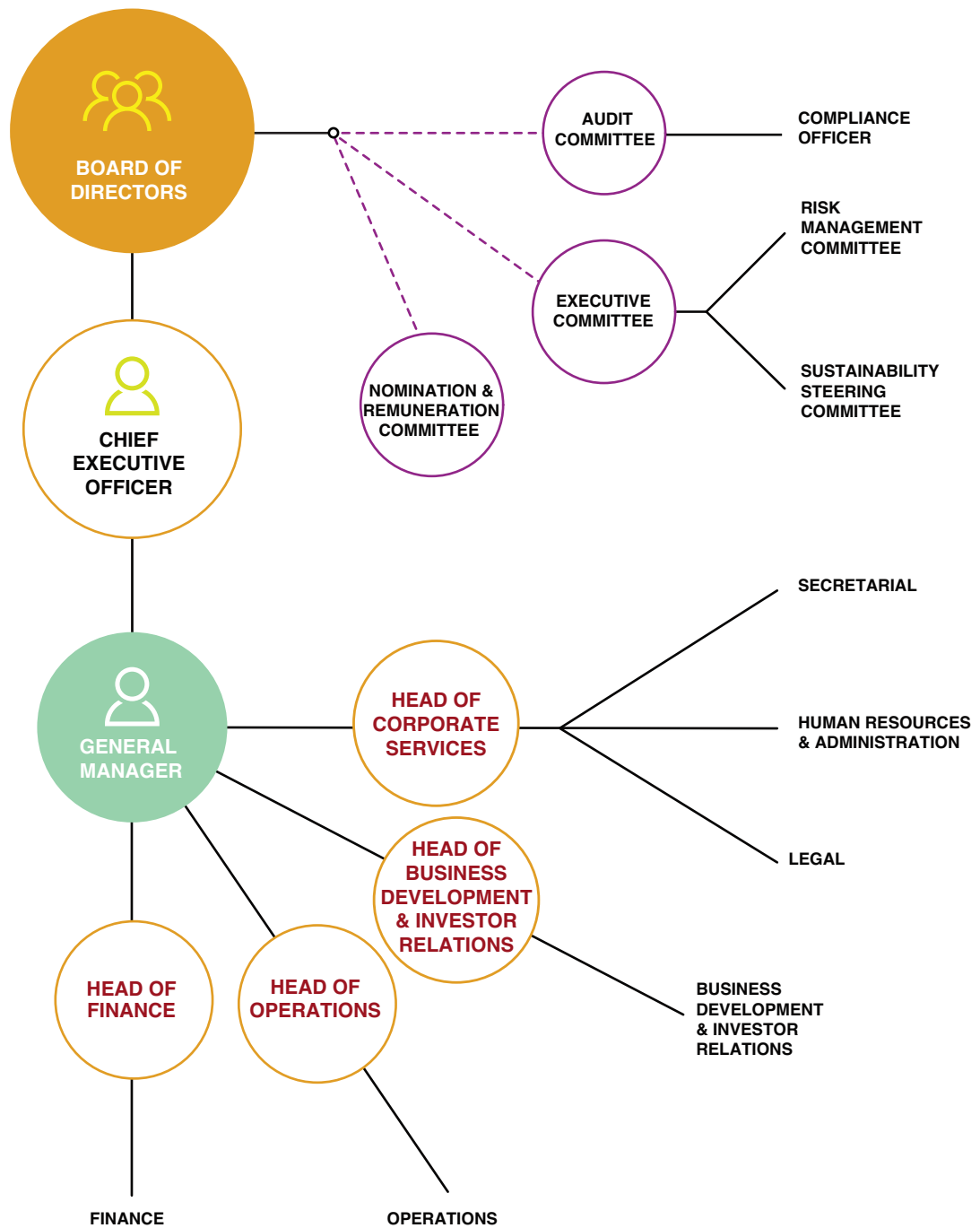
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Corporate Structure & Leadership

Trust Structure





Board of Directors Profile



Dato' Hj. Mohd Redza Shah Bin Abdul Wahid



Malaysian, Male
Aged 57

Chairman
Independent Non-Executive Director

Qualification(s)

Associate Chartered Accountant (ACA)
*Member of Institute of Chartered
Accountant in England and Wales
(ICAEW)*

Master of Science of Economics
(International Banking and Finance)
University of Wales, Cardiff

Bachelor of Science in Economic
(Industry and Trade),
*London School of Economic,
University of London*

Chartered Bankers
Asian Institute of Chartered Bankers

Sustainability Leadership in Business
Sustainability Management
University of Cambridge (online course)

Date of Appointment

14 February 2020

Number of Board of Directors meetings attended in the financial year

-

Directorship in Public Companies

EA Techniques Berhad

Working Experience

He started his career with Touche Ross & Co., London (now known as Deloitte & Touche) in 1988 as Trainee Accountant and qualified as Associate Chartered Accountant (ACA). In 1992 he joined Arab Malaysian Corporation Berhad, in Internal Audit and progressed to become the Corporate Finance Manager. He then joined Khazanah Nasional Berhad when it commenced operations in July 1994 as a Senior Finance Manager and later moved to Silterra Malaysia Sdn Bhd, as Chief Financial Officer. He left Silterra Malaysia Sdn Bhd to spearhead Tradewinds Corporation Berhad as the Group CEO from September 2002 to November 2005. Prior to joining Bank Muamalat, he was the Executive Director and Group Chief Operating Officer of DRB-HICOM from 1 March 2006 till October 2008. He sat on the Board of Raaed Holdings Sdn Bhd and also Board of General Council for Islamic Banks and Financial Institutions (CIBAFI). He resigned as a Chief Executive Officer of Bank Muamalat in October 2019 after serving for the Bank for 11 years.

Declaration

- No conflict of interest or any family relationship with any Director and / or major shareholder of Al-Salām REIT
- No personal interest in any business arrangement involving Al-Salām REIT.
- He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years

Board of Directors Profile



Wan Azman bin Ismail



Malaysian, Male
aged 56

**Chief Executive Officer &
Executive Director**

Qualification(s)

Bachelor (Hons) in Accounting and
Financial Analysis
*University of New Castle upon Tyne,
United Kingdom*

Date of Appointment

27 March 2017

Number of Board of Directors meetings attended in the financial year

5/5

Directorship in Public Companies

None

Working Experience

He started his career under the Corporate Finance Division of Perwira Affin Merchant Bank Berhad from September 1990 to March 1996. He later joined the Corporate Finance Division of BSN Merchant Bank Berhad on March 1999 to July 1999. He joined JCorp Group in September 1999 to December 2000 and later joined Damansara Realty Berhad (DBhd) in January 2001.

He was appointed as the Managing Director of DBhd on 1 February 2011 and later redesignated as Director. Starting June 2014, he served JCorp as Vice President Strategic Development Department prior to joining the Manager. He has obtained a Capital Markets Services Representatives Licence for REIT.

Declaration

- No conflict of interest or any family relationship with any Director and / or major shareholder of Al-Salām REIT
- No personal interest in any business arrangement involving Al-Salām REIT
- He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years

Board of Directors Profile



Zainah binti Mustafa



Malaysian, Female
aged 65

Independent Non-Executive Director

Qualification(s)

Association of Chartered Certified Accountants (ACCA)

Date of Appointment

16 February 2007

Number of Board of Directors meetings attended in the financial year

4/5

Membership on the Board Committee(s)

- Chairman of Audit Committee
- Member of Executive Committee
- Member of Nomination and Remuneration Committee

Directorship in Public Companies

None

Working Experience

She is currently a Fellow Member of the Association of Certified Chartered Accountants (ACCA). She joined JCorp in October 1978 and has held various roles including as its Group Chief Financial Officer before retiring on 31 October 2002. She started her career as an Assistant Senior Auditor in Perbadanan Nasional Berhad in 1997.

Declaration

- No conflict of interest or any family relationship with any Director and / or major shareholder of Al-Salām REIT
- No personal interest in any business arrangement involving Al-Salām REIT
- She has not been convicted for any offences, other than traffic offences (if any), within the past 5 years

Board of Directors Profile



Dr. Mohd Hafetz bin Ahmad



Malaysian, Male
aged 70

Independent Non-Executive Director

Qualification(s)

Medical Degree
University Malaya

Date of Appointment

16 February 2007

Number of Board of Directors meetings attended in the financial year

5/5

Membership on the Board Committee(s)

- Member Audit Committee
- Member of Executive Committee
- Member of Nomination and Remuneration Committee

Directorship in Public Companies

None

Working Experience

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

He joined Johor Specialist Hospital (JSH) in 1983 as a Consultant Obstetrician and Gynaecologist. Besides his clinical practice, he has been involved in various aspects of hospital management and clinical governance in his capacity as Chairman, JSH Consultant's Advisory Committee (1990-1994) and Medical Director (1994 - 2014). He is now the Medical Director of KPJ Bandar Dato' Onn Specialist Hospital, since 1 January 2019.

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

He presently sits on the Board of Directors of Kluang Utama Specialist Hospital and is a member of KPJ Group Medical Advisory Committee.

Declaration

- No conflict of interest or any family relationship with any Director and / or major shareholder of Al-Salām REIT
- No personal interest in any business arrangement involving Al-Salām REIT
- He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years

Board of Directors Profile



Dato' Sr. Dr. Rahah binti Ismail



Malaysian, Female
aged 63

Independent Non-Executive Director

Qualification(s)

Doctor of Philosophy (PhD) (Property Studies)
University of the West of England, United Kingdom

Master of Science (M.Sc) (Urban Land Appraisal)
University of Reading, United Kingdom

Bachelor of Surveying (Property Management)
Universiti Teknologi Malaysia

Registered Valuer with The Board of Valuer, Appraisers and Estate Agents Malaysia

Professional Diploma
Institute of Surveyors Malaysia

Date of Appointment
5 October 2017

Number of Board of Directors meetings attended in the financial year
5/5

Membership on the Board Committee(s)
None

Directorship in Public Companies
None

Working Experience

She is a valuer both by training and profession. She had previously served the Department of Valuation and Property Services, Ministry of Finance Malaysia, holding several key positions including Deputy Director General of Valuation (Technical), Director of Valuation and Property Services in the states of Johor and Selangor, Director of Inspen and Head of Research at Inspen and retired from the service on August 2017 as the Director General of Valuation. Currently she is an independent adviser to a property consultancy firm.

She had also served as the President of the Board of Valuers, Appraisers and Estate Agents. Prior to her appointment as the President of the Board of Valuers, Appraisers and Estate Agents, she is the Chair for the Valuation Practice Committee and the Test of Professional Competency Committee of the Board.

She is also involved in professional bodies like the Royal Institution of Surveyors Malaysia, Royal Institution of Chartered Surveyor where her contributions led to the recognition and award as the Fellow of the Royal Institution of Surveyors Malaysia and Fellow of the Royal Institute of Chartered Surveyors. She has also served ASEAN Valuers Association as the Vice President and President of the AVA Malaysia as well as governing Council.

She is a keen researcher and her main area of interest is the area of property development, property market and housing and has presented locally as well as internationally. Currently, she is leading the RISM-JPPH joint research project.

Declaration

- No conflict of interest or any family relationship with any Director and / or major shareholder of Al-Salām REIT
- No personal interest in any business arrangement involving Al-Salām REIT
- She has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

Board of Directors Profile



Yusaini bin Hj Sidek



Malaysian, Male
aged 52

Non-Independent Non-Executive Director

Qualification(s)

Master of Business Administration
specialisation in International
Business
*University of Southern Queensland,
Australia*

Bachelor of Business Administration
Universiti Kebangsaan Malaysia

Registered Property Manager
(PM1207) with The Board of Valuers,
Appraisers, Estate Agents and
Property Managers

Diploma in Valuation
Universiti Teknologi Malaysia

Date of Appointment

19 April 2017

Number of Board of Directors meetings attended in the financial year

5/5

Membership on the Board Committee(s)

None

Directorship in Public Companies

None

Working Experience

He was appointed to the Board as an Executive Director in 2009 and subsequently assumed his role as Managing Director of the Manager on February 2013 until 19 April 2017.

Prior thereto, he had served as the Chief Executive Officer of the Manager since 2006. He is also presently the Executive Director of Damansara Assets Sdn Bhd (DASB) having been appointed on 1 December 2012 and the Vice President, Commercial Property, Property Division of JCorp since May 2015

He has approximately 28 years of experience in the Malaysian property industry, particularly in property management and valuations. He gained professional experience via attachment with numerous property related companies and/or entities in Malaysia, namely, Colliers, Jordan Lee & Jaafar Sdn Bhd, the Valuation and Property Services Department of the Ministry of Finance, Bank Industri Malaysia Berhad, FIMA Corporation Berhad, CSM Corporation Berhad and Empire Tower (M) Sdn Bhd, wholly owned subsidiary of Low Yatt Group of Companies.

During his tenure with the aforementioned companies, amongst the buildings under his supervision are Bank Industri Building, Airtel Complex, Plaza Damansara, Jaya Shopping Centre, Menara CSM, Empire Tower and City Square Complex. He has vast experience in building management, primarily in the areas of tenancy management, marketing as well as promotion, preparation of business plan for buildings and maintenance management.

In 2001, he joined Harta Consult Sdn Bhd, a wholly owned subsidiary of JCorp as a Senior Manager until 2005 managing the properties under DASB in Kuala Lumpur prior to his appointment at DRMSB. He has obtained a Capital Markets Services Representatives' Licence for REIT as a Licensed Director to carry on regulated activities specified under the CMSA.

In January 2015, he was appointed as the Vice Chairman for year 2015 to 2016 of the Malaysian REIT Managers Association (MRMA), an organisation that act as a platform for the Malaysian REIT managers to engage with the regulatory bodies in proposing changes to the industry to promote its growth.

Declaration

- No conflict of interest or any family relationship with any Director and / or major shareholder of Al-Salām REIT
- No personal interest in any business arrangement involving Al-Salām REIT
- He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years

Board of Directors Profile



Dato' Amiruddin bin Abdul Satar



Malaysian, Male
aged 56

Non-Independent Non-Executive Director

Qualification(s)

Association of Chartered Certified Accountants (ACCA)

Masters in Business Administration (MBA),
Henley Business School, University of Reading, United Kingdom

Date of Appointment

21 January 2016

Number of Board of Directors meetings attended in the financial year

5/5

Membership on the Board Committee(s)

None

Directorship in Public Companies

- KPJ Healthcare Berhad
- Waqaf An-Nur Corporation Berhad

Working Experience

He is the President & Managing Director of KPJ Healthcare Berhad since 1 January 2013. He is also the Malaysia Advisory Committee Member of the Association of Chartered Certified Accountants (ACCA). He gained significant experience in finance and management of several large and reputable organisations in the country. He contributes actively in the development of the Malaysian healthcare sector through his involvement with the Association of Private Hospitals of Malaysia (APHM) as the Vice President.

Declaration

- No conflict of interest or any family relationship with any Director and / or major shareholder of Al-Salām REIT.
- No personal interest in any business arrangement involving Al-Salām REIT.
- He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

Board of Directors Profile



Mohd Yusof bin Ahmad



Malaysian, Male
aged 52

Non-Independent Non-Executive Director

Qualification(s)

Bachelor in Surveying (Property Management)
Universiti Teknologi Malaysia

Date of Appointment

4 February 2014

Number of Board of Directors meetings attended in the financial year

5/5

Membership on the Board Committee(s)

None

Directorship in Public Companies

None

Working Experience

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

Since 2000, he had served several departments in JLand which includes Property Management, Marketing Department, Corporate Office and Planning Department. He is currently the Executive Director of JLand and was appointed on 1 September 2019. He presently sits on the board of various companies within the JCorp Group.

Declaration

- No conflict of interest or any family relationship with any Director and / or major shareholder of Al-Salām.
- No personal interest in any business arrangement involving Al-Salām.
- He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.



Dato' (Dr) Haji Nooh bin Gadot



Malaysian, Male
aged 74

Chairman of Shariah Committee

Qualification(s)

Ijazah Kehormat Sarjana Sastera
(Master of Art)
Asia e University

Bachelor in Islamic Law and Shariah
Islamiah
Al-Azhar University, Egypt

Date of Appointment

22 June 2006

Working Experience

Currently, he is the Islamic Advisor to DYMM Sultan Johor and Advisor to Johor State Islamic Council. He is a member of the Johor Royal Council and Islamic Religious Council (Johor). He retired as Mufti of Johor in November 2002 and continued his service until 13 November 2008 and now remains as the Advisor to the Islamic Religious Council (Johor).

He was appointed as Federal Supreme Committee of Islamic Affairs Strengthening Management on 9 August 2018. His vast experience in Islamic practise and jurisprudence, juristic methodology, hadith and its sciences and spirituality was gained throughout his services as Acting Kadi, Syarie Lawyer Islamic Affair Officer Religious Department (Prime Minister Department), Acting Assistant Examination and Registrar Religious School of Johor State and Religious Teacher of Johor State. He also presently sits on the board and member of various companies within the JCorp Group as well as other companies, council, institutions and organization in Malaysia such as Yayasan Dakwah Islamiah (YADIM), Permodalan Nasional Berhad (PNB) and Yayasan Wakaf Anak Yatim Malaysia (YAWATIM).

He is currently Director of Universiti Tun Hussein Onn (UTHM), Chairman of The Teaching and Advancement of Islam Studies, a member of various councils including the Johor Royal Congregational Council, Johor Islamic Council's Finance and Investment as well as Planning and Development units. He is also a member of various committees within the Johor Islamic Council including Zakat, Wakaf, Baitulmal, Teaching Certification and Education.



Professor Madya Dr. Abdul. Halim bin Muhammad



Malaysian, Male
aged 75

Shariah Committee Member

Qualification(s)

Doctor of Philosophy (PhD) in Shariah
from St. Andrews
University of Scotland

Bachelor in Shariah

Al-Azhar University, Egypt

Date of Appointment

22 June 2006

Working Experience

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

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

At present, he is the Shariah committee member Terengganu Trust Fund, Amanah Saham Darul Iman and Kelantan Ulama Council.



Professor Dr. Mohamad @ Md. Som bin Sujimon



Malaysian, Male
aged 66

Shariah Committee Member

Qualification(s)

Doctor of Philosophy (PhD) in Islamic
and Middle Eastern Studies
*Faculty of Arts in University of
Edinburgh, Scotland, United Kingdom*

Master of Arts in Teaching
*Mississippi State University, United
States of America*

Bachelor of Honours from the Faculty
of Islamic Jurisprudence and Law
University of Al-Azhar, Egypt

Date of Appointment

20 May 2013

Working Experience

He began his career as a Lecturer at the Faculty of Arts and Social Science, Universiti Malaya from 1983 to 1986 and later migrated to Brunei Darussalam whereby he was part of the team which founded 3 institutions, namely Universiti Brunei Darussalam (UBD), Universiti Islam Sultan Syarif Ali (UNISSA) and Kolej Universiti Perguruan Ugama Seri Begawan. In Brunei Darussalam, he was an Associate Professor at the Faculty of Shariah and Law, UNISSA as well as at the UBD and Institute of Islamic Studies Sultan Haji Omar Ali Saifuddin. He was also an Associate Professor at the International Islamic University Malaysia from 1999 to 2005.

He was a Senior Researcher at the International Shariah Research Academy and is currently the Chief Executive Officer of Kolej Pengajian Islam Johor and member of the Shariah committee for HSBC Amanah Takaful and also member of Shariah Committee for Hong Leong Islamic Bank Berhad. In December 2013, he was appointed as the Chairman for the Shariah Board of Brisbane Islamic Investment Fund, an Australian regulated Islamic investment fund and Islamic finance business custodians which deals with manufacturing and services, energy and resources, real estate, solar and clean energy and live stocks.

He is then being appointed as Shariah Advisor for Taupo Islamic Centre Auckland, New Zealand since 2016 until present. He was an Associate Research Fellow at International Research Centre of Islamic Economics and Finance (IRCIEF), Kolej Universiti Islam Antarabangsa Selangor (KUIS). At present, he is the dean of Ulum Shariyyah Faculty of Islamic Sciences International University Madinah (MEDIU) located in Sri Petaling, Kuala Lumpur.

Company Secretaries



Nuraliza Binti A. Rahman

(MAICSA 7067934)



Rohaya Binti Jaafar

(LS0008376)

Wan Azman

Malaysian, Male
Aged 56

bin Ismail

Wan Azman bin Ismail is currently the Executive Director cum Chief Executive Officer of the Manager. His profile is detailed in the Board of Directors' profile.

Shahril Zairis

Malaysian, Male
aged 50

bin Ramli

Shahril Zairis bin Ramli is currently the General Manager of the Manager. He joined the Manager in July 2012.

He started his career with BSN Merchant Bank Berhad in 1997. In 1999, he joined DBhd and subsequently, in 2008 he joined JCorp and was later assigned to a few companies within the JCorp Group. He is the holder of Capital Markets Services Representatives' Licence for REIT from the SC as a Licensed Representative. He has a Degree in Banking and Finance from Bangor University, Wales and a Diploma in Investment Analysis from Universiti Teknologi Mara.

He does not hold directorships in any public companies in Malaysia. He does not have any family relationship with any Directors and/or major Unitholders of Al-Salām nor does he have any conflict of interests with Al-Salām. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

Roziah

Malaysian, Female
aged 52

binti Abu Bakar

Roziah Abu Bakar is currently the Head of Compliance and Risk Management of the Manager. She completed her Masters in Business Administration, Henley Business School, University of Reading in 2008 and has a Degree in International Relations, Faculty of Political Science from The University of British Columbia, Canada. She started her career at JCorp in 1995 and has various experiences in the areas of corporate planning, business development and education. She obtained approval from the SC as the Compliance Officer of the Manager in June 2017. She is a certified Enterprise Risk Advisor from the Institute of Enterprise Risk Practitioners.

She does not hold directorships in any public companies in Malaysia. She does not have any family relationship with any Directors and/or major Unitholders of Al-Salām nor does she have any conflict of interests with Al-Salām. She has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

Management Profile

Suhaimi

Malaysian, Male
Aged 50

bin Saad

Suhaimi bin Saad is currently the Head of Operations of the Manager. He joined the Manager in June 2006. He graduated with a Bachelor of Arts (Hons) in Urban Studies and Planning from University of Malaya in 1996. He has numerous experiences in property management and planning and has been working in the property management sector since 1997. In 2001, he joined Damansara Harta Management Sdn Bhd as Property Executive and subsequently, in 2004, he joined Damansara Town Centre Sdn Bhd, which is involved in the management of Pusat Bandar Damansara, Kuala Lumpur. He then joined the Manager in June 2006 primarily to oversee asset management, leasing activities and the implementation of organic growth strategies to enhance the performance of Al-Salām portfolio. He has obtained a Capital Markets Services Representatives' License for REIT from the SC as a Licensed Representative. He is also a Registered Property Manager (PM1311) from The Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVEA).

He does not hold directorships in any public companies in Malaysia. He does not have any family relationship with any Directors and/or major Unitholders of Al-Salām nor does he have any conflict of interests with Al-Salām. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

Hamim

Malaysian, Male
Aged 43

bin Mohamad

Hamim bin Mohamad is currently the Head of Corporate Services. He joined the Manager in July 2014. He graduated with a Bachelor's Degree in Engineering from Universiti Kebangsaan Malaysia in 1999. He started his career with Mayban Securities Sdn Bhd in 2000 before joining DBhd in 2002. During his 12 years employment with DBhd, he has been exposed to and gained experience in various legal function including litigation management, conveyance, risk management as well as corporate legal. He was the Compliance Officer of the Manager from September 2014 until June 2017.

He does not hold directorships in any public companies in Malaysia. He does not have any family relationship with any Directors and/or major Unitholders of Al-Salām nor does he have any conflict of interests with Al-Salām. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

Muhammad Ikhwan

Malaysian, Male
Aged 34

bin Muhammad Hanapi

Muhammad Ikhwan bin Muhammad Hanapi is currently the Head of Finance of the Manager. He is primarily in charge of the accounting and financial matters of the Manager. He started his career as an Audit Assistant with KPMG Desa Megat & Co. in February 2008 and advanced to Assistant Manager position within 3 years with the Firm. He has audit experience from various industries which includes oil & gas trading, railway transportation, plantations, manufacturing, services and trading. He joined the Manager in October 2011 as an Accountant and was promoted to Senior Accountant on 1 January 2016. He is currently a member of the Malaysian Institute of Accountant (MIA) and a Fellow member of the Association of Chartered Certified Accountants (ACCA).

He does not hold directorships in any public companies in Malaysia. He does not have any family relationship with any Directors and/or major Unitholders of Al-Salām nor does he have any conflict of interests with Al-Salām. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

Sahrin

Malaysian, Male
Aged 38

bin Munir

Sahrin bin Munir is currently the Head of Business Development and Investor Relations of the Manager. He joined the Manager in May 2013. He graduated with a Bachelor of Management (Technology) from Universiti Teknologi Malaysia in 2004. He started his career with DBhd in 2006. In 2008, he joined a venture capital management company, Pembangunan Ekuiti Sdn Bhd as Investment Analyst overseeing small and medium enterprises from various industries involved in, amongst others, oil and gas, manufacturing, services and trading. He then joined FELDA as Investment officer in 2011. He is primarily in charge to develop investment strategies and grow the Fund's portfolio through strategic acquisitions. He is also responsible to implement effective communication strategies with all stakeholders and maintaining continuous engagement with the investment community.

He does not hold directorships in any public companies in Malaysia. He does not have any family relationship with any Directors and/or major Unitholders of Al-Salām nor does he have any conflict of interests with Al-Salām. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

SECTION 3

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| 46 | • Investor & Public Relations Report | | |



Management Discussion & Analysis

Financial & Business Review

OVERVIEW OF AL-SALĀM REIT

Al-Salām REIT is a medium-sized diversified Malaysian REIT with a total portfolio asset value of RM1.19 billion. Its investment properties' gross floor area totals 2.21 million sq ft with 1.90 million sq ft of total net lettable area. The properties are well diversified into retail, office, F&B Restaurants and F&B non restaurant segments.

FINANCIAL REVIEW

Al-Salām REIT deliver a lower DPU of 4.75 sen for FY2019 due to lower realised net income from retail segments.

Table 1: Key Financial Highlights

	Audited FY 2018 RM' 000	Audited FY 2019 RM' 000	Variance (%)
Gross Revenue	82,151	94,912	15.5
Net property Income	58,245	69,121	18.7
Net income (realised)	31,867	28,395	(10.9)
Income available for distribution (realised)	31,867	28,395	(10.9)
EPU (sen) - realised	5.49	4.90	(10.9)
DPU (sen) - realised	5.35	4.75	(11.2)

Commentaries (FY2019 vs FY2018):

- Al-Salām REIT achieved a gross revenue of RM94.9 million for the financial year ended 31 December 2019, a growth of 15.5% against RM82.2 million achieved in FY2018, mainly contributed by additional rental income from Mydin Hypermart Gong Badak and 17 QSR Properties, of which the acquisition completed on 21 September 2018 and 19 March 2019 respectively.

Despite the increase in revenue, Al-Salām REIT registered a lower realised EPU in FY 2019 mainly due to lower NPI contribution from KOMTAR JBCC of RM21.0 million as compared to RM25.2 million in 2018.

	Gross Revenue			Net Property Income		
	FY 2018 RM' 000	FY 2019 RM' 000	Change %	FY 2018 RM' 000	FY 2019 RM' 000	Change %
KOMTAR JBCC	40,817	38,140	(6.6)	25,204	20,980	(16.8)
@Mart Kempas	7,553	7,898	4.6	3,632	3,767	3.7
Mydin Hypermart Gong Badak	3,522	13,825	292.5	3,522	13,810	292.1
Total Retail Segment	51,892	59,863	15.4	32,358	38,557	19.2
Menara KOMTAR	9,370	9,235	(1.4)	5,578	5,447	(2.3)
Total Office Segment	9,370	9,235	(1.4)	5,578	5,447	(2.3)
38 KFC &/or Pizza Hut Outlets	9,963	14,503	45.6	9,947	14,472	45.5
Total F&B Restaurants	9,963	14,503	45.6	9,947	14,472	45.5
Industrial Premises	8,394	8,748	4.2	8,369	8,727	4.3
MCHM	2,532	2,563	1.2	2,263	2,331	3.0
Total F&B Non-Restaurants	10,926	11,311	3.5	10,632	11,058	4.0
Property Manager Fee	-	-	-	(270)	(413)	53.0
TOTAL PORTFOLIO	82,151	94,912	15.5	58,245	69,121	18.7

Financial & Business Review

BUSINESS REVIEW

Retail segment remained as the key contributor to Al-Salām REIT with contribution to revenue and NPI of 63% (FY2018: 63%) and 56% (FY2018: 55%) respectively. The retail segment's NPI increased by 19.2% to RM38.6 million from RM32.4 million in FY 2018. Despite lower NPI of KOMTAR JBCC (16.8% or RM4.2 million mainly due to lower occupancy rate, lower percentage rent and higher operating expenses) as compared to previous year, the NPI from the newly acquired Mydin Hypermart Gong Badak of RM13.8 million (which includes and unbilled rental income) has resulted in the increase.

The office segment's contribution to the total revenue and NPI was stable at 10% and 8% respectively. During the financial year, Menara KOMTAR occupancy rate decreased slightly from 91% from 89%. The food and beverage segment witnessed a higher contribution of revenue and NPI as compared to those from previous year. This is due to the rental from the newly acquired 17 QSR Properties of RM4.5 million has resulted in the increase.

PROFIT FOR THE YEAR

Profit for the year was RM36.2 million (FY2018: RM40.3 million) comprising realised profit of RM28.4 million (FY2018: RM31.9 million) and unrealised profit of RM7.8 million (FY2018: RM8.4 million). Realised profit was lower 10.9% from the previous year mainly due to lower NPI of KOMTAR JBCC (RM4.2 million). The unrealised profit of RM7.8 million comprised of fair value gain of RM3.6 million and unbilled rental income from Mydin Hypermart Gong Badak of RM4.2 million. The higher net fair value gain was mainly attributable to F&B related properties.

DISTRIBUTION PER UNIT (DPU)

Total income available for distribution for FY2019 was RM28.4 million (FY2018: RM31.9 million). The Fund had distributed interim income distributions of 3.34 sen per unit amounting approximately RM19.4 million on 12 July 2019, 17 October 2019 and 10 January 2020 respectively.

On 30 January 2019, the Manager, declared a final income distribution of 1.41 sen per unit totalling RM8.2 million. The said distribution was paid on 28 February 2020 and has not been included as a liability in the financial statements as of 31 December 2019.

Total income distribution for FY2019 is 4.75 sen per unit (FY2018: 5.35 sen) totaling RM27.6 million, which represents 97.0% of the income available for distribution.

STATEMENT OF FINANCIAL POSITION

Al-Salām REIT's total asset value increased to RM1.25 billion as at 31 December 2019 compared to RM1.16 billion in the previous year. The increase of RM94.9 million was derived from acquisition of 17 QSR Properties of RM86.7 million and gain in fair value of investment properties and capex incurred of RM8.2 million.

PERFORMANCE BENCHMARK

Performance Benchmark	FY2018	FY2019	Commentary
i. Distribution Yield (%)	6.6%	5.86%	Distribution yield has decreased from 6.6% to 5.86% due to lower DPU
ii. Total Returns (%)	-12.4%	5.86%	Total return for the financial year was 4.7% (FY2018: -12.4%) contributed by 0% capital loss (FY2018: capital loss of 19%) plus distribution yield of 5.86% (FY2018: 6.6%)
iii. NAV per unit (after income distribution)(RM)	1.0471	1.0619	NAV per unit increased by 0.5% mainly arising from gain on fair value of properties

Notes:

- Based on DPU of 4.75 sen (FY2018: 5.35 sen) divided by its closing price as at 31 December 2019 of RM0.81 (FY2018: RM0.81).
- Total return represents the change in unit price during the year plus distribution yield for the year.
- Net asset value per unit is determined by deducting the value of all Al-Salām REIT's liabilities from the total asset value divided by total issued units.

STATEMENT OF CASH FLOWS**Operating activities**

Net cash generated from operating activities was RM63.2 million in FY2019, higher by RM10.8 million than FY2018. This is mainly attributable to higher rental income in the current financial year in 2019.

Investing activities

Al-Salām REIT used RM0.2 million from investing activities during the financial year compared to RM5.15 million in the previous year. The main investing activities in the current year relate to acquisition of equipment, capex and pledged deposit with licensed banks.

Financing activities

Net cash used in financing activities during the financial year was RM65.7 million, mainly related to payment of Islamic financing costs and income distribution of RM31.5 million and RM32.6 million respectively.

Hence, as at 31 December 2019 cash and cash equivalent was at RM31.4 million, a decrease of RM2.7 million from RM34.1 million.

FAIR VALUE OF INVESTMENT PROPERTIES

As at 31 December 2019, the value of Al-Salām REIT's properties was RM1.19 billion compared to RM1.09 billion as at 31 December 2018. The increase was due to acquisition of 17 QSR Properties at purchase consideration of RM86.7 million and net fair value gain of RM3.5 million and capex of RM4.7 million.

The portfolio property yield for FY2019 decreased from 6.27% to 5.92% mainly due to the lower performance of KOMTAR JBCC during the year.

	Fair Value @ 31 Dec 2018	Fair Value @ 31 Dec 2019	Property Yield 2018 (%)	Property Yield 2019(%)
Retail				
KOMTAR JBCC	465,000	462,000	5.42	4.54
@Mart Kempas	65,000	66,000	5.59	5.71
Mydin Hypermart Gong Badak	158,000	161,000	8.75	8.58 ⁱⁱⁱ
Office				
Menara KOMTAR	73,000	73,000	7.64	7.46
F&B Restaurants				
38 KFC and/or Pizza Hut Outlets	165,697	253,935 ⁱⁱ	6.00	6.14 ⁱⁱⁱ
F&B Non-Restaurants				
Industrial Premises	135,989	141,700 ⁱⁱ	6.15	6.19 ⁱⁱⁱ
MCHM	30,000	30,000	7.54	7.77
TOTAL	1,092,686	1,187,635	6.27	5.92

- Appraised value based on valuation carried out by an independent professional valuer, cheston International (KL) Sdn Bhd, VPC Alliance (Kajang) Sdn Bhd and IM Global Property Consultant Sdn Bhd on 31 December 2019.
- The acquisition of 17 QSR Properties was complete on 19 March 2019.
- Annualised property yield computed based on NPI (which includes unbilled rental income) from completion date of acquisition to 31 December 2019.

Retail Segment

KOMTAR JBCC

OVERVIEW OF PROPERTY

Located in the heart of the Central Business District of Johor Bahru City Centre, KOMTAR JBCC offers an array of outlets of international and luxury brand such as Swarovski, Chanel, Tumi, Estée Lauder and Dior amongst others.

The 4-storey shopping mall with indoor parking facilities is attached with an existing 25 storey purpose-built office tower known as Menara KOMTAR and a newly completed 37-storey purpose-built Grade A office tower known as Menara JLand.

Being adjacent to the CIQ with excellent pedestrian connectivity to the mall allows KOMTAR JBCC to further capitalise on visitor and shoppers from outside its identified catchment.

A proposed international hotel known as Holiday Inn Johor Bahru City Centre will be part of the KOMTAR JBCC mixed-use development and is expected to be completed in 2020 and that will further increase the catchment of the mall.

The table below sets out a summary on KOMTAR JBCC as at 31 December 2019.

Existing Use	4-level Shopping Mall
GFA (sq ft)	623,374
NLA (sq.ft)	396,334
Number of Car Park Bays	1,049 car parks and 480 motorcycle parking bays
Market Value	RM462 million
Number of Tenancies	120 tenants
Occupancy Rate	60%

TENANT PROFILE

i. Top Ten Tenant

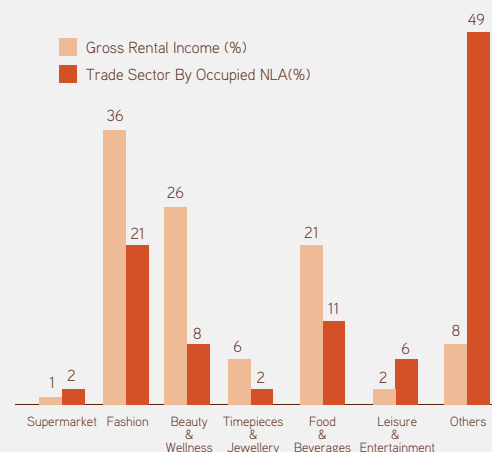
The major tenants contributed for approximately 26% of total income.

Tenant	%
Brands Outlet	2
Vincci	2
Good2u Outlet Store	2
Padini Concept Store	5
F.O.S	2
Angry Bird Family	2
Kapitan Grocer	2
Marks & Spencer	3
Sephora	2
RHB BANK	4
TOTAL	26



ii. Trade Sector Analysis (Gross Rental Income)

The table below provides a breakdown of the different trade sectors represented in KOMTAR JBCC as at 31 December 2019.



Retail Segment

KOMTAR JBCC

The majority of the tenancies were renewed in FY2017 and will expire from FY2020 onwards. The Service Provider has managed to retain the existing tenants albeit with increase competition from other malls.

MAJOR ASSET ENHANCEMENT INITIATIVE

Metrojaya exited KOMTAR JBCC as anchor tenant at the end of 2018. Following this, KOMTAR JBCC has commenced AEI on the ground floor level of the vacated former anchor tenant space at total cost of RM3.3 million:

- Newly created commercial space to be potentially occupied by mini anchors/specialty stores / F&B tenants in catering to shopper's shift in demand for experiential retail experience
- a large area of common space with potential for casual leasing and temporary retail rentals.
- direct access from the recently completed Menara JLand's lobby into the shopping mall, resulting in potential footfall increase whilst generating marketing synergy to promote the tower's office space and Skyscape@Menara JLand.

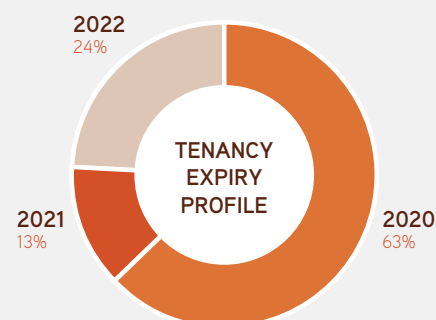
STRATEGIES

As Al-Salām REIT's cornerstone asset, KOMTAR JBCC contributes substantially to the Fund's yield performance. Strategically located on the doorstep of Singapore-Malaysia gateway and amidst Johor Bahru's burgeoning central point of commerce, the property's inherent competitive edge would ensure it's present flow of consumer traffic to only increase in periods to come.

Positioned to capitalize on the property's location advantage and established market reputation, KOMTAR JBCC will proceed:

- To continue to tap upon the strength and brand recognition of high end retailers to Johor Bahru ie: Marks & Spencer
- Increase in marketing and advertising campaigns showcasing KOMTAR JBCC's unique selling proposition as the premier Johor Bahru shopping outlet by focusing on key brands such as Sephora, Chanel, Dior, Kiehl's in the retail space and the likes of 4 Fingers Crispy Chicken, Arashi Shabu Shabu, Tony Roma's and The Angry Bird Activity Park in the f&b and family entertainment space.
- Undertaking AEI on the current space previously vacated by the anchor tenant by realigning KOMTAR JBCC's commercial space mix and to allow an increased presence of experiential trade offerings for shoppers going forward.
- Ramping up volume of Singaporean shoppers by placing new advertisements at the Immigration Entry point from the Causeway to Johor Bahru whilst easing access into KOMTAR JBCC from the crucial traffic gateway.
- Ramping up volume of Singaporean shoppers by focusing on marketing campaigns curated specifically for the target group.
- To become more actively engaged with all tenants specifically key businesses e.g. The Angry Birds Activity Park and Marks & Spencer to ensure that the shopping mall becomes a crucial enabler for their success.
- To leverage on social media connectivity as an effective and interactive tool of campaigns, promotional highlights and events.

iii. Tenancy Expiry Profile (Occupied NLA)



- Establish strategic relationships with current and upcoming hotels and other businesses operating within KOMTAR JBCC's surrounding vicinity to develop mall-wide campaigns aimed at increasing customer spending through rewards or redemptions.

CHALLENGES AND PROSPECTS

Al-Salām REIT's retail assets represent the majority of the fund's portfolio composition, and the increase in competition coupled with dampened consumer spending had impacted its performance in 2019. While prime shopping malls in prominent locations have sustained their revenues deriving from stable footfall, tenant occupancy and reversion rates, nonetheless players operating within smaller scale and neighbourhood mall space will be most affected by the continuous crowding of retail landscape. This scenario will be further magnified from the rising threat of e-commerce encroaching upon physical store performance. The said factors are bearing upon Johor Bahru's retail scene as new shopping malls continue to offer various incentives to attract tenants.

By virtue of KOMTAR JBCC's well known strategic location and strong brand value, these competitive strengths are key drivers to attract new retailers whilst retaining existing operators that are due for lease renewals. With the upcoming completions of developments within the city center, KOMTAR JBCC will only prosper on the backs of increasing local captive shopper volume and Singaporean patrons flocking towards the nearest and most accessible Malaysia shopping haven.

Retail

@Mart Kempas

OVERVIEW OF PROPERTY

@Mart Kempas is a single storey purpose-built hypermarket which had commenced operations since March 2011. Located within Kempas, Johor Bahru surrounded by residential and commercial area, @Mart Kempas's layout is divided into several areas for, amongst others, a fresh market, dry retail lots, a food court and various promotion area.

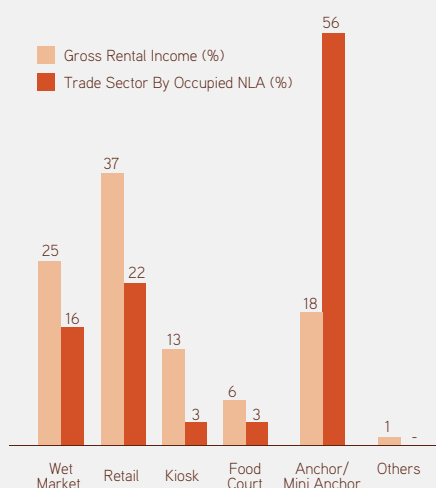
The 'one stop convenience supermarket' targets the lower and medium market that offers cleaner and more convenient shopping experience compared to the traditional wet market.

The table below sets out a summary on @Mart Kempas as at 31 December 2019.

Existing Use	Community Hypermarket
GFA (sq.ft)	164,460
NLA (sq.ft)	99,476
Number of Car Park Bays	478 bays
Market Value	RM66 million
Number of Tenancies	223 tenants
Occupancy Rate	99%

ii. Trade Sector Analysis (Gross Rental Income)

The table below provides a breakdown of the different trade sectors represented in @Mart Kempas as at 31 December 2019.



TENANT PROFILE

i. Top Ten Tenant

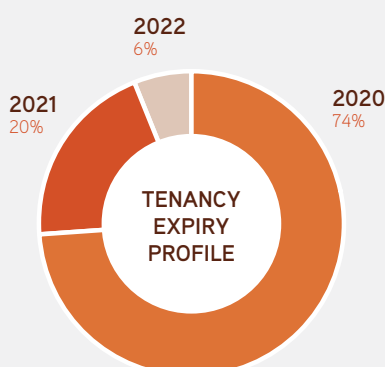
The major tenants contributed for approximately 26% of total income.

Tenant	% of Total Income
Unified Vision Sdn Bhd (Midas)	9
J&E Telecommunication Sdn Bhd	3
Linkme LM Trading Sdn Bhd	2
Pasaraya Ku Trading (Melaka) Sdn Bhd	2
Kasut U Sdn. Bhd.	2
Lionmas Furnitures (M) Sdn Bhd	2
Jeko Long Sdn Bhd	2
Mr. D.I.Y (Johor) Sdn Bhd	2
NCH Communication	1
KM Mini Mart	1
TOTAL	26

Retail

@Mart Kempas

iii. Tenancy Expiry Profile (Occupied NLA)



The majority of the tenancies were renewed in FY2017 and will expire from FY2020 onwards. The Service Provider has managed to retain the existing tenants albeit with increase competition from other malls.

MAJOR ASSET ENHANCEMENT INITIATIVE

@Mart Kempas's current occupancy rate of 99% had achieved near saturation even as the property continues to attract high tenancy demand volume. To further realise on the asset's potential going forward, @Mart Kempas is looking to increase its commercial area by undertaking a planned expansion at total expected cost of approximately RM22 million. The said expansion will increase the total net leasable area of t@Mart Kempas by adding 30,000 square feet consisting of 2 floors of retail and parking space.

STRATEGIES

- To develop and entice new target market/demographics via social media campaigns
- To implement mall-wide shopping programmes aimed at maximizing shopper spending through rewards and redemptions approach
- Develop and sustain new income stream from renting advertising space, creating new tenanted areas and promotion areas
- To continue to maintain strategic partnerships with tenants including being actively engaged with tenants in executing promotional activities in ensuring ongoing, conducive trade atmosphere within the mall area



CHALLENGES AND PROSPECTS

The lingering soft economy will undoubtedly cause a continual impact on consumer spending strength coming into the new year as shoppers become more cautious in loosening their purse strings. Conversely, bargain shopping and demand for quality and competitively priced staple goods and household products will play out as the most dominant theme for buying preference across shopper demographics throughout the economic slowdown period. @Mart Kempas is perfectly positioned to capitalized on the said factors as evidenced by high tenancy rate and robust footfall volume as the new year looms ahead.

As such, the property manager will continue to strengthen the retail mart's revenue and bottom line through:

- Continual assessment and if need be, reposition the lessee trade mix to ensure the community mart is constantly fresh in its commercial space offering
- To diversify and generate more robust non-core income flow including advertising space rental as well as creating new tenanted and promotional areas
- Notching up footfall volume through year round promotional activities, revenue-maximizing events as well as continuing to offer quality products at affordable prices.

Retail**Mydin Gong Badak****OVERVIEW OF PROPERTY**

A double storey hypermarket with business activity in retailing and wholesaling. The mall comprises of the conventional retail lots including F&B lots, promotion lots, kiosks, push carts, and other an ancillary lot, bazaar lot and food court. Unlike traditional warehouse type of hypermarket, the hypermart is constructed as the modern shopping mall that provide leisure ambience. The strategic location of the hypermarket along the eastern side of Jalan Tengku Ampuan Intan Zahrah, one of the main development thoroughfares of Kuala Terengganu town is expected to be the main attraction to the locals.

Existing Use	Community Hypermarket
GFA (sq.ft)	589,232
NLA (sq.ft)	253,752
Number of Car Park Bays	805 bays
Market Value	RM 161 million
Number of Tenancies	1
Occupancy vale	100%

RENTAL RENEWAL

As stipulated in the lease agreement dated 26 September 2018, the lease will be for a term of thirty years with an option to renew which the length will be mutually agreed between Al-Salām REIT and the lessee.

MAJOR ASSET ENHANCEMENT INITIATIVE

The properties are on a triple net lease arrangement and there was no major asset enhancement initiative undertaken for year 2019. The Fund will continue to enhance the relationships with the tenants and proactively attend tenant's need and requirement.

Office Menara KOMTAR

OVERVIEW OF PROPERTY

Rejuvenated and refreshed, Menara KOMTAR has undertaken major refurbishment in 2013. The 25-level purpose-built office tower located in Flagship Zone A of Iskandar Malaysia which is established with the key development strategy to regenerate Johor Bahru into a vibrant economic centre while preserving its cultural and heritage values.

It is also located strategically within the proximity to world's most dynamic economic at the confluence of important East-West trade routes and part of the Indonesia-Malaysia-Singapore Growth Triangle.



MAJOR ASSET ENHANCEMENT INITIATIVE

There was no major enhancement initiative undertaken for year 2019. The fund will continue to enhance the relationship with the tenant's need and requirement.

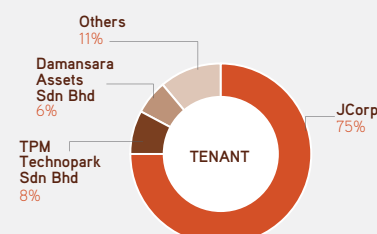
The table below sets out a summary on office building as at 31 December 2019

Existing Use	Office Building
GFA (sq.ft)	242,195
NLA (sq.ft)	160,592
Number of Car Park Bays	208 bays
Market Value	RM73 million
Number of Tenancies	21 tenants
Occupancy Rate	89%

TENANT PROFILE

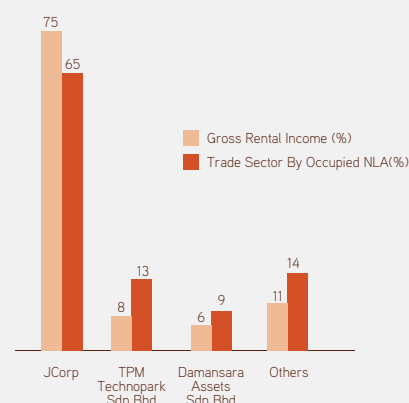
i. Top Ten Tenant

The major tenants contributed for approximately 89% of total income.

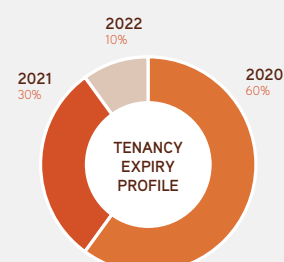


ii. Trade Sector Analysis (Gross Rental Income)

JCorp Group of Companies occupied about 76% of the NLA.



iii. Tenancy Expiry Profile (Occupied NLA)



F&B Restaurant

KFC & Pizza Hut

OVERVIEW OF PROPERTY

The Food & Beverage Restaurant segment comprises 38 restaurant properties located across Malaysia. The properties support the food and beverage operations of QSR, specifically in relation to the operations of fast food brands namely KFC and Pizza Hut. Al-Salām REIT is leasing all the properties to QSR Group of Companies.

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

Description	No. of Properties	Market Value (RM)
Restaurant located at shophouses/ offices	21	71.3
Single-storey restaurants building with drive-through outlets	13	161.5
Restaurant at mall	4	21.1
TOTAL	38	253.9

LEASE TERM

Pursuant to the master lease agreements, the properties are leased based on a Triple Net Lease for a term of 3 years, renewable every 3 years (Rental Period) up to a maximum of 15 years (Lease Term). The Lease Term can be extended for a further period of 15 years (Extended Lease Term).

The current Rental Period of the properties are as follows:

No. of properties	First Rental Period
16	19 March 2019 – 18 March 2022
No. of properties	Second Rental Period
11	6 May 2018 - 5 May 2021
10	29 September 2018 - 28 September 2021
1	Month to month basis

MAJOR ASSET ENHANCEMENT INITIATIVE

The properties are on a Triple Net Lease arrangement and there was no major asset enhancement initiative undertaken for year 2019. The Fund will continue to enhance the relationship with the tenants and proactively attend to tenants' need and requirements.



Non-F&B Restaurant Industrial Premises

OVERVIEW OF PROPERTY

There are 6 industrial/warehouse properties worth RM141.7 million in total market value. The 6 properties located across Malaysia support the Food & Beverage operations of KFC and Pizza Hut, the fast food brands under QSR Group of Companies. Al-Salām REIT is leasing the properties to QSR Group of Companies.

LEASE TERM

Pursuant to the master lease agreements, the properties are leased based on a Triple Net Lease for a term of 3 years, renewable every 3 years (Rental Period) up to a maximum of 15 years (Lease Term). The Lease Term can be extended for a further period of 15 years (Extended Lease Term).



The current Rental Period of the properties are as follows:

No. of properties	First Rental Period
1	19 March 2019 – 18 March 2022
No. of properties	Second Rental Period
2	6 May 2018 – 5 May 2021
3	29 September 2018 – 28 September 2021

MAJOR ASSET ENHANCEMENT INITIATIVE

The properties are on a Triple Net Lease arrangement and there was no major asset enhancement initiative undertaken for year 2019. The Fund will continue to enhance the relationship with the tenants and proactively attend to tenants' need and requirements.



Non-F&B Restaurant**Malaysian College of Hospitality & Management****OVERVIEW OF PROPERTY**

The property is a 4-storey building known as Malaysian College of Hospitality & Management (MCHM) — formerly known as KFCH International College — located in Bandar Dato' Onn, a residential township located 12 km from Johor Bahru. The 597-hectare (1,474 acre) township of Bandar Dato' Onn will be self-contained township and home to more than 90,000 residents when completed.

LEASE EXPIRY

MCHM is currently rented by two tenants. The tenancies for MCHM are for a term of 3 years subject to compulsory renewal for further 2 terms of 3 years each term. The current first term will expire on 31 October 2022.

MAJOR ASSET ENHANCEMENT INITIATIVE

There will be no major expansion or renovation on the property since the building is still in good condition and there is no requirement from the existing tenant to expand their operation which will necessitate a major asset enhancement initiative.

The table below sets out a summary on MCHM as at 31 December 2019

Existing Use	College Building
GFA (sq ft)	92,157
NLA (sq ft)	87,178
Number of Car Park Bays	131 bays
Market Value	RM30 million
Number of Tenancies	2
Occupancy Rate	100%

Capital Management

	FY2018	FY2019
Total Borrowings (RM Mil)	509.5	597.5
Average Cost Of Debts (%)	5.38	5.41
Fixed/Floating Ratio	100% Floating	100% Floating
Average Maturity Period (years)	1	1
Financing Service Cover ratio (times)	3.13	3.32
Gearing ratio (%)	44.1	47.8

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

The Manager intends to implement this strategy by;

- diversifying sources of debt funding
- maintaining a reasonable level of loan service capability
- securing the most favourable terms of funding
- managing its financial obligations
- where appropriate, managing the exposures arising from adverse market financing rates
- actively manage the range of maturities to reduce refinancing risk and optimize the cost of capital Al-Salām REIT's financing currently comprises the following:

	The Group	
	As at 31-12-2019 RM'000	As at 31-12-2018 RM'000
Non-current		
Secured		
- Term Financing-i ("TF-i")	87,026	-
- Commodity Murabahah Term Financing-i ("CMTF-i")	-	350,000
- Sukuk Ijarah - Islamic Medium Term Notes ("IMTN")	-	162,785
	87,026	512,785
Less: Transaction costs	(1,025)	(3,257)
	86,001	509,528
Current		
Secured		
- Commodity Murabahah Term Financing-i ("CMTF-i")	350,000	-
- Sukuk Ijarah - Islamic Medium Term Notes ("IMTN")	162,785	-
	512,785	-
Less : Transaction costs	(1,253)	-
	511,532	-
Total Islamic Financing	597,533	509,528

Non-current

Term Financing-i

On 27 February 2019, the Fund obtained the Term Financing ("TF-i") of up to RM118 million from Commerce International Merchant Bankers ("CIMB") to finance the proposed acquisition of 22 QSR properties. On 19 March 2019, the Fund drawdown RM87.03 million to complete the acquisition of 17 properties. The TF-i profit is payable over a period of 60 months from the date of first disbursement. The effective profit rate for the TF-i will be based on COF which is based on the Bank's COF + 1.45% per annum for the duration of the TF-i. The average effective profit rate for the TF-i is 5.15% (2018: Nil%). The principal amount is to be expected to be paid in March 2024.

Capital Management

The total transaction costs of RM1,206,570 incurred during the year were debited against the amount of the Islamic financing facility on drawdown date comprising, amongst others, processing and stamping fees, legal advisory fees and other establishment fees.

The TF-i has a significant covenant in which the Fund shall at all times, maintain the following criteria:

- (a) The financing payment cover ratio ("FPCR") of not less than 1.25 times; and
- (b) Total debts and Financing over Total Assets Value of not more than 50%; and
- (c) Minimum security cover of 1.25 times.

The financing is used to secure the investment properties amounting to RM121,675,000 (2018: RM nil).

Current

Commodity Murabahah Term Financing-i

Islamic financing facility is a Commodity Murabahah Term Financing-i ("CMTF-i") dated 14 April 2015 amounting to RM350.0 million from RHB Islamic Bank Berhad and Maybank Islamic Berhad (collectively "the Banks") to part finance the acquisition of the investment properties of the Fund in 2015. The nominal value of the CMTF-i comprised Tranche 1 and Tranche 2, amounting to RM136.04 million and RM213.96 million, respectively.

The CMTF-i profit is payable over a period of 60 months from the date of first disbursement with full repayment of principal sum on the 60th month. The effective profit rate for the CMTF-i will be based on COF + 1.35% per annum for the first 16 months, COF + 1.40% per annum for the next 8 months and COF + 1.50% per annum for the remaining duration of the CMTF-i. The COF is based on each respective Banks' COF. The average effective profit rate for the CMTF-i is 5.26% (2018: 5.38%).

The total transaction costs of RM4,470,060 incurred in 2015 were debited against the amount of the Islamic financing facility on drawdown date comprising, amongst others, processing and stamping fees, legal advisory fees and other establishment fees.

The CMTF-i has a significant covenant in which the Group shall at all times, maintain the following criteria:

- (a) The consolidated net gearing ratio of not more than 1.0 times; and
- (b) Financing to Value ("FTV") ratio shall not exceed 50% of security value; and
- (c) Minimum shareholder's fund of not less than RM500.0 million; and
- (d) Minimum finance service cover ratio ("FSCR") of 1.50 times.

The financing is used to secure the investment properties amounting to RM718,852,000 (2018: RM718,898,000). The outstanding RM350,000,000 in nominal value of CMTF-i will be due in May 2020. The Manager is in the midst of undertaking steps to refinance the said issuance.

Sukuk Ijarah - Islamic Medium Term Notes

On 24 August 2018, ALSREIT Capital Sdn Bhd established a Sukuk Ijarah Programme comprising Islamic Medium Term Notes ("IMTN") of up to RM1.5 billion in nominal value and issued RM162,785,000 in nominal value of IMTNs ("Issue 1") with transaction cost amounting RM2,220,460.

The Sukuk Ijarah Programme has a significant covenant in which the Group shall at all times, maintain the following Finance Service Cover Ratio ("FSCR"):

- (a) FSCR at Issuer level of not less than 1.5 times;
- (b) FSCR at Al-Salām REIT level of not less than 1.5 times; and
- (c) such other financial covenant(s) as may be determined by the Rating Agency and to be mutually agreed to by ALSREIT Capital Sdn Bhd.

The financing is used to secure the investment properties amounting to RM331,108,000 (2018: RM328,001,000). The outstanding RM162,785,000 in nominal value of IMTN of Issue 1 will be due in August 2020. The Manager is in the midst of undertaking steps to refinance the said issuance.

Revolving Credit Facilities

As of 31 December 2019, the Fund has unutilized revolving credit facilities amounting to RM10,000,000 (2018: RM10,000,000) granted from a financial institution. The said facility is secured by investment properties amounting to RM16,000,000.

FUTURE BALANCE SHEET MANAGEMENT

Al-Salām REIT's present gearing of 47.8% places the fund domestically as one of the highest geared REITs. However, the Manager is looking to pare down current debt levels to a more manageable degree with the aim of achieving optimum gearing in the coming year. The fund plans to attain this target level via implementing placements as well as assessing other cost effective financing solutions to obtain the most optimal capital structure moving forward.

Al-Salām REIT will continue to execute proper stewardship of capital and risk in its pursuit to deliver long term and sustainable value to the shareholders as well as all stakeholders involved. The Manager is proceeding to chart pathways towards maintaining a stronger balance sheet and to strengthen our strategic relationships with all parties involved.

Risk Management

A proactive and effective risk management is a fundamental part of Al-Salām REIT's business strategy. A sound and robust risk management framework ensures that the Manager is ready to meet challenges and seize opportunities.

The Enterprise Risk Management framework, which forms part of Al-Salām REIT's internal controls, provides a holistic and systematic approach to risk management. It outlines the reporting structure, monitoring mechanisms, specific risk management processes and tools, as well as Al-Salām REIT's policies and limits addressing and managing key risks identified. The Enterprise Risk Management framework also allows the REIT Manager to respond promptly and effectively to changes in the constantly evolving business landscape. In addition, The Manager also hopes to enhance innovation, with corporate governance being exercised through the regular assessments and reporting of our risk management processes.

Thorough risk management processes, the Manager identified top risks faced by the Fund. The brief description of the top risks and the associated mitigation plans are specified as below:

Risk	Risk Description	Mitigation Plan
Acquisition & Investment Risk	Risk that assets to be acquired are not yield accretive.	<ul style="list-style-type: none"> • Appointment of advisers and third party service providers to do a thorough assessments of the project viability and sufficiently assess the risk profile of the project to ensure that risks are properly addressed and mitigated according to the action plan. • To minimize the impact of changing market conditions and industrial competitiveness through constant monitoring of the changes, address the issues that arise and undertake proper action plan to address the issues. • To conduct due diligence exercise as part of the Standard Operating Procedure to ensure proper and reasonable care is in place for any acquisition of assets, which include undertaking thorough due financial, legal as well as building due diligence in ascertaining the viability of the assets to be acquired.
Competition Risk	The properties under the portfolio face increased competition from other existing properties as well as upcoming properties in the surrounding area.	The Manager undertakes active marketing and promotional strategies which the aim to maximize occupancy rate, rental rates and net lettable area.
Tenancy Risk	Risk that tenants might not be able to fulfil its rental obligation as well as renew their expiring tenancies.	<p>The Manager will ensure that:</p> <ul style="list-style-type: none"> • Rental collection timely and monitor rental collection diligently. • Negotiations are undertaken 3 months before the contracts with tenants expire • Monitoring of overdues are carried out and reported by the Property Manager • Aggressive rental collection efforts on overdue rental payments. • There are ongoing strong marketing & promotional campaigns that will drive visitors to our mall and to work with key anchor tenants to promote their businesses.
Financing Risk	Currently, the financing is on a floating basis and as such, Al-Salām REIT will be affected by any significant adverse movement in the interest rate in the market.	The Manager has embarked on a combination of fixed and floating financing via implementation of Interest Profit Rate Swap in on 6 December 2019 for 25% of the size of total loans.
Tenant Concentration Risk	Risk that revenue of Al-Salām REIT is dependent on anchor tenants. Termination or non-renewal of tenancy by the anchor tenants will negatively impact the performance of the properties.	The emphasis on tenancy for F&B sectors lease agreement is on Triple Net Lease with a single anchor tenant for 15 years and renewable every 3 years. The long term lease period will allow for sufficient formulation of exit plan for the expiring tenancies or tenant replacement.
Compliance Risk	Risk that Al-Salām REIT fails to comply with applicable laws and regulations.	The Manager has appointed a Compliance Officer to ensure all relevant laws guidelines and regulations are duly complied.
Gearing Risk	Risk of exceeding the Gearing Threshold Ratio set under the Listed REIT Guidelines	The Manager is working towards lowering the Gearing Ratio, which currently stands at 48 percent (December 2019) by sourcing in placements from investors
Cyber Security Risk	Risk to data breaches and loss of critical data	The Manager is formulating Disaster Recovery Plan and Business Continuity Plan to mitigate Cyber Security risks and to ensure that data are recoverable in the case of data breaching, hacking and malware attacks.

Investor & Public Relations Report

Al-Salām REIT value the importance of sharing accurate and transparent communication to our shareholders and investors in a timely manner. Al-Salām REIT believe that this will enhance shareholders' understanding and appreciation of Al-Salām's business strategies, financial performance, current initiatives and prospects in making informed investment decisions, and in exercising their rights as shareholders. Therefore, Al-Salām REIT are highly committed to ensure that relevant and material corporate information is shared with our shareholders and the investing community effectively.

ACCESSIBILITY OF INFORMATION

Al-Salām REIT's investor relations website at www.alsalamreit.com.my is an essential online repository for disseminating up-to-date and historical investor-related information for the investment community, aiding them in making sound investment decisions. It is a key channel for both local and foreign stakeholders to secure latest corporate and financial information of Al-Salām REIT.

4TH ANNUAL GENERAL MEETING

Al-Salām REIT annual general meetings (AGM) present an opportunity for shareholders to discuss and raise questions related to company performance, plans, corporate governance and other important matters with the management and the Board, as appropriate.

The Manager convened the 4th Annual General Meeting (AGM) of Al-Salām REIT on 17 April 2019 to seek the Unitholders' approval amongst others, for the following resolutions:

- Proposed to allot and issue new units
- Proposed increase in the existing approved fund size.
- Proposed Recurrent Related Party Transaction Mandate

Sufficient time was also set aside for unit holders to raise questions and provide feedback to the Board and Management.

ANALYST & INVESTORS BRIEFING

Every quarter the Manager engages in regular dialogues with its shareholders, both institutional and individual as well as local and foreign analysts, to enable them to exercise their rights in a fully informed manner.

The Manager is also committed to the promotion of investor confidence by ensuring transparency in financial reporting, timely access to information about Al-Salām REIT's strategic goals, material developments, governance and risk profile

The briefings were organised periodically either through one-on-one meetings, conference calls or roadshow. Properties tour was also organized based on request for better appreciation of the quality of our assets.



The Chairman presented the progress and performance of Al-Salām REIT during 4th AGM



Analyst briefing held every quarterly to keep analysts abreast of the latest development of Al-Salām REIT

Investor & Public Relations Report

MEDIA RELATIONS

Media have an important role in providing information which is the key to an efficient market operation and thus plays a critical role in all aspects of business, commerce and industry. The Manager is aware of the important role played by the media in shaping the present and future image of the Fund and always opens its door to interact with media at all times.

EXHIBITION

The Manager is committed to increase awareness on Al-Salām REIT among public and local investors. Participation in the various exhibitions aimed to expose the variety of investments and include awareness of the public about the legitimate investment products in Malaysia. This is a great channel to communicate with investors as the exhibitions were attended by government institutions and NGOs as well as from the mass public.



Malaysian REIT Forum 2019

MALAYSIAN REIT MANAGERS ASSOCIATION (MRMA)

The Manager is an active member of the Malaysian REIT Managers Association since 2009. The Manager took the opportunity attending the quarterly meetings and the annual general meeting to exchange views with other members and planning concerted efforts to promote M-REITs industry to both domestic and foreign investors.

RESEARCH COVERAGE

During the financial year Al-Salām is covered by the following research house:

Research House	Date of Report	Recommendation	Target Price
Maybank Investment	21 February 2019	Hold	0.85
	12 April 2019	Hold	0.83
	30 May 2019	Hold	0.83
	2 September 2019	Hold	0.83
	22 November 2019	Hold	0.83
RHB Investment	22 July 2019	Neutral	0.91
	3 September 2019	Neutral	0.89
	8 October 2019	Neutral	0.88
	22 November 2019	Neutral	0.90

Market Report

Summary

1. Economic Overview

Global real GDP growth went sub-3% in 2Q-3Q 2019. The Global Composite Purchasing Managers Index (PMI) trend points to continued sub-3% global growth in 4Q 2019. Our analysis of 15 global economic, trade, financial and commodity indicators in terms of where they are now vs past recessions and slowdowns support the scenario of global growth slowdown (2020E: +2.8%; 2019E: +3.0%; 2018: +3.6%) with around 25% chance of recession.

Global growth uncertainty remains elevated on several political and policy factors. World trade uncertainty remains as US protectionist trade policy resulted in trade frictions with major trading partners – not only China, but others (Europe, Asia, Latin America). US political and policy uncertainties are elevated amid on-going President Trump's impeachment inquiry and US Presidential Election in Nov 2020. Geopolitical risks are spread out across Europe, Latin America, Middle East and Asia. There is also a question over major central banks' effectiveness and options amid prolonged unconventional monetary policy.

For Malaysia macro, we remain cautiously constructive as growth is expected to muddle along (2020E: +4.4%; 2019E: +4.5%). External uncertainties and downside risks, plus some overhangs in domestic policy (e.g. on going tax systems and incentives reviews) and politics, are contributing to cautious business conditions and consumer sentiment, in turn headwinds on consumption and especially capex. But monetary and fiscal policies are supportive of growth. We see another 25bps cut in Overnight Policy Rate (OPR) in 2020 after the 25bps cut in 2019. Budget 2020 is growth friendly e.g. slower pace of budget deficit/GDP ratio cut in 2020; higher Government procurement and capex spending; customized incentives and targeted allocations to boost private sector capex; additional major infrastructure projects. Meanwhile, approved manufacturing FDI from US and China surged in 2018 2019 as US China trade war triggered trade diversions and investment relocations.

(Extracted from Maybank Economic Report 2019: Malaysia 2020 Outlooks and Lookouts)

Private sector expenditure will remain the key growth driver in 2020, with private consumption and investment rising 6.9% and 2.1%, respectively. Private investment is expected to grow at a slower pace in 2019 and gain traction in 2020, following the resumption of infrastructure projects coupled with ongoing capital spending in the services and manufacturing sectors.

Favourable private sector expenditure activity will offset the impact of lower public expenditure in 2019. However, economic growth is expected to rebound in 2020 with improvement in public corporations' capital outlays. Public sector expenditure is expected to rebound to positive growth of 0.8% in 2020 after registering 1.8% decline in 2019, largely driven by the acceleration of projects towards the tail-end of the Eleventh Malaysia Plan coupled with the revival of strategic projects. In line with the fiscal consolidation path, public consumption is projected to stay moderate at 1.5% in 2020, which is lower compared to 2% in 2019.

(Extracted from The Edge Markets : Economic Report 2019/2020)

2. Malaysia REIT

The sector has seen significant fluctuations of the MGS yields where the 10-year MGS yield fell to its 2019 YTD low of 3.19% in Aug 2019 (end-2018: 4.07%; 3M trailing average of 3.4%). However, in the light of sustained net DPU yields, the net yield spread has trended higher - ranging from 104bps to 195bps in 2019 YTD (end-2018: 128bps). In 2019 YTD, the sector was faced with: (i) 25bps OPR cut to 3.00% in May 2019; and (ii) potential exclusion of Malaysia bonds from FTSE Russell's World Government Bond Index, which was first announced in Apr 2019. Elsewhere, as expected, asset acquisitions in 2019 YTD were limited - notably Sunway University & College Campus by SunREIT (Apr 2019) while Axis has again led the acquisition initiatives with a total of at least 9 small to mid-sized industrial properties to be acquired/developed in 2019-2020.

We estimate M-REITs' growths to be largely organic in 2019, via positive rental reversions and sustained occupancy rates, while there are M-REITs which would record full-year rental income contributions from assets that were acquired in 2019 (i.e. Axis, SunREIT, ALSREIT). Taking note from MKE's expectation of an OPR cut in 2020 (-25bps to 2.75%), we expect direct earnings lift to M-REITs to be minimal (via easing of financing costs from variable rate debts). Nevertheless, a lower interest rate environment could encourage more acquisitions by M-REITs, which are generally financed by borrowings.

We also expect 2020's acquisition pipeline to remain subdued for now, only involving smaller size assets as anticipated major pipeline and developments could only take place from 2021 onwards, such as Lot 185, Lot 91, and City Point Podium by KLCCP and completion of Phase 2 development at Axis Mega Distribution Centre by Axis. Our 2020 forecasts have only imputed 4 industrial property development/acquisitions by Axis. Elsewhere, due to ongoing oversupply of retail and office space, particularly in the Klang Valley, we continue to favour prime malls with prominent locations and office and industrial assets with long-term tenants. We have penciled in >95% occupancy rates and positive rental reversions for the aforementioned assets.

(Extracted from Maybank Economic Report 2019: Malaysia 2020 Outlooks and Lookouts)

Market Report Summary

3. Retail

New shopping malls were springing up all over Iskandar Malaysia, exciting avid shoppers in the region. In 2019, Iskandar Malaysia welcomed the opening of 5 malls, i.e. R&F Mall, The Mall @ Mid Valley SouthKey, Toppen Shopping Centre JB, Beletime Danga Bay and Sunway Big Box. There were also the openings of the third phase of Johor Premium Outlets (JPO) and Tesco Setia Tropika.

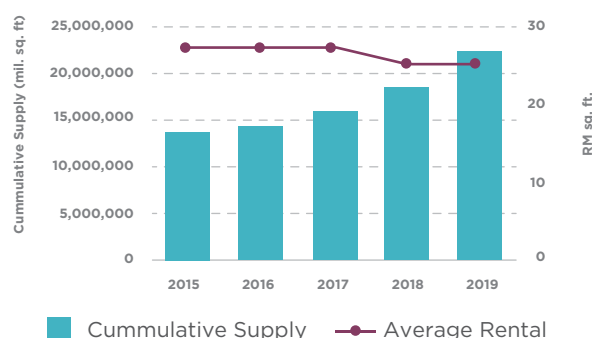
The above-mentioned new malls and hypermarkets added a total of 3.34 million square feet of retail space into the market, bringing the total retail space to approximately 21.88 million square feet.

There are 4 upcoming malls with expected completion around 2020/2021, which will contribute an additional 1 million square feet of retail space. With the emergence of new malls, stiff competition between malls is expected, bringing pressure on both rental and occupancy rates.

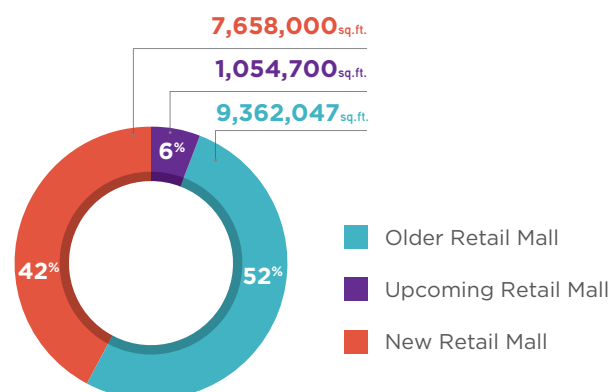
Shopping malls with strong management teams to curate the right tenant mix and concepts are envisaged to perform well and secure high occupancy rates. In contrast, shopping malls which cannot maintain their footfall will face the difficulty of retaining retailers or even closure of the mall. For instance, Danga City Mall in Johor Bahru city centre closed for business in mid 2018 while Skudai Parade, auctioned 231 stratified retail lots in the market.

The average rental for prime shopping malls in good locations remained around RM25 per square foot. Prime shopping malls registering strong footfall are envisaged to have positive rental reversions. In comparison, rental reduction can be foreseen by struggling shopping malls. Based on a retail survey, the vacancy rate for retail mall in 2019 stood at approximately 30% and may increase to 35% in 2020.

CUMULATIVE SUPPLY AND AVERAGE RENTAL OF RETAIL MALL IN ISKANDAR MALAYSIA



SUPPLY OF RETAIL MALL IN ISKANDAR MALAYSIA



(Extracted from CBRE/WTW Research: Asia Market Outlook 2020 Malaysia)

4. Office

Purpose-built office (PBO) market remained subdued with new office buildings continue entering the market. The vacancy rate hiked up above 35% and market players are offering competitive rental packages to seize the limited pool of office users. There were two new completions in the region, i.e. d'Pristine in Medini and Menara MBBJ in Johor Bahru city centre. These two buildings brought additional 870,000 square feet of lettable space to the already-crowded IM PBO market.

According to NAPIC Report 1H 2019, the existing office space in Iskandar Malaysia was 10.39 million sf, about 7.59 million square feet privately-owned while government buildings took the remaining 2.80 million square feet. Out of 7.59 million square feet of private office space, 5.17 million square feet was occupied in 2018. The vacancy rate by end of 2019 is estimated at about 36%.

The rising vacancy rate is mainly contributed by a huge flow of private office space into the market since year 2014. Between 2014 and 2018, a total of 1.7 million square feet of new office space entered into the market. In addition, 1.78 million square feet of office space is presently in the pipeline and will enter the market by 2020/2021. Upon full completion, new PBO will contribute almost 50% of the entire office supply. We anticipate the occupancy of office in IM will remain subdued while competitive rental packages will be offered to attract users.

Market Report

Summary

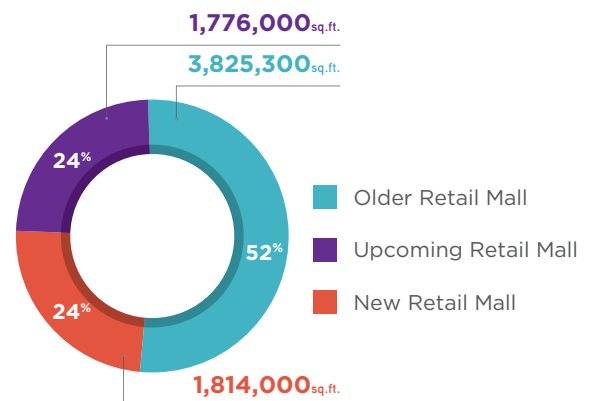
We foresee downward rental adjustments for new PBOs in Johor Bahru city centre and Medini/Puteri Harbour localities in the near future with competitive rental rates ranging from RM4.00 to RM4.50 per square foot and RM3.00 to RM4.00 per square foot respectively. Rental rates for old PBOs in Johor Bahru city centre will adjust to a lower level of RM2.00 to RM3.00 per square foot to retain the existing tenants.

The flight-to-quality phenomenon is expected as the office occupiers look to relocate to newer and better quality office space if competitive rentals are offered by the market. Old/ageing PBOs will face the risk of losing tenants due to the increasing number of better-featured PBOs in the market. Rental reduction and refurbishments are expected to retain the existing tenants. We reckon the vacancy rate of PBOs will increase to approximately 40% by end 2020.

TOTAL PRIVATE PURPOSE-BUILT OFFICE IN ISKANDAR MALAYSIA



TOTAL PRIVATE PURPOSE-BUILT OFFICE IN ISKANDAR MALAYSIA



(Extracted from CBRE/WTW Research: Asia Market Outlook 2020 Malaysia)

5. Industrial

In first half of 2019, Johor fell behind Penang, Kedah and Selangor, with total approved investment of about RM4 billion. Foreign direct investment was recorded at RM1.7 billion only. The remaining RM2.3 billion was contributed by domestic investments, which ranked Johor the first among all states.

The total supply is estimated at 12,600 units as of 2019. Iskandar Malaysia (IM) saw the completions of Eco Business Park 2 (Phase 1), Taman Perindustrian Cemerlang (Phase 1 & 2) and De Hoff Park which totaled 248 cluster and semi-detached factories. 3 industrial parks launched new phases, viz. Eco Business Park (Phase 2), 5F Factory and Taman Perindustrian Cemerlang (Phase 4), mainly offering cluster and semi-detached factories which are the preferred choice for small-and-medium enterprise (SME) groups in the region.

In 2019, transaction activity of industrial units remained active. Transaction volume increased 33% to 412 units in 1Q-3Q 2019 from 310 units in the corresponding period of 2018. The transaction value recorded at RM1,007 million in 1Q-3Q 2019, viz. rose by 28% as compared to RM784 million in 1Q-3Q 2018. Semi-detached factories were actively transacted as both transaction volume and value showed a growth of 33% and 42% respectively, at 185 units and RM412 million in the first nine months of 2019.

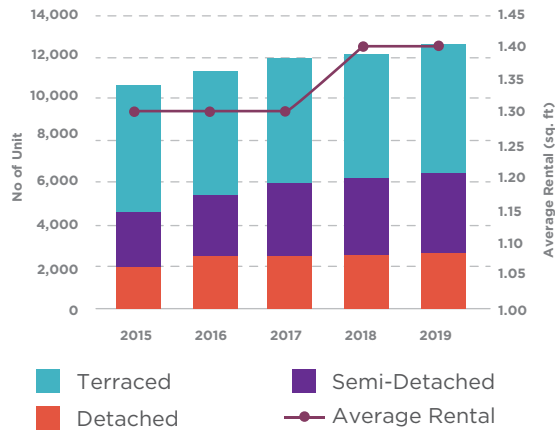
Overall, the rental for industrial properties in the region remains stable, generally in the range of RM1.00 to RM1.80 per square foot for new industrial parks while the rentals for factories located in old industrial areas range from RM0.80 to RM1.40 per square foot.

The current trend of new industrial schemes in Iskandar Malaysia have evolved into managed developments featuring high speed broadband, gated and guarded security system, green designs and others. They are mostly located near to ports and airport like Senai, Pasir Gudang and Iskandar Puteri. Older schemes are mainly located approximately 20-30 kilometres from ports and airport like Tampoi, Tebrau, Plentong and Masai localities.

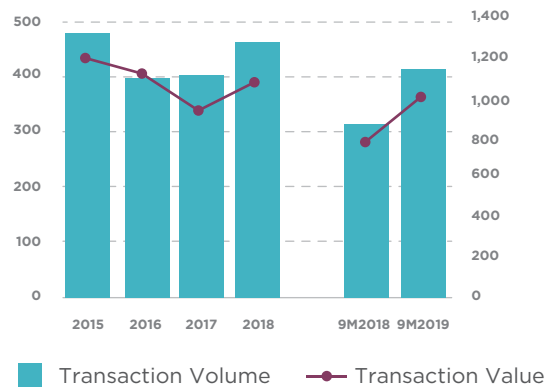
Market Report

Summary

INDUSTRIAL PROPERTY SUPPLY IN ISKANDAR MALAYSIA



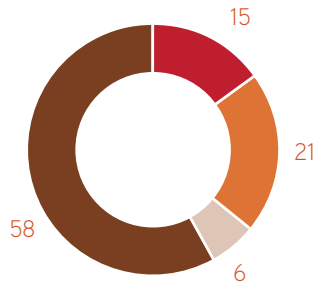
PERFORMANCE OF INDUSTRIAL SECTOR IN ISKANDAR MALAYSIA



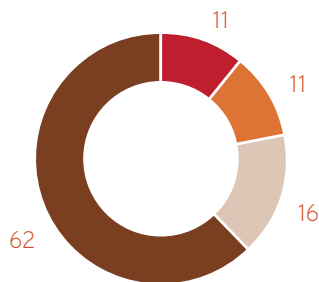
(Extracted from CBRE/WTW Research: Asia Market Outlook 2020 Malaysia)

Summary of Investment Portfolio

Asset Breakdown by Property Value as at 31 December 2019



Asset Breakdown by GFA as at 31 December 2019



Key:



3

Retail Property

- Terengganu
- Johor

1

Office Property

- Johor

13

F&B: Drive-through Outlet

- Kedah
- Perak
- Wilayah Persekutuan
- Melaka
- Johor

21

F&B: Outlet at Shophouse

- Johor
- Perlis
- Kedah
- Pulau Pinang
- Selangor
- Negeri Sembilan

4

F&B: Outlet at Mall

- Pulau Pinang

7

F&B Non-Restaurant

- Selangor
- Johor
- Sabah



Summary of Investment Portfolio

Retail - KOMTAR JBCC



Location	KOMTAR JBCC, Johor Bahru City Centre, Jalan Wong Ah Fook, Johor Bahru, Johor Bahru
Description	A 4-Level Shopping Mall
Year of Completion	2014
Title	Geran No. 44587
Tenure	Freehold
Encumbrances	Private caveat to RHB Islamic Bank Berhad
Market Value	RM462,000,000
Date of Latest Valuation	31 December 2019

Retail - @Mart Kempas



Location	Premises No. 10, Jalan Persiaran Tanjung, Taman Cempaka 81200 Johor Bahru, Johor
Description	A Single-Storey Hypermarket
Year of Completion	2010
Title	HSD 510051
Tenure	Leasehold - 99 years, expiring on 23 January 2106
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM66,000,000
Date of Latest Valuation	31 December 2019

Retail- Mydin Hypermart Gong Badak



Location	Lot 52606 (Formerly PT No. 35511), Dataran Austin, Jalan Gong Pak Damat, 21200 Kuala Terengganu, Terengganu
Description	A double storey hypermarket, each floor with a mezzanine level
Year of Completion	2014
Title	PN 10207
Tenure	Leasehold - 99 years, expiring on 26 December 2109
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM161,000,000
Date of Latest Valuation	31 December 2019

Office - Menara KOMTAR



Location	Menara KOMTAR, Johor Bahru City Centre, Jalan Wong Ah Fook, Johor Bahru, Johor
Description	A 25-Storey Office Building
Year of Completion	1979
Title	Grant 44587
Tenure	Freehold
Encumbrances	Private caveat to RHB Islamic Bank Berhad
Market Value	RM73,000,000
Date of Latest Valuation	31 December 2019

Summary of Investment Portfolio

Food & Beverage Restaurants: - Shophouse/Office Outlets



Location	Premises No. 34, Jalan Mahsuri, Bandar Baru Bayan, 11950 Bayan Lepas, Pulau Pinang
Description	KFC Restaurant
Year of Completion	1993
Title	PN 2263
Tenure	Leasehold 99 years expiring on 15 May 2090
Encumbrances	Nil
Market Value	RM4,000,000
Date of Latest Valuation	31 December 2019



Location	Premises Nos. 60 & 62, Jalan PJS 11/28A, Bandar Sunway, 46150 Petaling Jaya, Selangor
Description	KFC Restaurant
Year of Completion	1996
Title	PN 72423, PN 72424, HSM 9319, HSM 9320
Tenure	Leasehold 99 years expiring on 28 December 2092 and 11 March 2095
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM9,400,000
Date of Latest Valuation	31 December 2019



Location	Premises No. 5, Bangunan Joota Brothers, Jalan Sungai Korok, 06000 Jitra, Kedah
Description	KFC Restaurant
Year of Completion	1992
Title	HSD17607
Tenure	Freehold
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM530,000
Date of Latest Valuation	31 December 2019



Location	No. 1 & 1-1, Jalan Niaga, 81900 Kota Tinggi, Johor
Description	Pizza Hut Restaurant
Year of Completion	2004
Title	PN74196
Tenure	Leasehold 99 years expiring on 14 May 2085
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM830,000
Date of Latest Valuation	31 December 2019

Summary of Investment Portfolio

Food & Beverage Restaurants: - Shophouse/Office Outlets



Location	No 3, Jalan Resam 13, Taman Bukit Tiram, 81100 Ulu Tiram Johor
Description	Pizza Hut Restaurant
Year of Completion	2010
Title	GRN 343903
Tenure	Freehold
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM870,000
Date of Latest Valuation	31 December 2019



Location	No. 1, Jalan Bandar Baru 1, Pusat Bandar Baru Ayer Hitam, 86100 Ayer Hitam, Johor
Description	KFC Restaurant
Year of Completion	2011
Title	PN69846
Tenure	Leasehold 93 years expiring on 16 July 2101
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM2,000,000
Date of Latest Valuation	31 December 2019



Location	Premises No. 1, Jalan Mahajaya, Kawasan Penambakan Laut, Bandar Port Dickson, Negeri Sembilan
Description	KFC Restaurant
Year of Completion	1997
Title	PN48982
Tenure	Leasehold 74 years expiring 8 May 2085
Encumbrances	Nil
Market Value	RM1,710,000
Date of Latest Valuation	31 December 2019



Location	Premises No. 9, Persiaran Putra Timur 1, 02000 Kuala Perlis, Perlis Indera Kayangan
Description	KFC Restaurant
Year of Completion	1996
Title	PM1181
Tenure	Leasehold 99 years expiring on 25 September 2092
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM480,000
Date of Latest Valuation	31 December 2019

Summary of Investment Portfolio

Food & Beverage Restaurants: - Shophouse/Office Outlets



Location	Premises Nos.18 & 20, Jalan Sulaiman, 43000, Kajang, Selangor
Description	KFC Restaurant
Year of Completion	1982
Title	GRN 45688 & GRN 45689
Tenure	Freehold
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM9,700,000
Date of Latest Valuation	31 December 2019



Location	No 12C & 12D, Metrocity Commercial Precinct, Lorong Metrocity Boulevard 3A, 93500 Kuching, Sarawak.
Description	Pizza Hut Restaurant
Year of Completion	2015
Title	Lot No 13768 situated 4 th mile, Matang road, Section 65, Kuching Town Land District, Sarawak
Tenure	Leasehold 99 years expiring on 11 August 2113
Encumbrances	Nil
Market Value	RM3,980,000
Date of Latest Valuation	31 December 2019



Location	Nos 20 & 21, Jalan Dato' Sheikh Ahmad, 70000 Seremban, Negeri Sembilan
Description	KFC Restaurant
Year of Completion	1982
Title	GRN 50935 & 40542, Lot No 831 & 832 situated in Bandar Seremban, Seremban, Negeri Sembilan
Tenure	Freehold
Encumbrances	Charged to CIMB Islamic Bank Berhad
Market Value	RM3,900,000
Date of Latest Valuation	31 December 2019



Location	No 65, Jalan Dato On Jaafar, 30300 Ipoh, Perak
Description	KFC Restaurant
Year of Completion	2017
Title	GRN 40351 Lot 1293 N, situated in Kinta, Ipoh, Perak
Tenure	Freehold
Encumbrances	Nil
Market Value	RM3,400,000
Date of Latest Valuation	31 December 2019

Summary of Investment Portfolio

Food & Beverage Restaurants: - Shophouse/Office Outlets



Location	Nos 24 & 26, Jalan Bunga Raya7, Pusat Perniagaan Senawang, Taman Tasik Jaya, 70400 Senawang, Negeri Sembilan
Description	KFC Restaurant
Year of Completion	1997
Title	GRN 108899 & 177945, Lot No 4126 & 4125 situated in Pekan Senawang, Seremban, Negeri Sembilan
Tenure	Freehold
Encumbrances	Charged to CIMB Islamic Bank Berhad
Market Value	TNB lease
Date of Latest Valuation	RM830,000 31 December 2019



Location	Nos. 1 & 1A, Jalan Resam 13, Taman Bukit Tiram, 81800 Ulu Tiram, Johor Darul Ta'zim
Description	KFC Restaurant
Year of Completion	2017
Title	GRN 343902 situated at Mukim Terbrau, Johor Bahru, Johor
Tenure	Freehold
Encumbrances	Charged to CIMB Islamic Bank Berhad
Market Value	RM1,630,000
Date of Latest Valuation	31 December 2019



Location	Lot 25, Block 3 Bornion Centre, Jalan Kolam 88300 Kota Kinabalu, Sabah
Description	KFC Restaurant
Year of Completion	1990
Title	CL 015437948, situated at Jalan Kolam, Kota Kinabalu, Sabah
Tenure	Leasehold 999 years expiring on 15 May 2915
Encumbrances	Nil
Market Value	RM2,760,000
Date of Latest Valuation	31 December 2019



Location	No. 158, Jalan Idris, 31900 Kampar, Perak
Description	KFC Restaurant
Year of Completion	2005
Title	PN 326743, Lot No 96, situated in Kampar, Perak
Tenure	Freehold
Encumbrances	Nil
Market Value	RM1,400,000
Date of Latest Valuation	31 December 2019

Summary of Investment Portfolio

Food & Beverage Restaurants: - Shophouse/Office Outlets



Location	No. 79, Jalan Dato' Lau Pak Khuan, Ipoh Garden, 31400 Ipoh, Perak
Description	KFC Restaurant
Year of Completion	1971
Title	GRN 8311 Lot No 48635, situated in Mukim Hulu Kinta, Kinta, Perak
Tenure	Freehold
Encumbrances	Nil
Market Value	RM2,000,000
Date of Latest Valuation	31 December 2019



Location	Nos 23 & 24, Jalan 54 Desa Jaya Kepong, 52100 Kepong, Kuala Lumpur
Description	KFC Restaurant
Year of Completion	2017
Title	PM 12274 & 12273, Lot 2430 & 2429, situated at Batu 8 Jalan Kepong, Gombak, Selangor
Tenure	Leasehold 99 years expiring on 8 March 2081
Encumbrances	Charged to CIMB Islamic Bank Berhad
Market Value	RM7,500,000
Date of Latest Valuation	31 December 2019



Location	No 140, Jalan Raja Laut, 50350 Kuala Lumpur
Description	KFC Restaurant
Year of Completion	2014
Title	GRN 59853, 59858 & 59862, Lot No 1417, 1419 & 1421, situated in Kuala Lumpur, Federal Territory of Kuala Lumpur
Tenure	Freehold
Encumbrances	Charged to CIMB Islamic Bank Berhad
Market Value	RM,700,000
Date of Latest Valuation	31 December 2019



Location	No 437, Wisma Hualang, Jalan Ipoh, 51200 Kuala Lumpur
Description	KFC Restaurant
Year of Completion	2014
Title	GRN 10894, Lot No 503 Section 83, situated in Kuala Lumpur, Federal Territory of Kuala Lumpur
Tenure	Freehold
Encumbrances	Charged to CIMB Islamic Bank Berhad
Market Value	RM8,700,000
Date of Latest Valuation	31 December 2019

Summary of Investment Portfolio

Food & Beverage Restaurants: - Shophouse/Office Outlets



Location	No 9, Jalan PPM 9, Plaza Malim Business Park, 75250 Balai Panjang, Melaka
Description	KFC Restaurant
Year of Completion	1997
Title	PN 18632, Lot No 4111 situated in Mukim Balai Panjang, Melaka Tengah, Melaka
Tenure	Leasehold 99 years expiring on 7 May 2099
Encumbrances	Nil
Market Value	RM950,000.00
Date of Latest Valuation	31 December 2019

Food & Beverage Restaurants: - Drive Through Outlets



Location	Lot No. 559 seksyen 5, Jalan Masjid Negeri, 11500 Georgetown, Pulau Pinang.
Description	KFC Restaurant with drive through facility
Year of Completion	2017
Title	No. GRN 23532, Bandar Georgetown, District of Timor Laut, State of Pulau Pinang.
Tenure	Freehold
Encumbrances	Charged to CIMB Islamic Bank Berhad
Market Value	RM24,000,000
Date of Latest Valuation	31 December 2019



Location	No. 5, Jalan Persiaran Jaya 1, Taman Mutiara Rini, 81300 Skudai, Johor Darul Takzim.
Description	KFC Restaurant with drive through facility
Year of Completion	2015
Title	No. PN 64752, Mukim of Pulai, District of Johor Bahru, State of Johor.
Tenure	991 years leasehold expired on 4th September 2911.
Encumbrances	Nil
Market Value	RM7,900,000
Date of Latest Valuation	31 December 2019



Location	PT 217643, Jalan Kuala Kangsar, Daerah Kinta, Ipoh, Perak
Description	Pizza Hut Restaurant and KFC Restaurant with Drive Through Facility
Year of Completion	2011
Title	GRN 140646
Tenure	Freehold
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM8,700,000
Date of Latest Valuation	31 December 2019

Summary of Investment Portfolio

Food & Beverage Restaurants: - Drive Through Outlets



Location	Lot 14083, Jalan Kuchai Lama, 58200 Kuala Lumpur
Description	Pizza Hut Restaurant and KFC Restaurant with Drive Through Facility
Year of Completion	2008
Title	PN1421
Tenure	Leasehold 99 years expiring on 8 February 2064
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM15,00,000
Date of Latest Valuation	31 December 2019



Location	Lot 59060, Jalan Prima 1, Metro Prima, Off Jalan Kepong, 52100 Kuala Lumpur
Description	Pizza Hut Restaurant and KFC Restaurant with Drive Through Facility
Year of Completion	2005
Title	PN33135
Tenure	Leasehold 96 years expiring on 28 April 2096
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM16,000,000
Date of Latest Valuation	31 December 2019



Location	PT No. 6878, Jalan 8/27A, Pusat Bandar Wangsa Maju, 53300 Kuala Lumpur
Description	Pizza Hut Restaurant and KFC Restaurant with Drive Through Facility
Year of Completion	2004
Title	HS (D) 99750
Tenure	Leasehold 83 years expiring on 19 April 2083
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM27,000,000
Date of Latest Valuation	31 December 2019



Location	Lot 19838, Lebu Air Keruh, 75450 Hang Tuah Jaya, Melaka,
Description	Pizza Hut Restaurant and KFC Restaurant with Drive Through Facility
Year of Completion	2012
Title	PM 4878 situated in Mukim Bukit Katil, Daerah Melaka Tengah
Tenure	Leasehold 99 years expiring on 13 May 2108
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM8,700,000
Date of Latest Valuation	31 December 2019

Summary of Investment Portfolio

Food & Beverage Restaurants: - Drive Through Outlets



Location	PTD 153154, Jalan Tampoi, Taman Damansara Aliiff, 81200 Johor Bahru
Description	Pizza Hut Restaurant and KFC Restaurant with Drive Through Facility
Year of Completion	2009
Title	HSD 491589, PTD 153154 situated in Mukim Tebrau, Daerah Johor Bahru, Johor
Tenure	Freehold
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM12,100,000
Date of Latest Valuation	31 December 2019



Location	PTD 103231, Taman Impian Senai, 81400 Senai, Johor
Description	KFC Restaurant with Drive Through Facility
Year of Completion	2014
Title	HS(D) 58402,
Tenure	Freehold
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM8,500,000
Date of Latest Valuation	31 December 2019



Location	PTD No 171459, Jalan Persisiran Perling, Taman Perling, 81200 Johor Bahru, Johor
Description	Pizza Hut Restaurant and KFC Restaurant with Drive Through Facility
Year of Completion	2012
Title	HS (M) 2181
Tenure	Freehold
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM13,972,000
Date of Latest Valuation	31 December 2019



Location	PT2281, Jalan Kuala Ketil, Bandar Puteri Jaya, 08000 Sungai Petani, Kedah
Description	KFC Restaurant with drive through facility
Year of Completion	2012
Title	Title No.: HS (D) 125211
Tenure	Freehold
Encumbrances	Charged to Malaysian Trustee Bank Berhad
Market Value	RM5,300,000
Date of Latest Valuation	31 December 2019

Summary of Investment Portfolio

Food & Beverage Restaurants: - Drive Through Outlets



Location	Lot 207318, KFC Restaurant Seri Alam DT, Jalan Suria 1, Bandar Seri Alam, 81700 Johor Bahru, Johor
Description	KFC Restaurant with drive through facility
Year of Completion	2016
Title	GRN 542913, situated at Mukim Plentong, Bandar Seri Alam, Johor Bahru
Tenure	Freehold
Encumbrances	Nil
Market Value	RM7,620,000
Date of Latest Valuation	31 December 2019



Location	Lot No 22529, Jalan Bertam, Mukim 6, Kepala Batas, Seberang Perai Utara, Pulau Penang
Description	Pizza Hut Restaurant and KFC Restaurant with drive through facility
Year of Completion	2017
Title	HSD 33885, Lot No 22529, situated at Mukim 06, Seberang Perai Utara, Pulau Penang
Tenure	Freehold
Encumbrances	Charged to Malaysian CIMB Islamic Berhad
Market Value	RM6,900,000
Date of Latest Valuation	31 December 2019

Food & Beverage Restaurants: - Mall Outlets



Location	Unit No. GF-12A, Queensbay Mall, 100, Persiaran Bayan Indah, 11900 Bayan Lepas, Pulau Pinang
Description	KFC Restaurant
Year of Completion	2008
Title	GRN 97433/M1/1/126
Tenure	Freehold
Encumbrances	Nil
Market Value	RM 13,972,000
Date of Latest Valuation	31 December 2019



Location	Unit No. 3A-G-18, Kompleks Bukit Jambul, Jalan Rumbia, 11900 Bayan Lepas, Pulau Pinang
Description	KFC Restaurant
Year of Completion	2008
Title	Parent Title no. GRN 166071
Tenure	Freehold
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM 2,842,000
Date of Latest Valuation	31 December 2019

Summary of Investment Portfolio

Food & Beverage Restaurants: - Mall Outlets



Location	Unit No. G-103, Megamall Pinang Shopping Complex, No. 2828, Jalan Baru, Bandar Perai Jaya, 13700 Perai, Pulau Pinang
Description	KFC Restaurant
Year of Completion	1998
Title	Parent Title no.PN 2352
Tenure	Leasehold 99 years expiring 4 July 2094
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM2,674,000
Date of Latest Valuation	31 December 2019



Location	Unit No. G-104, Megamall Pinang Shopping Complex, No. 2828, Jalan Baru, Bandar Perai Jaya, 13700 Perai, Pulau Pinang
Description	Pizza Hut Restaurant
Year of Completion	1998
Title	Parent Title no.PN 2352
Tenure	Leasehold 99 years expiring 4 July 2094
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM1,657,000
Date of Latest Valuation	31 December 2019

Food & Beverage Restaurants: - Industrial Premises



Location	Premises No. 31, Lorong IKS Juru 3, Taman IKS Juru, 14100 Simpang Ampat, Pulau Pinang
Description	Commissary
Year of Completion	1997
Title	GRN 149808
Tenure	Freehold
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM 1,600,000
Date of Latest Valuation	31 December 2019



Location	No. 17,19 & 21, Jalan Pemaju U1/15, Hicom Glenmarie Industrial Park. Section U1, 40150 Shah Alam, Selangor.
Description	Factory
Year of Completion	1998
Title	GRN 215115
Tenure	Freehold
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM59,052,000.00
Date of Latest Valuation	31 December 2019

Summary of Investment Portfolio

Food & Beverage Restaurants: - Industrial Premises



Location	Lot 5, Lorong Tembaga 3, Kawasan MIEL, KKIP Selatan, Kota Kinabalu Industrial Park, Menggatal, Kota Kinabalu, Sabah
Description	Factory/Warehouse
Year of Completion	1999
Title	County Lease 015582411 (Formerly Main Title CL 015580097)
Tenure	Leasehold 99 years expiring on December 2096
Encumbrances	Private Caveat by Amanahraya Trustees Berhad
Market Value	RM3,000,000
Date of Latest Valuation	31 December 2019



Location	No 43A, Wisma KFC Sabah, Lorong Karamunsing C, 88000 Kota Kinabalu, Sabah
Description	KFC Warehouse
Year of Completion	1989
Title	Lot No 015319892, situated in Kota Kinabalu Sabah
Tenure	Leasehold 999 years commencing from 22 January 1902
Encumbrances	Nil
Market Value	RM3,650,000
Date of Latest Valuation	31 December 2019



Location	Premises No.3 Lorong Gerudi 1, Off Jalan Pelabuhan Utara, 42000 Pelabuhan Klang, Selangor
Description	Warehouse
Year of Completion	1996
Title	PN 11243
Tenure	Leasehold 99 years expiring on 15 March 2087
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM47,398,000
Date of Latest Valuation	31 December 2019



Location	Premises No.6 Lorong Gerudi 1, Off Jalan Pelabuhan Utara, 42000 Pelabuhan Klang, Selangor
Description	Factory/Warehouse
Year of Completion	2004
Title	PN 8616
Tenure	Leasehold 99 years expiring on 15 March 2087
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM27,000,000
Date of Latest Valuation	31 December 2019

Summary of Investment Portfolio

Food & Beverage Restaurants: - College



Location	No 1, Jalan Dato' Onn 1, Bandar Dato' Onn, 81100 Johor Bahru, Johor
Description	4-Storey Institutional Building
Year of Completion	2010
Title	HS (D) 539995, Mukim Tebrau Johor Bahru, Johor
Tenure	Freehold
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM30,000,000
Date of Latest Valuation	31 December 2019

Marketing Activities

KOMTAR JBCC



12 January to 4 February 2019
Chinese New Year 2019



16 March 2019
Cosplay Contest



4 May to 4 June 2019
Hari Raya



14 to 30 September
Fun-Tastic September

Marketing Activities **KOMTAR JBCC**



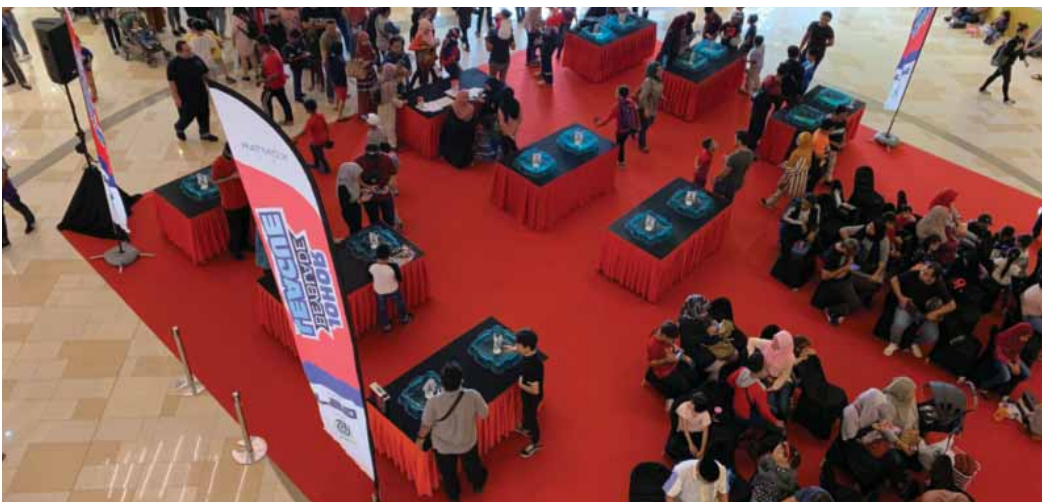
27 July 2019
Kids Dance Competition



26 October 2019
Halloween Kids Costume Catwalk Competition



2 & 3 November 2019
Nerd Exchange



24 August 2019
Beyblade League

Marketing Activities @Mart Kempas



5 January 2019
Season Optical Grand Draw



15 - 31 January 2019
Toys Fair by Skyways



2 February 2019
CNY CSR Event



30 March 2019
Kayuhan Ronda Ramah Riadah Bebas Dadah



29 - 31 March 2019
Food & Fashion Fest by Park Maya



6 & 7 April 2019
Midas Mart Members Card Promotion



2 May 2019
Tautan Kasih Ramadhan



6 May – 5 June 2019
Bazaar Ramadhan



25 May 2019
Raya Card Making Contest

Marketing Activities @Mart Kempas



28 May 2019
Bubur Lambuk Giveaway



13 & 14 July 2019
Karnival Usahawan Waqaf An-Nur



16-18 August 2019
Merdeka Car Boot Sale



31 August 2019
Aerobic Merdeka by Kementerian Belia & Sukan



31 August 2019
@Mart Junior Taekwondo Championship 2019



27 September - 6 October 2019
@Mart Food Festival 2019



17 November 2019
'Sayangi Malaysiaku' Special Kids Event



30 November 2019
Back to School Activities: Colouring Contest with Midas Mart



14 December 2019
Back to School Charity Program

SECTION 4

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Sustainability Report

Sustainability Report



ABOUT THIS REPORT

Scope and Boundary

This report presents Al-Salām Real Estate Investment Trust's ("Al-Salām REIT or the REIT") sustainability report which has been prepared in accordance with the applicable Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") using the Guide 2018 (Second Edition).

The report focuses on Al-Salām REIT's core activity as a business space REIT for the period 1st January 2019 to 31st December 2019, and features selected sustainability initiatives at its property portfolio mainly on KOMTAR JBCC, Menara KOMTAR, and Pasaraya Komuniti @Mart Kempas.

THE SUSTAINABLE REIT

The Manager ensures that sustainability values are created economically, environmentally and socially by emphasising their core principles throughout the REIT and management.

Vision

To integrate sustainable business practices in the core processes of the business activities.

Mission

To drive for growth and performance whilst ensuring continuous commitment to balance the concerns of the stakeholders by protecting the environment, health and safety of the employees, customers and the global communities.

Sustainability Strategy

Ultimately, the journey to have a sustainable REIT is highlighted in a broader perspective to ensure the commitment and focus of the Manager towards a sustainable REIT is balanced with an overall sustainability strategy.

CORPORATE GOVERNANCE

Enhancing Board / management accountability through transparency business decisions and compliance to the Malaysian Code of Corporate Governance 2017 and financial / non-financial disclosures

ENVIRONMENT

Being socially and environmentally responsible by driving environmentally themed initiatives by lowering energy consumption and minimising waste generated from the properties.

Priorities and emphasis on acquisition of “Green Building” in future acquisition that would minimise operational costs and protect the environment

ECONOMIC

Strengthening income streams from all our properties to ensure optimum returns to unit holders/stakeholders

SOCIAL

Supporting events that promote social engagement with local communities Diversity in gender ratio and employee composition and ensuring equality in compensation package across genders

MANAGEMENT ACCOUNTABILITY

The CEO, management team, executives to business unit and service providers will be explicitly accountable for achieving sustainability goals

GREEN ENVIRONMENT

The Fund will approach investment decision with full consideration on the social and environmental impacts of the investment through its business cycles and serve to not only minimize negative environmental and social impacts, but also serve as solutions to key sustainability challenges

SUPPLY CHAIN

Ensure that suppliers meet the social and economic standards set by the Company; whilst ensuring that at least 75% are local companies

EMPLOYEES

The Fund Manager and core service providers will foster a diverse, inclusive and engaged work environment that holds sustainability considerations as a core part of recruitment, training and benefits

DISCLOSURES

Disclosure of sustainability risks, opportunities, performance, goals and strategies helps build constructive relationships with key stakeholders, opens up new business opportunities, and enhance a company’s social license to operate

BUSINESS MODEL INNOVATION

The Fund will innovate its services to enhance tenants' satisfaction in building collaborative business relationships

EXECUTIVE & EMPLOYMENT COMPENSATION

Sustainability performance results will be a core component of compensation packages and incentives plans for all executives and employees across gender

GOVERNANCE AND ACCOUNTABILITY

As part of the Manager's initiatives to have more sustainable operations for the properties of the REIT, the Manager ensures that the Board of Directors ("Board") and the Sustainability Steering Committee ("SSC") take ownership of their responsibilities to incorporate sustainable roles and establish a sustainable tone at the top.

Responsibilities of The Board

- Endorses and oversees the implementation of the REIT's sustainable strategy to ensure key targets are met.
- Takes responsibility and accountability for the REIT's communication on sustainability issues to stakeholders.
- Establishes a culture of integrity by placing emphasis on communication about sustainability across the REIT.
- Endorses material sustainability matters and the governance structure.

Responsibilities of The SSC

- Develops the overarching sustainability strategy for the REIT based on material sustainability matters identified.
- Provides recommendations and improvements to the Board on the material sustainability matters related to the REIT.
- Formulates targets and initiatives to achieve sustainability goals pledged by the REIT.
- Assesses the effectiveness of the sustainable initiatives put in place, and monitors and maintains records on these initiatives.

The Board and SSC discuss highlights of the REIT's sustainability initiatives on a periodic basis to ensure that the goals are met through effective implementation and monitoring.

ENGAGING STAKEHOLDERS

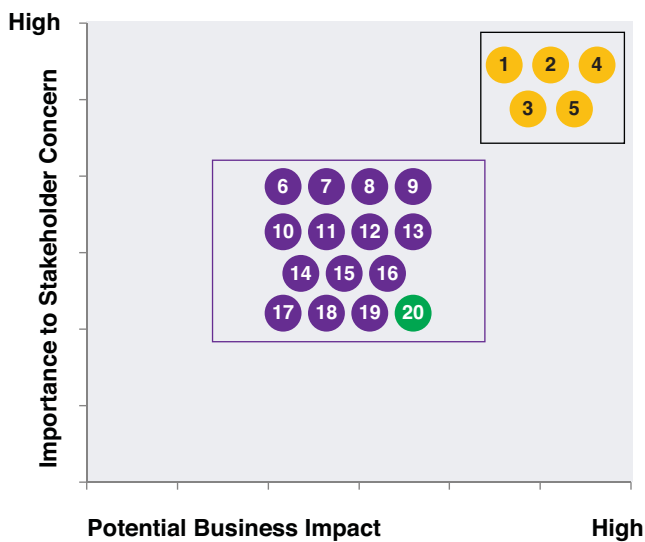
Engaging with the stakeholders is part of the Manager's key agendas for having a sustainability-focused REIT to understand the concerns of the primary stakeholders and be receptive towards the input received. The table below shows the key stakeholders and the methods of engagement by the Manager on behalf of the REIT.

STAKEHOLDERS	AREAS OF CONCERN	METHODS OF ENGAGEMENT
Employees	<ul style="list-style-type: none"> • Career Development • Staff Well-being • Employee Benefit 	<ul style="list-style-type: none"> • Performance Appraisal • Training Programme • Employee Satisfaction Survey • Medical and Group Takaful Coverage • Annual General Meeting • Corporate Website • Investor Feedback Management
Investors	<ul style="list-style-type: none"> • Corporate Financial Performance • Corporate Governance • Safety and Security • Investor Relationship Management 	<ul style="list-style-type: none"> • Annual General Meeting • Corporate Website • Investor Feedback Management
Tenants	<ul style="list-style-type: none"> • Safety and Security • Business Activity and Ethics 	<ul style="list-style-type: none"> • Contract Agreement • Tenant Survey • Joint Community Programme
Property/Maintenance Managers	<ul style="list-style-type: none"> • Marketing and Financial Performance • Tenants and Occupancy • Facility Management • Administration and Risk Management 	<ul style="list-style-type: none"> • Contract Agreement • Evaluation and Performance Review • Regular Building Audits
Regulatory Agencies and Statutory Bodies	<ul style="list-style-type: none"> • Labour Practices • Environmental Management and Compliance 	<ul style="list-style-type: none"> • Regular Meeting • Regular Inspection
Suppliers	<ul style="list-style-type: none"> • Transparent Procurement Process 	<ul style="list-style-type: none"> • Evaluation and Performance Review
Non-Governmental Organisations ("NGOs")	<ul style="list-style-type: none"> • Social Contribution • Environmental Impact 	<ul style="list-style-type: none"> • Community Events

MATERIALITY ASSESSMENT

A materiality assessment is vital in identifying and prioritising sustainability matters that may be influential in determining the direction of REIT operations by the Manager. The sustainability matters are identified from an Environment, Economic, Social and Governance (EESG) perspective.

To ensure that the material sustainable matters remain substantial for this financial year, a similar survey consisting of the material issues identified in 2017 was assessed by the team comprising of the key personnel of the Manager and the guidance of an external consultant on behalf of the REIT. Overall, the team re-categorised the sustainability matters to ensure broader coverage and identified new matters to be prioritised. The results of the materiality review are reflected in the matrix below:

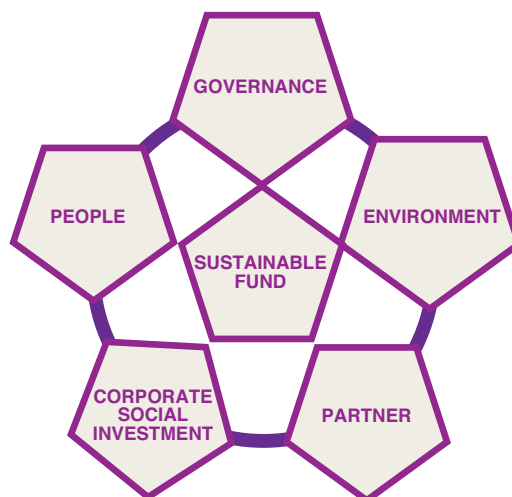


No Material EESG matters

- 1 Regulatory Compliance
- 2 Risk Management
- 3 Corporate Governance
- 4 Financial Performance
- 5 Anti-Corruption
- 6 Procurement Practices (Value Chain)
- 7 Water Management
- 8 Waste & Effluent Management
- 9 Energy Management
- 10 Labour Practices
- 11 Production & Services Responsibility
- 12 Supply Chain
- 13 Human Rights
- 14 Diversity
- 15 Occupational Health & Safety
- 16 Indirect Economic Impact
- 17 Emissions
- 18 Anti-Competitive Behaviour
- 19 Land Remediation, Contaminations or Degradation
- 20 Community Investment

SUSTAINABILITY PILLARS

To uphold the core principles of the REIT for sustainability, the Manager established five key sustainability pillars. Listed below are the key sustainability pillars that are vital in ensuring that the actions taken by the Manager on behalf of the REIT support the overall sustainability objectives.



GOVERNANCE

Standard Operating Procedures

The Manager has in place standard operating procedures to govern the day-to-day processes to implement the best management practices for the REIT.

Enterprise-Wide Risk Management (ERM)

On a quarterly basis, the Manager regularly reviews the risks that are significant to the operations and takes the necessary actions to mitigate the risks as part of the ERM exercise.

In Quarter 4 of 2019, the Manager conducted a validation exercise on the controls for high impact risks identified that were relevant to the Financial, Operational and Strategic perspectives.

Whistleblowing Management

Any stakeholders to the Manager may raise their concerns for any inappropriate matters through the Manager's existing whistleblowing channel.

To date, there were no whistleblowing incidents reported through the available channels to the Manager.

Anti-Bribery Management System

MS ISO 37001:2016 – Anti-Bribery Management System is an international standard that is widely used to prevent corruption and to build a culture of integrity. This standard aims to help implement, maintain and improve anti-corruption management systems. It has the potential to positively impact business operations, investment, finance and value added to the organization as well as to help ensure organizational sustainability. A briefing session on the standard has been conducted on 18th October 2019 to the management and employees of the Manager.

Other Committees

Apart from the BOD and SSC, the Manager has put in various committees to ensure continuous governance in the overall operations such as:

COMMITTEE	OBJECTIVES
Audit Committee	Review issues on accounting policies and presentation of external financial reporting and ensure an objective and professional relationship is maintained with the appointed auditors.
Executive Committee	Oversees the day-to-day activities of the Fund and the Manager on behalf of the Board and provide the necessary recommendations in relation to the REIT, review management reports and forward summary reports to all Board members.
Remuneration & Nomination Committee	Ensure that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of senior executives while also complying with the requirements of regulation.
Risk Management Committee	Ensure that risk management is part of the Manager's day-to-day operations and ensure consistency of operational procedures and practices within the organisation to ensure effective risk management.

The relevant committees discuss matters of the REIT on a periodic basis in relation to the objectives of the establishment of these committees. Ultimately, updates relevant to the REIT will be reviewed by the Executive Committee and reported to Board on a timely basis.

ENVIRONMENT

Energy Management

The Manager proactively implements energy conservation initiatives to contribute to a greener environment.

TOTAL ENERGY CONSUMPTION (kwh)

Property	As at December 2018	As at December 2019	% reduction
KOMTAR JBCC	5,436,974	4,821,928	11.31
Menara KOMTAR	3,718,000	3,724,000	(0.16)
Pasaraya Komuniti @Mart Kempas	1,217,448	1,073,044	11.86

Moving forward, the Manager will strive to enhance their energy conservation initiatives for all other properties to be in line with their sustainability strategy.

Water Management

The table below shows the water consumption as at December 2018 versus as at December 2019:

TOTAL WATER CONSUMPTION (M3)

Property	As at December 2018	As at December 2019	% reduction
KOMTAR JBCC	174,145	200,250	(15.00)
Menara KOMTAR	22,859	25,780	(12.78)
Pasaraya Komuniti @Mart Kempas	41,446	29,461	28.92

There was overall increase in water consumption due to increased tenant activities in 2019.

Waste Management

The Manager ensures that the waste generated from the tenant activities and other sources relevant to the operations under the REIT is collected and disposed responsibly in accordance to the stipulated legal requirements. In addition, the Manager ensures that a licensed contractor is appointed to ensure responsible disposals.

Moving forward, the Manager intends to improve their waste management initiatives by taking into consideration waste segregation 3R: Reuse, Reduce, Recycle.

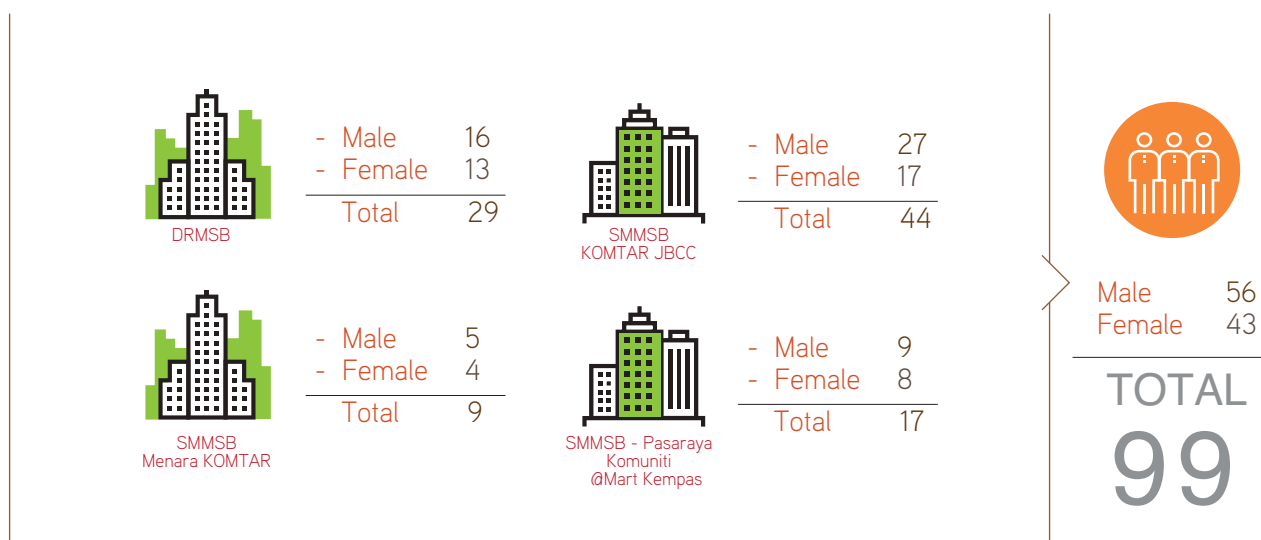
PEOPLE

Employee Profile

The employees of the Manager that assist in managing the REIT consist of qualified individuals with the relevant expertise in the investment practices.

The Manager strives for a culture that respects and balances the diversity of our employees to create equal opportunities for all employees regardless of the demographic status.

As at 31 December 2019, the breakdown of employees is as follows:



The Manager of the REIT strives to ensure that the recruitment of employees is based on their skill sets without any preference on gender or age distribution.

Employee Training

In addition, the Manager emphasises on personal development to enhance the knowledge base of their employees. The table below shows the overall increase in training hours achieved in 2019 compared to that of the previous year:

Entity	2018 (Hours)	2019 (Hours)
DRMSB	703	725.5
SMMSB - KOMTAR JBCC	1,253	1,536
SMMSB - Menara KOMTAR	509	633
SMMSB - Pasaraya Komuniti @Mart Kempas	858	812
TOTAL	3,323	3,706.5

Employee Turnover Rate

The Manager takes strenuous effort to maintain a reasonable turnover rate by keeping the employees contented at all times. The table below shows the turnover rates for the year 2018 and 2019:

Entity	2018 Turnover rate (%)	2019 Turnover rate (%)
DRMSB	7.27	13.79
SMMSB - KOMTAR JBCC	0	0
SMMSB - Menara KOMTAR	12.0	0
SMMSB - Pasaraya Komuniti @Mart Kempas	0	0

Employee Welfare & Rights

The Manager strives to ensure that the employees maintain a satisfactory physical and mental well-being. The Manager firmly believes in ensuring the physical and mental well-being of the employees to strive for continuous growth. With that, the Manager provides allowances, retirement provisions, healthcare benefits, disability and insurance coverage and medical compensation. The Manager conducts annual employee appraisals and the employees to provide feedback during the review. Ultimately, the Manager has a Code of Conduct & Business Ethics Policy to ensure the employees are properly guided.

Occupational Health & Safety

The Manager aims to provide a safe environment for the employees to work in and ensure safety in the conduct of professional task of the tenants of the properties. At each property, the Manager has put in place a team of well-trained people to establish an Emergency Response Team to manage and handle emergency crises. Apart from that, the Manager of the REIT has an Occupational Safety, Health, Environment & Security Committee to discuss safety measures and issues on a periodic basis.

Pasaraya Komuniti @Mart Kempas participated in BeSS (Bersih, Selamat dan Sihat), a certified program organized by Ministry of Health. On 30 October 2019, Ministry of Health had done an inspection towards all food court tenant. All the foodcourt tenant has received BeSS certification on 28 November 2019.

On an on-going basis, the Manager ensures that the relevant parties adhere by the established safety regulations before any work is performed on the properties. Annually, fire drills and emergency evacuation procedures are conducted at the REIT properties to create awareness among the relevant stakeholders.

The table below shows the dates of the fire-drills and emergency evacuation procedures conducted in the financial year:

Entity	Date of fire-drills / emergency procedure held
KOMTAR JBCC	14 August 2019
Menara KOMTAR	14 August 2019
Pasaraya Komuniti @Mart Kempas	19 June 2019

PARTNER

Procurement / Supply Chain Management

The Manager aims to achieve the best practices when engaging with all kinds of stakeholders across the supply chain. As such, this begins by dealing with the right suppliers to obtain the optimum benefit. The Manager ensures that the appointment of outsourced service providers and suppliers go through a fair comparison in line with the standard operating procedures and are constantly applied as part of the procurement process. Apart from the pre-qualification of outsourced service providers and suppliers, an annual evaluation is conducted to ensure continuous satisfaction in the deliverables to the Manager and the REIT. As at 31 December 2019, the Manager is proud to emphasise that the outsourced service providers and suppliers appointed are locally-based.

Tenant Management

The Manager cooperates with a professional leasing consultant to ensure that the best quality tenants are engaged and retained through an annual tenant evaluation. The table below shows the number of complaints from the tenants; as at December 2018 versus as at December 2019:

Entity	Number of Complaints	
	2018	2019
KOMTAR JBCC	641	1327
Menara KOMTAR	175	247
Pasaraya Komuniti @Mart Kempas	14	27

The increase in the number of complaints is due to the wear and tear of building assets / assets components that need replacement such as lighting, piping and other consumables.

To preserve a harmonious relationship, the Manager also conducts a tenant feedback survey on a periodic basis and provides various means of feedback channels. As at 2019, it was reported that the tenants reported an average satisfaction score of approximately 80% for KOMTAR JBCC, Menara KOMTAR and Pasaraya Komuniti @Mart Kempas. On a continuous basis, the Manager aims to address all concerns effectively and efficiently.

Shopper Management

The Manager takes priority to ensure the shopper have a valued experience at KOMTAR JBCC and reaches out for any feedback via various means. As at December 2019, it is reported that there were 11 complaints.

CORPORATE SOCIAL INVESTMENT

The Manager continues to put in Corporate Social Responsibility (CSR) efforts in various ways. Some of the key CSR initiatives throughout the year are highlighted below:

- Autism Celebration at KOMTAR JBCC with exciting activities focusing in special needs children with autism.
- LED Screen Support, an awareness program highlighted on the importance of branding support for the existing tenant at KOMTAR JBCC.
- Provision of promotional spaces / booths at Pasaraya Komuniti @Mart Kempas throughout the year.
- Donations of daily supplies and cash vouchers during events at Pasaraya Komuniti @Mart Kempas.
- Sponsorship of venue for crowd puller purposes at KOMTAR JBCC along with rebate and discounts during events.
- In-house tenant support collaborating with Angry Bird Entertainment Park with great deals and offer of sales merchandise and ticket.
- Festive season celebrations such as Hari Raya CSR open house, Chingay celebration and Christmas CSR activities at KOMTAR JBCC.

SECTION 5

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- 94 • Statement on Risk Management and Internal Report



Corporate Governance

1. INTRODUCTION

The Board of Directors of the Manager (the Board) regards corporate governance as vitally important to the success of Al-Salām REIT's business and is committed to apply and to ensure that the following principles of good governance is practised in all of its business dealings in respect of its Unitholders and relevant stakeholders:

- The Board is the focal point of the corporate governance system. It is ultimately accountable and responsible for the performance and affairs of Al-Salām REIT.
- All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.
- All Board members are responsible for achieving a high level of good governance.

This Board Charter shall constitute and form an integral part of each Director's duties and responsibilities.

2. OBJECTIVE

The objectives of this Board Charter are to ensure that all Board members acting on behalf of the Manager are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and to ensure that the principles and practices of good corporate governance are applied in all their dealings in respect, and on behalf of Al-Salām REIT.

3. THE BOARD

3.1 Role

The key roles of the Board are to:

- a) Guide the corporate strategies and directions of the Manager (including acquisition and divestment of Authorised Investment);
- b) Oversee the proper conduct of the Manager (including budgeting approval and all other financial matters);
- c) Set the guidelines for internal controls;
- d) Ensure compliance with the Relevant Laws and Requirements;
- e) Determine and approve the distribution amounts to Unitholders; and
- f) Evaluate and approve the acquisition and divestment of Authorised Investment.

3.2 Composition and Board Balance

The composition of the Board of Directors is as follows:

- a) 1 Independent Non-Executive Chairman
- b) 3 Non-Independent Non-Executive Directors
- c) 3 Independent Non-Executive Directors
- d) 1 Non-Independent Executive Director

Practice 4.5 of the MCGG 2017 states that for Large Companies (companies on the FTSE Bursa Malaysia Top 100 Index or companies with market capitalisation of RM2 billion and above), the Board must have at least 30% female directors. Based on the current market capitalisation position of RM469.8 million, Al-Salām REIT is not deemed to fall under Large Companies. However, the Board is moving towards to be in line with the Practice 4.5 on gender diversity whereby the current female directors' composition in the Board stands at 25%.

3.3 Appointments

The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the Nomination and Remuneration Committee.

New Directors are expected to have such expertise so as to qualify them to make a positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of Al-Salām REIT.

The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointments of new Directors are properly executed.

3.4 Directors' Training

In addition to the Mandatory Accreditation Programme ("MAP") as required by Bursa Malaysia Securities Berhad ("Bursa Securities"), Board members are also encouraged to attend seminars and training programmes organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in laws, regulations and the business environment.

The Board is also constantly updated by the Company Secretary on changes to the relevant guidelines on the regulatory and statutory requirements.

3.5 Board Meetings and Supply of Information

The Board meets regularly at least once every quarter to discuss and approve the release of the quarterly and annual financial results, review acquisitions or disposals, annual budget, capital expenditure requirements, property reports, investor relations reports, performance of the Manager and Al-Salām REIT against the approved budget. When necessary, the Board meets at a special meeting to review and approve acquisitions or disposals for recommendation to the trustee of Al-Salām REIT or any other issues requiring the immediate attention of the Board.

Notices and agenda of meetings duly endorsed by the Chairman together with the relevant board papers are normally given at least one (1) week prior to the meetings for the Board to study and evaluate the matters to be discussed. The board papers provided include inter alia, the financial results, business plan and budget, progress report on the properties' developments, regulatory/statutory updates and other operational and financial issues for the Board's information and/or approval.

4. CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)

4.1 Chairman

The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role. The Chairman is responsible for:

- a) Leading the Board in setting the values and standards of Al-Salām REIT;
- b) Maintaining a relationship of trust with and between the Executive and Non-Executive Directors
- c) Ensuring the provision of accurate, timely and clear information to Directors;
- d) Ensuring effective communication with Unitholders and relevant stakeholders; and
- e) Ensuring that members of the Board work together with the Management in a constructive manner to address strategies, business operations, financial performance and risk management issues.

4.2 Chief Executive Officer (CEO)

- The CEO is the conduit between the Board and the Management in ensuring the success of the governance and management functions of Al-Salām REIT.
- The CEO has the executive responsibility for the day-to-day operation of business, and the execution of the agreed business policies and directions set by the Board and of all operational decisions in managing Al-Salām REIT.
- All Board authorities conferred on the Management is delegated through the CEO and this will be considered as the CEO's authority and accountability as far as the Board is concerned.

5. COMMITTEES

In carrying its functions, the Board is supported by the Audit Committee, Executive Committee and Nomination and Remuneration Committee, all of which operate within defined terms of reference. These committees provide the appropriate checks and balances.

5.1 Audit Committee (AC)

A. Membership

- (i) The members of the AC shall be appointed by the Board and shall consist of not less than 3 members.
- (ii) All members must be Non-Executive Directors.
- (iii) All members should be financially literate and at least one member must be a member of the Malaysian Institute of Accountants (MIA) or have the relevant qualifications and experience as specified in the Bursa Malaysia Securities Main Market Listing Requirements.
- (iv) The Chairman of the AC elected from amongst the Audit Committee members shall be an Independent Director.
- (v) No alternate Director of the Board shall be appointed as a member of the AC.

B. Purposes

- (i) To ensure transparency, integrity and accountability in the Fund's activities so as to safeguard the rights and interests of the Unitholders;
- (ii) To provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;
- (iii) To improve the Fund's business efficiency, the quality of the accounting and audit function and strengthen public confidence in the Fund's reported financial results; and
- (iv) To maintain open lines of communication between the Board and the auditors.

C. Duties and Responsibilities

The objective of the AC is to assist the Board in fulfilling its fiduciary responsibilities relating to corporate governance, internal controls, financial and accounting records and policies as well as financial reporting practices of Al-Salām REIT. The AC's responsibilities include:

- (i) To review the quarterly and year-end financial statements of the Fund prior to the approval by the Board;
- (ii) To provide an independent assessment of the adequacy and effectiveness of risk management functions;
- (iii) To review the internal audit programme, the results of the internal audit process or investigation undertaken and ensure that appropriate action is taken on the recommendations of the internal audit function;
- (iv) To review with external auditors the audit plan, scope of audit and audit reports; and
- (v) To review any related party transactions and conflict of interest situation that may arise.

D. Meetings

A minimum of 4 meetings shall be planned during the financial year and the quorum for the meeting shall be 2 members. In the absence of the Chairman, the members present shall elect a chairman for the meeting from amongst the members present. Reports of the AC meeting shall be tabled by the AC'S Chairman at the Board of Directors meeting.

5.2 Executive Committee (EC)

A. Membership

- (i) The EC shall have at least 3 members, all of whom shall be non-executive directors with the majority being independent directors.
- (ii) The members and the Chairperson shall be appointed by the Board.
- (iii) The appointment of members terminates when the member ceases to be a director of the Company.
- (iv) In the absence of the Chairperson of the EC, the members present shall elect one of their members to chair the meeting.

The EC meets on a scheduled basis at least 4 times a year. Reports of the EC meeting shall be tabled by the EC's Chairman at the Board of Directors meeting for notification and further action by the Board, where necessary.

B. Purposes

The EC oversees the activities of the Manager and Al-Salām REIT on behalf of the Board which includes:

- (a) Making recommendations to the Board on all acquisitions, investments and disposals;
- (b) Making recommendations to the Board on any financing offers, capital management proposals and additional banking facilities;
- (c) Reporting and recommending to the Board any corporate exercise, including the issuance of new Al-Salām REIT units; and
- (d) Making recommendations to the Board on financial budgets.

5.3 Nomination and Remuneration Committee (NRC)

A. Membership

- (i) The committee shall have at least 3 members, all of whom shall be non-executive directors with the majority being independent directors.
- (ii) The members and the Chairperson shall be appointed by the Board.
- (iii) The appointment of members terminates when the member ceases to be a director of the Company.
- (iv) The NRC shall have no executive powers.
- (v) In the absence of the Chairperson of the NRC, the members present shall elect one of their members to chair the meeting.

B. Purposes

Nomination

- (i) Identify and recommend candidates for Board directorship.
- (ii) Recommend directors to fill the seats on Board Committee.
- (iii) Evaluate the effectiveness of the Board and Board Committee (including the size and composition) and contributions of each individual director.
- (iv) Ensure an appropriate framework and plan for Board succession.
- (v) Assess the quality of performance and training needs are addressed.

Remuneration

- (i) Provide assistance to the Board in determining the remuneration of Executive Director, and Managing Director. In fulfilling these responsibilities, the NRC is to ensure that executive directors of the Company:
 - are fairly rewarded for their individual contribution to overall performance;
 - are compensated reasonably in light of the Company's objectives; and
 - are compensated similar to other companies.
- (ii) Review the Executive/Managing Director's performance against the goals and objectives set.

6. REMUNERATION POLICIES

The remuneration of the Directors is paid by the Manager and not by the Fund. The remuneration of the Executive Director is structured based on linking rewards to corporate and individual performance. For Non-Executive Directors, they receive a basic fee, an additional fee for serving on any of the committees and a sitting allowance for attending meetings of the Board and any of the committee meetings.

7. FINANCIAL REPORTING

7.1 Compliance Officer

The Manager has a designated compliance officer working towards ensuring the compliance with all legislations, rules and guidelines issued by the Securities Commission and Bursa Securities as well as Al-Salām REIT's Deed.

7.2 External Auditors

The Board has established formal and transparent arrangements for considering how financial reporting and internal control principles will be applied and for maintaining an appropriate relationship with the External Auditors through its Audit Committee.

The Audit Committee also keeps under review the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the External Auditors. The Board ensures that the External Auditors do not supply a substantial volume of non-audit services.

The appointment of External Auditors, who may be nominated by the Manager, must be approved by the Trustee. The External Auditors appointed must be independent of the Manager and the Trustee. The remuneration of the External Auditors must be approved by the Trustee.

8. RISK MANAGEMENT

8.1 Internal Control

The Board is responsible for maintaining a system of internal control that covers financial and operational controls and risk management. The system provides reasonable but not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

8.2 Conflict of Interest

The Manager has established the following procedures to deal with potential conflicts of interest and related party transactions (including its Directors, executive officers and employees) which it may encounter in managing Al-Salām REIT:-

- a) Any related party transaction must be disclosed to the Audit Committee and the Board;
- b) The Audit Committee shall review the terms of the related party transaction before recommending to the Board;
- c) The Board shall ensure that at least one-third of its Directors are Independent Directors; and
- d) In circumstances where any Director or officer of the Manager may have a direct or indirect interest in any related party transaction, they will abstain from deliberation and voting at any Board meeting and will require the Trustee's approval prior to entering into any transaction/agreement.

The Manager shall avoid instances of conflict of interest in any transaction and shall ensure that Al-Salām REIT is not disadvantaged by the transaction concerned. In addition, the Manager shall ensure that such transactions are undertaken in full compliance with the SC REIT Guidelines, the Trust Deed and the Listing Requirements.

8.3 Related Party Transactions and Recurrent Related Party Transactions

In dealing with any related party transaction, such transactions carried out by or on behalf of Al-Salām REIT shall be conducted as follows: -

- a) Carried out in full compliance with the REIT Guidelines and the Trust Deed;
- b) Carried out at arm's length basis;
- c) In the best interest of Unitholders;
- d) Adequately disclosed to Unitholders;
- e) Consented by the Trustee; and
- f) Consistent with the investment objectives and strategies of Al-Salām REIT.

All related party transactions are subject to review by the Audit Committee prior to recommendation to the Board. If a member of the Audit Committee has an interest in a transaction, he/she is to abstain from participating in the review and recommendation process in relation to that transaction.

8.4 Internal Audit

The Internal Audit function is outsourced to Crowe Horwath Governance Sdn Bhd. However, the primary obligation, accountability and responsibility with regards to the scope of internal audit services shall remain with the Board and the Manager at all times.

9. ANNUAL GENERAL MEETING (AGM)

- The Board regards the AGM as an important event in the corporate calendar of which all Directors and key personnel should attend. The Board regards the AGM as the principal forum for dialogue with Unitholders and aims to ensure that the AGM provides an important opportunity for effective communication with, and constructive feedback from the Unitholders.
- The Chairman encourages active participation by the Unitholders during the AGM. The Chairman and where appropriate, the Chief Executive Officer responds to Unitholders' queries during the AGM.

10. COMMUNICATION AND INVESTOR RELATIONS

The Board values constant dialogue and is committed to clear communication with Unitholders and investors. In this respect, as part of Al-Salām REIT's active investor relations programme, discussions and dialogues are held with fund managers, financial analysts, Unitholders and the media to convey information about Al-Salām REIT's performance, corporate strategy and other matters affecting Unitholders' interests.

The Manager communicates information on Al-Salām REIT to Unitholders and the investing community through announcements that are released to Bursa Securities via Bursa LINK. Such announcements include the quarterly results, material transactions and other developments relating to Al-Salām REIT requiring disclosure under the Listing Requirements of Bursa Securities.

Communication channels with Unitholders are also made accessible via:

- Press and analysts' briefings
- One-on-one/group meetings, conference calls, investor luncheons, domestic/overseas roadshows and conferences
- Annual Reports
- Press releases on major developments of Al-Salām REIT
- Al-Salām REIT's website at www.alsalamreit.com.my

With the majority of units in Al-Salām REIT held by institutional investors, the Manager considers meetings with local and foreign fund managers an integral part of investor relations. These meetings and roadshows with investors enabled the Manager to update potential and current Unitholders on Al-Salām REIT's significant developments and its medium to long term strategies.

In addition to ensuring that the published Annual Report and quarterly results announced to Bursa Securities are available to all Unitholders, Al-Salām REIT has established a website at www.alsalamreit.com.my from which investors and Unitholders can access for information.

While the Manager endeavours to provide as much information as possible to Unitholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

11. COMPANY SECRETARY

The Board appoints the Company Secretary, who plays an important advisory role, and ensures that the Company Secretary fulfils the functions for which he/ she has been appointed.

The Company Secretary is accountable to the Board on all governance matters and must keep abreast of and inform the Board of current governance practices.

The Board members have unlimited access to the professional advice and services of the Company Secretary.

Corporate Governance Statement

The Board of Directors of the Manager (the Board) recognises the value of good corporate governance and ensure that high standards of corporate governance is upheld and practised with the ultimate objective of protecting and enhancing Unitholders' value and protecting the interests of all stakeholders. The Board is committed to ensure the continuity of good corporate governance practice that will add value to the business and affairs of the Manager.

The Manager has been guided by the measures set out in the Guidelines on Listed Real Estate Investment Trust issued by the Securities Commission (REIT Guidelines), the Listing Requirements of Bursa Malaysia (Listing Requirements) and the principles and guidance of the Malaysian Code on Corporate Governance 2017.

THE MANAGER'S ROLE

In accordance with the Trust Deed, the Manager is appointed to manage the assets and administer the Fund. Its primary objective is to provide the Unitholders with long term and stable income distributions with the potential of sustainable growth as well as to enhance the net asset value of Al-Salām REIT's units.

The Manager has been issued a Capital Markets Services License (CMSL) by the Securities Commission (SC) on 27 June 2013. Two of the Board members, namely Wan Azman bin Ismail (eCMSRL/B7253/2017) and Yusaini bin Sidek (CMSRL/B3780/2013) as well as two of the employees, namely Shahril Zairis bin Ramli (CMSRL/B3781/2013) and Suhaimi bin Saad (CMSRL/B3782/2013) respectively issued with a Capital Markets Services Representatives License (CMSRL).

Al-Salām REIT is externally managed by the Manager and as such, it has no employees. The Manager has appointed experienced and qualified personnel to handle its day-to-day operations. All Directors and employees of the Manager are remunerated by the Manager and not by Al-Salām REIT.

The Manager is required to ensure that the business and operations of Al-Salām REIT are carried and conducted in a proper, diligent and efficient manner, and in accordance with the acceptable business practices in the real estate investment trust industry in Malaysia. Subject to the provisions of the Trust Deed, the Manager has full and complete control in managing the Fund (including all assets and liabilities of Al-Salām REIT) for the benefits of the Unitholders.

The Manager's main functions, amongst others, are as follows:

- **Investment Strategy**
Formulate and implement Al-Salām REIT's investment strategy.
- **Acquisition and Divestment**
Make recommendations and coordinate with the Trustee and implement the acquisition of new assets and divestment of Al-Salām REIT's existing investments.
- **Asset Management**
Supervise and oversee the management of Al-Salām REIT's properties including procurement of service providers to carry out specified activities, including but not limited to onsite property management, property maintenance, rent collection and arrear control. The Manager is also responsible for developing a business plan in the short, medium and long term with a view to maximising the income of Al-Salām REIT.
- **Risk Management**
Determine the level of risk tolerance and actively identify, assess and monitor the principal risks of Al-Salām REIT and ensuring the implementation of appropriate systems to mitigate and manage these risks.
- **Financing**
Formulate plans for equity and debt financing for Al-Salām REIT's funding requirements with the objective of optimising the capital structure and cost of capital.
- **Accounting Records**
Keep books and prepare or cause to be prepared accounts and annual reports, including annual budget for Al-Salām REIT.

Corporate Governance Statement

INVESTOR RELATIONS

Developing and maintaining investor relations including information coordination and distribution as well as customer service to investors.

- **Compliance Management**

Supervise all regulatory filings on behalf of Al-Salām REIT and ensure that Al-Salām REIT is in compliance with the applicable provisions of the Securities Commission Act, SC REIT Guidelines, Bursa Securities Listing Requirements, Trust Deed and all relevant contracts.

- **Internal Audit**

The Internal Audit function is outsourced and undertaken by Crowe Horwath Governance Sdn Bhd effective from 12 January 2017. The primary obligation, accountability and responsibility with regards to the scope of internal audit services shall remain with the Board and the Manager at all times.

PRINCIPLES OF THE CORPORATE GOVERNANCE CODE

1. BOARD LEADERSHIP AND EFFECTIVENESS

1.1 Board Responsibilities

In discharging their duties and responsibilities, the Board ensures that all decisions made are in the best interests of the Fund and stakeholders. As prescribed by the MCCG 2017, the Board assumes, inter alia, the following responsibilities:

- **Reviewing and adopting a strategic plan for the Fund**

The strategic and business plan for the period 2020 – 2024 was tabled, discussed and approved by the Board at its meeting on 20 November 2019. Additionally, on an ongoing basis as need arises, the Board will assess whether strategic consideration being proposed at Board meetings during the year are in line with the objectives and broad outline of the adopted strategic plans. The Board will ensure that the strategic plan supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.

- **Overseeing the conduct and overall management of the Manager and the business of Al-Salām REIT**

The Board is responsible to oversee, supervise and review the Fund's annual budget, operational and financial performance on a periodic basis against the budget. At Board meetings, all operational matters will be discussed, and appropriate consultation will be sought if necessary. Where and when available, the performance of the Fund will be benchmarked and compared against the performance of its competitors.

- **Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures**

The Board will set the risk appetite within which the Board expects the Manager to operate and ensure there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks. The Risk Management Report will be tabled on a quarterly basis in the Board meeting to review the Fund's risks.

- **Succession planning**

The Board will deliberate on the latest plans and actions taken in respect of the succession planning to ensure that all candidates appointed to the Board and senior management positions are of sufficient calibre.

- **Effective communication with stakeholders**

The Board will ensure that there is an effective communication with stakeholders. The Manager has introduced many activities with regards to engagement and communication with investors to ensure that they are well informed about the Fund affairs and developments. Details of investor relations activities are disclosed on page 46 of this Annual Report.

- **Reviewing the adequacy and the integrity of the management information and internal controls system of the Fund**

The Board's function as regard to fulfilling these responsibilities effectively are supported and reinforced through the various Committees established at both the Board and Manager's level. The active functioning of these Committees through their regular meetings and discussions would provide a strong check and balance and reasonable assurance on the adequacy of the Fund's internal controls.

Corporate Governance Statement

Access to Information and Advice

Prior to each Board meeting, the Board papers will be circulated to all Directors so that each Director has ample time to peruse and review them for further deliberation at the Board meeting. The Board papers includes among others, the following details:

- Minutes of meeting of all Committees of the Board
- Any matters arising from previous meetings
- Business strategies and corporate proposals
- Review of operational matters and financial report of the Group
- Progress report on risk management
- Executive Committee and Audit Committee report

The Board is fully aware of its duties and responsibilities with regards to the above and decisions and deliberation at the Board meetings are recorded and minuted by the Company Secretary.

Company Secretary

The Manager's Joint Company Secretary and/or her assistants attend all Board meetings and, together with the Directors are responsible for the proper conduct of the meetings according to applicable rules and regulations. The Joint Company Secretary regularly updated the Board on new regulations and directives issued by regulatory authorities.

1.2 Board Composition

Board composition influences the ability of the board to fulfil its oversight responsibilities. An effective board should include the right group of people with an appropriate mix of skills, knowledge, experience and independent elements that it the objectives and strategic goals. The right Board composition will ensure sufficient diversity and independence to avert groupthink or blind spots in the decision-making processes. It also enables the Board to be better equipped to respond to challenges that may arise and deliver value.

The composition of the Board of Directors is as follows:

- 1 Independent Non-Executive Chairman
- 3 Non-Independent Non-Executive Directors
- 3 Independent Non-Executive Directors
- 1 Non-Independent Executive Director

During the year ended 31 December 2019, the Board members convened five meetings and all Directors have complied with the minimum 50% attendance as required by Para 15.05 of the Listing Requirements. The members of the Board and their attendances at Board meetings in 2019 are set out below:

	14 th BOD 20 Feb 2019	Special BOD 17 Apr 2019	15 th BOD 29 May 2019	16 th BOD 30 Aug 2019	17 th BOD 20 Nov 2019
Dato' Kamaruzzaman bin Abu Kassim ¹	/	/	/	/	X
Wan Azman bin Ismail	/	/	/	/	/
Zainah binti Mustafa	/	/	X	/	/
Dr. Mohd Hafetz bin Ahmad	/	/	/	/	/
Dato' Dr. Rahah binti Ismail	/	/	/	/	/
Lukman bin Hj. Abu Bakar ²	/	/	/	/	/
Yusaini bin H. Sidek	/	/	/	/	/
Dato' Amiruddin bin Abdul Satar	/	/	/	/	/
Mohd Yusof bin Ahmad	/	/	/	/	/

Note:

1. Resigned w.e.f 20 January 2020
2. Resigned w.e.f 14 February 2020

Corporate Governance Statement

Directors' Training

All Directors have attended and completed the Mandatory Accreditation Programme prescribed by Bursa Securities, and the Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis. Throughout the financial year under review, the Directors attended various conferences, seminars and training programmes covering areas that included corporate governance, leadership, updates on REIT industry and global business developments.

1.3 Remuneration

The remuneration of the Directors are set on page 84 of this annual report.

2. EFFECTIVE AUDIT AND RISK MANAGEMENT

2.1 Audit Committee

An effective Audit Committee will bring transparency, focus and independent judgment needed to oversee the financial reporting process. The Audit Committee is chaired by Zainah binti Mustafa and comprises of 2 other members, Lukman bin Hj. Abu Bakar (resigned w.e.f 14 February 2020) and Dr. Mohd Hafetz bin Ahmad. The Committee meets on a scheduled basis at least 4 times a year. The composition of the Audit Committee, its terms of reference, attendance of meetings and duties and responsibilities are set out on page 92 and 93 of the Annual Report. The minutes of the Audit Committee meetings are tabled to the Board for notification and further action by the Board, where necessary.

Compliance with Applicable Financial Reporting Standards

In presenting the annual financial statements, annual report and quarterly announcements to Unitholders, the Board aims to present a balanced and understandable assessment of Al-Salām REIT's financial position, performance and prospects.

The Board has taken the necessary steps to ensure that Al-Salām REIT had complied with all applicable Financial Reporting Standards and relevant provision of laws and regulations in Malaysia and the respective countries in which the subsidiaries operate, consistently and that the policies are supported by reasonable and prudent judgement and assumptions.

The Audit Committee assists the Board in ensuring both annual financial statements and quarterly announcements are accurate and the preparation is consistent with the accounting policies adopted by Al-Salām REIT.

Relationship with the External Auditors

The Board through the Audit Committee has maintained a formal procedure of carrying out an independent review of quarterly reports, annual audited financial statements, External Auditor's audit plan, report, internal control issues and procedures.

The External Auditors are invited to attend Al-Salām REIT's general meeting and are available to answer any questions from Unitholders on the conduct of the statutory audit and the contents of the Annual Audited Financial Statements.

2.2 Risk Management and Internal Control Framework

The Manager is led and oversaw by experienced Board of Directors with a wide and varied range of expertise. This broad spectrum of skills and experience gives added strength to the leadership, thus ensuring the Manager is under the guidance of an accountable and competent Board.

There is a clear segregation of roles and responsibilities between the Chairman and the Executive Director to ensure a balance of power and authority. This also provides a healthy professional relationship between the Board and Management with clarity of roles and robust deliberation on the business activities of Al-Salām REIT.

The Chairman ensures that members of the Board work together with the Management in a constructive manner to address strategies, business operations, financial performance and risk management issues. The Executive Director has full executive responsibilities over the execution of the agreed business policies and directions set by the Board and of all operational decisions in managing Al-Salām REIT.

Corporate Governance Statement

3. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

3.1 Communication with Stakeholders

The Board recognises the importance of timely dissemination of information to the Unitholders and accordingly ensures that they are well informed of any major developments of Al-Salām REIT. Such information is communicated through the annual report, the Fund's various disclosures and announcements to Bursa Securities, including quarterly and annual results, and the corporate website.

As part of Al-Salām REIT's active investor relations programme, discussions and dialogues are held with fund managers, financial analysts, Unitholders and the media to convey information about Al-Salām REIT's performance, corporate strategy and other matters affecting Unitholders' interests. Details of the investor and public relations programs undertaken by the Manager are set out on page 46 of this Annual Report.

3.2 Conduct of General Meeting

The Annual General Meeting is a vital platform for dialogue and interaction between the Board and the Unitholders. The Manager had on 17 April 2019 convened its 4th Annual General Meeting to seek the Unitholders' approval for amongst others: -

- Proposed to allot and issue new units
- Proposed increase in the existing approved fund size
- Proposed Recurrent Related Party Transaction Mandate

At the Annual General Meeting, the Chairman presented the progress and performance of the business and encouraged Unitholders to participate in the question-and-answer session.

Directors' Responsibility Statement on Audited Financial Statements

The Board is responsible in the preparation of the Audited Financial Statements to give a true and fair view of the state of affairs, results and cash flows of the Manager and Al-Salām REIT at the end of each financial year.

In preparing the financial statements, the Board will ensure that suitable accounting policies have been applied consistently, and that reasonable and prudent judgements and assumptions have been made.

All applicable approved accounting standards and relevant provisions of laws and regulations have been complied with. The Board is also responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy, the financial position of the Manager and Al-Salām REIT and to ensure that the financial statements comply with the relevant statutory requirements. The Board has the overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of Al-Salām REIT to prevent and detect fraud and other irregularities.

Audit Committee Report

The audit committee plays a major role in corporate governance regarding the organisation's direction, control, and accountability. As a representative of the board of directors and main part of the corporate governance mechanism, the audit committee is involved in the organisation's both internal and external audits, internal control, accounting and financial reporting, regulatory compliance, and risk management. The audit committee will be ensuring independence to the internal and external auditors which give results to true and fair financial reporting that will meet the expectation of and protect the interests of all the stakeholders and mainly shareholders.

COMPOSITION

For the financial year ended 31 December 2019, the Audit Committee comprised of 3 (three) Directors, all of whom are also members of the Board of the Manager.

The composition of the Audit Committee is as follows:

1. Zainah binti Mustafa	Chairman/Independent Non-Executive Director
2. Lukman bin Hj. Abu Bakar	Member/Non-Independent Non-Executive Director
3. Dr. Mohd Hafetz bin Ahmad	Member/Independent Non-Executive Director

MEETINGS AND ATTENDANCE

The Audit Committee held 4 meetings during the financial year and the details of attendance of the Committee Members are as follows:-

Name of Committee Member attended	No of meetings
Zainah binti Mustafa Chairman/Independent Non-Executive Director	4 out of 4
Lukman bin Hj. Abu Bakar Member/Non-Independent Non-Executive Director (resigned w.e.f 14 February 2020)	4 out of 4
Dr. Mohd Hafetz bin Ahmad Member/Independent Non-Executive Director	4 out of 4

DISCHARGING OF FUNCTIONS & DUTIES

During the financial year ended 31 December 2019, the Audit Committee has met its responsibilities in discharging its functions and duties in accordance with its terms of reference as follows: -

1. Overseeing Financial Reporting

- Reviewed and discussed with Management the quarterly management accounts, taking into consideration that the necessary processes and controls are in place in the preparation of the financial reports.
- Reviewed and discussed the quarterly results with Management. The Committee also reviewed and discussed the annual financial statements and the External Auditors' audit report with the External Auditors, as well as Management. Having satisfied itself that the financial results and reports complied with relevant accounting standards & legal requirement, the Audit Committee duly recommended the same for the Board's approval.
- Minutes of previous Committee meetings were tabled at the subsequent Board meetings by the Audit Committee Chairman. Significant issues were highlighted together with followed up actions to rectify them were reported to the Board.
- The Committee took note of significant changes and amendments to the regulations, accounting standards and other regulatory requirements that could affect the financial reporting of Al-Salām REIT.

Audit Committee Report

2. Assessing Risks and Control Environment

- (a) The Committee reviewed the adequacy and effectiveness of the risk management framework and the appropriateness of Management's responses to key risk areas and proposed recommendations for improvements to be implemented.
- (b) The Management reported to the Committee on a quarterly basis, all identified risks that were recorded in a risk management scorecard which had facilitated systematic review and monitoring of the risk areas.
- (c) The Committee also reviewed and deliberated on matters relating to internal control highlighted by the External Auditors in the course of their statutory audit of the financial statements.

3. Evaluate the Audit Process

(i) Internal Audit

- (a) Reviewed the annual internal audit plan with Management to ensure adequate audit coverage of the key risk areas and processes of the business operations activities of Al-Salām REIT.
- (b) Reviewed the adequacy and relevance of the scope, functions, resources, risk based internal audit plan and results of the internal audit processes.
- (c) Reviewed the audit activities carried out by the Management and discussed the audit reports, their major findings and recommendations to ensure corrective actions were taken in addressing the risk issues reported.
- (d) Monitored and reviewed the progress of follow-ups on audit findings to ensure remedial / corrective actions have been taken by Management on a timely basis.
- (e) Evaluated the adequacy and effectiveness of Internal Audit Function as well as the performance of the Internal Auditors against the audit plan.

(ii) External Audit

- (a) On 6 November 2019, the Audit Committee had reviewed and discussed with the Management and the External Auditors, Deloitte PLT, the Audit Planning Memorandum for 2019. At the aforesaid meeting, the External Auditors explained their audit approach and system of evaluation inclusive of the areas of audit emphasis and scope for the year and their audit strategies as well as the audit procedures prior to the commencement of annual audit.

4. Reviewing Related Party Transaction & Conflict of Interest Situations

- (a) The Audit Committee reviewed the potential conflict of interest, related party transactions and recurring related party transactions based on its existing framework which requires that such potential conflict of interest, related party transaction and recurring related party transaction situations be:
 - Carried out in compliance with the REIT Guidelines and the Deed;
 - Carried out on an arms' length basis and under normal commercial terms;
 - Carried out in the best interest of the Unitholders;
 - Abstention from voting at Board Meetings for interested parties;
 - Adequately disclose to the unitholders via Bursa Announcements, Quarterly Reports and Annual Report; and
 - Approved by the Trustee.
- (b) The Committee took note that there were no management conflict of interest situations for operational matters (including any transaction, procedure or course of conduct) as reported by the Chief Executive Officer.

Statement On Risk Management & Internal Control

The Board is committed to nurture and preserve a sound system of risk management and internal controls and good corporate governance practises as set out in the Board's Statement on Risk Management and Internal Control made in compliance with the Principle B of Malaysia Code of Corporate Governance 2017 and Chapter 15.09 of the Main Market Listing Requirements and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

The ERM Framework, which takes effect starting 1 August 2018 outlines the following aspects of Risk Management:-

- ERM Policy Statement of Damansara REIT Managers Sdn Berhad;
- Organisational Structure and Assigned Roles and Responsibilities;
- The Executive Roles and Responsibilities of the Board, Risk Management Committee, Risk Owners of the Manager and Internal Audit; and
- Risk Management Approach: Risk Analysis Methods and Risk Appetite.

ERM POLICY STATEMENT OF DAMANSARA REIT MANAGERS SDN BERHAD

The Manager/DRMSB recognises that it is obliged to systematically manage and regularly review its risk profile at a strategic, financial, operational and compliance level. The Risk Management Committee is set up to ensure that the ERM is being implemented effectively at the operations level.

The Risk Registers are reviewed, revised and presented at the quarterly review by the Risk Owners at the Risk Management Committee and reported to the Executive Committee and the BOD.

The Board has a stewardship responsibility to understand these risks, provide guidance on dealing with these risks and to ensure risks are managed proactively, in a structured and consistent manner.

The objectives of the policy statement are to ensure:-

- a common and consistent approach for management of risks is adopted;
- the management of risk contributes to the quality of performance and continuous improvement of businesses, its operations and delivery of services and products; and
- all significant risks are identified, evaluated, managed and reported in a timely manner to the Risk Management Committee, Executive Committee and the BOD.

The policies of the Board for ERM are:-

- **To integrate risk management into the culture, business activities and decision-making processes.**
Risk management concept, thinking and initiatives must be embedded in the day-to-day business operations and decision-making process. Risks that can be managed through embedded, routine systems and processes should be so managed and monitored. Where risks cannot be so managed, they must be subject to individualised risk management techniques appropriate to a particular risk.
- **To anticipate and respond to the changing operational, social, environmental and regulatory requirements proactively.**
As far as reasonably possible, risks must be identified, analysed and dealt with by Management proactively based on their experience, industry knowledge and information available from the market place. DRMSB must not experience any crystallisation of major risk unexpected by the Board. However, this does not mean risk will not transpire, but there are comprehensive plans put in place to respond timely and address the risk impact.
- **To manage risks pragmatically, to an acceptable level given the particular circumstances of each situation.**
In dealing with risks, the Board understands that it is not always possible, cost effective or desirable to manage or eliminate risk all together. A cost-benefit approach is needed where the returns must commensurate with the risks taken and reduce cost of risk controls.
- **Risk assessment reporting**
To require that all papers that are submitted to the Board by Management relating to strategy, key project approval, significant action or investment must include a detailed risk assessment report.
- **To implement a robust and sustainable ERM framework that is aligned with DRMSB's vision and mission, and in accordance with best practices.**
The Board recognises that a structured and consistent ERM framework is instrumental for DRMSB to deploy its operational strategy effectively.

Statement On Risk Management & Internal Control

These policies will be achieved via:-

- Periodic reporting to the Board on risk management activities and keep the Board apprised and advised of all aspects of ERM and significant individual risks and risk trends;
- Provision of adequate and suitable resources, including tool(s) and manpower to ensure the ERM framework and system are operating effectively;
- Provision of adequate education and communication to ensure staff comprehend the requirements, benefits, and their role and responsibilities for risk management; and
- Maintaining documented risk information (via risk registers and risk action plans) and procedures for the control of risks.
- Organisational Structure and Assigned Roles and Responsibilities.

RISK MANAGEMENT STRUCTURE

The Risk Management Structure is designed to ensure effective communication, consultation and education in risk management are necessary to achieve a successful integration of the risk processes into the business and to provide reports, which may be conveyed in full, to the Audit Committee, as part of the half-yearly Risk Report.

The Manager's ERM Risk Reporting Structure



Statement On Risk Management & Internal Control

THE EXECUTIVE ROLES AND RESPONSIBILITIES OF THE BOARD, RISK MANAGEMENT COMMITTEE, RSIK OWNER AND INTERNAL AUDIT

The Board acknowledges its responsibility for maintaining a sound system of risk management and internal control to safeguard the Unitholders' interests and the Fund's assets, as well as to discharge its responsibility in identifying principal risks and ensuring the implementation of an appropriate risk management and internal control system to manage those risks in accordance with Principle B - Effective Audit and Risk Management of the Malaysian Code on Corporate Governance 2017.

Specific roles and responsibilities for risk management are summarised as follows:-

Roles	Principal Responsibilities For ERM
Board Of Directors	<ol style="list-style-type: none"> 1. Adopt the ERM Policy; 2. Articulate and provide direction on risk appetite, organisational control environment and risk culture; 3. Final decision on risk parameters, risk appetite, risk profiles, risk treatment options, and risk action plans; 4. Assess and keep abreast with key risk indicators; and 5. Monitor the overall ERM framework's performance and implementation effectiveness.
Executive Committee (Exco)	<ol style="list-style-type: none"> 1. Provide guidance and advice on appropriateness of risk treatment option selected and risk action plans development; 2. Articulate and challenge risk ratings, control effectiveness, risk treatment options and risk action plans identified by risk owners; and 3. Provide an independent view on specific risk and control issues, the state of internal controls, trends and events.
Risk Management Committee	<ol style="list-style-type: none"> 1. Assist the Board in establishing and maintaining effective policies and guidelines to ensure proper management of risks to which the company/Fund is exposed to and to take appropriate and timely action to manage such risks; 2. Review and endorse the risk parameters, risk appetite, risk profiles, risk treatment options, risk action plans and key risk indicators; and 3. Communicate requirements of the ERM Policy to staff and ensure continuous enhancement of ERM. 4. Formulate and implement ERM mechanism to accomplish requirements of the ERM policy; 5. Discuss, rank and debate risk ratings, control effectiveness, risk treatment and action plans identified by risk owner; and 6. Ensure that the ERM reports prepared are submitted to Board of Directors in a timely manner, and special risk report / flash reports are submitted in the event of any risk(s) that required urgent attention.
Risk Management Department	<ol style="list-style-type: none"> 1. Continuously communicate, evaluate and improve the ERM Policy and ERM mechanism; 2. Facilitate the risk assessment, implementation of risk action plan and key risk indicators process; 3. Prepare risk parameters, risk appetite, monitoring of risk action plans and provide independent review on key risk indicators; 4. Provide independent input on risk assessment (risk types and risk ratings), and action plans comprehensiveness; 5. Conduct risk identification, evaluation and review of risk treatment process on a periodic basis to ensure the Group's risk management effectiveness; 6. Prepare and report to the RMC in a timely manner, and ensure special risk report / flash report is prepared in the event of any risk(s) that required urgent attention; and 7. Lead the ERM educational programmes, and continuous sharing insights into risk and market trends with risk owner.
Risk Owners	<ol style="list-style-type: none"> 1. Identification and assessment of risks, implementation and monitoring of risk action plans and key risk indicators; 2. Prepare and report to the Risk Officer on a timely manner and timely preparation of flash reports in the event of any risk(s) that required urgent attention; and 3. Maintain highest alert on both internal and external activities or circumstances that may have adverse risk impacts and consequences.
Risk Co- Owners	<ol style="list-style-type: none"> 1. Provide support to Risk Officer on key risks identified and to assist in the implementation of risk action plans and key risk indicators thereof; and 2. Engage and discuss with Risk Officer on internal and external activities or circumstances that may give rise to new risks or changes on rating or control effectiveness of existing risks.
Staff	<ol style="list-style-type: none"> 1. Provide assistance to Risk Officer and / or Risk Co-owners on key risks identified and to support the implementation of risk action plans and key risk indicators; and 2. Engage and discuss with Risk Officer and / or Risk Co-owners on internal and external activities or circumstances that may give rise to new risks or changes on rating or control effectiveness of existing risks.
Internal Audit	<ol style="list-style-type: none"> 1. Assist the Risk Management Committee and the Audit Committee in reviewing the effectiveness of internal controls and providing an independent view on specific risks and control issues, the state of internal controls, trends and events.

Statement On Risk Management & Internal Control

THE MANAGER'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The periodic meetings of the Risk Management Committee, Executive Committee and the Board are the main platforms by which the Manager's performance and conduct are monitored. The day-to-day operations of the business are entrusted to the CEO and the management teams. The CEO continuously communicates the Board's expectations and directions to the management at the management meetings where all risks relating to strategy, operational and financial are discussed and dealt with action plans.

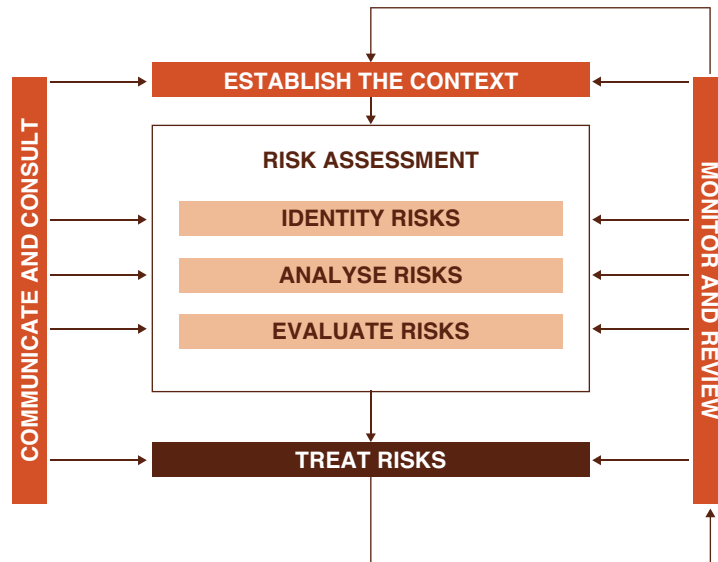
The Board is responsible for setting the business direction and strategies as well as overseeing the conduct of the Manager's operations through its Board Committees and management reporting mechanisms. Through these mechanisms, the Board is informed of all major issues pertaining to risks, governance, internal controls and compliance with regulatory requirements.

RISK MANAGEMENT FRAMEWORK APPROACH: RISK ANALYSIS METHODS AND RISK APPETITE

The Manager adopts ERM practices that enable it to continuously identify, assess, treat and manage risks that affect Al-Salām REIT in achieving its objectives within defined risk parameters in a timely and effective manner. All identified risks are recorded in a risk register to facilitate systematic review and monitoring.

The ERM practices are embedded into key activities and business processes, enabling proper risk management at the operation level of each property as well as the fund level. Risks identified shall be systematically evaluated with proper mitigating action plans developed to manage the risks to an acceptable level and monitored on a continuous basis.

The approach is summarised as below:



xThe period of risk review will be determined by the risk rating, with higher rated risks and associated controls/risk mitigation strategies reviewed more often.

Risk monitoring and review will:-

- ensure risks appropriately reflect the reality of the DRMSB's operating environment;
- involve a of review of the adequacy and effectiveness of existing risk ratings (likelihood & Impact);
- existing risk controls / treatment plans and recommend changes to treatment priorities & timeframes;
- include consideration of the appropriate "responsible person(s)" for ongoing monitoring and review of risks.

Additionally, monitoring and measuring includes evaluation of the risk awareness culture and the risk management framework, and assessment of the extent to which risk management tasks are aligned, suitable, adequate, and effective way of achieving established objectives.

Statement On Risk Management & Internal Control

This will enable the internal audit function to periodically review the effectiveness of the risk management function and providing an independent view on specific risks and control issues, the state of internal controls, trends and events.

When the need arises, the Manager will review the risk management framework and risk management process which involves the review of risk management policy and plans as well as risks, risk categories, risk treatments, controls, residual risks, and risk assessment process.

Based on results of monitoring and reviews, decisions should be made on how the risk management program can be improved. These decisions should lead to improvements in the organisation's management of risk and its risk management culture.

INTERNAL CONTROL

The following key elements embody the current internal control system adopted by the Manager:-

- a) The Board has put in place its own management reporting mechanisms which enable the Board to review the performance of the Manager and the Fund.
- b) The Board approved annual budgets and business plans prepared by each property.
- c) Investment strategies and criteria which are formulated by the management and agreed by the Executive Committee and/or recommendation on any acquisition or divestment would be presented to the Board for approval before forwarding to the Trustee for final approval.
- d) Comprehensive policies and procedures manual that provide guidelines on, and authority limits over various operations, financial and human resources matters.
- e) Regular management meetings involving the review of the operations and financial performance of each property with Property Managers and the Trustee.
- f) The Audit Committee with formal terms of reference clearly outlining its functions and duties delegated by the Board.
- g) The internal audit reviews carried out by the outsourced internal auditor based on the risk-based internal audit plan approved by the Audit Committee.
- h) A systematic performance appraisal system for all levels of staff.
- i) The Code of Ethics and Business Conduct has been implemented in 2019 to mitigate Integrity Risks
 - A briefing on Anti-Bribery Management System (ABMS) ISO 37001: 2016 has been carried out on 17 October 2019 to instil awareness among the employees on the new standard.
 - CEO/ Senior management attended a Briefing On Corporate Liability Provision And Anti-Corruption, which aimed to create awareness and bring insights into the corporate liability provision, Guidelines on Adequate Procedures and anti-corruption measures. The session was carried out by the SC on 1 November 2019.
- j) The Management has also reviewed its Standard Operating Procedure ("SOP") for the Manager and the funds, across all departments.
- k) Relevant training provided to staff across all functions to maintain a high level of competency and capability.

SECTION 6

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Financial Reports

Manager's Report

The Directors of **DAMANSARA REIT MANAGERS SDN BERHAD** (the “Manager”), the Manager of **AL-SALĀM REAL ESTATE INVESTMENT TRUST** (the “Fund”), have pleasure in submitting their report and the audited financial statements of the Group and of the Fund for the financial year ended 31 December 2019.

THE FUND AND ITS INVESTMENT OBJECTIVE

The Fund is a Malaysia-based real estate and investment trust established pursuant to the execution of a Trust Deed dated 26 March 2015 between the Fund, the Manager and AmanahRaya Trustees Berhad (the “Trustee”). The said Trust Deed was registered with the Securities Commission Malaysia on 30 March 2015 which is the Fund’s establishment date. The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 29 September 2015.

On 6 June 2019, at the Extraordinary General meeting the unitholders of the Fund has approved the proposed amendments and consolidation of the Trust Deed into Restated Trust Deed was executed and lodged on 25 November 2019 with the Security Commission Malaysia. The Fund will continue its operations until such time as determined by the Trustee and the Manager as provided under the provision of the Restated Trust Deed (“the Deed”).

The Fund’s key objective is to provide unitholders with regular and stable income distributions, sustainable long term unit prices and distributable income and capital growth, while maintaining an appropriate capital structure.

The principal activity of the subsidiary is as a special-purpose company for the purpose of raising Islamic financing for Al-Salām Real Estate Investment Trust Aqar Healthcare REIT.

This objective is sought to be achieved by optimising the performance and enhancing the overall quality for a large and geographically diversified portfolio of Shariah-compliant real estate assets through various permissible investment and business strategies.

THE MANAGER AND ITS PRINCIPAL ACTIVITY

The Manager is a company incorporated in Malaysia and is a wholly-owned subsidiary of Damansara Assets Sdn Bhd, a company incorporated in Malaysia. The Directors of the Manager consider Johor Corporation as the ultimate holding corporation of the Manager, a body corporate established under the Johor Corporation Enactment No. 4, 1968 (as amended by Enactment No. 5, 1995).

The principal activity of the Manager is that of managing real estate investment trusts. There has been no significant change in the nature of the principal activity during the financial year.

MANAGER’S INVESTMENT STRATEGIES AND POLICIES

The Fund is authorised to invest in real estate, special-purpose-vehicles (“SPVs”), real estate-related assets, non-real estate-related assets, cash, Shariah-compliant deposits, Islamic money market instruments and any other investments not specified above but specified as a permissible investment in the Guidelines on Real Estate Investment Trust (“the REIT Guidelines”) and the Guidelines for Islamic Real Estate Investment Trust (“the Islamic REIT Guidelines”) as issued by the Securities Commission Malaysia or as otherwise permitted by the Securities Commission Malaysia.

Manager's Report

(Cont'd)

To achieve the Fund's primary objective, the Manager will seek to achieve the following strategies:

(a) Active asset management strategy

The Manager will seek to optimise the rental rates, occupancy rates and Net Lettable Area ("NLA") of the Fund's properties in order to improve the returns from the Fund's property portfolio.

(b) Acquisition growth strategy

The Manager will source for and acquire properties that fit within the Fund's investment strategy to enhance returns to unitholders and to capitalise on opportunities for future income and net asset value growth.

(c) Capital and risk management strategy

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

The investments of the Fund are subject to the following investment limits imposed by the REIT Guidelines:

- (a) at least 50% of the Fund's total asset value must be invested in real estate assets at all times; and
- (b) not more than 25% of the Fund's total asset value may be invested in non-real estate-related assets and/or cash, Shariah-compliant deposits and Islamic money market instruments,

provided that instruments in both real estate-related assets and non-real estate-related assets are limited as follows:

- (a) the value of the Fund's investments in securities issued by any single issuer must not exceed 5% of the Fund's total asset value;
- (b) the value of the Fund's investment in securities issued by any group of companies must not exceed 10% of the Fund's total asset value; and
- (c) the Fund's investment in any class of securities must not exceed 10% of the securities issued by any single issuer; or

such other limits and investments as may be permitted by the Securities Commission Malaysia or the REIT Guidelines.

Manager's Report

(Cont'd)

DIRECTORS OF THE MANAGER

The Directors of the Manager in office during the financial year and during the period from the end of the financial year to the date of this report are:

Wan Azman bin Ismail
 Lukman bin Abu Bakar
 Yusaini bin Sidek
 Zainah binti Mustafa
 Dr. Mohd Hafetz bin Ahmad
 Mohd Yusof bin Ahmad
 Dato' Amiruddin bin Abdul Satar
 Dato' Dr. Rahah binti Ismail
 Dato' Kamaruzzaman bin Abu Kassim (resigned on 20 January 2020)

DIRECTORS' BENEFITS

Since the date of the previous financial year, no Director of the Manager has received or become entitled to receive any benefit (other than benefits which accrue from the fee paid to the Manager or from transactions made with companies related to the Manager) by reason of a contract made by the Manager or the Fund or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during that period, did there subsist any arrangement to which the Manager of the Fund is a party, with the object or objects of enabling the Directors of the Manager to acquire benefits by means of the acquisition of units in or debentures of the Fund or any other body corporate.

DIRECTORS' INTERESTS

According to the register of Directors' unitholding of the Fund, the interests of Directors of the Manager in office at the end of the financial year are as follows:

	Number of ordinary shares			
	As of 1.1.2019	Acquired	Disposed	As of 31.12.2019
Related companies				
- E.A. Technique (M) Berhad				
Dato' Kamaruzzaman bin Abu Kassim	120,000	-	-	120,000
- KPJ Healthcare Berhad				
Dato' Kamaruzzaman bin Abu Kassim	254,500	50,000	-	304,500
Dr. Mohd Hafetz bin Ahmad				
- Direct	60,000	-	-	60,000
- Indirect	18,000	-	-	18,000
Dato' Amiruddin bin Abdul Satar	25,064	-	-	25,064
Zainah binti Mustafa	1,000,000	-	-	1,000,000

	Number of warrants			
	As of 1.1.2019	Acquired	Disposed	As of 31.12.2019
Related companies				
- KPJ Healthcare Berhad				
Dato' Kamaruzzaman bin Abu Kassim	446,100	-	(446,100)	-
Dato' Amiruddin bin Abdul Satar	2,128	-	-	(2,128)

Manager's Report

(Cont'd)

	Number of options over ordinary shares			
	As of 1.1.2019	Acquired	Disposed	As of 31.12.2019
Related companies				
- KPJ Healthcare Berhad				
Dato' Amiruddin bin Abdul Satar	2,000,000	-	-	2,000,000
Dr. Mohd Hafetz bin Ahmad	330,000	-	-	330,000

Except as disclosed above, none of the other Directors of the Manager in office at the end of the financial year had any interest in shares in the Fund or its related corporations during and at the end of the financial year.

MANAGER'S REMUNERATION

Pursuant to the Deed dated 25 November 2019, the Manager is entitled to receive from the Fund:

- (a) A base management fee of up to 1% per annum of total asset value (excluding cash and bank balances) of the Fund calculated on a monthly accrual basis;
- (b) An acquisition fee of 1% of the transaction value (being the total purchase price) of any investment property directly or indirectly acquired from time to time by the Trustee for and on behalf of the Fund pro-rated, if applicable, to the proportion of the Fund's interest and payable to the Manager upon completion of the acquisition of the investment property; and
- (c) A disposal fee of 0.5% of the transaction value (being the total sales price) of any investment property directly or indirectly sold from time to time by the Trustee for and on behalf of the Fund pro-rated, if applicable, to the proportion of the Fund's interest and payable to the Manager upon completion of the disposal of the investment property.

SOFT COMMISSION

During the year, the Manager did not receive any soft commission from its broker, by virtue of transactions conducted by the Fund.

RESERVES AND PROVISIONS

There was no material transfer to and from reserves or provisions during the financial year other than those disclosed in the financial statements.

OTHER INFORMATION

- (a) Before the financial statements of the Group and of the Fund were made out, the Manager took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there are no known bad debts to be written off and that no allowance for doubtful debts is necessary; and
 - (ii) 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 Group and of the Fund had been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Manager is not aware of any circumstances which would render:
 - (a) it necessary to write off any bad debts or to make any allowance for doubtful debts in respect of the financial statements of the Group and of the Fund; and
 - (b) the values attributed to the current assets in the financial statements of the Group and of the Fund misleading.
- (c) At the date of this report, the Manager is not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Fund misleading or inappropriate.

Manager's Report

(Cont'd)

- (d) At the date of this report, the Manager is not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Fund which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Fund which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Fund which has arisen since the end of the financial year.
- (f) In the opinion of the Manager:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Fund to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Fund for the financial year in which this report is made.

AUDITORS' REMUNERATION

The amount payable as remuneration of the auditors of the financial year ended 31 December 2019 is as disclosed in the Statements of Other Comprehensive Income for the financial year ended 31 December 2019.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

Signed on behalf of the Board of the Manager as approved by the Board of the Manager,
in accordance with a resolution of the Directors of the Manager,



ZAINAH BINTI MUSTAFA



WAN AZMAN BIN ISMAIL

Kuala Lumpur,
31 January 2020

Independent Auditors' Report

To The Unitholders of Al-Salām Real Estate Investment Trust

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **AL-SALĀM REAL ESTATE INVESTMENT TRUST** ("the Fund"), which comprise the statements of financial position of the Group and of the Fund as of 31 December 2019, and the statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 108 to 151.

In our opinion, the accompanying financial statements of the Group and of the Fund give a true and fair view of the financial position of the Group and of the Fund as of 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with applicable provisions of the Restated Trust Deed dated 25 November 2019, Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts ("SC Guidelines").

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Fund in accordance with the *By-Laws (On Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the said By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters

Our audit performed and responses thereon

Valuation of investment properties

Investment properties of the Group and of the Fund amounting to RM1.19 billion as of 31 December 2019 (2018: RM1.09 billion) are the most quantitatively material account balance in the financial statements. Further, the investment properties are measured at fair value which inherently is subject to significant valuation estimates.

The fair values of the Group's and of the Fund's investment properties, as determined by a firm of independent valuers, are primarily based on the capitalisation of net income method with comparison and cost methodologies used as a secondary check.

The accounting policy and key sources of estimation uncertainty for valuation of investment properties are set out in Note 3 and Note 4.2(a) to the Financial Statements, respectively, and the details of the investment properties of the Group and of the Fund have been disclosed in Note 11 to the Financial Statements.

Our audit procedures included the following:

- (a) Assessed and discussed with management their process for evaluating the work of the independent valuers.
- (b) Assessed the competency, independence and integrity of the independent valuers.
- (c) Obtained the valuation reports and discussed with the independent valuers the results of their work.
- (d) Tested the integrity of the data provided to the independent valuers to underlying lease agreements.
- (e) Benchmarked and challenged the key assumptions to external industry data and comparable property transactions, in particular the allowance for void, term yield rates, reversionary yield rates, capitalisation rates and discount rates.
- (f) We have also assessed the adequacy and appropriateness of the disclosures on valuation methodology and estimation made in the financial statements.

Independent Auditors' Report

To The Unitholders of Al-Salām Real Estate Investment Trust (Cont'd)

Key audit matters

Revenue recognition - percentage rent

Certain tenancy agreements between the Group and the Fund and their tenants contain clauses relating to "percentage rent" whereby rent received and/or receivable is the higher of base rent and a percentage of sales earned by the tenant during the financial year.

A reliable estimate of percentage rent is necessarily reliant on the availability of tenants' audited financial statements and historical sales trends. Percentage rent is only recognised by the Fund when it can be reliably measured.

The accounting policy and critical judgement in applying the policy for rental revenue are set out in Note 3 and Note 4.1(a) to the Financial Statements, respectively, and the different revenue streams of the Group and of the Fund have been disclosed in Note 5 to the Financial Statements.

Our audit performed and responses thereon

Our audit procedures included the following:

- (a) Read a sample of the tenancy agreements between the Fund and a sample of its tenants.
- (b) Obtained the reconciliations prepared by the Manager of the Fund pertaining to the calculation of percentage rent and assessed the appropriateness of percentage rent revenue recognition against the accounting policies of the Fund. Our evaluation of revenue recognition includes an assessment of availability of the tenants' audited financial statements and historical sales trends of the tenants as reported to the property manager of the Fund.
- (c) Assessed the adequacy and appropriateness of the related disclosures made in the Financial Statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The Manager of the Fund is responsible for the other information. The other information comprises information included in the 2019 Annual Report of the Group and of the Fund but does not include the financial statements of the Group and of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Fund or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on our work we have performed, we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager and Trustee for the Financial Statements

The Manager of the Fund is responsible for the preparation of these financial statements so as to give a true and fair view in accordance with applicable provisions of the Deed dated 25 November 2019, Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts. The Manager of the Fund is also responsible for such internal controls as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Trustee is responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable fair presentation of these financial statements.

In preparing the financial statements of the Group and of the Fund, the Manager of the Fund is responsible for assessing the Group's and the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager of the Fund either intends to liquidate the Group and the Fund or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditors' Report

To The Unitholders of Al-Salām Real Estate Investment Trust (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Fund of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the unitholders of the Group and of the Fund, as a body, in accordance with the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.



DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)



SITI HAJAR BINTI OSMAN
Partner - 03061/04/2021 J
Chartered Accountant

Statements of Comprehensive Income

For The Financial Year Ended 31 December 2019

	Note	The Group		The Fund	
		2019 RM	2018 RM	2019 RM	2018 RM
Gross rental income	5	88,542,113	75,408,052	88,542,113	75,408,052
Other income	6	6,370,271	6,742,696	6,370,271	6,742,696
Total revenue		94,912,384	82,150,748	94,912,384	82,150,748
Utilities expenses		(6,580,693)	(6,778,164)	(6,580,693)	(6,778,164)
Maintenance expenses		(4,238,846)	(3,788,020)	(4,238,846)	(3,788,020)
Quit rent and assessment		(1,730,461)	(1,614,101)	(1,730,461)	(1,614,101)
Property manager fee		(413,477)	(270,000)	(413,477)	(270,000)
Other property expenses		(12,827,893)	(11,455,436)	(12,827,893)	(11,455,436)
Total property expenses		(25,791,370)	(23,905,721)	(25,791,370)	(23,905,721)
Net property income		69,121,014	58,245,027	69,121,014	58,245,027
Investment income	7	1,067,052	1,025,884	1,067,052	1,025,884
Fair value gain on investment properties	11	3,543,048	7,581,684	3,543,048	7,581,684
Total investment income		4,610,100	8,607,568	4,610,100	8,607,568
Net investment income		73,731,114	66,852,595	73,731,114	66,852,595
Islamic financing costs:					
Finance costs	17	(31,636,851)	(22,076,860)	(22,601,079)	(18,803,277)
Finance costs from a subsidiary	17	-	-	(9,035,772)	(3,273,583)
Imputed finance costs	17	(2,185,227)	(1,307,321)	(2,185,227)	(1,307,321)
Manager's fees		(2,229,843)	(1,503,100)	(2,229,843)	(1,503,100)
Trustee's fees		(123,539)	(122,492)	(123,539)	(122,492)
Audit fees		(155,000)	(155,000)	(130,000)	(130,000)
Valuation fees		(521,189)	(560,000)	(521,189)	(560,000)
Other expenses		(726,821)	(826,411)	(685,602)	(826,391)
Total Fund expenses		(37,578,470)	(26,551,184)	(37,512,251)	(26,526,164)
Profit before tax		36,152,644	40,301,411	36,218,863	40,326,431
Tax	8	-	-	-	-
Profit for the financial year and total comprehensive income for the financial year		36,152,644	40,301,411	36,218,863	40,326,431

Statements of Comprehensive Income

For The Financial Year Ended 31 December 2019 (Cont'd)

	Note	The Group		The Fund	
		2019 RM	2018 RM	2019 RM	2018 RM
Total comprehensive income for the financial year is made up as follows:					
Realised		28,394,928	31,866,722	28,461,147	31,891,742
Unrealised:					
Unbilled rental income	5	4,214,668	853,005	4,214,668	853,005
Fair value gain on investment properties	11	3,543,048	7,581,684	3,543,048	7,581,684
		36,152,644	40,301,411	36,218,863	40,326,431
Earnings per unit (sen):					
Gross	9	6.23	6.95	6.24	6.95
Net		6.23	6.95	6.24	6.95
Net income distribution					
	10	33,001,861	35,669,935	33,001,861	35,669,935
Income distribution per unit (sen):					
Gross	10	5.69	6.15	5.69	6.15
Net		5.69	6.15	5.69	6.15

The accompanying Notes form an integral part of the Financial Statements.

Statement of Financial Position

As of 31 December 2019

	Note	The Group		The Fund	
		2019 RM	2018 RM	2019 RM	2018 RM
ASSETS					
Non-Current Assets					
Investment properties	11	1,187,635,000	1,092,686,000	1,187,635,000	1,092,686,000
Investment in subsidiary	12	-	-	2	2
Equipment	13	930,577	895,143	930,577	895,143
Total Non-Current Assets		1,188,565,577	1,093,581,143	1,188,565,579	1,093,581,145
Current Assets					
Trade receivables	14	11,606,235	8,204,799	11,606,235	8,204,799
Other receivables and prepaid expenses	14	3,731,184	7,789,224	3,634,042	7,702,762
Amount owing by related companies	14	785,646	823,361	785,646	823,361
Fixed deposits with licensed banks	15	36,069,000	34,273,000	33,739,000	34,273,000
Cash and bank balances	15	8,422,103	12,489,624	8,297,805	10,071,233
Total Current Assets		60,614,168	63,580,008	58,062,728	61,075,155
Total Assets		1,249,179,745	1,157,161,151	1,246,628,307	1,154,656,300
LIABILITIES					
Current Liabilities					
Other payables and accrued expenses	16	12,728,831	11,651,590	11,827,199	10,738,408
Amount owing to related companies	16	513,948	1,080,530	513,948	1,080,530
Amount owing to a subsidiary	20	-	-	160,303,801	-
Islamic financing	17	511,531,837	-	349,486,991	-
Total Current Liabilities		524,774,616	12,732,120	522,131,939	11,818,938
Non-Current Liabilities					
Other payables	16	14,326,419	13,974,324	14,326,419	13,974,324
Islamic financing	17	86,000,816	509,527,596	86,000,816	348,592,979
Amount owing to a subsidiary	20	-	-	-	159,317,928
Total Non-Current Liabilities		100,327,235	523,501,920	100,327,235	521,885,231
Total Liabilities		625,101,851	536,234,040	622,459,174	533,704,169
Net Asset Value		624,077,894	620,927,111	624,169,133	620,952,131
UNITHOLDERS' FUND					
Unitholders' capital	18	572,545,319	572,545,319	572,545,319	572,545,319
Undistributed income		51,532,575	48,381,792	51,623,814	48,406,812
Total Unitholders' Fund		624,077,894	620,927,111	624,169,133	620,952,131
Number of units in circulation	18	580,000,000	580,000,000	580,000,000	580,000,000
Net Asset Value per unit (ex-distribution)		1.0760	1.0706	1.0762	1.0706

The accompanying Notes form an integral part of the Financial Statements.

Statement of Changes In Equity

For The Financial Year Ended 31 December 2019

	Note	Unitholders' capital RM	Undistributed income Realised RM	Unrealised RM	Total RM
The Group					
As of 1 January 2019		572,545,319	16,541,448	31,840,344	620,927,111
Unitholders' transactions:					
Distributions to unitholders	10	-	(33,001,861)	-	(33,001,861)
Total comprehensive income for the year		-	28,394,928	7,757,716	36,152,644
As of 31 December 2019		572,545,319	11,934,515	39,598,060	624,077,894
As of 1 January 2018		572,545,319	20,344,661	23,405,655	616,295,635
Unitholders' transactions:					
Distributions to unitholders	10	-	(35,669,935)	-	(35,669,935)
Total comprehensive income for the year		-	31,866,722	8,434,689	40,301,411
As of 31 December 2018		572,545,319	16,541,448	31,840,344	620,927,111
The Fund					
As of 1 January 2019		572,545,319	16,566,468	31,840,344	620,952,131
Unitholders' transactions:					
Distributions to unitholders	10	-	(33,001,861)	-	(33,001,861)
Total comprehensive income for the year		-	28,461,147	7,757,716	36,218,863
As of 31 December 2019		572,545,319	12,025,754	39,598,060	624,169,133
As of 1 January 2018		572,545,319	20,344,661	23,405,655	616,295,635
Unitholders' transactions:					
Distributions to unitholders	10	-	(35,669,935)	-	(35,669,935)
Total comprehensive income for the year		-	31,891,742	8,434,689	40,326,431
As of 31 December 2018		572,545,319	16,566,468	31,840,344	620,952,131

The accompanying Notes form an integral part of the Financial Statements.

Statements of Cash Flows

For The Financial Year Ended 31 December 2019

	Note	The Group		The Fund	
		2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
Profit before tax		36,152,644	40,301,411	36,218,863	40,326,431
Adjustments for:					
Islamic financing costs:					
Finance costs		31,636,851	22,076,860	31,636,851	22,076,860
Imputed finance costs		2,185,227	1,307,321	2,185,227	1,307,321
Depreciation of equipment		140,211	59,959	140,211	59,959
Fair value gain on investment properties		(3,543,048)	(7,581,684)	(3,543,048)	(7,581,684)
Investment income		(1,067,052)	(1,025,884)	(1,067,052)	(1,025,884)
Unbilled rental income		(4,214,668)	(853,005)	(4,214,668)	(853,005)
Operating Profit Before Working Capital Changes		61,290,165	54,284,978	61,356,384	54,309,998
Decrease/(Increase) in:					
Trade receivables		813,232	(2,828,007)	813,232	(2,828,007)
Other receivables and prepaid expenses		803,742	1,043,091	814,422	1,043,090
Amount owing by related companies		37,715	1,569,429	37,715	1,569,429
Increase/(Decrease) in:					
Other payables and accrued expenses		870,092	(2,335,948)	870,093	(2,360,949)
Amount owing to related companies		(566,582)	713,959	(566,582)	713,959
Net Cash From Operating Activities		63,248,364	52,447,502	63,325,264	52,447,520
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Income received from other investments		1,067,052	1,025,884	1,067,052	1,025,884
Purchase of equipment	13	(175,645)	(397,914)	(175,645)	(397,914)
Additions to investment properties	A	(1,125,254)	(5,779,425)	(1,125,254)	(5,779,425)
Investment in subsidiary	12	-	-	-	(2)
Net Cash Used in Investing Activities		(233,847)	(5,151,455)	(233,847)	(5,151,457)

Statements of Cash Flows

For The Financial Year Ended 31 December 2019 (Cont'd)

	Note	The Group		The Fund	
		2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES					
Increase in pledged deposits with licensed banks	15	(2,696,000)	(358,000)	(366,000)	(358,000)
Decrease/(Increase) in restricted cash	15	2,294,109	(2,418,407)	-	-
Income distributions paid	10	(32,595,861)	(29,869,935)	(32,595,861)	(29,869,935)
Islamic financing costs paid	17	(31,483,607)	(21,209,723)	(31,483,607)	(21,209,723)
Transaction cost paid	17	(1,206,570)	(2,350,155)	(1,206,570)	(2,350,155)
(Decrease)/Increase in amount owing to a subsidiary		-	-	(112,807)	2,993,295
Net proceed/(repayment) in Islamic financing	17	-	7,830,109	-	(3,100,000)
Net Cash Used In Financing Activities		(65,687,929)	(48,376,111)	(65,764,845)	(48,376,111)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,673,412)	(1,080,064)	(2,673,428)	(1,080,048)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		34,071,217	35,151,281	34,071,233	35,151,281
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	31,397,805	34,071,217	31,397,805	34,071,233

Note A

Addition to investment properties by the Group and the Fund during the financial year through the following:

	Note	The Group		The Fund	
		2019 RM	2018 RM	2019 RM	2018 RM
Payment by cash		1,125,254	5,779,425	1,125,254	5,779,425
Capitalisation of deposit for acquisition of properties	14	3,254,298	-	3,254,298	-
Proceeds from borrowing	17	87,026,400	151,854,891	87,026,400	-
Amount owing to a subsidiary	17	-	-	-	151,854,891
		91,405,952	157,634,316	91,405,952	157,634,316

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019

1. CORPORATE INFORMATION

Al-Salām Real Estate Investment Trust (the “Fund”) is a Malaysian domiciled Islamic Real Estate Investment Trust constituted pursuant to a Trust Deed dated 26 March 2015 between the Fund, Damansara REIT Managers Sdn Berhad (“the Manager”) and AmanahRaya Trustees Berhad (“the Trustee”). The Trust Deed was registered with the Securities Commission Malaysia (“SC Malaysia”) on 30 March 2015.

On 6 June 2019, at the Extraordinary General Meeting the unitholders of the Fund has approved the proposed amendments and consolidation of the Trust Deed into Restated Trust Deed (“the Deed”) was executed and lodged on 25 November 2019 with the Security Commission. The Fund will continue its operations until such time as determined by the Trustee and the manager as provided under the provision of the Restated Trust Deed.

The Fund is regulated by the Capital Markets and Services Act, 2007, SC Malaysia Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts (“the SC Guidelines”), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), the Rules of the Depository, and taxation laws and rulings of Malaysia. The Fund will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of the Deed.

The Fund commenced its business operations on 6 May 2015 and was listed on the Main Market of Bursa Malaysia on 29 September 2015.

The principal activity of the Fund is to invest in Shariah-compliant properties with the primary objective of providing unitholders with regular and stable income distributions, sustainable long term unit prices and distributable income and capital growth, while maintaining an appropriate capital structure.

The principal activity of the subsidiary is as a special-purpose company for the purpose of raising Islamic financing for Al-Salām Real Estate Investment Trust`Aqar Healthcare REIT.

The registered office of the Manager is located at Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor, Malaysia.

The principal place of business of the Manager is located at Unit 1-19-02, Level 19, Block 1, V SQUARE, Jalan Utara, 46200 Petaling Jaya, Selangor, Malaysia.

The Fund has entered into several service agreements in relation to the management of the Fund and its property operations. The fees structure of these services is as follows:

(a) Property manager’s fees

Under a Property Management Agreement dated between the Fund, the Manager and Exastrata Solution Sdn Bhd (“the Property Manager”), the Property Manager is entitled to receive property manager’s fees. The property manager’s fee was increased to a fixed fee of RM36,700 (2018: RM22,500) per month.

The property manager’s fee for the current financial year is RM413,477 (2018: RM270,000).

(b) Manager’s fees

Pursuant to the Deed dated 25 November 2019, the Manager is entitled to receive the following fees from the Fund:

- (i) A base management fee of up to 1% per annum of total asset value (excluding cash and bank balances) of the Fund calculated on a monthly accrual basis. The Manager’s base management fee for the current financial year is RM2,229,843 (2018: RM1,503,100).
- (ii) An acquisition fee of 1% of the transaction value (being the total purchase price) of any investment property directly or indirectly acquired from time to time by the Trustee for and on behalf of the Fund pro-rated, if applicable, to the proportion of the Fund’s interest and payable to the Manager upon completion of the acquisition of the investment property. The Manager’s acquisition fee for the current financial year is RM866,800 (2018: RM1,550,000).
- (iii) A disposal fee of 0.5% of the transaction value (being the total sales price) of any investment property directly or indirectly sold from time to time by the Trustees for and on behalf of the Fund pro-rated, if applicable, to the proportion of the Fund’s interest and payable to the Manager upon completion of the disposal of the investment property. The Manager did not earn any disposal fee for the current and previous financial year.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

(c) Trustee's fees

Pursuant to the Deed dated 25 November 2019, the Trustee is entitled to receive a fee of up to 0.02% per annum of the net asset value of the Fund, calculated based on the monthly accrual basis and payable monthly in arrears. The Trustee's fees for the current financial year is RM123,539 (2018: RM122,492).

The financial statements of the Group and of the Fund were authorised by the Board of Directors of the Manager for issuance on 31 January 2020.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Fund have been prepared in accordance with the applicable provisions of the Restated Trust Deed dated 25 November 2019, Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the SC Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts ("SC Guidelines").

2.1 Adoption of Standards, Amendments to MFRS and Issue Committee Interpretation ("IC Interpretation") issued

In the current financial year, the Group and the Fund adopted all the revised MFRSs, Amendments to MFRS and IC Interpretation issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for annual periods beginning on or after 1 January 2019:

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle
IC Interpretation 23	Uncertainty over Income Tax Payments

The adoption of these new MFRSs, amendments to MFRSs, and IC Interpretation did not result in significant changes to the accounting policies of the Group and the Fund and had no significant effect on the financial performance or position of the Group and the Fund.

2.2 Standards, Amendments to MFRSs and IC Interpretations in issue but not yet effective

At the date of the authorisation for issue of these financial statements, the new and revised Standards and Amendments which were in issue but not yet effective and not early adopted by the Group and the Fund are as listed below:

MFRSs	Amendments to References to the Conceptual Framework in MFRS Standards ¹
Amendments to MFRS 3	Definition of a Business ¹
Amendments to MFRS 101 and MFRS 108	Definition of Material ¹
Amendments to IFRS 9, IAS 39 and MFRS 7	Interest Rate Benchmark Reform ¹
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective date deferred to a date to be announced by MASB

The Manager anticipates that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group and of the Fund when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Group and of the Fund in the period of initial application.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Fund have been prepared under the historical cost convention except for certain non-current assets that are measured at revalued amounts or fair values, at the end of each reporting period as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in the exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for any share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Fund and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Fund. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The Fund controls an investee if and only if the Fund has all the following:

- (i) Power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Fund has less than a majority of the voting rights of an investee, the Fund considers the following in assessing whether or not the Fund's voting rights in an investee are sufficient to give it power over the investee:

- (i) The contractual arrangement with the other vote holders of the investee;
- (ii) Rights arising from other contractual arrangements; and
- (iii) The Fund's voting rights and potential voting rights.

Subsidiaries are consolidated when the Fund obtains control over the subsidiary and ceases when the Fund loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to undistributed income. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

Business Combinations

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Subsidiary

A subsidiary is an entity over which the Group has all the following:

- (i) Power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

In the Fund's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses if any. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

Foreign Currency

The financial statements of the Group and of the Fund are presented in Ringgit Malaysia ("RM"), the currency of the primary economic environment in which the Group operates (its functional currency).

In preparing the financial statements of the Fund and its subsidiary, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of the gain or loss is also recognised directly in other comprehensive income.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

Revenue recognition

Rental income

Rental income is recognised based on the accrual basis unless collection is in doubt, in which case it is recognised on the receipt basis.

Rental income from fixed rent is recognised on a straight line basis over the shorter of the entire lease term or the period to the first break option. Where such rental income is recognised ahead of the related cash flow, and adjustment is made to ensure the carrying value of the related property including the accrued rent does not exceed the external valuation.

(a) Gross rental income

Revenue from rental of investment properties, including service charges, are recognised on a straight line basis over the period of the lease term in accordance with terms and conditions of the tenancy agreement between the Group and its tenants.

(b) Percentage rent

Rental income earned from certain tenants include percentage rent clauses whereby rent received and/or receivable is the higher of base rent and a percentage of sales earned by the tenant during the financial year. Percentage rent is recognised when it can be reliably measured by the Group.

Others

Revenue is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group or the Fund recognises revenue when or as it transfer control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

An entity transfer control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (i) The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; or
- (ii) The entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (iii) The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for payment completed to date.

If a performance obligation is not satisfied over time, an entity satisfied the performance obligation at a point in time.

(a) Parking income and events and advertising income

Parking income and events and advertising income are recognised on an accruals basis in the accounting period in which the services are being rendered.

(b) Investment income

Investment income, which comprise income earned from Islamic fixed deposit placements, are recognised on an accrual basis.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

(a) Current Tax

Tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's and the Fund's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

(b) Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets, if any, is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Fund expect, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Fund intend to settle their current tax assets and liabilities on a net basis.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the investment property over time, rather than through sale. The Manager reviewed that the Group's and the Fund's investment property portfolios and concluded that all of the Group's and the Fund's investment properties are held under a business model whose objective is to consume substantially all the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the Manager has determined that the "sale" presumption set out in the amendments to MFRS 112 is rebutted. As a result, the Group and the Fund have recognised deferred taxes on changes in fair value of the investment properties using the tax rates that would apply on the consumption of the economic benefits embodied in the investment properties over time.

(c) Current and Deferred Tax for the Year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or capital appreciation. Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gain and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Equipment

Equipment are stated at cost less accumulated depreciation and any impairment losses.

Equipment are depreciated on the straight-line method at an annual rate of 10% based on its estimated useful lives.

The estimated useful lives, residual values and depreciation method of equipment are reviewed at the end of each reporting period, with the effect of any change in estimates accounted for prospectively.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

Impairment of Non-Financial Assets

At the end of each reporting period, the Group and the Fund review the carrying amounts of their non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Fund estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing

The Group and the Fund have adopted MFRS 16 Leases from 1 January 2019. MFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requires and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

Accounting policies applied from 1 January 2019

As lessor

To clarify each lease, the Group and the Fund make an overall assessment of whether the lease transfer substantially all of the risk and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not, then it is an operating lease. Initial direct cost incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Accounting policies applied until 31 December 2018

As lessor

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the fair value (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group and the Fund have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Debt financing costs incurred arising from extinguishment of borrowings are accounted for in profit or loss in the period during which the extinguishment is concluded. Debt financing costs incurred on new borrowings are capitalised and amortised over the period of borrowings. All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of financing costs and other costs that the Group and the Fund incurred in connection with the borrowing of funds.

Provisions

Provisions are recognised when the Group and the Fund have a present obligation (legal or constructive) as a result of a past event, when it is probable that the Group and the Fund will be required to settle the obligation, and a reliable estimate of the amount can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial Instruments

Financial Assets - classification and measurement

(i) Classification

The Group and the Fund classify their financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the Group and the Fund have made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVTOCI").

The Group and the Fund reclassify debt investments when and only when the business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Fund commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Fund have transferred substantially all the risks and rewards of ownership.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

(iii) Measurement

At initial recognition, the Group and the Fund measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest ("SPPI").

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Fund's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Fund classify their debt instruments:

(a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Profit income from these financial assets is included in investment revenue using the effective profit rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

(b) Fair Value through Other Comprehensive Income ("FVTOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, profit income and foreign exchange gains and losses which are recognised in profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other income/(losses). Profit income from these financial assets is included in investment revenue using the effective profit rate method. Foreign exchange gains and losses are presented in other income/(losses) and impairment expenses are presented as separate line item in profit or loss.

Changes in the fair value of financial assets at FVTPL are recognised in other income/(losses) in profit or loss as applicable.

(c) Fair Value through Profit or Loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. The Group and the Fund may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other income/(losses) in the period which it arises.

Equity instruments

The Group and the Fund subsequently measure all equity investments at fair value. Where the Group's and the Fund's management have elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Fund's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other income/(losses) in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Impairment of financial assets

The Group and the Fund assessed at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

The measurement of expected credit losses ("ECL") is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the financial assets' gross carrying amount at the end of each reporting period. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL represent a probability-weighted estimate of the difference between the present value of contractual cash flows and the present value of cash flows of the Group and of the Fund expected to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the end of the reporting period about past events, current conditions and forecasts of future economic conditions.

(a) General 3-stage approach for other receivables and amount owing by related companies

At the end of each reporting period, the Group and the Fund measure ECL through a loss allowance at an amount equal to the 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

(b) Simplified approach for trade receivables

The Group and the Fund apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

Write off

(a) Trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within profit before taxes. Subsequent recoveries of amounts previously written off are credited against the same line item.

(b) Other receivables

The Group and the Fund write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

Financial liabilities

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Fund become a party to the contractual provisions of the financial instrument. Financial liabilities comprise other payables, Islamic financing, amount due to subsidiary and related companies.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs. As for amount owing to a subsidiary of the Fund, they are recognised initially at fair value. If there are any difference between cash disbursed and fair value on initial recognition, the difference would be accounted as additional investment in the subsidiary as it reflects the substance of the transaction.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective profit method except for the derivatives in a loss position which are measured at fair value through profit or loss at the end of each reporting period.

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

Gains or losses arising from changes in fair value of the derivatives that does not qualify for hedge accounting are recognised in profit or loss within other income/(losses), net. Net gains or losses on derivatives include exchange differences.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

Islamic financing are classified as current liabilities unless the Group and the Fund have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Fees paid on the establishment of Islamic financing facilities are recognised as transaction costs of the Islamic financing to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

Islamic financing measured at amortised cost is modified without this resulting in derecognition, any gains or losses, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective profit rate, shall be recognised immediately in profit or loss in finance cost.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Cash and Cash Equivalents

The Group and the Fund adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents comprise cash and bank balances, term deposits and other short-term, highly liquid investments that are readily convertible into cash with insignificant risk of changes in value, and excludes amounts which are restricted for general use.

Segment Reporting

For management purposes, the Group and the Fund are organised into operating segments based on industry which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the Manager of the Group and the Fund who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 23, including the factors used to identify the reportable segments and the measurement basis of segment information.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's and the Fund's accounting policies, which are described in Note 3, the Manager is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical Judgements in Applying the Fund's Accounting Policies

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

a) Recognition of percentage rent

In accordance with the accounting policies of the Group and of the Fund, as stated in Note 3, revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. Certain tenancy agreements between the Fund and its tenants contain clauses as to percentage rent whereby rent received and/or receivable by the Fund is the higher of (i) the base rent as determined in the tenancy agreement and (ii) a percentage of sales revenue earned by the tenant during the financial year. For the financial year ended 31 December 2019, the Manager assessed the appropriateness of recognising revenue from percentage rent against the accounting policies of the Group and of the Fund by considering the availability of tenants' audited financial statements and historical sales trends. The Group and the Fund only recognise percentage rent revenue to the extent financial information is available for the Manager to make a reliable estimate.

4.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities of the Fund within the next financial year are discussed below:

(a) Fair value of investment properties

The fair values of the Fund's investment properties have been arrived at on the basis of valuation carried out by Messrs. Cheston International (KL) Sdn Bhd and Messrs. IM Global Property Consultant Sdn bhd, independent valuers not related to the Group and the Fund, in accordance with Malaysia Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The fair values were determined based on capitalisation of net income method ("investment method") as the primary valuation method with comparison and cost methodologies as a secondary check. In estimating the fair values of the investment properties, the highest and best use of the investment properties is their current use. The valuers have considered the results of the above methods in their valuation and applied professional judgment in the determination of the fair values of the Fund's investment properties. Further details are disclosed in Note 11.

5. GROSS RENTAL INCOME

	The Group		The Fund	
	2019 RM	2018 RM	2019 RM	2018 RM
Rental income:				
Base rental income	75,452,508	65,044,487	75,452,508	65,044,487
Unbilled rental income	4,214,668	853,005	4,214,668	853,005
Service charges	5,666,040	5,887,300	5,666,040	5,887,300
Percentage rent	3,208,897	3,623,260	3,208,897	3,623,260
	88,542,113	75,408,052	88,542,113	75,408,052

6. OTHER INCOME

	The Group		The Fund	
	2019 RM	2018 RM	2019 RM	2018 RM
Timing of revenue recognition:				
At a point in time				
Parking income	2,802,648	3,225,731	2,802,648	3,225,731
Event and advertising income	3,567,623	3,516,965	3,567,623	3,516,965
	6,370,271	6,742,696	6,370,271	6,742,696

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

7. INVESTMENT INCOME

	The Group		The Fund	
	2019 RM	2018 RM	2019 RM	2018 RM
Income from Islamic deposit placements	1,067,052	1,025,884	1,067,052	1,025,884

8. TAX

Pursuant to the Section 61A of the Income Tax Act 1967, where 90% or more of the total income of the unit trust is distributed to the unitholder, the total income of the unit trust for that year of assessment shall be exempted from tax. The Manager also expects to distribute the net income within two months from the end of each reporting period and accordingly, no estimated current tax payable or deferred tax is required to be provided in the financial statements.

Taxation of the Unitholders

Pursuant to Section 109D(2) of the Malaysian Income Tax Act 1967, where 90% or more of the Real Estate Investment Trust's ("REIT") total taxable income is distributed by the REIT, distributions to unitholders (other than resident corporate investors) will be subject to tax based on a withholding tax mechanism at the following rates:

Unitholders	Tax rate
Individuals and all other non-corporate investors such as institutional investors	10%
Non-resident corporate investors	24%

Resident corporate investors are required to report the distributions in their normal corporate tax return and subject to the normal corporate tax rate of 24%.

9. EARNINGS PER UNIT

The gross and net earnings per unit, which are calculated based on the profit before tax and profit for the financial year of the Group and of the Fund, respectively, divided by the weighted average number of units in circulation as of 31 December 2019, are as follows:

	The Group		The Fund	
	2019 RM	2018 RM	2019 RM	2018 RM
Earnings attributable to unitholders:				
Profit before tax and profit for the year	36,152,644	40,301,411	36,218,863	40,326,431
Number of units	580,000,000	580,000,000	580,000,000	580,000,000
Gross earnings per unit (sen)	6.23	6.95	6.24	6.95
Net earnings per unit (sen)	6.23	6.95	6.24	6.95

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

10. NET INCOME DISTRIBUTION

	The Group		The Fund	
	2019 RM	2018 RM	2019 RM	2018 RM
Final distribution 2017 - 3.15 sen per unit paid on 28.2.2018	-	18,269,935	-	18,269,935
First interim distribution 2018 - 1.00 sen per unit paid on 9.7.2018	-	5,800,000	-	5,800,000
Second interim distribution 2018 - 1.00 sen per unit paid on 19.10.2018	-	5,800,000	-	5,800,000
Third interim distribution 2018 - 1.00 sen per unit paid on 14.1.2019	-	5,800,000	-	5,800,000
Final distribution 2018 - 2.35 sen per unit paid on 28.2.2019	13,629,955	-	13,629,955	-
First interim distribution 2019 - 1.18 sen per unit paid on 12.7.2019	6,843,936	-	6,843,936	-
Second interim distribution 2019 - 1.09 sen per unit paid on 17.10.2019	6,321,970	-	6,321,970	-
Third interim distribution 2019 - 1.07 sen per unit paid on 10.1.2020	6,206,000	-	6,206,000	-
	33,001,861	35,669,935	33,001,861	35,669,935

On 30 January 2020, the Manager, after consultation with the Trustee, declared a final interim income distribution of 1.41 sen per unit totalling RM8.18 million for the financial year ended 31 December 2019. The distribution was approved by the Trustee and has not been included as a liability in the financial statements. The total distributions for the financial year ended 31 December 2019 amount to RM27,550,000 (2018: RM31,030,000). Total distribution is 4.75 sen per unit (2018: 5.35 sen per unit).

Distribution to unitholders is derived from the following sources:

	The Group		The Fund	
	2019 RM	2018 RM	2019 RM	2018 RM
Net property income	69,121,014	58,245,027	69,121,014	58,245,027
Investment income	1,067,052	1,025,884	1,067,052	1,025,884
Less: Unbilled rental income	(4,214,668)	(853,005)	(4,214,668)	(853,005)
	65,973,398	58,417,906	65,973,398	58,417,906
Less: Fund expenses	(37,578,470)	(26,551,184)	(37,512,251)	(26,526,164)
Realised income for the year	28,394,928	31,866,722	28,461,147	31,891,742
Undistributed income brought forward	16,541,448	20,344,661	16,566,468	20,344,661
Less: Undistributed income	(11,934,515)	(16,541,448)	(12,025,754)	(16,566,468)
	33,001,861	35,669,935	33,001,861	35,669,935
Number of units in circulation	580,000,000	580,000,000	580,000,000	580,000,000
Income distribution per unit (sen):				
Gross	5.69	6.15	5.69	6.15
Net	5.69	6.15	5.69	6.15

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

11. INVESTMENT PROPERTIES

	The Group		The Fund	
	2019 RM	2018 RM	2019 RM	2018 RM
At beginning of year	1,092,686,000	927,470,000	1,092,686,000	927,470,000
Additions	91,405,952	157,634,316	91,405,952	157,634,316
Fair value of gain on investment properties	3,543,048	7,581,684	3,543,048	7,581,684
At end of year	1,187,635,000	1,092,686,000	1,187,635,000	1,092,686,000

Fair value measurement of the Fund's investment properties

The fair values of the Fund's investment properties as of 31 December 2019 have been arrived at on the basis of valuation carried out by Messrs. Cheston International (KL) Sdn Bhd ("Cheston"), Messrs. VPC Alliance (Kajang) Sdn Bhd and Messrs. IM Global Property Consultant Sdn Bhd, independent valuers not related to the Group and the Fund. The respective valuers are registered members of the Board of Valuers, Appraisers and Estate Agents, Malaysia, and they have appropriate qualifications and recent experience in the valuation of the properties in the relevant locations. The valuation of the Fund's investment properties were performed in accordance with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The fair values were determined based on the capitalisation of net income method and is premised on the principle that the value of an income-producing property is represented by the "present worth of future rights to income, or utility". The values estimated under this method are derived by ascertaining the market rent of the properties; deducting all reasonable annual operating expenses (as would be experienced under typical management) and then capitalising the resultant net operating income by an appropriate rate of capitalisation to obtain the present value of the income stream. In undertaking their assessment of the value using this approach, the market rental income and expected future rental income are taken into consideration. In arriving at the net income, the outgoings i.e. quit rent, assessment, insurance, repairs and maintenance and management, are deducted from gross rental income together with allowance for void.

In estimating the fair values of the investment properties, the highest and best use of the investment properties is their current use.

The fair value of the investment properties are classified as Level 3 for fair value hierarchy disclosure purposes. The significant unobservable inputs applied by the independent valuer in applying the investment method above are as follows:

Significant unobservable inputs and fair

Term yield ranging from 6.00% - 7.25%
(2018: 6.00% - 7.00%)
Reversionary yield ranging from 6.25% - 7.60%
(2018: 6.25% - 7.25%)
Allowance for void of 0.00% - 10.00%
(2018: 0.00% - 10.00%)

Inter-relationship between significant unobservable inputs value measurement

- Higher term yield rates, lower fair value
- Higher reversionary yield rates, lower fair value
- Higher allowance for void rate, lower fair value

The valuer had adopted market corroborated capitalisation rates, which is the most frequently adopted methodology by the property industry in Malaysia, based on information pertaining to recent comparable sales which are publicly available, adjusted for the location, quality and characteristics of the investment properties.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

A summary of the investment properties of the Group and of the Fund, as required to be disclosed by the SC Guidelines, is as follows:

Description of property	Tenure of land	Term of lease Years	Remaining term of lease Years	Location	Date of valuation	2019 Fair value RM	2018 Fair value RM	Fair value hierarchy
1. KOMTAR JBCC ##	Freehold	-	-	Johor Bahru, Johor	22.09.2019	462,000,000	465,000,000	3
2. Menara KOMTAR ##	Freehold	-	-	Johor Bahru, Johor	22.09.2019	73,000,000	73,000,000	3
3. @Mart Kempas ##	Leasehold	99	88	Johor Bahru, Johor	23.09.2019	66,000,000	65,000,000	3
4. KFCH International College ##	Freehold	-	-	Johor Bahru, Johor	10.09.2019	30,000,000	30,000,000	3
5. Mydin Hypermart Gong Badak ###	Leasehold	99	91	Gong Badak, Terengganu	30.09.2019	161,000,000	158,000,000	3
6. QSR Properties: Restaurant in shop lots								
a. KFC restaurant ####	Freehold	-	-	Kajang, Selangor	31.12.2019	9,700,000	9,700,000	3
b. KFC restaurant ####	Freehold	-	-	Jitra, Kedah	31.12.2019	530,000	530,000	3
c. KFC restaurant ####	Leasehold	93	83	Ayer Hitam, Johor	31.12.2019	2,000,000	2,000,000	3
d. KFC restaurant #***	Leasehold	99	72	Bayan Lepas, Penang	31.12.2019	4,000,000	4,000,000	3
e. KFC restaurant ####	Leasehold	99	77	Petaling Jaya, Selangor	31.12.2019	9,400,000	9,400,000	3
f. KFC restaurant #***	Leasehold	74	67	Port Dickson, Negeri Sembilan	31.12.2019	1,710,000	1,710,000	3
g. KFC restaurant ####	Leasehold	99	74	Kuala Perlis, Perlis	31.12.2019	480,000	480,000	3
h. PHD restaurant ####	Freehold	-	-	Ulu Tiram, Johor	31.12.2019	870,000	870,000	3
i. PHD restaurant ####	Freehold	-	-	Kota Tinggi, Johor	31.12.2019	830,000	830,000	3
j. KFC restaurant #***	Leasehold	99	62	Kepong, Kuala Lumpur	31.12.2019	7,500,000	-	3
k. KFC restaurant #***	Freehold	-	-	Kampar, Perak	31.12.2019	1,400,000	-	3
l. KFC restaurant #***	Freehold	-	-	Jalan Raja Laut, Kuala Lumpur	31.12.2019	4,700,000	-	3
m. KFC restaurant #***	Freehold	-	-	Jalan Ipoh, Kuala Lumpur	31.12.2019	8,700,000	-	3
n. KFC restaurant #***	Freehold	-	-	Ipoh, Perak	31.12.2019	2,000,000	-	3
o. KFC restaurant #***	Leasehold	99	80	Balai Panjang, Melaka	31.12.2019	950,000	-	3

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

Description of property	Tenure of land	Term of lease Years	Remaining term of lease Years	Location	Date of valuation	2019 Fair value RM	2018 Fair value RM	Fair value hierarchy
p. KFC restaurant #***	Freehold	-	-	Ulu Tiram, Johor	31.12.2019	1,630,000	-	3
q. KFC restaurant #***	Freehold	-	-	Jalan Dato Onn Jaafar, Perak	31.12.2019	3,400,000	-	3
r. KFC restaurant #***	Freehold	-	-	Senawang, Negeri Sembilan	31.12.2019	830,000	-	3
s. KFC restaurant #***	Freehold	-	-	Seremban, Negeri Sembilan	31.12.2019	3,900,000	-	3
t. KFC restaurant #***	Leasehold	999	896	Negeri Sembilan Kota Kinabalu, Sabah	31.12.2019	2,760,000	-	3
u. Pizza Hut restaurant #***	Leasehold	99	94	Kuching, Sarawak	31.12.2019	3,980,000	-	3
Restaurants in shopping mall								
v. KFC Restaurant in Queensbay Mall #***	Freehold	-	-	Bayan Lepas, Penang	31.12.2019	13,972,000	13,840,000	3
w. KFC Restaurant Kompleks Bukit Jambul #***	Freehold	-	-	Bayan Lepas, Penang	31.12.2019	2,842,000	2,833,000	3
x. KFC Restaurant in Megamall Pinang Shopping Complex #***	Leasehold	99	76	Perai, Penang	31.12.2019	2,674,000	2,742,000	3
y. Pizza Hut Restaurant in Megamall Pinang Shopping Complex #***	Leasehold	99	76	Perai, Penang	31.12.2019	1,657,000	1,662,000	3
Restaurants with drive-through facility								
z. Pizza Hut and KFC #***	Leasehold	99	67	Jln Kuchai Lama, Kuala Lumpur	31.12.2019	15,000,000	15,000,000	3
aa. Pizza Hut and KFC #***	Leasehold	99	46	Sungai Petani, Kedah	31.12.2019	5,300,000	5,300,000	3
bb. Pizza Hut and KFC #***	Freehold	-	-	Senai, Johor	31.12.2019	8,500,000	8,500,000	3
cc. Pizza Hut and KFC #***	Freehold	-	-	Tmn Damansara Aliff, Johor Bahru	31.12.2019	12,100,000	12,100,000	3
dd. Pizza Hut and KFC #***	Freehold	-	-	Taman Perling, Johor Bahru	31.12.2019	13,800,000	13,800,000	3
ee. Pizza Hut and KFC #***	Freehold	-	-	Ipoh, Perak	31.12.2019	8,700,000	8,700,000	3
ff. Pizza Hut and KFC #***	Leasehold	96	76	Off Jln Kepong, Kuala Lumpur	31.12.2019	16,000,000	16,000,000	3
gg. Pizza Hut and KFC #***	Leasehold	83	65	Pusat Bandar Wangsa Maju, Kuala Lumpur	31.12.2019	27,000,000	27,000,000	3

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Date of valuation	2019 Fair value	2018 Fair value	Fair value hierarchy
hh. Pizza Hut and KFC #####	Leasehold	99	90	Hang Tuah Jaya, Melaka	31.12.2019	8,700,000	8,700,000	3
ii. KFC #####	Freehold	-	-	Bandar Seri Alam, Johor Bahru	31.12.2019	7,620,000	-	3
jj. KFC #####	Leasehold	991	892	Skudai, Johor	31.12.2019	7,900,000	-	3
kk. KFC #####	Freehold	-	-	Georgetown, Penang	31.12.2019	24,000,000	-	3
ll. Pizza Hut and KFC #####	Freehold	-	-	Kepala Batas, Penang	31.12.2019	6,900,000	-	3
Warehouse and factory mm. Warehouse #####	Freehold	-	-	Simpang Ampat, Penang	31.12.2019	1,600,000	1,600,000	3
nn. Warehouse and factory ##	Leasehold	99	78	Kota Kinabalu, Sabah	31.12.2019	3,000,000	3,000,000	3
oo. Warehouse #####	Leasehold	99	69	Pelabuhan Klang, Selangor	31.12.2019	47,398,000	47,291,000	3
pp. Warehouse and factory #####	Leasehold	99	69	Pelabuhan Klang, Selangor	31.12.2019	27,000,000	27,000,000	3
qq. Warehouse and factory ##	Freehold	-	-	Shah Alam, Selangor	31.12.2019	59,052,000	57,098,000	3
rr. Warehouse #####	Leasehold	999	882	Kota Kinabalu, Sabah	31.12.2019	3,650,000	-	3

The investment properties amounting to RM121,675,000 (2018: RMNil) are used to secure against Term Financing-I ("TF-I") issued by the Fund as disclosed in Note 17.

The investment properties amounting to RM718,852,000 (2018: RM718,898,000) are used to secure against Commodity Murabahah Term Financing-I ("CMTF-I") issued by the Fund as disclosed in Note 17.

The investment properties amounting to RM331,108,000 (2018: RM328,001,000) are used to secure against Islamic Medium Term Notes ("IMTNs") issued by the subsidiary as disclosed in Note 17.

Restaurant with drive-through facility: Pizza Hut and KFC Off Jalan Kepong, Kuala Lumpur, Nilai amounting of RM16,000,000 (2018: RM16,000,000) are used to secure against Commodity Murabahah Revolving Credit ("CMRC").

* Based on valuation carried out by independent professional valuer, Messrs. Cheston.

** Based on valuation carried out by independent professional valuer, Messrs. VPC Alliance (Kajang) Sdn Bhd.

*** Based on valuation carried out by independent professional valuer, Messrs. IM Global Property Consultant Sdn Bhd.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

12. INVESTMENT IN SUBSIDIARY

	The Fund	
	2019 RM	2018 RM
Unquoted shares, at costs	2	2

The details of the subsidiary are as follows:

Name of Subsidiary	Country of Incorporation	Proportion of ownership interest and voting power held by the Group		Principal Activity
		2019	2018	
		%	%	
ALSREIT Capital Sdn Bhd ⁽ⁱ⁾	Malaysia	100	100	Special purpose company for the purpose of raising Islamic Financing for the Fund

⁽ⁱ⁾ Audited by Deloitte PLT

13. EQUIPMENT

	The Group		The Fund	
	2019 RM	2018 RM	2019 RM	2018 RM
Cost				
As of 1 January	984,735	586,821	984,735	586,821
Additions	175,645	397,914	175,645	397,914
As of 31 December	1,160,380	984,735	1,160,380	984,735
Accumulated Depreciation				
As of 1 January	(89,592)	(29,633)	(89,592)	(29,633)
Charge for the year	(140,211)	(59,959)	(140,211)	(59,959)
As of 31 December	(229,803)	(89,592)	(229,803)	(89,592)
Net Book Value				
As of 31 December	930,577	895,143	930,577	895,143

14. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

	The Group		The Fund	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade receivables:				
Third parties	2,328,661	2,426,289	2,328,661	2,426,289
Related companies	2,289,252	2,497,935	2,289,252	2,497,935
Accrued percentage rent	1,920,649	2,427,570	1,920,649	2,427,570
Unbilled rental income	5,067,673	853,005	5,067,673	853,005
	11,606,235	8,204,799	11,606,235	8,204,799

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

Trade receivables comprise rental receivable from lessees. The credit period granted by the Group and the Fund on rental receivable from lessees ranges from 30 to 60 days (2018: 30 to 60 days).

Unbilled rental income relate to the Group's rights to recognise revenue. Rental income is recognised on a straight line basis including rent free period. Rental will be billed in accordance with the billing terms as set out in the tenancy agreements.

The ageing analysis of the Group's and of the Fund's trade receivables is as follows:

	The Group		The Fund	
	2019 RM	2018 RM	2019 RM	2018 RM
0 - 30 days	3,140,630	2,713,047	3,140,630	2,713,047
31 - 60 days	729,888	359,046	729,888	359,046
61 - 90 days	725,553	31,732	725,553	31,732
91 - 120 days	21,842	1,820,399	21,842	1,820,399
	4,617,913	4,924,224	4,617,913	4,924,224

The Group and the Fund have not recognised any allowance for estimated credit loss as the Group and the Fund hold tenant deposits as credit enhancement and the amounts are considered recoverable.

Other receivables and prepaid expenses consist of:

	Note	The Group		The Fund	
		2019 RM	2018 RM	2019 RM	2018 RM
Other receivables		1,794,908	2,369,474	1,794,908	2,363,041
Prepaid expenses	(c)	1,369,876	1,599,052	1,272,734	1,519,023
Deposit for acquisition of properties	(a)	566,400	3,820,698	566,400	3,820,698
Other receivables and prepaid expenses		3,731,184	7,789,224	3,634,042	7,702,762
Less:					
Prepaid expenses		(1,369,876)	(1,599,052)	(1,272,734)	(1,519,023)
Deposit for acquisition of properties		(566,400)	(3,820,698)	(566,400)	(3,820,698)
Unbilled rental income		(5,067,673)	(853,005)	(5,067,673)	(853,005)
Add:					
Trade receivables		11,606,235	8,204,799	11,606,235	8,204,799
Amounts owing by related companies	(b)	785,646	823,361	785,646	823,361
Fixed deposits with licensed banks		36,069,000	34,273,000	33,739,000	34,273,000
Cash and bank balances		8,422,103	12,489,624	8,297,805	10,071,233
Total financial assets		53,610,219	57,307,253	51,155,921	54,882,429

- (a) During the year, the Fund has completed 17 acquisition out of 22 properties. The balance of deposits for acquisition of properties represent deposits paid for the remaining acquisition of 5 properties across Malaysia by AmanahRaya Trustees Berhad (the "Trustee"). The deposits will be utilised upon the completion of the remaining acquisition. As of 31 December 2019, the Group and the Fund have capitalised an amount of RM3,254,298 (2018: RMNil) to investment properties for the acquisition of the said 17 properties.
- (b) Amounts owing by related companies, which arose mainly from collections on behalf, unsecured, interest-free and repayable on demand. Transactions with related parties are disclosed in Note 20.
- (c) Included in the prepaid expenses of the Group, there is prepayment relating to Sukuk Ijarah amounting to RM86,463 (2018: RM86,463) which should be realised upon maturity.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following items:

	The Group		The Fund	
	2019 RM	2018 RM	2019 RM	2018 RM
Fixed deposits with licensed banks	36,069,000	34,273,000	33,739,000	34,273,000
Cash and bank balances	8,422,103	12,489,624	8,297,805	10,071,233
	44,491,103	46,762,624	42,036,805	44,344,233
Less:				
Restricted cash	(124,298)	(2,418,407)	-	-
Pledged deposits with licensed banks	(12,969,000)	(10,273,000)	(10,639,000)	(10,273,000)
	31,397,805	34,071,217	31,397,805	34,071,233

Deposits with licensed banks earn profit at rates ranging from 2.60% to 3.60% (2018: 2.70% to 3.60%) per annum and have maturity periods ranging from 13 days to 3 months (2018: 5 days to 3 months). The deposits with licensed banks of the Group and of the Fund amounting to RM12,969,000 and RM10,639,000 (2018: RM10,639,000 and RM10,273,000) respectively are placed as reserve for repayment of finance costs on long-term Islamic financing as mentioned in Note 17 and hence, are not available for general use.

The Group has restricted cash which serve as reserve for prepayment of finance cost on Sukuk Ijarah amounting to RM124,298 (2018: RM2,418,407), which are not available for general use.

16. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Fund	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-current:				
Other payables				
- tenant deposits received	14,326,419	13,974,324	14,326,419	13,974,324
Current:				
Other payables	1,517,308	679,203	1,517,308	679,203
Income distribution	6,206,000	5,800,000	6,206,000	5,800,000
Accrued expenses	3,410,697	3,730,805	3,385,697	3,705,804
Accrued finance cost (Note 17)	1,594,826	1,441,582	718,194	553,401
	12,728,831	11,651,590	11,827,199	10,738,408

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

	The Group		The Fund	
	2019 RM	2018 RM	2019 RM	2018 RM
Add :				
Islamic financing (Note 17)	597,532,653	509,527,596	435,487,807	348,592,979
Amounts owing to related companies	513,948	1,080,530	513,948	1,080,530
Amounts owing to a subsidiary	-	-	160,303,801	159,317,928
	598,046,601	510,608,126	596,305,556	508,991,437
Total financial liabilities carried at amortised cost	625,101,851	536,234,040	622,459,174	533,704,169

Amounts owing to related companies, which arose mainly from management fee, collections and payments paid on behalf of the Fund, are unsecured, interest-free and repayable on demand. The transactions with related companies are disclosed in Note 20.

17. ISLAMIC FINANCING

	Note	The Group		The Fund	
		2019 RM	2018 RM	2019 RM	2018 RM
Non-current:					
Term Financing-i	(a)	87,026,400	-	87,026,400	-
Commodity Murabahah Term Financing-i	(b)	-	350,000,000	-	350,000,000
Sukuk Ijarah	(c)	-	162,785,000	-	-
		87,026,400	512,785,000	87,026,400	350,000,000
Less: Transaction costs		(1,025,584)	(3,257,404)	(1,025,584)	(1,407,021)
		86,000,816	509,527,596	86,000,816	348,592,979
Current:					
Commodity Murabahah Term Financing-i	(b)	350,000,000	-	350,000,000	-
Sukuk Ijarah	(c)	162,785,000	-	-	-
		512,785,000	-	350,000,000	-
Less: Transaction costs		(1,253,163)	-	(513,009)	-
		511,531,837	-	349,486,991	-
Total Islamic financing		597,532,653	509,527,596	435,487,807	348,592,979

(a) Term Financing-i

On 27 February 2019, the Fund obtained the Term Financing ("TF-i") of up to RM118 million from Commerce International Merchant Bankers Berhad ("CIMB") to finance the proposed acquisition of 22 QSR properties. On 19 March 2019, the Fund drawdown RM87.03 million to complete the acquisition of the said 17 properties. The TF-i profit is payable over a period of 60 months from the date of first disbursement with full repayment of principal sum on the 60th month. The effective profit rate for the TF-i will be based on COF which is based on the Bank's COF + 1.45% per annum for the whole duration of the TF-i. The average effective profit rate for the TF-i is 5.15% (2018: Nil%).

The total transaction costs of RM1,206,570 incurred during the year were debited against the amount of the Term Financing-i facility on drawdown date comprising, amongst others, processing and stamping fees, legal advisory fees and other establishment fees.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

The TF-i has a significant covenant in which the Fund shall at all times, maintain the following criteria:

- (a) The financing payment cover ratio ("FPCR") of not less than 1.25 times; and
- (b) Total debts and Financing over Total Assets Value of not more than 50%; and
- (c) Minimum security cover of 1.25 times.

The financing is secured by the investment properties amounting to RM121,675,000 (2018: RMNil) as per disclosed in Note 11.

(b) Commodity Murabahah Term Financing-I

Islamic financing facility is a Commodity Murabahah Term Financing-i ("CMTF-i") dated 14 April 2015 amounting to RM350.0 million from RHB Islamic Bank Berhad and Maybank Islamic Berhad (collectively "the Banks") to part finance the acquisition of the investment properties of the Fund in 2015. The nominal value of the CMTF-i comprised Tranche 1 and Tranche 2, amounting to RM136.04 million and RM213.96 million, respectively.

The CMTF-i profit is payable over a period of 60 months from the date of first disbursement with full repayment of principal sum on the 60th month. The effective profit rate for the CMTF-i will be based on COF + 1.35% per annum for the first 16 months, COF + 1.40% per annum for the next 8 months and COF + 1.50% per annum for the remaining duration of the CMTF-i. The COF is based on each respective Banks' COF. The average effective profit rate for the CMTF-i is 5.26% (2018: 5.38%).

The total transaction costs of RM4,470,060 incurred in 2015 were debited against the amount of the Islamic financing facility on drawdown date comprising, amongst others, processing and stamping fees, legal advisory fees and other establishment fees.

The CMTF-i has a significant covenant in which the Group shall at all times, maintain the following criteria:

- (a) The consolidated net gearing ratio of not more than 1.0 times; and
- (b) Financing to Value ("FTV") ratio shall not exceed 50% of security value; and
- (c) Minimum shareholder's fund of not less than RM500.0 million; and
- (d) Minimum finance service cover ratio ("FSCR") of 1.50 times.

The financing is secured by the investment properties amounting to RM718,852,000 (2018: RM718,898,000) as per disclosed in Note 11.

The outstanding RM350,000,000 in nominal value of CMTF-i will be due in May 2020. The Manager is in the midst of undertaking steps to exercise refinancing options via rated Sukuk Ijarah Programme to meet the short-term obligations as explained in Note 22.

(c) Sukuk Ijarah

On 24 August 2018, ALSREIT Capital Sdn Bhd established a Sukuk Ijarah Programme comprising Islamic Medium Term Notes ("IMTN") of up to RM1.5 billion in nominal value and issued RM162,785,000 in nominal value of IMTNs ("Issue 1") with transaction cost amounting RM2,350,155.

The Sukuk Ijarah Programme has a significant covenant in which the Group shall at all times, maintain the following Finance Service Cover Ratio ("FSCR"):

- (a) FSCR at Issuer level of not less than 1.5 times; and
- (b) FSCR at Al-Salām REIT level of not less than 1.5 times; and
- (c) such other financial covenant(s) as may be determined by the Rating Agency and to be mutually agreed to by ALSREIT Capital Sdn Bhd.

The financing is secured by the investment properties amounting to RM331,108,000 (2018: RM328,001,000) as per disclosed in Note 11.

The outstanding RM162,785,000 in nominal value of IMTN of Issue 1 will be due in August 2020. The Manager is in the midst of undertaking steps to exercise refinancing options via rated Sukuk Ijarah Programme to meet the short-term obligations as explained in Note 22.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

Revolving Credit Facilities

As of 31 December 2019, the Fund has unutilised revolving credit facilities amounting to RM10,000,000 (2018: RM10,000,000) which is granted from a financial institution. The said facility is secured by investment properties amounting to RM16,000,000 as mentioned in Note 11.

Reconciliation of liabilities arising from financing activities

The table below details the changes in the Group's and the Fund's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's and the Fund's statements of cash flows as cash flows from financing activities.

	2019 RM	2018 RM
The Group		
Islamic Financing		
Islamic Financing	509,527,596	350,798,967
Accrued finance costs (Note 16)	1,441,582	574,445
Prepayment for sukuk (Note 14)	(86,463)	-
Total Islamic financing at beginning of year	510,882,715	351,373,412
Repayment of:		
Finance costs	(31,483,607)	(21,209,723)
Transaction costs	(1,206,570)	(2,350,155)
Net financing cash flows:		
Acquisition of investment properties	87,026,400	151,854,891
Proceed in Islamic Financing	-	7,830,109
	565,218,938	487,498,534
Non-cash changes		
Accruals of finance costs	31,636,851	22,076,860
Imputed finance cost	2,185,227	1,307,321
At end of year	599,041,016	510,882,715

The total Islamic Financing of the Group as of the end of the reporting period comprised of the following:

	2019 RM	2018 RM
Islamic Financing	597,532,653	509,527,596
Accrued finance costs (Note 16)	1,594,826	1,441,582
Prepayment for sukuk	(86,463)	(86,463)
	599,041,016	510,882,715

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

	2019 RM	2018 RM
The Fund		
Islamic Financing		
Islamic financing	348,592,979	350,798,967
Accrued finance costs (Note 16)	553,401	574,445
Total Islamic financing at beginning of year	349,146,380	351,373,412
Repayment of:		
Finance costs	(22,436,286)	(18,824,321)
Transaction costs	(1,206,570)	-
Commodity Murabahah Revolving Credit-i through financing from a subsidiary company	-	(3,100,000)
Net financing cash flows used for acquisition of investment properties	87,026,400	-
	412,529,924	329,449,091
<i>Non-cash changes</i>		
Accruals of finance costs	22,601,079	18,803,277
Imputed finance cost	1,074,998	894,012
At end of year	436,206,001	349,146,380

The total Islamic Financing of the Fund as of the end of the reporting period comprised of the following:

	2019 RM	2018 RM
Islamic financing	435,487,807	348,592,979
Accrued finance costs (Note 16)	718,194	553,401
	436,206,001	349,146,380

	2019 RM	2018 RM
The Fund		
Amount owing to a subsidiary		
At beginning of year	159,317,928	-
Acquisition of investment properties	-	151,854,891
(Decrease)/Increase in amount due to subsidiary company	(112,807)	8,511,702
Repayment of:		
Transaction costs	-	(2,350,155)
Finance costs	(9,047,321)	(2,385,402)
	150,157,800	155,631,036
<i>Non-cash changes</i>		
Accruals of finance cost	9,035,772	3,273,583
Imputed finance cost	1,110,229	413,309
	160,303,801	159,317,928

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

18. UNITHOLDERS' CAPITAL

Group	No. of units		2019 RM	2018 RM
	2019	2018		
Unitholders' capital	580,000,000	580,000,000	572,545,319	572,545,319

The Fund	No. of units		2019 RM	2018 RM
	2019	2018		
Unitholders' capital	580,000,000	580,000,000	572,545,319	572,545,319

The Fund issued 580,000,000 units of RM1 each in conjunction with the Fund's IPO on the Main Market of Bursa Malaysia on 29 September 2015 of which 327,640,000 units of RM1 each were issued to vendors of the Fund's investment properties to partially finance the acquisition of the said investment properties. The remaining 252,360,000 units of RM1 each were issued as part of the IPO to institutional investors and the Malaysian public.

Details of units held by the related companies of the Manager which comprise companies related to Johor Corporation, a body corporate established under the Johor Corporation Enactment No. 4, 1968 (as amended by the Enactment No. 5, 1995), and substantial unitholders of the Fund, and their market value as of 31 December 2019 based on the Record of Depositors are as follows:

The Group	No. of units		2019 RM	2019 RM
	2019	2018		
Related companies:				
Johor Corporation	24,436,600	24,436,600	19,793,646	19,793,646
Damansara Assets Sdn Bhd	278,539,417	278,539,417	225,616,928	225,616,928
Kulim (Malaysia) Berhad	27,060,600	27,060,600	21,919,086	21,919,086
Johor Land Berhad	1,499,500	1,499,500	1,214,595	1,214,595
KPJ Healthcare Berhad	2,000,000	2,000,000	1,620,000	1,620,000
Kumpulan Bertam Plantations Berhad	296,000	296,000	239,760	239,760
Tenaga Utama (Johor) Berhad	7,688	7,688	6,227	6,227

The Fund	No. of units		2019 RM	2018 RM
	2019	2018		
Related companies:				
Johor Corporation	24,436,600	24,436,600	19,793,646	19,793,646
Damansara Assets Sdn Bhd	278,539,417	278,539,417	225,616,928	225,616,928
Kulim (Malaysia) Berhad	27,060,600	23,829,600	21,919,086	19,301,976
Johor Land Berhad	1,499,500	1,499,500	1,214,595	1,214,595
KPJ Healthcare Berhad	2,000,000	2,000,000	1,620,000	1,620,000
Kumpulan Bertam Plantations Berhad	296,000	296,000	239,760	239,760
Tenaga Utama (Johor) Berhad	7,688	7,688	6,227	6,227

Market value for purposes of disclosure above is based on the closing price of the Fund as shown on the board of the Main Market of Bursa Malaysia, which was RM0.81 per unit as at 31 December 2019 (2018: RM0.81 per unit).

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

19. MANAGEMENT EXPENSE RATIO ("MER")

	The Fund	
	2019 %	2018 %
MER	0.60	0.51

The calculation of MER is based on the total fees of the Fund incurred for the year, including the Manager's fees, Trustee's fees, audit fee, tax agent's fee and administrative expenses, to the average net asset value of the Fund during the year calculated on a monthly basis. Since the average net asset value is calculated on a monthly basis, comparison of the MER of the Fund with other Real Estate Investment Trusts ("REIT") which use a different basis of calculation may not be an accurate comparison.

20. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, related companies are considered to be related to the Group and the Fund if the Group and the Fund have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Fund and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Significant related party transactions other than those separately disclosed elsewhere in the financial statements are as follows:

	The Group		The Fund	
	2019 RM	2018 RM	2019 RM	2018 RM
Rental income received/receivable from related companies	37,299,435	34,539,941	37,542,637	34,950,722
Other property management fees charged by related companies of the Manager (including in other operating expenses)	7,442,450	7,634,987	7,442,450	7,634,987
Finance cost paid to a subsidiary	-	-	9,035,772	3,273,583

The related party transactions described above were entered into in the normal course of business and are based on negotiated and mutually agreed terms.

Amount owing to a subsidiary represents unsecured advances received from the proceeds raised from Islamic financing by the subsidiary of RM162,044,846 (2018: RM160,934,617). The finance costs and repayment terms of the unsecured advances mirror the finance costs and repayment terms of the Islamic financing of Sukuk Ijarah raised by the said subsidiary as disclosed in Note 17. Also included in the amount owing to a subsidiary are the accrued profit from the cash reserves totaling RM1,741,045 (2018: RM1,616,689) that are presented as net amount as there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

The detail breakdown of amount owing to a subsidiary company are as follows:

The Fund	2019 RM	2018 RM
Amount owing to subsidiary company	162,785,000	162,785,000
Less: Transaction costs	(740,154)	(1,850,383)
	162,044,846	160,934,617
Less: Accrued interest from cash reserve	(1,741,045)	(1,616,689)
	160,303,801	159,317,928

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

21. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The carrying amount of the various financial assets and financial liabilities reflected in the statements of financial position approximate their fair values other than as disclosed below:

	Carrying amount RM	Fair value RM
The Group		
2019		
Financial liability at amortised cost		
Islamic financing - non-current	86,000,816	70,303,432
Islamic financing - current	511,531,837	511,531,837
2018		
Financial liability at amortised cost		
Islamic financing - non-current	509,527,596	480,815,308
The Fund		
2019		
Financial liability at amortised cost		
Islamic financing - non-current	86,000,816	70,303,432
Islamic financing - current	349,486,991	349,486,991
Amount owing to a subsidiary	160,303,801	160,303,801
	595,791,608	580,094,224
2018		
Financial liability at amortised cost		
Islamic financing - non-current	348,592,979	323,399,500
Amount owing to a subsidiary	159,317,928	157,415,808
	507,910,907	480,815,308

The fair value of the non-current Islamic financing was estimated using discounted cash flow analysis based on market equivalent profit rate of 5.46% (2018: 5.58%) per annum for similar type of instruments of similar risk and cash flow profiles. The disclosure of the fair value of the non-current Islamic financing is considered a Level 2 fair value hierarchy disclosure.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Fund's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's and Fund's portfolios whilst managing their credit risks, liquidity risks and financing rate risks. The Group and the Fund have taken measures to minimise their exposure to the risks associated with its financing, investing and operating activities and operates within clearly defined guidelines as set out in the SC Guidelines and the Fund's Trust Deed.

The following sections provide details regarding the Group's and the Fund's exposure to the above-mentioned financial risks and the objectives, policies and procedures for the management of these risks:

(a) Credit Risk Management

Credit risk refers to the risk that a counter party will default on its contractual obligation resulting in financial loss to the Group and the Fund. Credit risk with respect to trade and other receivables is managed through the application of credit approvals, credit limits and monitoring procedures. Credit is extended to the customers based upon careful evaluation of the customers' financial condition and credit history.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

Exposure to credit risk

At the end of the reporting period, the Group's and the Fund's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade receivables, other receivables and amount owing from related companies is disclosed in Note 14.

Credit risk concentration profile

The Group and the Fund determine concentrations of credit risk by monitoring individual profile of their trade receivables on an ongoing basis. At the end of the reporting period, the Group and the Fund do not have any significant exposure to any individual customer or counterparty nor do they have any major concentration of credit risk related to any financial instrument.

Financial instruments that are neither past due nor impaired

Information regarding receivables that are neither past due nor impaired is disclosed in Note 14. Deposits with banks and other financial institutions are placed with reputable financial institutions with good credit ratings.

(b) Liquidity Risk Management

Liquidity risk is the risk that the Group and the Fund may encounter difficulty in meeting financial obligations on time due to shortage of funds. The Group's and the Fund's exposure to liquidity risk arises from mismatches of the maturities of financial assets and liabilities. The Group's and the Fund's approach are to maintain a balance between continuity of funding and flexibility through the use of their credit and financing facilities.

The Group and the Fund manage liquidity risk by maintaining adequate reserves, banking facilities and financing facilities, by continuously monitoring forecast and actual cash flow from their portfolios, and by matching the maturity profiles of financial assets and liabilities.

As of 31 December 2019, the current liabilities of the Group and of the Fund have exceeded the current assets by RM464,160,448 and RM464,069,211 respectively. The net current liabilities position are mainly derived from the CMTF-I and IMTNs of Issue 1 which will come due in May 2020 and August 2020 respectively as disclosed in Note 17. The Manager believes that the Group and the Fund will meet their short term obligation as and when they fall due based on the assumption that the Group and the Fund will be able to refinance their borrowings when it matures. The refinancing of CMTF-I and IMTNs Issue 1 will be done via the second issuance of RM512,785,000 in nominal value of IMTNs ("Issue 2") under the same Sukuk Ijarah Programme. The Group and the Fund are actively pursuing the issuance with the bankers.

Financial assets

The following table details the Group's and the Fund's expected contractual maturity for its non-derivative financial assets:

	Weighted average effective profit rate %	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM
The Group				
31 December 2019				
Non-profit bearing financial assets:				
Trade receivables		6,538,562	6,538,562	6,538,562
Other receivables		1,794,908	1,794,908	1,794,908
Amount owing by related companies		785,646	785,646	785,646
Profit bearing financial asset:				
Fixed profit rate instruments - deposits financial institutions	3.19	36,069,000	34,449,337	34,449,337
Cash and bank balances		8,422,103	8,422,103	8,422,103
		53,610,219	51,990,556	51,990,556

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

	Weighted average effective profit rate %	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM
The Fund				
31 December 2019				
Non-profit bearing financial assets:				
Trade receivables		6,538,562	6,538,562	6,538,562
Other receivables		1,794,908	1,794,908	1,794,908
Amount owing by related companies		785,646	785,646	785,646
Profit bearing financial asset:				
Fixed profit rate instruments - deposits financial institutions	2.92	33,739,000	33,912,840	33,912,840
Cash and bank balances		8,297,805	8,297,805	8,297,805
		51,155,921	51,329,761	51,329,761

The Group 31 December 2018

Non-profit bearing financial assets:				
Trade receivables		7,351,794	7,351,794	7,351,794
Other receivables		2,369,474	2,369,474	2,369,474
Amount owing by related companies		823,361	823,361	823,361
Profit bearing financial asset:				
Fixed profit rate instruments - deposits financial institutions	3.19	34,273,000	34,449,557	34,449,557
Cash and bank balances		12,489,624	12,489,624	12,489,624
		57,307,253	57,483,810	57,483,810

The Fund 31 December 2018

Non-profit bearing financial assets:				
Trade receivables		7,351,794	7,351,794	7,351,794
Other receivables		2,363,041	2,363,041	2,363,041
Amount owing by related companies		823,361	823,361	823,361
Profit bearing financial asset:				
Fixed profit rate instruments - deposits financial institutions	3.19	34,273,000	34,449,557	34,449,557
Cash and bank balances		10,071,233	10,071,233	10,071,233
		54,882,429	55,058,986	55,058,986

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

Financial liabilities

The following table details the Group's and the Fund's expected contractual maturity for its non-derivative financial liabilities:

	Weighted Average effective profit rate %	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	Within 2 to 5 years RM
The Group					
31 December 2019					
Non-profit bearing financial liabilities:					
Other payables and accrued expenses		27,055,250	27,055,250	12,728,831	14,326,419
Amount owing to related companies		513,948	513,948	513,948	-
Profit bearing financial liabilities:					
Variable profit rate instruments - Islamic financing	5.29	597,532,653	622,922,428	516,703,846	106,218,582
		625,101,851	650,491,626	529,946,625	120,545,001
The Fund					
31 December 2019					
Non-profit bearing financial liabilities:					
Other payables and accrued expenses		26,153,618	26,153,618	11,827,199	14,326,419
Amount owing to related companies		513,948	513,948	513,948	-
Profit bearing financial liabilities:					
Variable profit rate instruments - Islamic financing	5.20	435,487,807	455,705,573	349,486,991	106,218,582
Amount owing to subsidiary	5.46	160,303,801	167,216,855	167,216,855	-
		622,459,174	649,589,994	529,044,993	120,545,001
The Group					
31 December 2018					
Non-profit bearing financial liabilities:					
Other payables and accrued expenses		25,625,914	25,625,914	11,651,590	13,974,324
Amount owing to related companies		1,080,530	1,080,530	1,080,530	-
Profit bearing financial liabilities:					
Variable profit rate instruments - Islamic financing - Non-current	5.58	509,527,596	530,473,056	6,312,779	524,160,277
		536,234,040	557,179,500	19,044,899	538,134,601

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

	Weighted Average effective profit rate %	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	Within 2 to 5 years RM
The Fund					
31 December 2018					
Non-profit bearing financial liabilities:					
Other payables and accrued expenses		24,712,732	24,712,732	10,738,408	13,974,324
Amount owing to related companies		1,080,530	1,080,530	1,080,530	-
Profit bearing financial liabilities:					
Variable profit rate instruments -					
Islamic financing - Non-current	5.47	348,592,979	358,298,706	1,618,104	356,680,602
Amount owing to a subsidiary	5.69	159,317,928	172,174,350	4,694,675	167,479,675
		533,704,169	556,266,318	18,131,717	538,134,601

(c) Financing Rate Risk Management

Financing rate risk is the risk that the fair value or future cash flows of the Group's and the Fund's financial instruments will fluctuate because of changes in the market financing rates.

The Group and the Fund manage their financing rate exposure by maintaining matching their cash flows from rental income and fixed rate profit bearing deposits with the Group's and the Fund's variable rate profit bearing borrowings. The Group and the Fund place cash deposits on a short-term basis and therefore allows the Group and the Fund to respond to significant changes of financing rate promptly.

Financing rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to financing rates on the Group's and the Fund's variable rate profit bearing borrowings. The analysis is prepared assuming the amount of variable rate profit bearing borrowings outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease is used for the analysis and this represents management's assessment of reasonable possible change in financing rate.

If financing rates had been 25 basis point higher/lower and all other variables were held constant, the Group's and the Fund's net profit/total comprehensive income for the year would decrease/increase by RM1,493,832 and RM1,088,720 (2018: RM1,273,819 and RM871,482) respectively. The assumed movement in basis points for financing rate sensitivity analysis is based on the currently observable market environment.

23. SEGMENT REPORTING

Segment information is presented in respect of the Group's and the Fund's business segments based on the nature of the industry of the Group's and Fund's investment properties, which reflect the Group's and the Fund's internal reporting structure that are regularly reviewed by the Group's and the Fund's chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

For management purposes, the Group and the Fund are organised into the following operating divisions:

- Retail outlets
- Office buildings
- Food and beverage ("F&B") properties comprising restaurant and non-restaurant outlets
- Others comprising Fund level operations

No information on geographical areas is presented as the Group and the Fund operate solely in Malaysia.

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For The Financial Year Ended 31 December 2019 (Cont'd)

The accounting policies of the reportable segments below are the same as the Group's and the Fund's accounting policies described in Note 3.

The Group 2019	Retail outlets RM	Office buildings RM	F&B restaurants RM	F&B Non- restaurants RM	Other - Fund level operations RM	Total RM
Total revenue	59,862,435	9,235,256	14,502,830	11,311,863	-	94,912,384
Total property expenses	(21,304,791)	(3,788,511)	(30,674)	(253,918)	(413,476)	(25,791,370)
Net property income/(loss)	38,557,644	5,446,745	14,472,156	11,057,945	(413,476)	69,121,014
Fair value (loss)/gain on investment properties	(906,717)	(117,292)	4,458,157	108,900	-	3,543,048
Investment income	-	-	-	-	1,067,052	1,067,052
Total income	37,650,927	5,329,453	18,930,313	11,166,845	653,576	73,731,114
Total fund expenditure	-	-	-	-	(3,756,391)	(3,756,391)
Operating profit/(loss)	37,650,927	5,329,453	18,930,313	11,166,845	(3,102,815)	69,974,723
Islamic financing costs	-	-	-	-	(33,822,079)	(33,822,079)
Profit/(Loss) before tax	37,650,927	5,329,453	18,930,313	11,166,845	(36,924,894)	36,152,644
Income tax expense	-	-	-	-	-	-
Profit/(Loss) for the financial year	37,650,927	5,329,453	18,930,313	11,166,845	(36,924,894)	36,152,644
Total assets	829,481,939	99,071,340	253,935,000	181,775,811	(115,084,345)	1,249,179,745
Total liabilities	177,764,643	2,490,828	-	680,011	444,166,369	625,101,851

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

The Fund 2019	Retail outlets RM	Office buildings RM	F&B restaurants RM	F&B Non- restaurants RM	Other - Fund level operations RM	Total RM
Total revenue	59,862,435	9,235,256	14,502,830	11,311,863	-	94,912,384
Total property expenses	(21,304,791)	(3,788,511)	(30,674)	(253,918)	(413,476)	(25,791,370)
Net property income/(loss)	38,557,644	5,446,745	14,472,156	11,057,945	(413,476)	69,121,014
Fair value (loss)/gain on investment properties	(906,717)	(117,292)	4,458,157	108,900	-	3,543,048
Investment income	-	-	-	-	1,067,052	1,067,052
Total income	37,650,927	5,329,453	18,930,313	11,166,845	653,576	73,731,114
Total fund expenditure	-	-	-	-	(3,690,172)	(3,690,172)
Operating profit/(loss)	37,650,927	5,329,453	18,930,313	11,166,845	(3,036,596)	70,040,942
Islamic financing costs	-	-	-	-	(33,822,079)	(33,822,079)
Profit/(Loss) before tax	37,650,927	5,329,453	18,930,313	11,166,845	(36,858,675)	36,218,863
Income tax expense	-	-	-	-	-	-
Profit/(Loss) for the financial year	37,650,927	5,329,453	18,930,313	11,166,845	(36,858,675)	36,218,863
Total assets	826,930,501	99,071,340	253,935,000	181,775,812	(115,084,346)	1,246,628,307
Total liabilities	175,121,966	2,490,828	-	680,011	444,166,369	622,459,174

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The Group 2018	Retail outlets RM	Office buildings RM	F&B restaurants RM	F&B Non- restaurants RM	Other - Fund level operations RM	Total RM
Total revenue	51,891,831	9,370,182	9,962,996	10,925,739	-	82,150,748
Total property expenses	(19,533,116)	(3,792,611)	(16,191)	(293,803)	(270,000)	(23,905,721)
Net property income/(loss)	32,358,715	5,577,571	9,946,805	10,631,936	(270,000)	58,245,027
Fair value gain on investment properties						
Investment income	365,684	-	4,027,000	3,189,000	-	7,581,684
	-	-	-	-	1,025,884	1,025,884
Total income	32,724,399	5,577,571	13,973,805	13,820,936	755,884	66,852,595
Total fund expenditure	-	-	-	-	(3,167,003)	(3,167,003)
Operating profit/(loss)	32,724,399	5,577,571	13,973,805	13,820,936	(2,411,119)	63,685,592
Islamic financing costs	-	-	-	-	(23,384,181)	(23,384,181)
Profit/(Loss) before tax	32,724,399	5,577,571	13,973,805	13,820,936	(25,795,300)	40,301,411
Income tax expense	-	-	-	-	-	-
Profit/(Loss) for the financial year	32,724,399	5,577,571	13,973,805	13,820,936	(25,795,300)	40,301,411
Total assets	803,242,511	92,881,651	165,697,000	173,764,432	(78,424,443)	1,157,161,151
Total liabilities	17,101,550	2,422,260	-	709,302	516,000,928	536,234,040

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For The Financial Year Ended 31 December 2019 (Cont'd)

The Fund 2018	Retail outlets RM	Office buildings RM	F&B restaurants RM	F&B Non- restaurants RM	Other - Fund level operations RM	Total RM
Total revenue	51,891,831	9,370,182	9,962,996	10,925,739	-	82,150,748
Total property expenses	(19,533,116)	(3,792,611)	(16,191)	(293,803)	(270,000)	(23,905,721)
Net property income/(loss)	32,358,715	5,577,571	9,946,805	10,631,936	(270,000)	58,245,027
Fair value gain on investment properties	365,684	-	4,027,000	3,189,000	-	7,581,684
Investment income	-	-	-	-	1,025,884	1,025,884
Total income	32,724,399	5,577,571	13,973,805	13,820,936	755,884	66,852,595
Total fund expenditure	-	-	-	-	(3,141,983)	(3,141,983)
Operating profit/(loss)	32,724,399	5,577,571	13,973,805	13,820,936	(2,386,099)	63,710,612
Islamic financing costs	-	-	-	-	(23,384,181)	(23,384,181)
Profit/(Loss) before tax	32,724,399	5,577,571	13,973,805	13,820,936	(25,770,280)	40,326,431
Income tax expense	-	-	-	-	-	-
Profit/(Loss) for the financial year	32,724,399	5,577,571	13,973,805	13,820,936	(25,770,280)	40,326,431
Total assets	802,489,741	92,881,651	165,697,000	173,762,393	(80,174,485)	1,154,656,300
Total liabilities	17,101,550	2,422,260	-	709,302	513,471,057	533,704,169

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

24. CAPITAL MANAGEMENT

The Group and the Fund manage their capital to ensure that the Group and the Fund will be able to continue as going concern while maximising the return to unitholders through the optimisation of the debt and equity balance. The Group's and the Fund's overall strategy remain unchanged from 2018.

The capital structure of the Group and the Fund consist of net debt (borrowings as detailed in Note 17) offset by cash and cash equivalents in Note 15 and Unitholders' fund of the Fund (Note 18) (comprising Unitholders' capital and undistributed income).

The Group and the Fund are not subject to any externally imposed capital requirements. However, the Group and the Fund are required to comply with the SC Guidelines on borrowings.

The SC Guidelines requires that the total borrowings of the Group and the Fund (including borrowings through issuance of debt securities) should not exceed 50% of the total asset value of the Group and the Fund at the time the borrowings are incurred. Notwithstanding, the Group's and the Fund's total borrowings may exceed this limit with the sanction of the unitholders by way of an ordinary resolution.

The Manager's risk management committee reviews the capital structure of the Group and of the Fund on a regular basis to ensure that the SC Guidelines are complied with.

Gearing ratios

The Group's and the Fund's gearing ratios are calculated based on the proportion of total borrowings to the total asset value in accordance with the SC Guidelines. The gearing ratios at the end of the reporting period is as follows.

	The Group		The Fund	
	2019 RM	2018 RM	2019 RM	2018 RM
Total borrowings (Note 17)	597,532,653	509,527,596	435,487,807	348,592,979
Amount owing to a subsidiary	-	-	160,303,801	159,317,928
	597,532,653	509,527,596	595,791,608	507,910,907
Total assets value as per statements of financial position	1,249,179,745	1,157,161,151	1,246,628,307	1,154,656,300
Total borrowings to total assets value ratio	47.8%	44.0%	47.8%	44.0%

25. COMMITMENTS

The Group and the Fund lease out their investment properties under operating leases. The future minimum lease payments to be received under non-cancellable leases are as follows:

	The Group		The Fund	
	2019 RM	2018 RM	2019 RM	2018 RM
Less than one year	33,901,493	32,681,429	33,901,493	32,681,429
Between one and five years	174,687,104	172,931,734	174,687,104	172,931,734
More than five years	471,089,070	506,745,893	471,089,070	506,745,893
	679,677,667	712,359,056	679,677,667	712,359,056

As of 31 December 2019, the deposit payables amounting RM566,400 (2018: RM3,820,698) has been included as part of capital commitments for the acquisition of 5 (2018: 17) QSR properties which would be realised upon the completion of the acquisition.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

26. SIGNIFICANT EVENTS

On 30 November 2017, the Fund had entered into 3 conditional sale and purchase agreements with Kentucky Fried Chicken (Malaysia) Sendirian Berhad, KFC (Peninsular Malaysia) Sdn Bhd, KFC (Sabah) Sdn Bhd and SPM Restaurants Sdn Bhd for the acquisition of 22 properties located across Malaysia for a total cash consideration of RM115.0 million to be funded via proceeds from the borrowings.

In view of weak market sentiments and the expiry of the extended conditional period of the Sales and Purchase Agreement ("SPA") on 28 February 2019, the Board had resolved not to implement the Proposed Placement and to vary the source of funding for the Purchase Consideration to entirely borrowings ("Variation").

As a result of the Variation, state authorities' consents are required to be obtained to charge the 5 properties under SPA 3 in favour of the Trustee's financier. For avoidance of doubt, state authorities' consents to charge are not required for the properties under SPA1 and SPA 2. In view of the above, the parties to SPA 3 have amended one of the Conditions Precedent of SPA 3 and extended the conditional period of SPA 3. As SPA 1 and SPA 2 do not require state authorities' consent, the Trustee and the Vendors have agreed to waive the inter-conditionality of the SPAs to allow SPA 1 and SPA 2 to become unconditional on or before the expiry of the extended conditional period of the SPAs. On 28 August 2019, Al-Salām REIT requesting for a further extension period of 6 months from 28 August 2019 to 20 February 2020 to fulfill the said condition precedent.

The acquisition of the 17 properties under SPA 1 and SPA 2 has been completed on 19 March 2019. As a result, an additional borrowings has been taken up with CIMB amounted to RM87.03 million, as disclosed under Note 17.

27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

The Group	As previously stated RM	Reclassification RM	As reclassified RM
Statements of financial position for the year ended 31.12.2018			
Trade receivables	4,853,859	3,350,940	8,204,799
Other receivables and prepaid expenses	7,920,284	(131,060)	7,789,224
Amount owing to related companies	3,321,296	(2,497,935)	823,361
Other payables and accrued expenses	10,929,645	721,945	11,651,590

The Fund	As previously stated RM	Reclassification RM	As reclassified RM
Statements of financial position for the year ended 31.12.2018			
Trade receivables	4,853,859	3,350,940	8,204,799
Other receivables and prepaid expenses	7,833,822	(131,060)	7,702,762
Amount owing to related companies	3,321,296	(2,497,935)	823,361
Other payables and accrued expenses	10,016,463	721,945	10,738,408

Statement By The Directors of The Manager

To The Unitholders of Al-Salām Real Estate Investment Trust

We, **ZAINAH BINTI MUSTAFA** and **WAN AZMAN BIN ISMAIL**, being two of the Directors of **DAMANSARA REIT MANAGERS SDN BERHAD** (the “Manager”), do hereby state that, in the opinion of the Manager, the financial statements of **AL-SALĀM REAL ESTATE INVESTMENT TRUST** (the “Fund”) and of its subsidiary (the “Group”) are drawn up in accordance with applicable provisions of the Deed dated 25 November 2019, Malaysian Financial Reporting Standards, International Financial Reporting Standards and Securities Commission Malaysia’s Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts so as to give a true and fair view of the financial position of the Group and of the Fund as of 31 December 2019 and of the financial performance and the cash flows of the Group and of the Fund for the year ended on the date.

Signed on behalf of the Board in accordance
with a resolution of the Directors of the Manager,



ZAINAH BINTI MUSTAFA



WAN AZMAN BIN ISMAIL

Kuala Lumpur,
31 January 2020

Declaration By The Director of The Manager

Primarily Responsible For The Financial Management of The Fund

I, **WAN AZMAN BIN ISMAIL**, the Executive Director of **DAMANSARA REIT MANAGERS SDN BERHAD** ("the Manager") and primarily responsible for the financial management of **AL-SALĀM REAL ESTATE INVESTMENT TRUST** (the "Group" and the "Fund"), do solemnly and sincerely declare that the accompanying financial statements, are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



WAN AZMAN BIN ISMAIL

Subscribed and solemnly declared by the abovenamed **WAN AZMAN BIN ISMAIL** at **KUALA LUMPUR** this 31 January 2020.

Before me,



COMMISSIONER FOR OATHS
Bangunan KWSP, Jln Raja Laut,
50350 Kuala Lumpur
Tel: 019 6660745

Shariah Committee Report

To The Unitholders of Al-Salām Real Estate Investment Trust

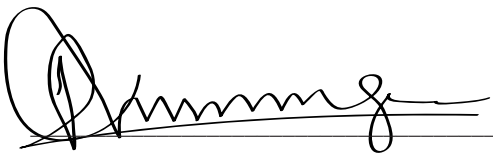
We have acted as the Shariah Adviser of **AL-SALĀM REAL ESTATE INVESTMENT TRUST** (the “Fund”). Our responsibility is to ensure that the procedures and processes employed by **DAMANSARA REIT MANAGERS SDN BERHAD** (the “Manager”) and that the provisions of the Trust Deed are in accordance with Shariah principles.

In our opinion, the Manager has operated and managed the Fund in accordance with applicable guidelines pertaining to Shariah matters, and principles, concepts and rulings endorsed by the Shariah Advisory Council of the Securities Commission (“SACSC”) for the financial year ended 31 December 2019.

In addition, we also confirm that:

- 1) The investment portfolio of the Fund is Shariah-compliant, which comprises:
 - (a) Rental income from investment properties which complied with the Securities Commission Guidelines for Investments of Islamic Real Estate Investment Trust. The percentage ratio of Shariah non-compliant rental is 3.26% for the financial year ended 31 December 2019; and
 - (b) Cash placement and liquid assets, which are placed in Shariah-compliant investments and/or instruments.
- 2) There was no acquisition of property that is Shariah non-compliant during the financial year.

For the Members of Shariah Committee



DATO' (DR.) HAJI NOOH BIN GADOT
CHAIRMAN, SHARIAH COMMITTEE

31 January 2020

Trustee's Report

For The Financial Year Ended 31 December 2019

To the Unit Holders of
AL-SALĀM REAL ESTATE INVESTMENT TRUST

We, AMANAHRAYA TRUSTEES BERHAD, have acted as Trustee of AL-SALĀM REAL ESTATE INVESTMENT TRUST for the financial year ended 31 December 2019. In our opinion, DAMANSARA REIT MANAGERS SDN BERHAD, the Manager, has managed AL-SALĀM REAL ESTATE INVESTMENT TRUST in accordance with the limitations imposed on the investment powers of the management company and the Trustee under the Deed, other provisions of the Deed, the applicable Guidelines on Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws during the financial year then ended.

We are of the opinion that:

- (a) the procedures and processes employed by the Manager to value and/or price the units of AL-SALĀM REAL ESTATE INVESTMENT TRUST are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirement; and
- (b) the distribution of returns made by AL-SALĀM REAL ESTATE INVESTMENT TRUST as declared by the Manager is in accordance with the investment objective of AL-SALĀM REAL ESTATE INVESTMENT TRUST.

Yours faithfully
AMANAHRAYA TRUSTEES BERHAD



ZAINUDIN BIN SUHAIMI
Deputy Chief Executive Officer

Kuala Lumpur, Malaysia
13 February 2020

Analysis of Unitholdings

Issued : 580,000,000 Units of RM1/= each
Fully Paid-Up Capital : RM580,000,000

Break down of Unitholdings

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
Less than 100	217	2.70	8,708	-
100 – 1000	3,835	47.67	2,153,832	0.37
1,001 – 10,000	3,498	43.49	10,649,554	1.84
10,001 – 100,000	449	5.58	10,715,568	1.85
100,001 to less than 5% of Issued Capital	41	0.51	123,553,720	21.30
5% and above of Issued Capital	4	0.05	432,918,618	74.64
TOTAL	8,044	100.00	580,000,000	100.00

Top Thirty Securities Account Holders

(Without aggregating the securities from different securities accounts belonging to the same depositor)

	Name	No. of Units	%
1	Damansara Assets Sdn. Bhd.	249,083,626	42.95
2	Tabung Amanah Warisan Negeri Johor	96,153,900	16.58
3	Waqaf An-Nur Corporation Berhad	58,225,301	10.04
4	Maju Noms (T) Sdn Bhd - A/C For Damansara Assets Sdn Bhd	29,455,791	5.08
5	Kulim (Malaysia) Berhad	27,060,600	4.67
6	Johor Corporation	24,436,600	4.21
7	Pelaburan Hartanah Berhad	20,000,000	3.45
8	Lembaga Tabung Haji	16,859,100	2.91
9	Cartaban Noms (T) Sdn Bhd - A/C Standard Chartered Saadiq Bhd SCBMB Trustee For Muamalat 1	13,293,400	2.29
10	Maybank Noms (T) Sdn Bhd - A/C Bank Kerjasama Rakyat (M) Berhad (412803)	4,000,000	0.69
11	Amanahraya Trustees Berhad - A/C Amanah Saham Malaysia 3	2,200,000	0.38
12	KPJ Healthcare Berhad	2,000,000	0.34
13	Citigroup Noms (T) Sdn Bhd - A/C Kenanga Islamic Investors Bhd For Tabung Warisan Negeri Selangor (REITS)	1,740,200	0.30
14	Johor Land Berhad	1,499,500	0.26
15	Labuan Reinsurance (L) Ltd 1,472,800 0.25		
16	Citigroup Noms (T) Sdn Bhd - A/C Kumpulan Wang Persaraan (Diperbadankan) (MYBK AM SC E)	900,000	0.16
17	Affin Hwang Noms (T) Sdn. Bhd. - A/C For Mohd Fauzy bin Abdullah (M09)	720,800	0.12
18	Ahamad Bin Mohamad	607,720	0.10
19	CIMB Group Noms (T) Sdn Bhd - A/C Exempt An For CIMB Bank Bhd (Dana Johor)	604,311	0.10
20	CGS-CIMB Noms (T) Sdn Bhd - A/C For Arshad Bin Ayub (MY1393)	600,000	0.10
21	Tenh Hong Way	600,000	0.10
22	Maybank Secs Noms (T) Sdn Bhd - A/C Malayan Banking Berhad For Pelaburan Johor Berhad (MBB Dana Johor)	520,501	0.09
23	Maybank Noms (T) Sdn Bhd - A/C Etiqa Family Takaful Berhad (Family PIF)	330,900	0.06
24	Kumpulan Bertam Plantations Berhad	296,000	0.05
25	Goh Siew Cheng	290,700	0.05
26	Ng Kim Yuen	258,100	0.04
27	Maybank Noms (T) Sdn Bhd - A/C For Kamaruzzaman bin Abu Kassim	251,100	0.04
28	Labuan Reinsurance (L) Ltd	250,000	0.04
29	CIMSEC Noms (T) Sdn Bhd - A/C CIMB For Ahmad Fuad Bin Md Ali (PB)	230,000	0.04
30	Stephen Tong Chu Wei	220,000	0.04

Analysis of Unitholdings

(Cont'd)

Substantial Unitholders (5% and above)

Name	Direct		Indirect	
	No. of Units	%	No. of Units	%
1 Johor Corporation	24,436,600	4.21	309,403,205 ⁽ⁱ⁾	53.35
2 Damansara Assets Sdn. Bhd.	278,539,417	48.02	-	-
3 Tabung Amanah Warisan Negeri Johor	96,153,900	16.58	-	-
4 Waqaf An-Nur Corporation Berhad	58,225,301	10.04	-	-

Note:-

- (i) Deemed interested by virtue of its interest in Damansara Assets Sdn Bhd, Kulim (Malaysia) Berhad, KPJ Healthcare Berhad, Johor Land Berhad, Kumpulan Bertam Plantation Berhad and Tenaga Utama (J) Berhad under Section 8 of the Companies Act, 2016

Analysis of Unitholders

	No. of Unitholders	%	No. of Units	%
Malaysian - Bumiputra	1,825	22.69	544,633,300	93.90
- Others	6,182	76.85	34,603,595	5.97
Foreigners	37	0.46	763,105	0.13
TOTAL	8,044	100.00	580,000,000	100.00

Unit Analysis as at 31 December 2019

ROD	TOTAL		BUMIPUTRA		NON - BUMIPUTRA		FOREIGN	
	Holder	No. of Unit	Holder	No. of Unit	Holder	No. of Unit	Holder	No. of Unit
Government Bodies	2	120,590,500	2	120,590,500	-	-	-	-
Finance	2	19,059,100	2	19,059,100	-	-	-	-
Investment Trust	1	7,400	-	-	1	7,400	-	-
Nominees	439	54,977,949	289	38,199,929	144	16,539,020	6	239,000
Companies	19	360,020,876	14	359,961,856	5	59,020	-	-
Clubs / Association	3	23,686	2	20,726	1	2,960	-	-
Co - Operatives	14	329,929	12	320,035	2	9,894	-	-
Others	1	9	-	-	1	9	-	-
Individual	7,563	24,990,551	1,504	6,481,154	6,028	17,985,292	31	524,105
TOTAL	8,044	580,000,000	1,825	544,633,300	6,182	34,603,595	37	763,105
%	100.00	100.00	22.69	93.90	76.85	5.97	0.46	0.13

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DAMANSARA REIT MANAGERS
SDN BERHAD