SUSTAINABILITY STATEMENT

SECTION 4

ABOUT THIS STATEMENT

Damansara REIT Managers Sdn. Bhd. ("DRMSB" or the "Manager"), the Manager of Al-Salām Real Estate Investment Trust ("Al-Salām REIT" or the "REIT"), is proud to present the REIT's fourth sustainability statement. The reporting period covered is the financial year ended 31 December 2021 ("FY2021"). This Statement addresses matters that are most material to the REIT's valued stakeholders and business operations, and provides insight into its management and performance on the Environmental, Social and Governance ("ESG") aspects of the REIT's operations.

The year 2021 has been challenging as the COVID-19 pandemic brought about adverse market instability nationally and globally. The real estate market faced unprecedented uncertainty due to lockdowns, cautious consumer sentiment and operating at reduced capacity, all of which have impacted the operations as a REIT. This sudden and unexpected crisis has forced us to rethink the manner in which the REIT operates, particularly in terms of business continuity. Now, more than ever, the importance of sustainable business practices to foster long-term value creation and business longevity is apparent. As such, the REIT strives to adapt to this new norm and are geared towards recovery by integrating ESG aspects into the heart of its operations. Its endeavours have resulted in the formation of a Sustainability Policy and Framework, strengthening of the Sustainability Governance Structure, and a comprehensive review of the material sustainability matters.

SUSTAINABILITY STATEMENT

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

SUSTAINABILITY STATEMENT

Reporting Scope

This Statement provides an overview of the REIT's sustainability performance for three (3) key properties, namely KOMTAR JBCC, Menara KOMTAR and Pasaraya Komuniti @Mart Kempas. These properties are multi-tenant with management carried out by the REIT's appointed property manager.

Johor Bahru, Johor

Net Lettable Area
382,465 sq ft

KOMTAR JBCC

Johor Bahru, Johor

Net Lettable Area
160,592 sq ft

Menara KOMTAR

Johor Bahru, Johor

Net Lettable Area
102,316 sq ft

Pasaraya Komuniti @Mart Kempas

Reporting Framework

Al-Salām REIT adheres to the Main Market Listing Requirements published by Bursa Malaysia and its Sustainability Reporting Guide (2nd Edition) to provide balanced, comparable and meaningful disclosures. To enhance the REIT's reporting practices and identify disclosures in this statement, the Global Reporting Initiatives ("GRI") Standards are referred to where possible.

BURSA MALAYSIA
Principle Guidelines

GRI Empowering Sustainable Decisions
Reporting Framework

Sustainability Highlights

Update to the ERM Policy & Framework to include ESG risks

Average tenant satisfaction score of 85%

Average of 10.84 training hours per employee across **21** different training programmes

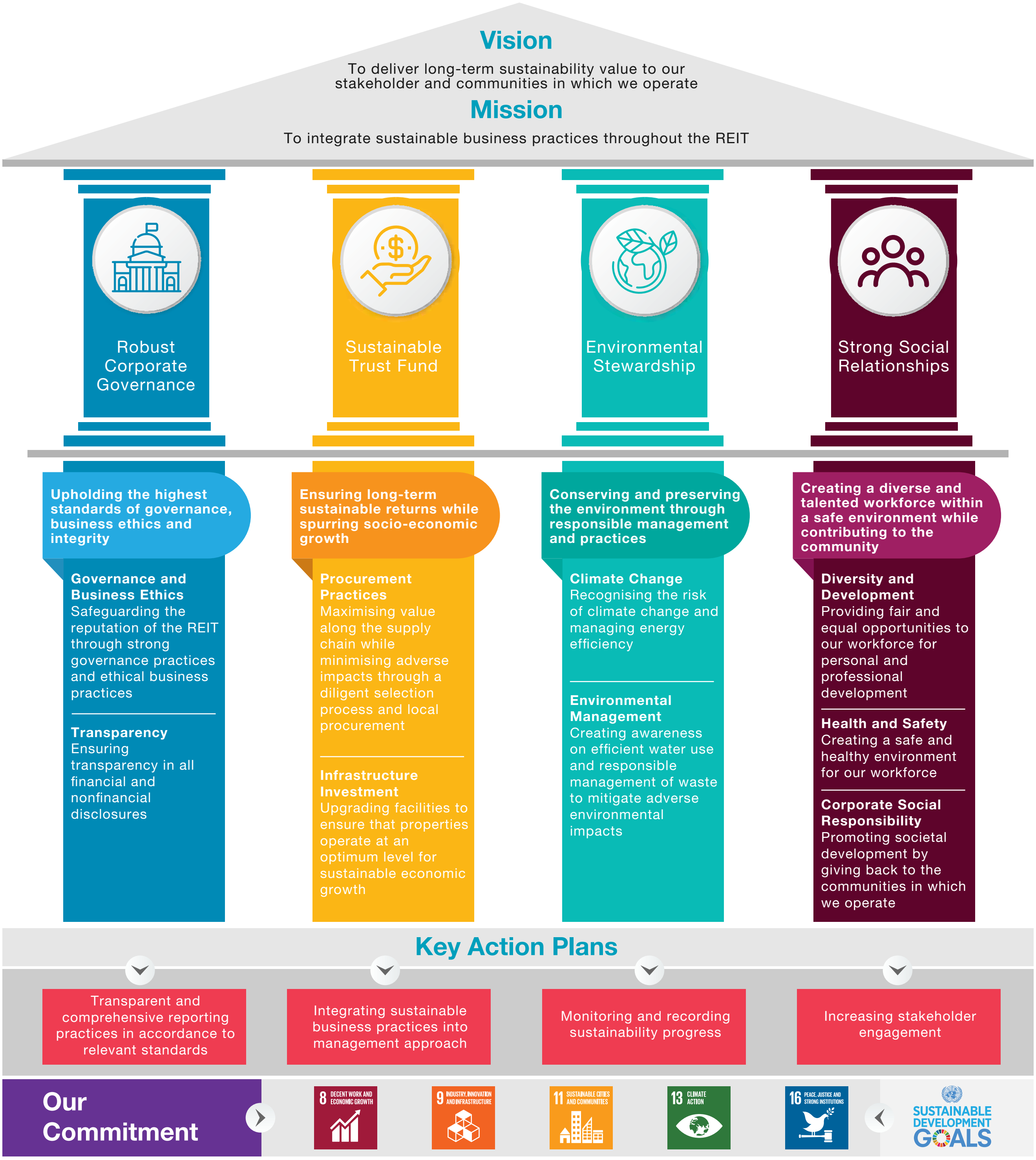
Installation of a **Solar panel** trial project

SUSTAINABILITY STATEMENT

APPROACH TO SUSTAINABLE DEVELOPMENT

Sustainability Framework

the REIT has strengthened its commitment towards sustainable growth and development through the establishment of the Sustainability Framework. The Framework encapsulates the REIT's principles through four (4) pillars and nine (9) key focus areas which the REIT believes are pertinent towards the nature of the business, and will serve as a guide to drive sustainability across the REIT's operations.



Contribution to the United Nations Sustainable Development Goals

SUSTAINABILITY STATEMENT

The launch of the Twelfth Malaysia Plan, 2021-2025 (the “Twelfth Plan”) in September 2021 has set a new trajectory for the nation to achieve a prosperous, inclusive and sustainable society. Hinging on three (3) overarching themes: Resetting the Economy, Strengthening Security, Wellbeing and Inclusivity, and Advancing Sustainability, the Twelfth Plan is consistent with the objectives of the United Nations Sustainable Development Goals (“UN SDGs”).

To play its role in realising national and global aspirations, the REIT has adopted five (5) out of the 17 UN SDGs which the REIT believes are most suited to its business direction

OUR CONTRIBUTIONS

- Wide range of benefits provided
- Average of 10.84 training hours per employee
- 21 different training programmes conducted

- Electricity and internet allowance provided to employees who work from home
- Solar panel trial project in Pasaraya Komuniti @Mart Kempas

- Urban regeneration of a wetland area in Bandar Dato’ Onn Johor Bahru

- Solar panel trial project in Pasaraya Komuniti @Mart Kempas
- Monitoring Scope 2 GHG emissions

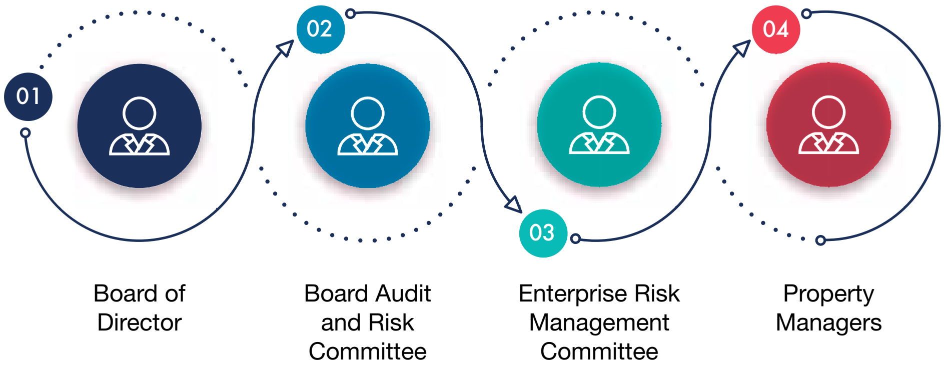
- Updated the ERM Policy & Framework
- Code of Conduct and Business Ethics
- Whistleblowing Policy
- Anti-Bribery and Corruption Policy and Manual

SUSTAINABILITY STATEMENT

Sustainability Governance

The Board of Directors (the "Board") of DRMSB forms the apex of Al-Salām REIT's sustainability governance structure. The Board is assisted by the Board Audit and Risk Committee ("BARC"). Discussion of potential ESG risk areas is conducted by the Enterprise Risk Management Committee ("ERMC"), who report to the BARC. Implementation difficulties on ESG issues are reported directly to the Board.

Monitoring of implementation and achievement of targets is discussed at the Property Managers meeting.



ENGAGING STAKEHOLDERS

The REIT defines its key stakeholders as those with a significant interest, impact and influence on its business operations. During these trying times, it is crucial to maintain a trusted and long-lasting relationship with stakeholders to uphold the REIT's reputation, improve the REIT's performance and manage their expectations. Driven by its purpose to create value for its stakeholders, the REIT has effectively engaged with them to obtain their views and feedback on areas of interests.

Stakeholders	Areas of Interest	Method of Engagement	Frequency of Engagement
Employees	• Staff performance and development • Business strategies, objectives, achievements • Staff wellbeing • Employee benefits	• Performance appraisal and career development plan • Townhall • Revision of salary package • Work-life balance	• Yearly • Yearly • Every 3 years • Ongoing
Investors	• Corporate financial performance • Corporate governance • Investor relationship management • Environmental matters • Safety of assets	• AGM • Corporate website • Annual & quarterly reports • Investor relations briefings • Investment criteria/policy	• Yearly • Minimum quarterly • Yearly & quarterly • Quarterly • Yearly
Tenants	• Safety and health • Communication and tenant owner relations • Mall/Building facilities • Environmental matters • Activities, programmes or marketing campaigns to increase footfall	• Tenant satisfaction survey • Joint community programme • Complaint management - ServeDeck • Promotion on green/renewable energy and waste management efficiency	• Twice a year • By event • Monthly • Ongoing

SUSTAINABILITY STATEMENT

Stakeholders	Areas of Interest	Method of Engagement	Frequency of Engagement
Customers	• Safety and health • Facilities or services provided in the building • Promotion or sales offers by tenants	• Complaint management • Social media such as Facebook, Instagram • Emails	• Ongoing • Monthly
Local Communities	• Social contribution	• Community events • Foodbank/voluntary works	• By event
Regulatory Agencies & Statutory Bodes	• Compliance to regulations • Labour practices • Transparency and disclosures	• Quarterly compliance report to the BoD • Announcements, notifications & reporting • Compliance audits	• Quarterly • Quarterly, halfyearly, as and when required • Annually
Service Providers & Suppliers	• Transparent procurement process • Business ethics	• Evaluation & performance reviews • Compliance to MACC Act • Procurement Policy	• Ongoing • Ongoing • Ongoing
Property, Service, Maintenance Managers	• Income & expenditure • Leasing & total occupancy • Marketing & promotions • Maintenance summary • Security, housekeeping & parking	• Monthly report • Monthly meeting	• Monthly • Monthly

MATERIAL SUSTAINABILITY MATTERS

Materiality Assessment

The principles of materiality assessment have proven to be effective in identifying and prioritising material sustainability matters pertinent to the business and to the stakeholders. In the year under review, Al-Salām REIT has reassessed and reprioritised the material sustainability matters to account for changes across the business landscape due to the pandemic.

The initial stage of the assessment consists of a benchmarking exercise to determine the relevance of the REIT's FY2021 material sustainability matters. Based on the results of this exercise, the REIT decided to remove, retain and consolidate several matters, as presented in the next page. A total of 15 material matters were then ranked using an online survey platform, and plotted on a materiality matrix.

The material sustainability matters represent Al-Salām REIT's most pressing ESG risks and opportunities

SUSTAINABILITY STATEMENT

	FY2020 Material Sustainability Matters	FY2021 Material Sustainability Matters
Robust Corporate Governance	Corporate Governance	**Corporate Governance and Business Ethics**
	Anti-Corruption	
	Anti-Competitive Behaviour	
	Regulatory Compliance	**Regulatory Compliance**
	Risk Management	**Risk Management**
Sustainable Trust Fund	Financial Performance	**Financial Performance**
	Indirect Economic Impacts	**Indirect Economic Impacts**
	Procurement Practices	**Procurement and Supply Chain Management**
	Supply Chain	
Environmental Stewardship	Energy Management	**Climate Change**
	Emissions	
	Waste and Effluent Management	**Waste and Effluent Management**
	Water Management	**Water Management**
	Land Remediation, Contamination or Degradation	
Strong Social Relationships	Diversity	**Diversity and Inclusion**
	Labour Practices	**Human Rights and Labour Standards**
	Human Rights	
	Production and Services Responsibility	**Tenant and Customer Satisfaction**
	Occupational Health and Safety	**Occupational Health and Safety**
	Community Investment	**Community Engagement**
		Human Capital Development

IDENTIFY

An extensive exercise to identify material matters was conducted by benchmarking Al-Salām REIT to its peers in the country and globally, while taking into account relevant risks and opportunities

ASSESS

An online materiality assessment form was created and distributed to respondents, who had to rank the importance of material matters to business operations and key stakeholders.

PLOT

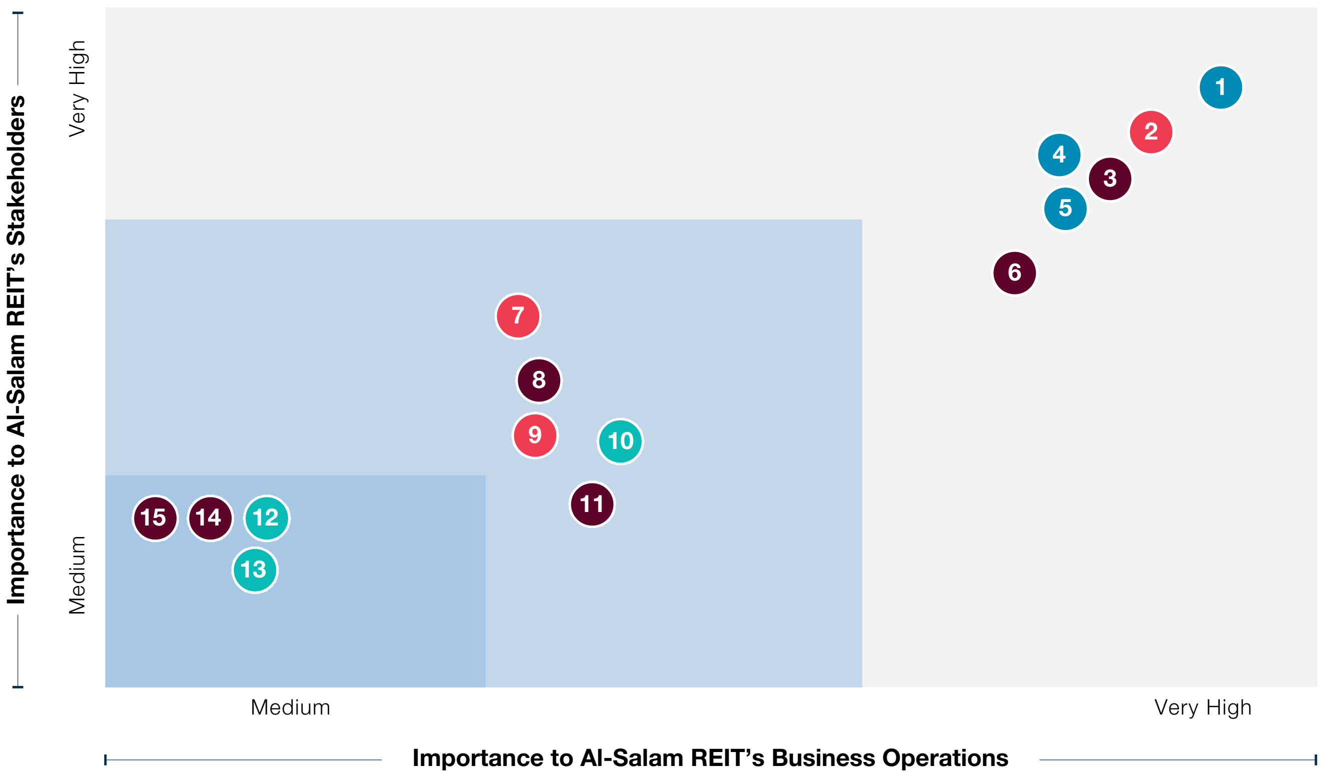
The responses were gathered and plotted on a matrix using the weighted average method

VALIDATE

A workshop was held with representatives from DRMSB and a Board member to discuss and validate the materiality matrix

SUSTAINABILITY STATEMENT

Materiality Matrix



Robust Corporate Governance	Sustainable Trust Fund	Environmental Stewardship	Strong Social Relationships
1. Regulatory Compliance 4. Risk Management 5. Corporate Governance and Business Ethics	2. Financial Performance 7. Indirect Economic Impacts 9. Procurement and Supply Chain Management	10. Climate Change 12. Waste and Effluent Management 13. Water Management	3. Tenant and Customer Satisfaction 6. Health and Safety 8. Human Rights and Labour Standards 11. Human Capital Development 14. Diversity and Inclusion 15. Community Engagement

SUSTAINABILITY STATEMENT

Mapping the Material Sustainability Matters

Material	Description	Stakeholders	Corresponding
Robust Corporate Governance			
Regulatory Compliance	Efforts to adhere to laws,regulations, guidelines and specifications relevant to business operations.	Employees, Investors, Tenants, Regulatory Agencies & Statutory Bodies	8 DECENT WORK AND ECONOMIC GROWTH; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Risk Management	Strategies in managing operational, financial and compliance risks to ensure sustainable long-term growth.	Employees, Investors	8 DECENT WORK AND ECONOMIC GROWTH
Corporate Governance and Business Ethics	Values, principles, standards and norms that are critical towards business sustainability.	Employees, Investors, Tenants, Regulatory Agencies & Statutory Bodies	8 DECENT WORK AND ECONOMIC GROWTH; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Sustainable Trust Fund			
Financial Performance	Strategies in managing financial and operational performance, as well as measuring their effects on stakeholders.	Employees, Investors	8 DECENT WORK AND ECONOMIC GROWTH
Indirect Economic Impact	Strategies in managing the indirect economic impacts of infrastructure investments and the services supported.	Tenants, Customers, Local Communities	8 DECENT WORK AND ECONOMIC GROWTH; 11 SUSTAINABLE CITIES AND COMMUNITIES
Procurement and Supply Chain Management	Management of supply chain activities to maximise value for customers and tenants, as well as ensure that products or services provided by suppliers meet the standards and requirements of the Manager.	Customers, Local Communities, Service Providers & Suppliers, Property/Service/ Maintenance Manager	8 DECENT WORK AND ECONOMIC GROWTH
Strong Social Relationships			
Tenant and Customer Satisfaction	Initiatives to ensure that all properties are comfortable, safe, and meet the standards of all tenants and customers.	Tenants, Customers	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Health and Safety	Measures taken to prevent workplace accidents or injuries, and to maintain a safe and conducive working environment.	Employees, Tenants, Customers, Regulatory Agencies & Statutory Bodies	8 DECENT WORK AND ECONOMIC GROWTH
Human Rights and Labour Standards	Respecting and protecting the rights of all employees, service providers and suppliers, local communities and other stakeholders regardless of gender, age, employment type, nationality, religion and race.	Employees, Local Communities	8 DECENT WORK AND ECONOMIC GROWTH
Human Capital Development	Providing personal and professional benefits, training, and development opportunities to all employees.	Employees	8 DECENT WORK AND ECONOMIC GROWTH

SUSTAINABILITY STATEMENT

Material	Description	Stakeholders	Corresponding
Strong Social Relationships			
Diversity and Inclusion	Promoting a diverse and inclusive workplace where every employee, regardless of gender, race and ethnicity, is treated with dignity and respect.	Employees	8 DECENT WORK AND ECONOMIC GROWTH
Community Engagement	Building strong relationships through regular engagement activities, to promote the wellbeing of local communities.	Local Communities	8 DECENT WORK AND ECONOMIC GROWTH; 11 SUSTAINABLE CITIES AND COMMUNITIES
Environmental Stewardship			
Climate Change	Efforts made on responsible energy management and usage to reduce the impacts on climate change.	Investors, Tenants, Property/Service/ Maintenance Manager	13 CLIMATE ACTION
Waste and Effluent Management	Managing waste to reduce its generation and ensure that it is disposed of properly.	Investors, Tenants, Local Communities, Regulatory Agencies & Statutory Bodies, Property/Service/Maintenance Manager	13 CLIMATE ACTION
Water Management	Managing water to reduce its consumption.	Investors, Tenants, Customers, Property/Service/Maintenance Manager	13 CLIMATE ACTION

ROBUST CORPORATE GOVERNANCE

Regulatory Compliance

Some of the key national laws, regulations and guidelines applicable to the REIT's business include:

Capital Market Services Act 2007	Income Tax Act 1967
Main Market Listing Requirements	EPF Act 1991
Guidelines on Listed REITs	Malaysian Code on Corporate Governance ("MCCG")

To ensure the REIT's continues to comply with all relevant legal and statutory requirements, the Manager maintains a comprehensive compliance report which presents the requirements of various acts, risk treatment, the REIT's mitigation plans and risk rating. The Manager also seeks legal advice from professionals, conducts training on legal requirements and requires that internal audits be performed by external consultants.

At REIT-level, it is crucial that the REIT's tenants abide by the necessary legal requirements and agreements such as the Uniform Building By-Laws 1984, the Fire Services Act 1988, and the Lease/ Tenancy Agreement. To manage this, the REIT requests for cover notes for insurance to ensure that the properties are protected in case of hazards such as fire. The REIT also conducts monitoring to ensure firefighting systems are in good condition and fit out works guidelines comply with relevant laws.

To keep abreast with the developments in the regulatory landscape, the Board receives legal and secretarial updates, Management personnel and the Board are required to attend talks and seminars, and the Manager receives alerts from Bursa Malaysia, the Securities Commission and the Malaysia REIT Association.

SUSTAINABILITY STATEMENT

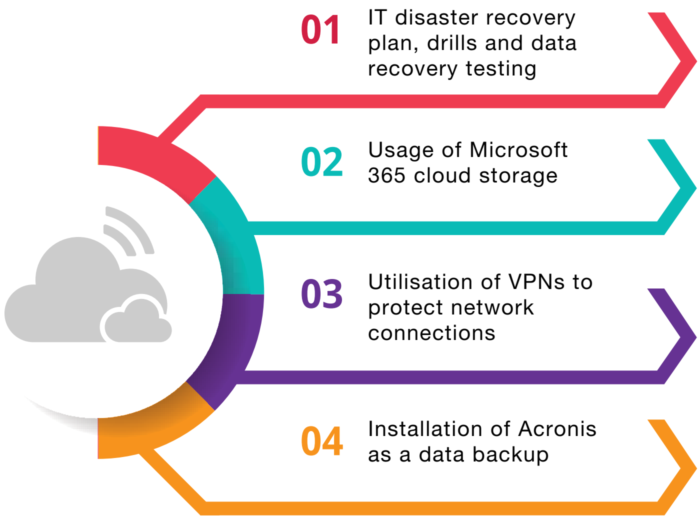
The initiatives taken to ensure compliance with applicable laws and regulations are communicated internally through management meetings, announcements and briefings, and externally through Annual General Meetings, analyst briefings, the REIT's corporate website and annual reports. All queries are directed to a designated person via email. In the year under review, the REIT is pleased to disclose that no incidents of non-compliance have been recorded.

Risk Management

Managing risks appropriately is crucial for long-term strategy planning and futureproofing the business as a REIT. Risk management within the REIT falls under the purview of the Board Audit and Risk Management Committee ("BARC") which is assisted by the Enterprise Risk Management Committee ("ERMC"). These committees are mainly responsible for ensuring risk management is integrated in the Manager's day-to-day operations, and identifying risk parameters, appetite, profiles, treatment options, action plans and indicators. As per the Enterprise-Wide Risk Management ("ERM") Policy and Framework, the Manager reviews risks on a quarterly basis. All findings are compiled in a detailed risk register where the main risk categories are strategic, financial, operational, compliance, IT and integrity risks.

In the year under review, the Manager has decided to update the ERM Policy and Framework, effective 2 December 2021. The updates have considered MCCG's emphasis on ESG-related risks, internal changes to the governance structure, standard operating procedures ("SOPs"), the timely execution of mitigation plans and establishment of the Three Lines of Defence model. The Manager also targets to adopt an ESG Risk Profile in the first quarter of FY2022.

In the Three Lines of Defence models, business line management is the first line, risk management is the second and internal audits are the third



Risks are communicated to employees and risk owners during briefings and training programmes. Risk owners are specified at the Risk Identification stage and are responsible for reporting the progress of mitigation plans at weekly Management Committee meetings. To ensure efficient communication of risks and mitigation plans, the ERMC conducts quarterly meetings. In FY2021, the Manager conducted training on Risk Profiling in February, and held a risk refresher workshop in August.

To manage the risks posed by the pandemic, the Manager has implemented various business continuity measures, particularly in relation to digital transformation.

Corporate Governance and Business Ethics

Day-to-day processes are governed by internal SOPs which address business development, internal controls, risk management, compliance, IT, talent management, finance and operations. The values, principles and expectations of professional conduct within Al-Salām REIT are further upheld through the Manager's Code of Conduct and Business Ethics (the "Code"). The Code contains clear guidelines on how employees and associates are expected to behave, as well as the disciplinary actions in the event of non-compliance. The Code is complimented by policies such as the Whistleblowing Policy and Anti-Bribery and Anti-Corruption Policy ("ABAC Policy") and Manual. These policies and procedures are communicated to employees via email, briefings, training sessions and posters.

SUSTAINABILITY STATEMENT

The Whistleblowing Policy provides a formal channel for employees and other stakeholders to report occurrences of malpractice within the organisation. A disclosure can be made in writing, verbally or via electronic means to the Integrity Officer. If a report is made verbally, it must be followed by a report in writing or via email. When a whistleblowing report is made, an investigation officer will be appointed by the Direct Report. The Direct Report is either the Audit Committee, the Board, or Executive Director, and is selected based on the severity of the report. All findings are reported to the appointed Direct Report. In accordance with the Whistle-Blower Protection Act 2019, all reports received through the whistleblowing channels are treated with confidentiality and impartiality, with no employee or third-party subject to consequence or retaliation for making a report in good faith. In FY2021, the Manager did not receive any whistleblowing reports.

Al-Salām REIT is committed to conducting business in compliance with the Malaysia Anti-Corruption Act 2009. As part of this commitment, the Manager has adopted an ABAC Policy which communicates and details the Manager's principles and guidelines on money laundering, gifts, entertainment and hospitality expenses. This policy is communicated internally via briefing and training, and externally via the corporate website. However, in this reporting period, the REIT did not conduct training related to anti-bribery and corruption due to COVID-19. In FY2021, no employees were dismissed due to non-compliance with the ABAC Policy.

To further enhance the REIT's commitment to anti-bribery and corruption, the Manager established a due diligence procedure for new tenants, and conducted risk assessments on approximately 50% of internal operations in this reporting period. Operations that had undergone the assessment included procurement and outsourcing, acquisitions/divestment, recruitment and training, and valuations. The findings of the risk assessment are compiled in an Integrity Risk register.

SUSTAINABLE TRUST FUND

Financial Performance

Delivering long-term sustainable returns to the REIT's investors is its priority. The REIT also generates economic value and contribute towards nation development by creating direct and indirect employment opportunities.

The COVID-19 pandemic has taken a toll on businesses. One of the main challenges faced by REITs stemmed from the difficulty of tenants to pay their rent due to poor business performance or the complete termination of tenancy agreements due to business closure.

To address these impacts and manage the REIT's cashflow, the REIT implemented a freeze on hiring throughout its operations. the REIT also received assistance from the government through the Perlindungan Ekonomi & Rakyat Malaysia (PERMAI) Assistance Package. With this package, a special tax deduction was received for providing at least 30% rental discounts to REIT tenants. This initiative not only aided the REIT, but also safeguarded the welfare and alleviated the financial stress of its tenants.

Leveraging on these control measures, the REIT generated a total of RM71,543,083 in revenue despite market conditions, and retained a profit of RM14,643,732.

Indirect Economic Impact

Indirect economic impacts are defined as the additional consequences of the direct impact of financial transactions, and addresses the impacts of a company's infrastructure investments and services supported.

As a REIT with multiple types of properties within the REIT's portfolio including office spaces, shopping malls and a supermarket, the REIT has observed various positive indirect economic impacts stemming from its operations. These include the creation of service/maintenance-related jobs within the supply chain, and the stimulation of regional economic development, particularly the growth of restaurants, small to medium enterprises and residential areas.

The Manager has also participated in an urban regeneration project at Bandar Dato' Onn Johor Bahru, in collaboration with Waqaf An-Nur Corporation Berhad. This project aims to regenerate and restore a wetland area by planting a variety of plant species, including flowering plants, herbs and aquatic plants. Once the project has been completed, it is hoped that the area will serve as an edu-tourism centre for the surrounding community.

SUSTAINABILITY STATEMENT

Procurement and Supply Chain Management

Due to the nature of the business as a fund manager and depending on the nature of the leasing agreement, Al-Salām REIT has a minor role in the procurement of contractors and service providers for its properties. For triple net lease agreements, all supply chain decisions and property expenditures are borne by the tenant, whereas for other properties, any construction works or total replacement of assets require the approval of the REIT's trustee, and management services are controlled by the REIT's property managers. However, the REIT is aware that all procurement decisions and supply chain management will ultimately affect operations, and therefore it monitors these decisions wherever possible.

The REIT monitors the progress of any construction works after approval by its trustee, and require that its property managers report on electricity consumption within the properties. The REIT also monitors the supplier/contractor/service provider screening and evaluation process. The screening criteria includes SSM registration, price, work experience, and previous clients. Performance evaluations are conducted twice a year where the stakeholders are ranked on a scale of one (1) to four (4) based on specific criteria. In the event of poor performance, the stakeholder is sent a reminder by letter or email to improve.

PERFORMANCE EVALUATION

CRITERIA

- Price
- Punctuality
- Quality of Product/ Service
- After Sales Service
- Complaints/Comments Received

Calculation Method

(Total Score/20 x 100%)

SCALE OF SCORES

Poor	0-39%
Moderate	40-59%
Good	60-79%
Very Good	80-100%

Another important aspect of responsible procurement is sourcing services locally where possible. This not only reduces greenhouse gas emissions but also contributes to the development of the local economy. In this reporting period, 100% of Al-Salām REIT's procurement budget was expended locally.

STRONG SOCIAL RELATIONSHIPS

Tenant and Customer Satisfaction

The performance as a REIT heavily relies on the satisfaction of the REIT's tenants and customers. The REIT strives to secure their satisfaction, subsequently securing long-term tenancy. To determine the satisfaction levels of its tenants, the REIT conducts satisfaction surveys twice a year. Tenants are required to rank various categories as sufficient, satisfactory, good or excellent. The categories include cleanliness, security, technical aspects, concierge, car park facilities, food courts, as well as marketing and promotions. In this reporting period, the REIT recorded an average score of 85% across its properties.

Another important facet of managing tenant and customer satisfaction is responding to and resolving complaints efficiently. Within its properties, the REIT uses the ServeDeck system for monitoring and resolving complaints and other issues (mechanical, electrical, cleanliness, etc), submitted by the scanning of a QR Code placed in public areas such as the lift lobby and toilets. In the year under review, most of the complaints/issues received across properties were technical in nature. KOMTAR JBCC also received complaints pertaining the carpark while Pasaraya Komuniti @Mart Kempas received complaints about cleanliness and security. The average percentage of complaints/issues resolved in FY2021 across the REIT's portfolio was 96%. Generally, complaints/issues are addressed and resolved within a day of receiving them.

Average Satisfaction Score

SUSTAINABILITY STATEMENT

Property	Total No. of Complaints/ Issues Received	Percentage of Complaints/ Issues Resolved (%)
KOMTAR JBCC	767	98
Menara KOMTAR	598	98
Pasaraya Komuniti @Mart Kempas	302	95

In light of the pandemic, the REIT has also had to navigate the effects of the pandemic on its tenants and customers. To support them through these trying times, the REIT implemented various initiatives.

01 Rental assistance

02 Season parking pass discounts

03 Daily disinfection and sanitisation

04 Awareness

Health and Safety

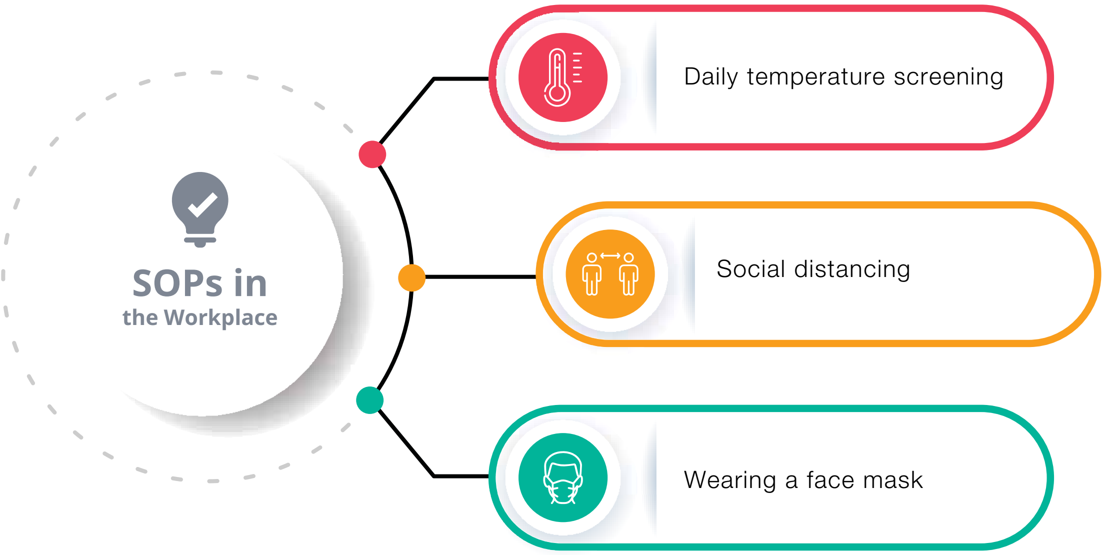
At Al-Salām REIT, the health and safety of employees, tenants and customers is taken seriously, and the REIT strives to embed a culture of accident prevention and risk management throughout operations.

At each property, there is an established an Emergency Response Team ("ERT"). The ERT consists of a chairman, secretary, employer and employee representatives. The employer representatives are further broken down into various categories such as the health, training and investigation bureaus. Under the ERT, there are three (3) main teams, namely the Fire Fighting Team, Search and Rescue, and the First Aid Team. Such a structure allows for an immediate and efficient response in the face of an emergency. The REIT has also established a firefighting system and conducted fire drills once a year before the pandemic. All tenants are notified of emergency and evacuation procedures through letter and email.

The Operations Manager or Head of Technical department from the REIT's property managers, DASBPM, conducts hazard identification, risk assessment and risk control ("HIRARC") procedures within their managed properties. The scope of the HIRARC exercise includes electrical risks, machinery, and technical activities. A comprehensive HIRARC register is maintained to understand the risks associated with operations and the corresponding mitigation measures. DASBPM has also adopted various procedures addressing safe work culture when working within rooms of high voltage, and when operating the genset. All workers responsible for these works are expected to wear the appropriate gear and abide by the relevant procedures.

It was also imperative that the Manager safeguard the health of employees from the spread of COVID-19. While most employees worked from home, those who were in the office were required to adhere to all relevant SOPs. Vaccination of all staff at the REIT's properties was mandatory.

SUSTAINABILITY STATEMENT



As a result of the effective implementation of health and safety measures stated above, the REIT recorded zero reportable incidents in this reporting period.

Human Rights and Labour Standards

The Manager operates in full compliance with the Employment Act 1955, and prohibits all forms of child, forced and bonded labour throughout operations. The Manager also strives to provide a safe and mutually respectful workplace environment that is free from violence, harassment, humiliation and intimidation of a sexual nature. The working hours of DRMSB's employees complies with all applicable laws. However, recognising the need for employees to balance their working life with other interests and responsibilities, the Manager offers flexible working hours and flexible work arrangements.

In this reporting period, one employee received online training on human rights issues prevalent in businesses, (Human Rights Issues in Business: Closing Gaps in Implementation & Reporting).

Human Capital Development

The Manager provides employees with a wide range of attractive benefits such as medical coverage, insurance, dental care, paternal leave and pilgrimage leave. In the face of the pandemic, the Manager also provided employees with an additional incentive to work from home, in order to safeguard the health of its employees. This incentive includes an allowance which covers home internet, establishment of a comfortable work space and electricity consumption.

To further cultivate the skillsets of employees while providing high job satisfaction and retaining key talent, the Manager provides professional training opportunities. This year, REIT's workforce collectively received 271 training hours from 21 different training programmes, averaging 10.84 hours per employee[1]. Employees are also given the opportunity to provide feedback on the training they have received to determine the effectiveness of the course. Some of the training programmes conducted this year include:

No.	Title
1	Sustainable and Responsible Investment Series 2021
2	Crisis Management Readiness – Post Pandemic
3	Governance Online Forum #1 – Financial Risk
4	Budget 2022 Tax Updates

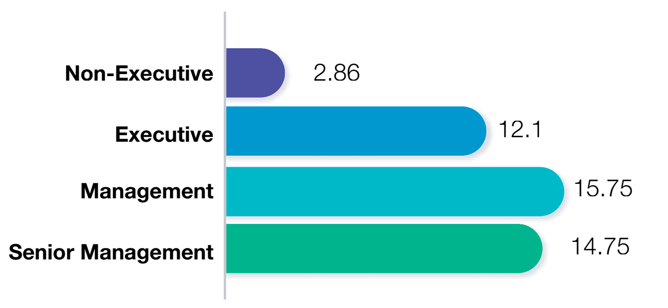
* All programmes were conducted online due to COVID-19 restrictions

[1] Average training hours per employee is calculated as total training hours over total number of employees.

SUSTAINABILITY STATEMENT

Average Training Hours by Gender

Average Training Hours by Employment Category



Regular performance reviews are also offered to all employees contributing to their personal development and skill management. A breakdown of performance reviews by gender and employment category is presented below. In FY2021, 100% of the REIT's permanent workforce received a performance review.

The Manager recognises the importance of a healthy work-life balance as it helps reduce stress and prevent burnouts in the workplace. Prior to the pandemic, initiatives to promote a work-life balance included staff trips. Unfortunately, due to the current circumstances, these gatherings were put on hold. Flexible work arrangements and "work from anywhere" concept were designed to continue to promote work-life balance despite the pandemic related disruptions to the workplace. Employees were also given a work-from-home allowance, which takes into consideration home internet usage, home space, and home electricity consumption.

In the year under review, the Manager recorded a hiring rate[2] of 7.7% and a turnover rate[3] of 15.4%.

Diversity and Inclusion

<u>Board Diversity Policy</u>

The Board takes cognisant of the MCCG 2021 clauses which specifies that (5.9) the board comprises at least 30% women directors and (5.10) The board discloses in its annual report the company's policy on gender diversity for the board and senior management.

The company has long understood the importance of diversity and inclusion. The commitment to diversity is embedded in our ESG that set out DRMSB's values. The composition and quality of the Board shall be optimised, to suit the Fund size, its investment portfolio and business direction. A diverse Board with a range of views enhances decision-making, which is beneficial to the Manager's/ Fund's long-term success in the interests of the stakeholders.

When selecting Directors, the process is based on objective criteria and there is no discrimination on any gender, personal or physical attributes that would not speak to such person's ability to perform as a Director.

All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires to be effective. The Board Nomination and Remuneration Committee ("BNRC") reviews and assesses Board composition on behalf of the Board and recommends the appointment of new Directors. In reviewing Board composition, NRC will consider the benefits of all aspects of diversity in order to maintain an appropriate range and balance of skills, experience and background on the Board and with due regard for the benefits of diversity on the Board.

It also oversees the conduct of the annual assessment of Board effectiveness. As part of the annual performance evaluation of the effectiveness of the Board, Board Committees and individual Directors, the BNRC will consider the balance of skills, experience, independence and knowledge on the Board and the diversity representation of the Board."

Workplace diversity fosters collaboration and drives innovation among employees. The REIT Manager values mutual respect and understanding across its organisation, and encourages employees to report cases of discrimination to the Human Resources department at the earliest possible opportunity.

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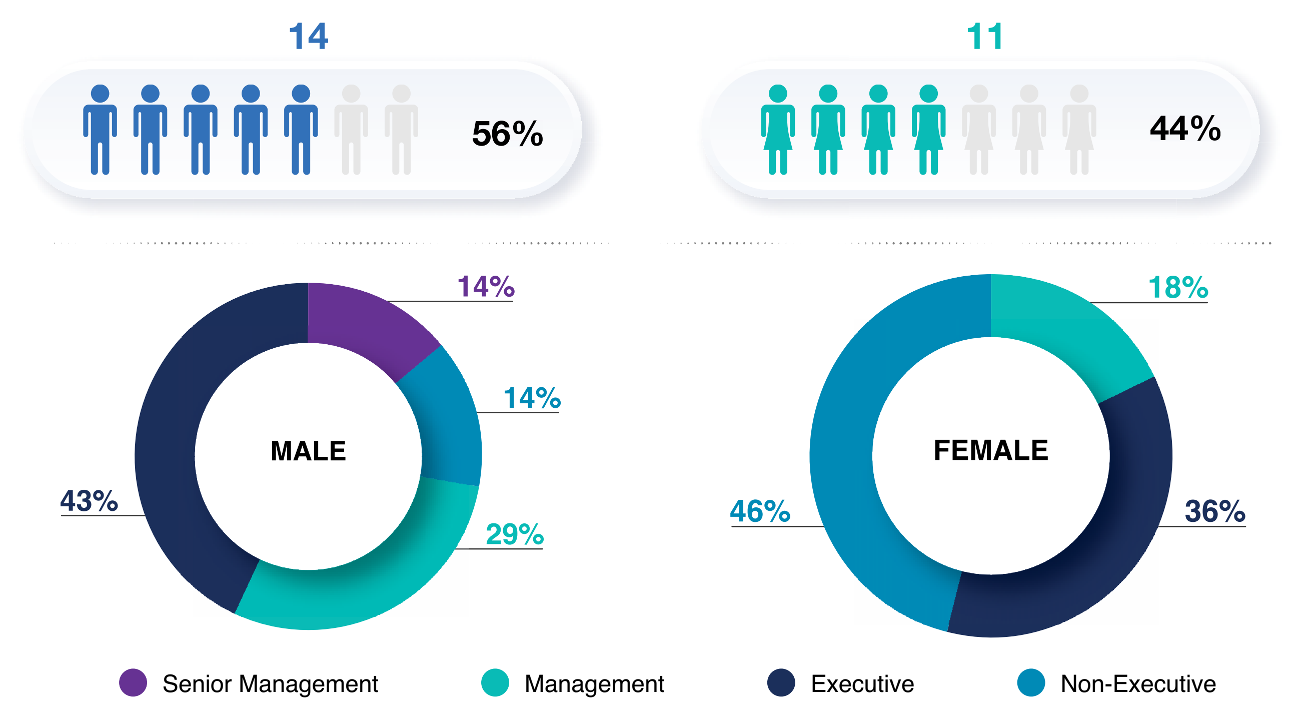
[2] Hiring rate is calculated as total number of hires over the average number of employees.
[3] Turnover rate is calculated as total number of resignations over the average number of employees.

SUSTAINABILITY STATEMENT

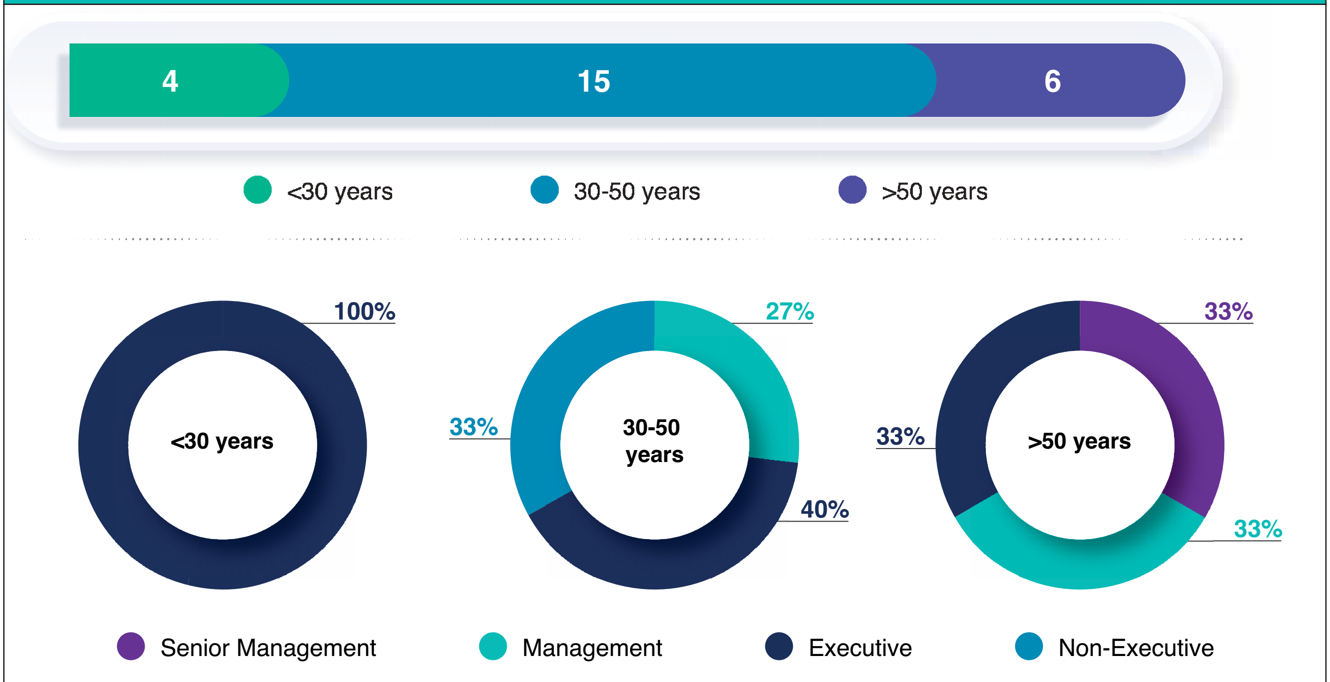
Currently, woman make up 44% of the REIT Manager's team and 25% of the Management team. While there are no women on the REIT Manager's Board of Directors, moving forward, the REIT Manager aims to ensure that the Board consists of at least 30% women directors, in line with the requirements of the updated Malaysia Code of Corporate Governance.

Majority of employees (60%) lie within the 30 to 50-year age bracket. They represent the talented and experienced professionals capable of driving the REIT's business forward. The REIT Manager's workforce is 100% Malaysian.

Employee Breakdown by Gender and Employment Category



Employee Breakdown by Age and Employment Category



SUSTAINABILITY STATEMENT

Community Engagement

The REIT is conscious of its role in societal development and strives to positively impact the communities in which it operates. This reporting period, the REIT Manager collaborated with various organisers and utilised Pasaraya Komuniti @Mart Kempas to alleviate the socioeconomic conditions of the local community. The strategy for this year was to do so by providing food aid to those in need.

No.	Title	Description
1	Yayasan JCorp Food Bank	A relief mission was launched for a period of three (3) months to provide food aid. As year end 2021, a total of 921 people received help
2	'Tautan Kasih' by Penggerak Komuniti Negara	A total of 40 Asnaf families received grocery packs from the NGO.
3	Bubur Lambuk Give Away by Dun Kempas	150 packs of bubur lambuk was distributed to shoppers by the Dun Kempas
4	Donation for Kempas Community	A total of 200 cans of creamer milk were handed over to the Ketua Kampung Kempas to be distributed to those in need.
5	Food Box for Security	Six (6) security personnel received food boxes.
6	Bantuan Susu Bayi	In collaboration with Persatuan Kebajikan Ummah, baby milk formula was distributed to mothers and families in need,
7	Donation for Kempas Community	In collaboration with Parlimen Pulai, a total of 25 food aid packages were distributed to taxi drivers.

SUSTAINABILITY STATEMENT

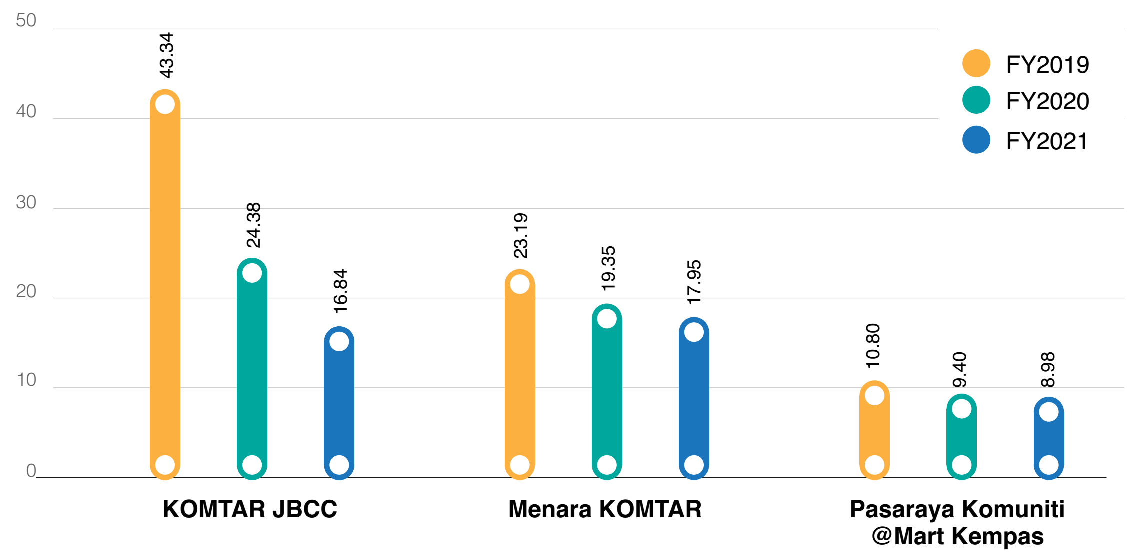
ENVIRONMENTAL STEWARDSHIP

Climate Change

Climate change is one of the greatest risks to the environment and Al-Salām REIT recognises that buildings and construction contribute nearly 40% of global greenhouse gas ("GHG") emissions[4]. The rising temperatures will also affect the business as a REIT. Some of the direct impacts such as flooding or forest fires, and indirect impacts including rising insurance costs and demographic changes could become more significant with time.

Al-Salām REIT aims to mitigate climate change risks by improving energy efficiency. The first step in this direction is monitoring the REIT's electricity consumption to identify the energy intensive operations and consumption patterns. In this reporting period, the REIT has calculated its Building Energy Index using electricity data. This information gives an idea of how much electricity is being used in lettable areas of each property. For the last three financial years, the electricity consumption intensity has been decreasing across the three properties, indicating efficiency improvement.

Building Energy Index, kWh/sq ft



The REIT has also calculated its scope 2 GHG emissions for the past three (3) years using electricity data respectively.

Property	Scope 2 Emissions (tCO2e)		
	FY2019	FY2020	FY2021
KOMTAR JBCC	12,281.66	6,909.79	4,772.72
Menara KOMTAR	2,759.48	2,302.29	2,136.30
Pasaraya Komuniti @Mart Kempas	795.13	691.47	660.66

[4] Global Alliance for Buildings and Construction, International Energy Agency and the United Nations Environment Programmer (2019): 2019 global status report for buildings and construction: Towards a zero-emission, efficient and resilient buildings and construction sector

SUSTAINABILITY STATEMENT

To manage its impact on climate change, the REIT has installed solar panels as a trial project in Pasaraya Komuniti @Mart Kempas. This project is ongoing and expected to be completed in February 2022. With the installation of these solar panels, the REIT will not only be reducing its GHG emissions, but will also benefit from a 20% discount on tariff rates.

Waste and Effluent Management

Waste most commonly associated with operational buildings is municipal waste consisting of domestic and food waste. From the environmental point of view, the major impacts include potential water contamination, and the release of greenhouse gases such as carbon dioxide, carbon monoxide and methane whereas socially, public health is a concern.

Al-Salām REIT is aware of the impact of improper management of waste. Across its properties, the REIT has engaged licensed contractors to collect and dispose of waste in accordance to relevant legal requirements.

While the REIT understands that a large part of managing waste efficiently is tracking and recording the amount of waste generated from properties, it has not implemented any measures to do so yet.

Water Management

As a REIT, an undisrupted supply of water is crucial for the business. While Malaysia is not a water-stressed region, the nation is no stranger to water shortages and supply disruptions as a result of pollution by industries. Within its properties, the REIT has identified the improper use of water to be a major impact associated with operations. To manage these risks, the REIT is committed to minimising water wastage by reducing total water consumption and water intensity. Efficient water management also translates to less energy which also reduces carbon footprint, and lowers overall operational cost.

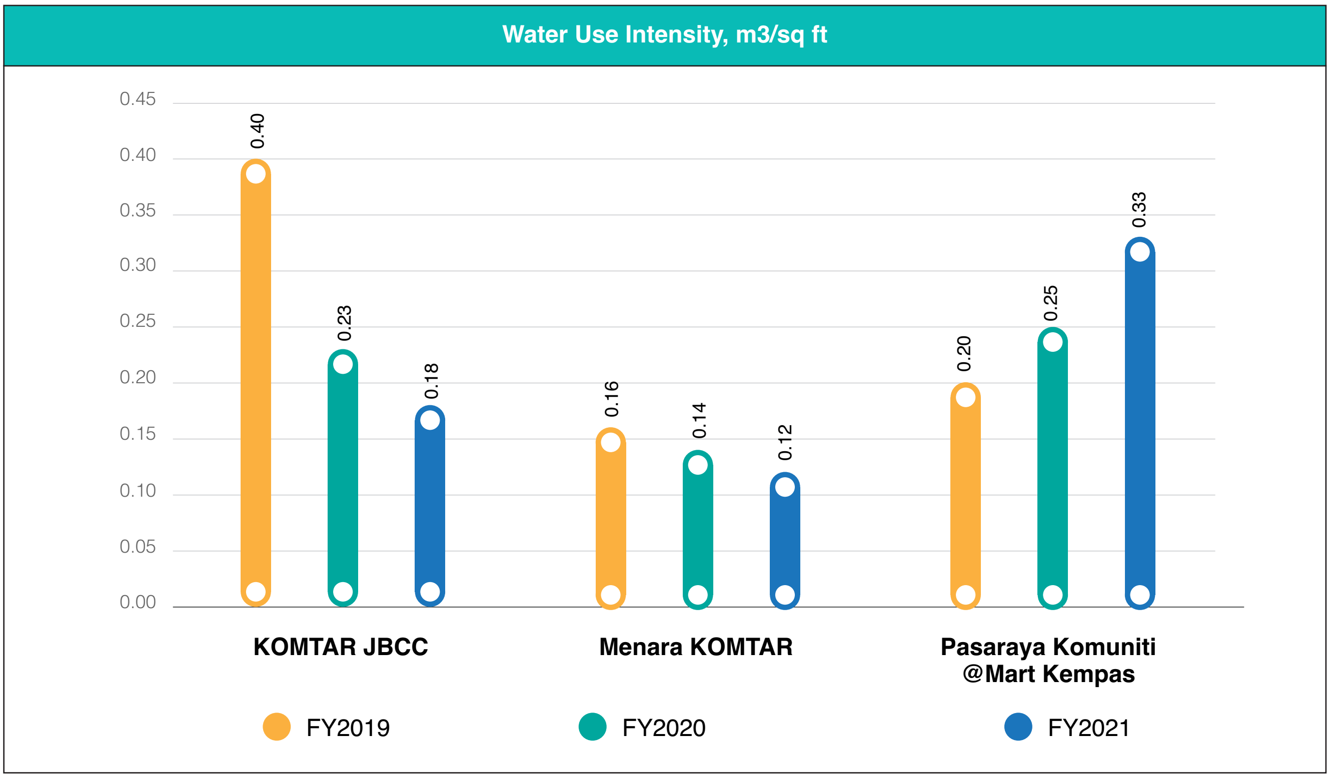
Water intensity is the amount of water used in a given area

The REIT's strategy to manage water within its property portfolio is to raise awareness among tenants, customers/shoppers, service providers and cleaners on responsible water usage. Awareness is created by posters displayed throughout food courts, common areas, and toilets. As a result of these initiatives, the REIT has noticed a year-on-year reduction in water consumption within its properties.

Water Consumption, m³			
	FY2019	FY2020	FY2021
KOMTAR JBCC	153,192	87,426	70,644
Menara KOMTAR	25,780	21,703	19,013
Pasaraya Komuniti @Mart Kempas	19,461	24,815	32,326

* The drastic increase in water consumption from FY2019 to FY2020 for Pasaraya Komuniti @Mart Kempas was caused by a faulty water meter, resulting in lower readings in FY2019.

In this reporting period, the REIT calculated its water use intensity to better understand consumption patterns within lettable areas of its properties. Akin to the water consumption data, the results show a steady decrease in water use intensity at KOMTAR JBCC and Menara KOMTAR, and an increase at Pasaraya Komuniti @Mart Kempas.



CONCLUSION

Despite the challenges the REIT has faced in light of COVID-19, it continues to remain resilient and committed in its endeavours to promote sustainable practices and manage ESG risks and opportunities. In the years to come, the REIT aims to strengthen its ESG performance while sustaining positive economic growth and delivering value to its stakeholders.

SUSTAINABILITY STATEMENT

GRI Indicator	Content of Disclosure	Page Number
General Disclosures		
102-1	Name of the organisation	76
102-4	Location of operations	78
102-8	Information on employees and other workers	93
102-16	Values, principles, standards and norms of behaviour	86-88
102-17	Mechanisms for advice and concerns about ethics	86-88
102-18	Governance structure	81
102-32	Highest governance body's role in sustainability reporting	81
102-40	List of stakeholder groups	81-82
102-43	Approach to stakeholder engagement	81-82
102-44	Key topics and concerns raised	81-82
102-46	Defining report content and topic boundaries	76-78
102-47	List of material topics	82-83
102-50	Reporting period	76
102-55	GRI Content Index	98
103-2	*Management approach*	*Throughout*
Economic		
201-4	Financial assistance received from government	88
203-1	Infrastructure investment and services supported	88
204-1	Proportion of spending on local suppliers	89
205-1	Operations assessed for risks related to corruption	87-88
205-2	Communication and training about anti-corruption policies and procedures	88
Environment		
302-1	Energy consumption within the organisation	95
302-3	Energy intensity	95
302-4	Reduction of energy consumption	95-96
303-5	Water consumption	96
305-2	Energy indirect (Scope 2) GHG emissions	95
306-2	Management of significant waste-related impacts	96
307-1	Non-compliances to environmental law and regulation	86-87
Social		
401-1	New employee hire and employee turnover	92
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	91-92
403-1	Occupational Health and Safety management system	90-91
403-2	Hazard identification, risk assessment, and incident investigation	90-91
403-4	Worker participation, consultation, and communication on occupational health and safety	90-91
404-1	Average hours of training per year per employee	91-92
404-2	Programmes for upgrading employee skills and transition assistance programmes	91-92
405-1	Diversity of governance bodies and employees	92-93
413-1	Operations with local community engagement, impact assessments, and development programs	94
419-1	Non-compliance with laws and regulations in the social and economic area	86-87

CORPORATE
GOVERNANCE

SECTION 5

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Board is pleased to present the Corporate Governance ("CG") Overview Statement of the Company for the financial year ended 31 December 2021. This CG Overview Statement is prepared pursuant to the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements").

The Board has been guided by the Malaysian Code on Corporate Governance ("MCCG") in its implementation of CG practices while ensuring compliance with the Listing Requirements and the Companies Act 2016 in addition to monitoring developments in industry practice and other relevant regulations and other statutory requirements, best practices and guidelines as below:

- Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad;
- The Guidelines for Listed REITs
- Bursa Malaysia Corporate Governance Guide

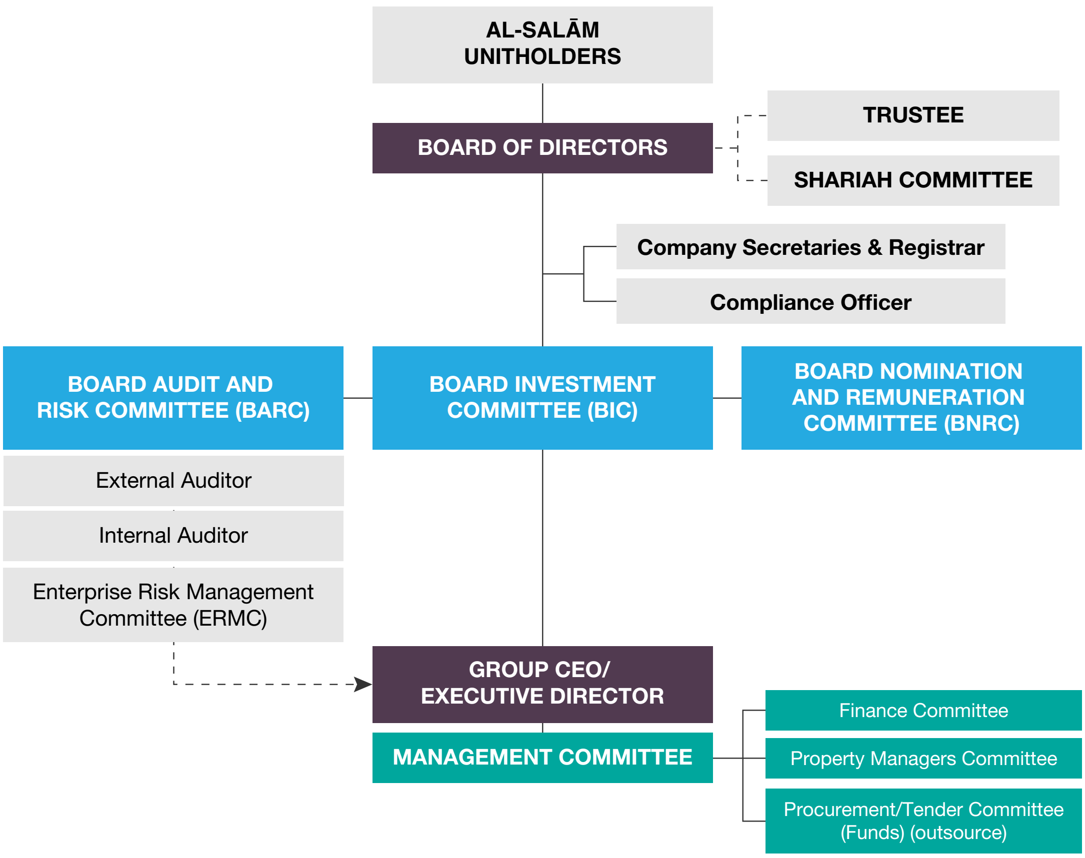
The CG Overview Statement provides a summary of the Company's CG practices during the financial year, with reference to the following 3 principles, intended outcomes and practices of the MCCG, having considered the Company's structure, processes, business environment and industry practices:

- Principle A: Board Leadership and Effectiveness;
- Principle B: Effective Audit and Risk Management; and
- Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

This CG Overview Statement should be read together with the CG Report, and also be read in conjunction with other statements in this Annual Report such as the Statement on Risk Management and Internal Control and the Board Audit and Risk Committee (BARC) Report.

CORPORATE GOVERNANCE FRAMEWORK

The governance structure of the Company where the responsibilities of the Board are delegated to the relevant Board Committees and the Management of the Company are illustrated below:



CORPORATE GOVERNANCE STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

In its deliberation and review of the CG Overview Statement, the Board is satisfied that the practices set out in the MCCG as defined in the MCCG, in all material respects, have been applied to achieve the intended outcomes for the financial year under review except for the practices mentioned below:

Practice 1.4 : **The Chairman of the Board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee.**

During the year under review, the Chairman of the Board, Dato' Haji Mohd Redza Shah bin Abdul Wahid was the Chairman of the Board Remuneration and Nomination Committee (BNRC).

The BOD in its meeting dated 2 December 2021 agreed on the appointment of a new Independent Director, Datuk Hashim bin Wahir as Chairman of the BNRC on 24 January 2022. His appointment as the new Independent Director, however, is subject to the Securities Commission's approval and is expected to be obtained in March 2022.

Practice 5.6 : **In identifying candidates for appointment of directors, the Board does not solely rely on recommendations from existing board members, management or major shareholders. The Board utilises independent sources to identify suitably qualified candidates. If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.**

In the event of a need to appoint new member(s) of the Board, nominations will be tabled and deliberated in the Company's BNRC meeting to assess the qualified candidate with the required core competency to effectively discharge his/her role as a Director of the Company.

In practice, upon the need to seek for a candidate for appointment as directors, the BNRC will source for candidates via recommendations from existing Board members or major shareholders.

Candidates are selected based on a specified criteria that are relevant to the industry that the Fund is in and also the outcome of the background check/ due diligence carried out on the potential candidates.

In scouting for suitably qualified candidates for the Company, high regard and emphasis are placed on the ability of the candidate, who shall have the relevant skills and knowledge pertaining to the industry.

Before being appointed as a director, the Board, via the BNRC, assesses each potential candidate regardless of the source of the recommendation, based on among others, the candidate's integrity, independence, diversity in terms of age, gender, cultural background and experience, leadership and ability to exercise sound judgement. The BNRC will then recommend their findings for consideration and approval by the Board. The power to appoint the director(s) nominated is vested wholly on the Board.

Moving forward, the Board will, nonetheless, consider sourcing out the task of scouting qualified & expert candidates to become potential directors of the company to renowned job hunting firm.

Practice 5.9 : **The board comprises at least 30% women directors.**

The Board of Directors consist of all male directors. Previously, the Board had two female directors. However, both of them had retired in 2020.

The Board is continuously scouting for at least one woman director to sit on board in 2022, taking into account diverse perspectives and insights based on the candidate's integrity, independence, diversity in terms of age, gender, cultural background and experience, leadership and ability to exercise sound judgement.

Target date for full implementation: June 2023

CORPORATE GOVERNANCE STATEMENT

Practice 8.1 : **There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.**

The remuneration of the directors is paid by the REIT Manager and not by the Fund. However, the Board ensures that the remuneration policy takes into account the demands, complexities and performance of the Company as well as skills-set and relevant experiences required. For Independent Directors, the Board ensures that the remuneration does not conflict with their obligation to bring objectivity and independent judgment on matters discussed at the Board meetings.

Practice 8.2 : **The Board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.**

The Board is of the view that such disclosure may not be in the best interest of the Company due to confidentiality and security concerns.

The details on the extent of the application of each CG practice as set out in the MCCG including the explanation for non-adoption of or departure from the abovementioned practices, are available in the CG Report for the financial year ended 31 December 2021.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

The Board Audit and Risk Committee (BARC)

The Board Audit and Risk Committee (BARC) is chaired by an Independent Non-Executive Director and consists of another Independent Non-Executive Director and a Non-Independent Non-Executive Director.

The composition of the BARC, its duties and responsibilities as well as details of meetings attended by each member can be found in the Terms of Reference of the BARC, which is available on the website of Al-Salām REIT at www.alsalamreit.com.my

The BARC assists the Board in carrying out its duties and responsibilities in fulfilling its responsibility for oversight with respect to ensuring the integrity of the Company's financial statements, performance of the Company's independent auditors and internal audit function, risk management practices and internal control of the company.

The Enterprise Risk Management Committee (ERMC)

The Enterprise Risk Management Committee (ERMC) is a management Committee established at the Company Level to identify potential events that may affect the Fund and the REIT Manager adversely, and systematically manage risk within its risk appetite, to provide reasonable assurance regarding the achievement of strategic objectives.

ERMC also supports the BARC in fulfilling its oversight responsibilities with respect to ERM Policy & Framework and its processes, including risk assessment on key strategic, financial, operational and compliance risks.

Other responsibilities of the ERMC include:

(a) To coordinate the development of risk management policies and procedures and its initiatives to ensure an effective ERM framework is in place;

(b) To review and deliberate risk reports and, where applicable, recommend mitigation strategies for implementation;

(c) To provide regular updates to the BARC on respective mitigation measures and action plans relating to the respective residual risk profile and ERM initiatives;

(d) To monitor, develop, review, assess and recommend to BARC on risk management strategies, policies and risk tolerance limits.

CORPORATE GOVERNANCE STATEMENT

Oversight and Assessment of the Suitability and Independence of External Auditors

The Board has established a transparent relationship with the Company's External Auditors and Internal Auditors via the BARC who has explicit authority to communicate directly with them. The External Auditors confirmed to the BARC of their independency at each financial year and during their presentation of relevant audit Memorandum.

The Board considered the suitability and independence of the External Auditors during the discussion of the Group Audit Plan for the financial year ended 31 December 2021. The factors that take into account including the adequacy of experience and resources of the firm and professional staff assigned to the audit and the level of non-audit services to be rendered by the External Auditors to the Group for the financial year under review.

The BARC had conducted an annual assessment of the timeliness, competence, audit quality and resource capacity of the external Auditor in relation to the audit, the nature and extent of the non-audit services rendered and the appropriateness of the level of fees.

The BARC had also obtained assurance confirming that the External Auditors are independent in accordance with the terms of all relevant professional and regulatory requirements.

Risk Management and Internal Control

The Board has the oversight responsibility of the adequacy and effectiveness of the Manager's system of internal controls which comprises the governance, risks and controls aspects. The Board believes that effective maintenance of the system is important to help the Fund to achieve its various objectives at many levels and having considered the risks that the Fund faces whilst balancing out the interest of its many stakeholders and protecting the assets and investments.

The Board fulfils its oversight function of risk management and internal control system via the BARC. The Enterprise Risk Management ("ERM") Framework provides guidance to both the Board and Management on the risk management reporting structure and governance, processes, assessment methodologies and tools.

The Management of key operating companies adopt and apply the prescribed methodologies to identify, evaluate, treat, control, track and report the Strategic and Business, Financial, Compliance and Operational Risks based on the risk appetite set. In addition to the ERM Framework, the Manager has in place an approved Compliance Framework for management of Compliance Risks which are recognised as part of Operational Risks under the ERM Framework.

An overview of the Board's responsibility and descriptions of the key components of system of internal control which include the conduct of reviews by the Internal Audit Function, risk management and compliance management is set out in the Statement on Risk Management and Internal Control on pages 112 to 118 of this Annual Report.

Internal Audit and Assurance

The Board has established an Internal Audit Function to provide assurance on the effectiveness of risk, control and governance processes. Oversight of the Internal Audit Function is delegated to the BARC to ensure that there are sufficient resources and internal audits are carried out objectively, effectively and independently.

The Internal Audit Function is outsourced to a team of competent and qualified auditors at Crowe Governance Sdn Bhd, who reports directly to the BARC. The Internal Auditors attended all meetings of the BARC during the financial year. The BARC's reviewed the scope of work and reports by the Internal Auditors and the detailed description of the Internal Audit Function are provided in the BARC Report on page 109 of this Annual Report.

The Internal Audit Function discharges its duties in accordance with internationally recognised framework and guidelines as described on page 117 in the Statement on Risk Management and Internal Control and page 109 in the BARC Report of this Annual Report, respectively.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

The Board believes in providing prompt and accurate disclosure of material information to unitholders. The Board believes that regular engagements will enhance stakeholders' understanding and appreciation of Al-Salām REIT's business strategies, financial performance, current initiatives and prospects of the business. Effective, transparent and regular communication with stakeholders are in line with disclosure obligations as per the Main Market Listing Requirements.

Stakeholders	Engagement and initiatives
Investment Community (Unitholders, Analysts, Fund Managers)	• Statutory announcement • Annual General Meeting • Roadshow • Investors and analysts briefing • Corporate website • Social media
Media	• Media interview • Media release • Corporate website • Social media
Government, local authorities and regulators	• Engagement meeting • Consultation paper • Engagement through MRMA • Maintain rapport with local authorities
Tenants and lessees	• Periodic meeting • Survey and feedback • Rental support programme • Marketing support and promotional activities
Suppliers and contractors	• Request for proposal • Tender interview • Regular meetings • Supplier evaluation and audit
Employees	• Townhall • Employees engagement dialogue • Survey and feedback • Performance appraisal • Recreational activities • Flexible work arrangement • Upskilling and reskilling programmes
Communities	• Customers' survey and feedback • Social media • CSR programme • Loyalty programme • Stringent operational and safety requirements • SOPs during MCOs

CORPORATE GOVERNANCE STATEMENT

The Manager is highly committed to ensure that relevant and material corporate information is shared with Al-Salām REIT's unitholders and investing community effectively. The Manager maintains a corporate website, www.alsalamreit.com.my to disseminate up-to-date and historical information and enhance its investor relations practices. The Investor Relations section on the website provides investor-related information such as financial information, announcements released to Bursa Securities, general meetings materials, circulars and distribution information. Stakeholders will also have access to corporate governance information including but not limited to the Board Charter, Terms of Reference, Whistleblowing Policy and Anti-Bribery & Corruption Policy.

The Manager has in place the Investor Relations team to facilitate effective communication with unitholders, analysts, fund managers and media. The email address, name and contact number of the Manager's designated person also available in Al-Salām REIT's website to enable the public to forward queries relating to Al-Salām REIT to the Manager.

CONDUCT OF GENERAL MEETING

The Annual General Meeting is a vital platform for dialogue and interaction for effective communication and proactive engagement between the Board and unitholders of Al-Salām REIT. As the avenue for dialogue, unitholders are encouraged to participate in raising questions and concerns relating to Al-Salām REIT, exercising their rights relating to resolutions tabled and appointing proxies as per the unitholder's discretion.

A copy of the 2020 Annual Report of Al-Salām REIT and the relevant Circular to unitholders, including the notice of meeting were made available to unitholders before the 6th AGM. The notice of meeting was also advertised in the local daily newspapers and announced to Bursa Securities via Bursa LINK. An Administrative Guide, which furnished useful information regarding the conduct of the 6th AGM, together with the explanatory guide to the use of the electronic polling process were given to the unitholders in advance.

The 6th AGM was held at the broadcast venue with restricted numbers in physical attendance to observe the requirements under SC's Guidance Note and FAQs on Conduct of General Meetings for Listed Issuers. Al-Salām REIT has conducted its 6th AGM on a fully virtual basis via live streaming and online remote voting on 28 April 2021. The Broadcast Venue of the 6th AGM at the Manager's corporate office was strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the meeting to be at the main venue. No Unitholders/Proxy(ies) was allowed to be physically present at the Broadcast Venue on the day of the 6th AGM.

The voting of all resolutions set out in the notice of the 6th AGM was conducted by poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements. Al-Salām REIT has appointed Mega Corporate Services Sdn. Bhd. as Poll Administrator to conduct the poll by way of electronic voting and Cygnus IT Solutions PLT as Independent Scrutineers to verify the poll results.

All Directors of the Manager were present at the 6th AGM to engage with unitholders. Besides, the Trustee, the Management Team, external auditors and the advisers were in attendance to address questions or concerns raised by unitholders. The Chairman of the meeting presented the progress and performance of the business and encouraged unitholders to participate in the Q&A session.

RESEARCH COVERAGE

Research coverage during the financial year Al-Salām REIT is covered by the following research house:

Research House	Date of Report	Recommendation	Target Price
Maybank IB Research	21 February 2021	Sell	0.50
Maybank IB Research	30 May 2021	Sell	0.46
Maybank IB Research	26 August 2021	Sell	0.43
Maybank IB Research	29 November 2021	Sell	0.43

BOARD AUDIT AND RISK COMMITTEE REPORT

The Board Audit and Risk Committee (BARC or the Committee) plays a major role in corporate governance regarding the organisation's direction, control, and accountability. The BARC is set up with the primary objective to assist the Directors (the Board) in carrying out its duties and responsibilities in fulfilling its responsibility for oversight with respect to ensuring the integrity of the Company's financial statements, performance of the Company's independent auditors and internal audit function, risk management practices and internal control of the company.

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

COMPOSITION

For the financial year ended 31 December 2021, the BARC comprised of 3 (three) Directors, all of whom are also members of the Board of the Manager.

The composition of the BARC is as follows:

1. Abdullah bin Abu Samah
   Chairman/Independent Non-Executive Director (appointed on 10 March 2021)

2. Zainah binti Mustafa
   Chairman/Independent Non-Executive Director (resigned on 10 March 2021)

3. Dato' Wan Kamaruzaman bin Wan Ahmad
   Independent Non-Executive Director

4. Datuk Sr. Akmal bin Ahmad
   Non-Independent Non-Executive Director (appointed on 29 December 2021)

5. Mohd Yusof bin Ahmad
   Non-Independent Non-Executive Director (resigned on 29 December 2021)

On 29 December 2021, Mohd Yusof bin Ahmad resigned from being members of the BARC following the his resignation as a Non-Independent Non-Executive Director on the same date.

Datuk Sr. Akmal Ahmad, a non-independent non-executive Director was appointed as a member of the BARC effective 29 December 2021.

The Board of Directors (the Board), via the Board Nomination and Remuneration Committee (BNRC), annually reviews the terms of office and performance of the BARC and its members through an effectiveness evaluation exercise. The BNRC assessed the BARC's performance for the financial year ended 31 December 2021 and was satisfied that the BARC and its members have discharged their functions, duties and responsibilities in accordance to the BARC's Terms of Reference. The duties and responsibilities of the BARC are set out in its Terms of Reference which is accessible in the Corporate Governance section, on the website at www.alsalamreit.com.my

BOARD AUDIT AND RISK COMMITTEE REPORT

MEETINGS AND ATTENDANCE

Number of Meetings Held and Details of Attendance

The BARC meets at quarterly intervals or such other intervals as the Committee shall decide.

The BARC held four (4) regular meetings and one (1) special BARC meeting during the financial year ended 31 December 2021 which were attended by all members.

During the financial year, the details of attendance are as follows:-

No	Name of Committee Member attended	No of meetings
1	Abdullah Abu Samah (appointed on 10 March 2021)	4 out of 4
2	Dato' Wan Kamaruzaman Wan Ahmad	5 out of 5
3	Datuk Sr. Akmal Ahmad (appointed on 29 December 2021)	-
4	Mohd Yusof bin Ahmad (resigned on 29 December 2021)	5 out of 5

Terms of Reference

The BARC has a set of Terms of Reference that guides the discharge of its roles and responsibilities. Details of the Terms of Reference are available on the corporate website.

SUMMARY OF WORK CARRIED OUT DURING FINANCIAL YEAR

The BARC held five meetings during FYE2021. The meeting dates were predetermined in advance in order to ensure availability of each member. Meeting papers were circulated to all the Committee members prior to the meetings by way of electronic means and hard copy.

The Committee carried out the following work during the financial year ended 31 December 2021 in the discharge of its functions and duties:-

Overseeing Financial Reporting

(a) Reviewed the audited financial statements of the REIT Manager and the REIT for the financial year ended 31 December 2021 ("FYE2021"), which were prepared in accordance with the Trust Deed, the applicable Securities Commission Malaysia ("SC") rules and guidelines, Malaysian Financial Reporting Standards and Malaysian Financial Reporting Standards (MFRS), prior to recommending the same to the Board for approval. The audited financial statements of the Fund for FYE2021 were issued and circulated to the Unitholders in line with the prescribed requirements.

At the meeting held on 26 January 2021, the External Auditors presented to the BARC the results of the FYE2021 audit conducted on the where significant audit matters listed below are discussed:

i. Valuation of investment properties
ii. Recognition of deferred tax on investment properties
iii. Expected credit losses of trade receivables
iv. Going concern considerations

(b) Reviewed at every quarterly meeting held in FYE2021, the quarterly financial results for public release to ensure adherence to legal and regulatory reporting requirements before recommending the same to the Board for approval. The first, second, third and fourth quarters of the quarterly results for the financial year ended 31 December 2021 were reviewed at the BARC meetings held on 20 May 2021, 19 August 2021, 15 November 2021 and 26 January 2022, respectively.

(c) 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.

BOARD AUDIT AND RISK COMMITTEE REPORT

(d) Reviewed, at each quarterly meeting, the income distributions of the Fund which were made in accordance with the distribution policy, in order to ensure the adequacy of the realised income for each distribution prior to recommending the proposal to the Board.

(e) Kept abreast on the application of the new accounting standards, i.e. Malaysian Financial Reporting Standard ("MFRS")

(f) The Committee was satisfied that adequate impact assessment had been carried out by Management and the accounting policies as shown below had been appropriately updated in the financial statements of the Fund for FYE2021.

Description	Effective for annual period beginning on or after
Amendments to MFRS9, MFRS139 and MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmarking Reform – Phase 2	1 January 2021
Amendment to MFRS 16 Leases: Covid-19 Related Rent Concessions beyond 30 June 2021	1 April 2021

External Audit

(a) Reviewed and discussed with External Auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB, and regulating requirements applicable to the Group; and the processes and controls in place to ensure effective and efficient financial reporting and disclosures under the financial reporting standards.

(b) Reviewed and discussed with External Auditors the results of the audit and the audit report in particular, significant accounting matters arising from the external audit and their opinion on the financial statements of the Group and of the Company

(c) Reviewed with External Auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal and accounting controls together with Management's response to the findings of the External Auditors and ensured where appropriate, that necessary corrective actions had been taken by Management.

(d) Evaluated the performance and assessed the suitability, objectivity and independence of the External Auditors during the year in accordance with the policies and procedures in place, vide a set of questionnaires covering the calibre of the external audit firm; quality of processes and performance; skills and expertise including industrial knowledge; independence and objectivity; audit scope and planning; audit fees; and their communications with the Audit and Risk Management Committee. The Audit and Risk Management Committee had received from the External Auditors written confirmation on their independence and which disclosed their policies on independence, safeguards and procedures to address threats or perceived threats to their independence and objectivity, and that they were in compliance with the independence requirements set out in the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

(e) Having satisfied with the performance and the assessment on the External Auditors' suitability, objectivity and independence, recommended to the Board the re-appointment of the External Auditors and their remuneration.

(f) Reviewed and approved the non-audit fees in respect of services rendered by the External Auditors.

(g) Met with the External Auditors without executive Board members and Management on 4 February 2021 and 15 November 2021 to discuss matters in relation to their review.

BOARD AUDIT AND RISK COMMITTEE REPORT

Internal Audit

(a) Provided input on key areas to be included as part of the annual Internal Audit Plan. Deliberated the risk-based Internal Audit Plan to ensure adequate scope and comprehensive coverage of business activities, prior to recommending to the Board for approval. Monitored the progress of the approved Internal Audit Plan, including the status of the planned reviews and approved changes to the Internal Audit Plan due to changes in business and/or risk environment.

(b) Reviewed and deliberated on internal audit reports, the audit recommendations and adequacy of Management's response to these recommendations. Significant issues were discussed at length with the presence of relevant Management team members to ensure satisfactory and timely remediation actions have been committed by Management to address identified risks. Additional presentations were made at the request of the ARC to ensure adequate actions were taken in addressing the issues raised.

(c) Monitored the implementation of corrective action plans agreed by the management on outstanding audit findings on a quarterly basis to ensure that all actions have been implemented on a timely basis in the related areas.

(d) Discussions with the internal audit team, to assure itself of the soundness of internal control systems and internal audit activities, and to provide guidance on ad hoc matters arising from on-going internal audit activities.

(e) Reviewed the effectiveness of the Internal Audit function through evaluation of its performance and competency, and monitoring the sufficiency of resources and costs, to ensure that it has the required expertise and professionalism to discharge its duties.

(f) Received updates on the status of investigation cases handled by Internal Audit to provide guidance where relevant.

Risk Management and Internal Control

(a) Reviewed quarterly top risk profiles which covers Strategic, Finance, Operational and Compliance Risks and deliberated on the significant threats and opportunities, including status and adequacy of mitigation strategies.

(b) Discussed the improvements to the Enterprise Risk Management framework and process to ensure proactive and holistic risk identification, and monitoring of mitigation actions to reduce risk impact to an acceptable level.

(c) Evaluated the overall adequacy and effectiveness of internal controls through review of the work performed by both internal and external auditors, other assurance providers and through discussions with Management

(d) Ensures appropriate controls are in place in management of the Fund, that the Manager has a well defined organisational structure with clear lines of responsibility and a comprehensive reporting system and adequate procedures in financial reporting, risk management, internal control and are in place. Further details in respect of risk management and internal controls are set out on pages 112 to 118 (Statement on Risk Management and Internal Control of this Annual Report). Details in respect of the principal risks and uncertainties are set out on pages 55 to 56 under Management Discussion and Analysis.

(e) The Committee also reviewed and deliberated on four frameworks relating to compliance and internal controls and recommended to the Board the implementation of the frameworks and policies put forward by the Management, listed as below:

No	Frameworks & Policy	Date of Meeting	Effective Date
1	Procurement Policy (New)	18 Feb 2021	1 March 2021
2	Business Continuity Management Framework (Revised)	18 Feb 2021	18 Feb 2021
3	Investment Policy	18 Feb 2021	1 March 2021
4	Personal Data Protection Policy (New)	28 May 2021	18 June 2021
5	IT Policy (Revised)	2 Dec 2021	2 Dec 2022
6	Limits of Authority (Revised)	2 Dec 2021	2 Dec 2021
7	Enterprise Risk Management Policy & Framework (Revised)	2 Dec 2021	2 Dec 2021
8	Anti-Money Laundering and Terrorism Financing Policy (AMLTF)	2 Dec 2021	1 Jan 2022

BOARD AUDIT AND RISK COMMITTEE REPORT

Compliance

(a) Monitored the status of internal misconduct cases reported to Board and BARC on a quarterly basis, including on-going investigations, in accordance with the Code of Conduct and Business Ethics (CoBE).

(b) Deliberated on the results of compliance cases and directed Management to implement and/or enhance controls to prevent recurrence, including conducting education programmes to increase awareness.

(c) Reviewed the status of the planned mitigation actions developed from the results of the Compliance risk assessment performed in 2021.

(d) Received updates on the directorships and shareholdings held by the Directors of the Company and persons connected with them in accordance with Section 221 of the Companies Act, 2016 on a quarterly basis. These disclosures enabled an assessment of the potential or actual conflicts of interest which may arise in relation to RPT or RRPT.

(e) All Directors are required to provide declaration letters of their interest(s) and disclosures of conflict of interest situation(s) on an annual basis, and all declarations are documented and kept in the statutory records of the Manager. 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.

Review of Related Party Transactions ("RPT") and Recurrent RPT of a Revenue or Trading Nature ("RRPT") & Conflict of Interest Situations

(a) Reviewed the annual mandate compiled for recurrent related party transactions.

(b) Reviewed related party transactions as disclosed in the financial statements and performed quarterly monitoring of the mandate for recurrent related party transactions to ensure compliance with the MMLR and policies and procedures.

(c) Reviewed and deliberated on any new related party transactions to ensure that the terms and conditions of the transactions are commercially based and at arm's length.

Other Activities

Reviewed and recommended to the Board, for inclusion in the Annual Report:

- The BARC Report
- Corporate Governance Overview Statement
- Corporate Governance Report
- Statement on Risk Management and Internal Control

BOARD AUDIT AND RISK COMMITTEE REPORT

SUMMARY OF MEETINGS IN THE YEAR

Items discussed	26 Jan 2021	22 March 2021	19 May 2021	18 August 2021	15 November 2021
Financial Reporting					
Full year results (2021)	●				
Interim results	●		●	●	●
Consideration of new accounting standards MFRS9, MFRS139 and MFRS 7, MFRS 4 and MFRS 16	●				
Internal audit					
Internal audit plan	●				
Internal audit reports (Al-Salām)			●		
Internal audit effectiveness and independence	●				
External audit					
External audit plan					●
External audit reports	●				
External audit effectiveness and independence			●		
Risk					
Risk Registers	●		●	●	●
RRPT					
Quarterly Review	●		●	●	●
Annual Report					
Review of SORMIC and Audit Committee Report	●				
Other Matters					
Internal Control, Regulatory, Compliance Activities / Issues	●	●	●	●	●
IT Security/Business Continuity Management/ Disaster Recovery Plan				●	●

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

INTRODUCTION

This Statement on Risk Management and Internal Control by the Board of Directors ("Board") on the Group is made pursuant to paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Malaysian Code on Corporate Governance ("MCCG").

This Statement outlines the nature and scope of risk management and internal control of the Group during the financial year under review and up to the date of approval of this statement and covers all of the Fund's operations as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and taking into consideration the recommendations of the MCCG 2017.

BOARD'S RESPONSIBILITIES

The Board recognises and affirms its overall responsibility in maintaining a risk management framework and internal control systems as well as to review the adequacy and integrity of the system. The system of risk management and internal control covers financial, operational, management information systems, organisational and compliance controls. In view of the limitations that are inherent in any systems of internal controls, the internal control and risk management are designed to manage risk within tolerable levels rather than eliminate the risk of failure to achieve business objective. Accordingly, it should be noted that these systems can only provide reasonable but not absolute assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies. The process has been in place during the year up to the date of approval of the annual report and is subject to review by the Board.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

The Board fully supports the contents of Principle B of the MCCG which calls for the establishment of an effective risk management and internal control framework and the disclosure thereof.

The Board is assisted by the Board Audit and Risk Committee ("BARC") in evaluating, assessing and reviewing the adequacy of the Group's system of risk management.

The oversight role of risk management is carried out by the Board and BARC. Mandate and commitment from the Board and BARC are key contributors to the success factors in the implementation of enterprise risk management programmes. The Board and BARC set the strict direction for risk roles, responsibilities, and risk reporting structures.

The BARC is assisted by the Enterprise Risk Management ("ERM") Committee, which consists of the CEO & Executive Director, and respective heads of department. The function of the ERM Committee is to drive risk management guided by the ERM Policy and Framework to ensure effective identification of emerging risks and management of identified risks through implementation of appropriate controls and risk treatment strategies. Risk owners who are also ERM Committee members are managers or heads from the divisional units to identify and evaluate the risks related to their business objectives or budgets against which performance is measured and to establish the risk profiles during the risk assessment sessions. The discussions relating to ERM, and risk profiles are carried out through the ERM Committee which sits every quarter.

The periodic reporting to both the Board and BARC on the risk management activities undertaken by the ERM Committee, to keep the Board and the BARC apprised and advised of all aspects of the enterprise risk management, and significant risks and risk trends.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Enterprise Risk Management (ERM) Policy & Framework

In order to achieve a sound system of risk management and internal control, the board and management ensure that the risk management and control framework is embedded into the culture, processes and structures of the company. The framework was designed to be responsive to changes in the business environment and clearly communicated to all levels.

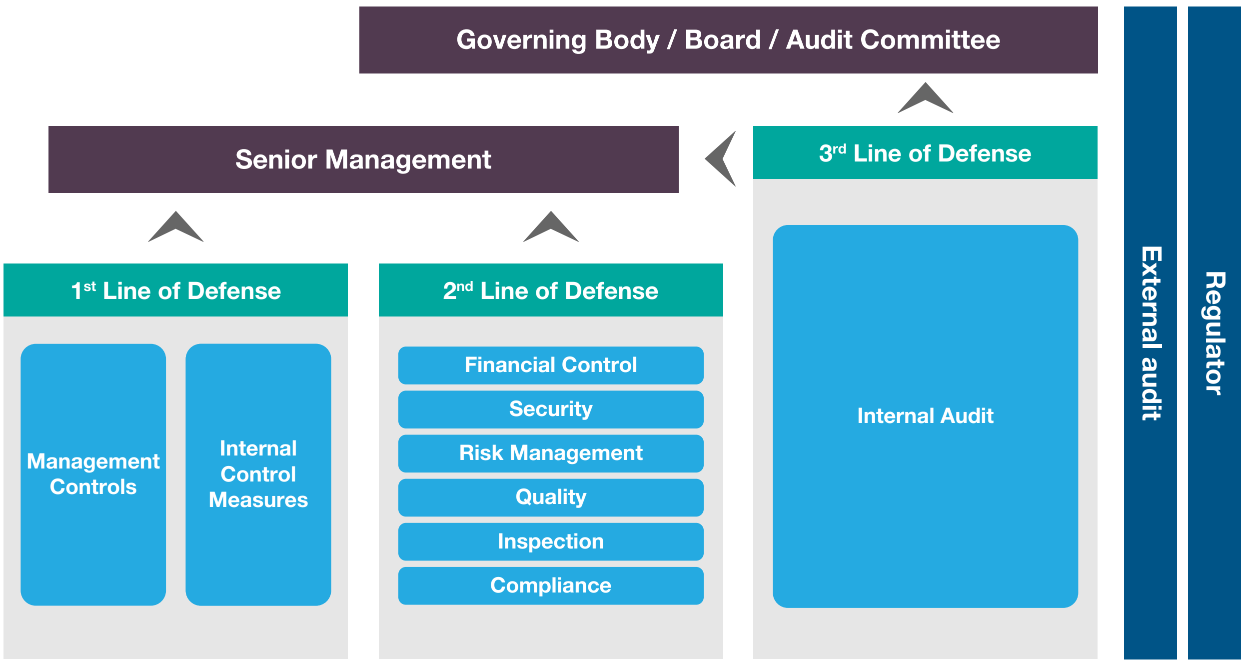
The Manager plans and executes activities to ensure that the risks inherent its management of the Fund are identified and effectively managed to achieve an appropriate balance between realizing opportunities for gains while minimizing losses to the Fund.

The Board adopted the enhanced Enterprise Risk Management : ("ERM") Framework. The ERM Policy & Framework has been enhanced with the Group's risk profiles being updated and action plans formulated and monitored focusing on principal business risks. It also identified the ERM reporting structure and frequency of reporting, the responsibilities of the Board Committees for ERM, the key elements of the risk assessment process and also specifies the level of risk tolerance expressed through the use of a risk consequence and likelihood matrix.

Identified key risks of the group were assessed and recorded in the risk profiles. The risk owners are to monitor and timely update their risk profiles on an on-going basis. The update of the risk profiles includes changes to operational, financial and compliance risks and the identification of emerging risks arising from changing business conditions as well as the adequacy and effectiveness of the related controls. Advice from the Risk management Department, ERM Committee and BARC are updated in the Risk Profiles as a method to improve mitigation plan to address residual risks. Being in the REIT, it is inherent that the Fund is facing with the key risks such as acquisition risks, capital management risks which include management of gearing levels and alternative means of funding expansion of property portfolio and fund growth and ensuring optimisation of returns to unitholders.

The ERM process evaluation are undertaken by the ERM Committee every quarterly a year to assess and evaluate risks that may impede the Group from achieving its strategic and operational objectives, as well as developing action plans to mitigate such risks and to monitor Mitigation Performance. The result of the risk updates was deliberated on the root cause causes, existing controls, severity, impact and action plans to address the top risk of the organisation at the BARC meetings. The updated risk profile was used as a basis to develop a risk-based internal audit plan for the financial year ended 31 December 2021, which was approved by the BARC. Results of the risk review were then reported to the Board for endorsement and approval.

On 15 November and 2 December 2021, the BARC and the Board approved the revision of the ERM to include a more detailed designation of risk management responsibilities across in ERM reporting structure. The designation of responsibilities includes the 3-line defence model by the IIA. The revised ERM reporting structure and designation of responsibilities is as below:



Adapted model of Three Lines of Defence (The Institute of Internal Auditors, 2013)

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Responsibilities and Processes in the Three Lines of Defence Model

The Board and the BARC	
Responsibilities	Governing overall risk oversight responsibility including defining the appropriate governance structure and risk appetite.
Process	• Articulates and provides direction on risk appetite, organisational control environment and risk culture. • Provide an independent view on specific risk and control issues, the state of internal controls, trends and events

3rd Level of Defence: Internal Audit	
Responsibilities	• Provide independent assurance design and effectiveness on an organisation's risk management, governance and internal control processes are operating effectively. • Assurance about design and effectiveness
Process	Perform risk-based internal audit and independent reporting to Management and BARC

2nd Level of Defence: Risk Management and the ERMC	
Responsibilities	• Oversees the operationalisation of risk management strategies as well as frameworks and policies. • Independent reporting to the management and BARC • Advisor to 1st line/ 1st Level of Defence: Business Line Management/ Risk Owners
Process	Monitors the consistent enforcement of ERM Policy & Framework, reviews and endorses risk parameter, risk appetite, risk profile and treatment options and risk action plans.

1st Level of Defence: Business Line Management/ Risk Owners	
Responsibilities	• The Senior Management who form the 1st line of defence are primarily responsible for managing process, • They are also responsible for controlling risks by using business control and compliance frameworks, implement internal control processes and adequate control • Manage day-to-day risk inherent in business activities as guided by the established risk strategies, frameworks and policies
Process	Identification and assessment of risk, implementation and monitoring of risk action plans.

In ensuring that there is a consistency to the methods used in managing risks throughout the organisation, both at the strategic and operation level of risk appetites were pre-determined to ascertain that the risk management efforts are aligned with the Fund's business objectives. The risk appetites also outline enhanced and explicit requirements for managing risks and assists in understanding the impact of uncertainties inherent in business decisions especially impacts relating to the Covid-19 outbreak and the Movement Control Order (MCO) in business operations and strategic direction.

An expansion of risk appetite parameters was proposed at the Board Investment Committee (BIC) to further regulate future diversification exercises.

In addition to the above, the revised ERM Policy & Framework also incorporate the ESG risks to provide a holistic approach to risk management.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Key Elements of Internal Control

The Board acknowledges that the internal control systems are designed to identify, evaluate, monitor, and manage the risks that may hinder the Group from achieving its goals and objectives.

The Manager's Internal Control Policy and Procedures (ICPP) was designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

The ICPP is a reference tool for all employees to identify and assess operating controls, financial reporting, and legal/regulatory compliance processes and to take action to strengthen controls where needed. By developing effective systems of internal control, we can contribute to Damansara REIT Managers Sdn Berhad (DRMSB)'s ability to meet its objectives and reducing the potential liability arising from non-compliance to regulatory requirements, fraud and lack of efficiency and effectiveness in operations.

This guide is designed to satisfy the basic objectives of most business systems as they relate to carrying out the responsibilities of the REIT Manager/ DRMSB. An effective check and balance control environment is fundamental for ensuring a sound internal control system in the Fund's operations. The Board and Management are committed to maintain an effective internal control environment by continuously enhancing the design of internal control systems to ensure that they are relevant and effective to promote operational agility while ensuring corporate governance and compliance to regulatory guidelines.

The key elements and/or features of internal control system established for maintaining strong corporate governance are as follows:

1. The Standard Operating Procedures (SOPs) with specified roles and responsibilities in the reporting structure to incorporate the elements of checks and balances which are aligned to the business and compliance requirements.

2. Limit of Authority (LOA) Policy is in place for approving capital expenditure and matters on financial, treasury, legal and secretarial, audit, Human Resource, Procurement & Contract Management, Investment and Corporate matters - aimed at keeping potential risk exposures under control. A revision in the LOA was tabled to the BARC on 15 November 2021 and approved at the Board on 2 December 2021.

   In relation to this, the REIT Manager has formulated the Procurement Policy with the objectives of ensuring alignment of procurement practices across departments and business units within the Johor Corporation Group of companies and adoption of the following best practices which includes transparency in processes and management of integrity risks. The policy was approved by the Board on 18 February 2021.

   The Investment Policy was set up with the objectives of:
   - To have a framework for disciplined approach to investing
   - To establish reasonable expectations and guidelines for investment and divestments
   - To create a diversified investment portfolio that can generate acceptable medium-to-long term returns at reasonable risk tolerance levels
   - To establish governance for monitoring investment performance

The Investment Policy was approved by the Board on 18 February 2021.

3. Documented policies and procedures are also in place subject to review every now and then to ensure that it maintains its effectiveness to support the REIT's business activities. These include the ERM Framework, Internal Control Policy Manual, Compliance Framework and Policy. The Manager has revised its the Business Continuity Management (BCM) and Disaster Recovery Plan (DRP) Policy, which was approved by the Board on 25 January 2021.

4. The BCM Drill/ testing is undertaken annually, and the results presented to the BARC and the Board for their notation. The Company has also undertaken an IT Risk assessment and Penetration Test which was concluded on 12 April 2021 and presented to the Board on 19 May 2021. Based on the outcome of the IT Risk, the Management has formulated the IT Policy which was recommended by the BARC and approved by the Board on 15 November 2021 and 2 December 2021 respectively.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

5. Strategic Planning and Annual budgets are prepared by the REIT's operations. Analysis and reporting of variances against budget are presented to the Board and the trustee as required by the Trust Deed which act as a monitoring mechanism and reviewed half-yearly.

6. Quarterly and annual financial statements containing key financial results as well as operational performance results of the Fund are prepared and reported to the BARC and the Board.

7. Timely company briefings with analysts are conducted to apprise the shareholders, stakeholders and general public of the Fund's performance while promoting transparency and open discussion. During the year under review a company briefing was carried out on 13 September 2021.

8. The Chief Executive Officer is involved in the running of the day-to-day business operations by meeting up with both management and operation on a weekly basis to monitor the performance and profitability of the Fund's businesses. This is carried out via the weekly Management Committee Meetings and ad-hoc meetings to discuss progress of high-risk corporate projects and exercises.

9. Quarterly meetings on management accounts results against prior periods are conducted with significant variances explained and appropriate actions taken or plans put in place.

10. Quarterly meetings with the Trustee are carried out to discuss operational and financial performance of the Fund and the properties. During the year under review, four (4) meetings with the Trustee were carried out on 22 February, 1 July, 28 October, and 28 December 2021.

11. The Manager tabled its succession planning framework at the Board meeting and obtained approval of the Board at the Board meeting on 2 December 2021. The framework includes identification of future successors and leadership training for candidates of critical positions.

12. Guidelines on employment, 360 degrees performance appraisal are currently in practice to ensure the Manager's ability to operate in an effective and efficient manner. A comprehensive performance management system that links succession planning with elements of core competencies, training needs analysis and training plan, appraisal and reward system was formalized in 2021.

13. The Human Resource Unit is in charge of the Safety & Health issues at the operating level to address and ensure compliance with Occupational Safety and Health policies and procedures, with a goal to facilitate the provision of a safe working environment for employees. Two (2) designated officers have been appointed to be responsible and act as OSH Officers to ensure compliance with the requirement to Act 514 Occupational Safety and Health Act 1994.

14. In the new normal brought about by the COVID-19 pandemic the REIT Manager has taken a prudent approach in ensuring that where employees are to Work from Home (WFH), where applicable, proper equipment, safety training and policies are provided or be in place, to ensure the employee's health, safety and welfare are accordingly protected in the course of their work.

    With the MCO being lifted and working at office was allowed, the Manager has looked at indicators for risk assessment indicators at the workplace and the associated control measures:
    - scanning upon entry to office building or daily temperature check
    - daily attendance report to the supervisory division of the Securities Commission
    - office sanitisation
    - monitor vaccination status of employees

15. The Manager undertakes adequate insurance coverage on both its employees and assets to ensure both are sufficiently insured against any losses arising from various perils faced in the Manager's/ Fund's operations.

16. The Manager has, in place the KPI reporting to drive awareness of shared management responsibility on their contribution towards enhancing the operating performance in achieving the business objectives.

17. Internal audit is outsourced to ensure independence in audit function, which include performing regular reviews of business processes to assess the effectiveness of the internal control system and to highlight significant risks impacting the Company with recommendations for improvement. The internal audit team reports directly to the BARC.

18. Evaluations of outsourced service providers on critical business functions are carried out on a yearly basis and presented to the Board.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

19. Senior management team conducts regular discussions with property, maintenance, and service managers to discuss issues for improvement and to promote better understanding to facilitate cognizance in decision-making capability. During the year under review, eleven (11) meetings with the Property Manager were carried out on 3 February, 25 February, 31 March, 28 April, 3 June, 28 June, 2 August, 24 August, 23 September, 27 October, and 29 December 2021.

20. The Manager launched its Anti-Bribery & Corruption Framework and the Whistleblowing Policy effective 1 June 2020, which is guided by the Guidelines on Adequate Procedures issued under section 17A(5) of the MACC Act to mitigate corruption and integrity risks.

21. On 7 September 2021, the Personal Data Protection (PDP) Policy was tabled and approved by the Board to provide assurance to its data owners – tenants, directors and employees that their personal data will be safeguarded and protected by the Fund.

22. The Board, on 2 December 2021 has also approved the Anti-Money Laundering and Anti-Terrorism Financing Policy and undertakes the following approach:

    (a) ***Compliance with laws:*** Service is not provided where there is good reason to suppose that transactions are associated with money laundering (ML) or terrorist financing (TF) activities.

    (b) ***Co-operation with law enforcement agencies:*** The Management and the Board must co-operate fully with relevant law enforcement agencies. This includes taking appropriate measures such as timely disclosure of information to relevant law enforcement agencies.

    (c) ***Establishing internal controls:*** Issue and adopt policies and procedures which are consistent with the principles set out under the AMLA and these Guidelines, which include ongoing training programmes to keep its board of directors, the management, and employees abreast on matters under the AMLA and SC AMLA Guidelines.

    (d) ***Risk-based approach:*** Ensure that the depth and breadth of its policies and procedures to identify, assess, monitor, manage and mitigate risks commensurate with the nature, scale and complexity of its activities.

    (e) ***Customer Due Diligence:*** Have an effective procedure to identify its customers and to obtain satisfactory evidence to verify its customers' identity.

23. The Group has established processes and procedures to ensure the quarterly and annual reports, which cover the Group's performance, are submitted to Bursa Malaysia for release to shareholders and stakeholders on a timely basis. All quarterly results are reviewed by the Board prior to their announcements. The Annual Report of the Group is issued to the shareholders within the stipulated time as prescribed under the MMLR of Bursa Securities.

INTERNAL AUDIT

The Manager outsources its Internal Audit function, which reports independently to the BARC to provide the Board with adequate assurance it requires regarding the adequacy and effectiveness of risk management, internal control and governance processes.

The Internal Audit Team (IAT) adopts a risk-based approach in executing the annual audit plan that focuses on major business units and/or operations. The annual audit plan is reviewed and approved by the BARC. The IAT reports directly to the BARC on the outcome of its appraisal of the operational activities. Significant audit findings are presented and deliberated by the BARC on a quarterly basis or as appropriate. The IAT also monitors the implementation of audit recommendations in order to obtain assurance that all major risks and controls measures identified have been reasonably addressed by the management in an effective and timely manner.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

BOARD ASSURANCE AND LIMITATION

The Board acknowledges its overall responsibility for reviewing the adequacy and integrity of the Group's systems of internal control, identifying principal risks, and establishing appropriate control environment and framework to manage risks. The Board continues to derive its comfort of the state or risk management and internal control of the Fund from the following oversight mechanisms and information compiled for these oversight processes:-

- periodic review of financial information covering financial performance and quarterly financial results;
- BARC's oversight of risk management framework, changes in risk magnitudes and status of management implementation of risk mitigation plan;
- BARC's review and consultation with Management on the integrity of the financial results and audited financial statements;
- audit findings and reports on the review of systems of internal control provided by the internal auditors and status of Management's implementation of the audit recommendations; and
- Management's assurance that the Group's risk management and internal control systems have been operated adequately and effectively, in all material respects.

Executive Director and Head of Finance of the Company ensure that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Company.

For the financial year under review, the Board is satisfied that the existing level of systems of risk management and internal control is effective to enable the Group to achieve its business objectives and there were no material losses resulted from in this Annual Report.

The Board recognises that the systems of risk management and internal control should be continuously improved in line with the evolving business development. Nonetheless, it should be noted that all risk management systems and systems of internal control could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems of risk management and internal control in the Group can only provide reasonable but not absolute assurance against material misstatements, frauds, and losses.

The Board will continue to monitor all major risks affecting the Group and take necessary measures to mitigate them and continue to enhance the adequacy and effectiveness of the risk management and internal control systems of the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control ("Statement") in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and AAPG 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report.

They have reported to the Boards that nothing has come to their attention that causes them to believe the Statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers nor is the Statement factually inaccurate.

This Statement is made in accordance with the resolution of the Board of Directors on 24 February 2021.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Securities Commission's Guidelines on Listed Real Estate Investment Trusts.

Sanctions or Penalties
There was no public sanction or penalty imposed on the Manager by the relevant Estate Investment Trust.

Status of Utilisation Proceeds Raised From Corporate Proposal
There was no issuance of new units during the FY2021.

Audit and Non-Audit Fees
For information, please refer to page 128

Recurrent Related Party Transactions

At an Annual General Meeting held on 28 April 2021, the Company obtained a mandate from its shareholders ("Shareholders' Mandate") for recurrent related party transactions ("RRPTs") of a revenue or trading nature.

In compliance with Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), such Shareholders' Mandate is subject to annual renewal and the disclosure in the Annual Report of RRPTs conducted pursuant to the mandate during the financial year ended 31 December 2021 where the aggregate value of such RRPTs is equal to or more than RM1 million or 1% of the relevant percentage ratio for such transactions, whichever is the higher.

Set out below are the relevant RRPTs for which Shareholders' Mandate had been obtained together with a breakdown of the aggregate value of the RRPTs which had been conducted pursuant to the Shareholders Mandate and had met the prescribed threshold.

Transacting Party	Nature of transaction	Nature of Relationship	Value incurred from 8 March 2021 (LPD) to 31 Dec 2021 (RM'000)	Aggregate value of transactions during the financial year (RM'000)
JCorp	Registrar costs and expenses & secretarial fees	JCorp is a major unitholder of Al- Salām. The Manager is also indirectly wholly-owned by JCorp. The Interested Directors (save for Dato' Mohd Redza Shah bin Abdul Wahid) are deemed interested by virtue of them being the Directors of DRMSB nominated by JCorp and being part of the senior management of JCorp Group.	92	100
JCorp Group	Rental income for renting of office lots and indoor entertainment park at Menara KOMTAR, KOMTAR JBCC and Pasar Komuniti @Mart Kempas(i)		6,466	7,939
	Technical advisory in relation to project management		-	-

ADDITIONAL COMPLIANCE INFORMATION

Transacting Party	Nature of transaction	Nature of Relationship	Value incurred from 8 March 2021 (LPD) to 31 Dec 2021 (RM'000)	Aggregate value of transactions during the financial year (RM'000)
DASB Property Management Sdn Bhd ("DASBPMSB") (formerly known as Synergy Mall Management Sdn Bhd ("SMMSB"))	Property services fee which include, inter-alia, building management and maintenance and lease and tenancy administration	DASBPMSB is a wholly-owned subsidiary of DASB, the holding company of the Manager. DASB is a wholly-owned subsidiary of JCorp. DASB and JCorp are also the major unitholders of Al-Salām. The Interested Directors (save for Dato' Mohd Redza Shah bin Abdul Wahid) are deemed interested by virtue of them being the Directors of DRMSB nominated by JCorp and being part of the senior management of JCorp Group.	2,737	3,433
KPJ Group	Rental income for renting of college building at Bandar Dato' Onn, Johor(ii)	KPJ is a 38.60% owned company of JCorp. KPJ and JCorp are also major unitholders of Al-Salām. The Manager is also indirectly wholly-owned by JCorp. The Interested Directors (save for Dato' Mohd Redza Shah bin Abdul Wahid) are deemed interested by virtue of them being the Directors of DRMSB nominated by JCorp and being part of the senior management of JCorp Group. Dato' Mohd Redza Shah bin Abdul Wahid is a Director of DRMSB and also a Director of KPJ.	2,062	2,532

ADDITIONAL COMPLIANCE INFORMATION

Transacting Party	Nature of transaction	Nature of Relationship	Value incurred from 8 March 2021 (LPD) to 31 Dec 2021 (RM'000)	Aggregate value of transactions during the financial year (RM'000)
QSR Group	Rental income from renting of KFC and Pizza Hut outlets and non-restaurant properties	QSR is a 56% associate company of JCorp. The Manager is also indirectly wholly-owned by JCorp. The Interested Directors (save for Dato' Mohd Redza Shah bin Abdul Wahid) are deemed interested by virtue of them being the Directors of DRMSB nominated by JCorp and being part of the senior management of JCorp Group.	15,570	19,117
Premier Revenue Sdn Bhd ("PRSB")	Takaful coverage	PRSB is a wholly-owned subsidiary of the Manager. PRSB is the takaful agent for the takaful operator which insures properties of Al-Salām managed by DRMSB. The Directors of PRSB are Wan Azman bin Ismail, a Director of the Manager; and Shahril Zairis bin Ramli, who is part of the management team of the Manager.	-	-
Aggregate Value of Transactions			**26,927**	**33,120**

SHARIAH ADVISER'S 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, based on our review of the documents and information made available to us, 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 2021.

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 Malaysia's Guidelines on Listed Real Estate Investment Trust. The percentage ratio of Shariah non-compliant rental for the financial year ended 31 December 2021 is within the threshold at 2.9875%; 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 deemed to be during the financial year Shariah non-compliant

For and no behalf of the Shariah Advisory Committee,

DATO' (DR) HAJI NOOH BIN GADOT
Chairman, Shariah Committee
21 February 2022

TRUSTEE'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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 2021. 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
Chief Executive Officer

Kuala Lumpur, Malaysia
21 February 2022

FINANCIAL REPORTS

SECTION 6

MANAGER'S REPORT

The Manager of Al-Salām Real Estate Investment Trust (the “Fund’), Damansara REIT Managers Sdn Berhad (the "Manager") hereby present their report and the audited financial statements of the Group and of the Fund for the financial year ended 31 December 2021.

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 Securities 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.

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.

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.

MANAGER'S REPORT

Manager's investment strategies and policies (cont'd.)

(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,

The investments of the Fund are limited to instruments in both real estate-related assets and non-real estate-related assets 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.

Directors of the Manager

The directors of the Manager in office since the beginning of the financial year and to the date of this report are:

Dato' Haji Mohd Redza Shah bin Abdul Wahid	
Wan Azman bin Ismail	
Dato' Wan Kamaruzaman bin Wan Ahmad	
Shamsul Anuar bin Abdul Majid	
Datuk Sr Akmal bin Ahmad	(Appointed on 21 January 2021)
Abdullah bin Abu Samah	(Appointed on 10 March 2021)
Datuk Hashim bin Wahir	(Appointed on 24 January 2022)
Yusaini bin Sidek	(Resigned on 15 January 2021)
Zainah binti Mustafa	(Resigned on 10 March 2021)
Mohd Yusof bin Ahmad	(Resigned on 29 December 2021)

Directors of the Manager's 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.

MANAGER'S REPORT

Directors of the Manager's interests

According to the Register of Directors' Shareholding, none of the directors in office at the end of financial year held any interest in shares in the Company during and at the end of the financial year.

None of the directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during 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 provision

There was no material transfer to and from reserves or provisions during the year, other than those as disclosed in the statement of changes in net asset value.

Holding company and corporation

The immediate holding company is Damansara Assets Sdn. Bhd., the ultimate holding corporation is Johor Corporation, a body corporate established under the Johor Corporation Enactment No. 4, 1968 (as amended by the Enactment No. 5, 1995). Both holding company and corporation are incorporated in Malaysia.

Other statutory information

(a) Before the statements of comprehensive and statements of financial position of the Group and 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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Manager is not aware of any circumstances which would render:

  (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Fund inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Fund misleading.

MANAGER'S REPORT

Other statutory information (cont'd.)

(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.

(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 in respect 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 or 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 or of the Fund for the financial year in which this report is made.

Auditors

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

	Group RM	Fund RM
Audit fees		
- Current year	190,000	155,000
- Other service	10,000	10,000
	200,000	165,000

To the extent permitted by law, the Manager of the Fund has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecific amount). No payment has been made to indemnify Ernst & Young PLT during or since the financial year.

Signed on behalf of the Board of the Manager in accordance with a resolution of the directors of the Manager dated 24 February 2022

Dato' Haji Mohd Redza Shah bin Abdul Wahid

Wan Azman bin Ismail

Kuala Lumpur

STATEMENT BY THE DIRECTORS OF THE MANAGER

We, Dato' Haji Mohd Redza Shah bin Abdul Wahid 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") set out on pages 134 to 181 are drawn up in accordance with applicable provisions of the Deed dated 25 November 2019, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2021 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of the Manager in accordance with a resolution of the directors of the Manager dated 24 February 2022

Dato' Haji Mohd Redza Shah bin Abdul Wahid

Wan Azman bin Ismail

STATUTORY DECLARATION

I, Wan Azman bin Ismail, being the Executive Director of the Manager primarily responsible for the financial management of Al-Salām Real Estate Investment Trust, do solemnly and sincerely declare that the accompanying financial statements set out on pages 134 to 181 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.

Subscribed and solemnly declared
by the abovenamed Wan Azman bin Ismail
at Kuala Lumpur in the Federal Territory
on

Wan Azman bin Ismail

Before me,

Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

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 as at 31 December 2021 of the Group and of the Fund, and statements of comprehensive income, statements of changes in net asset value 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, as set out on pages 134 to 181.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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 audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By- Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Fund for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Fund as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Valuation of investment properties

The Group and the Fund adopt fair value model for their investment properties. As at 31 December 2021, the carrying amount of the Group's and the Fund's investment properties is RM1,177,236,522 which represents 94% of the Group's and of the Fund's total assets.

We have identified this as an important area of our audit given the significance of the investment properties and the complex valuation method which is based on assumptions that are highly judgmental.

INDEPENDENT AUDITORS' REPORT

Key audit matter (cont'd.)

Valuation of investment properties (cont'd.)

Our audit procedures focused on the valuations performed by firms of independent valuers, which included, amongst others, the following procedures:

- We considered the objectivity, independence and expertise of the firms of independent valuers;
- We obtained an understanding of the methodology adopted by the independent professional valuers in estimating the fair value of the investment properties and assessed whether such methodology is consistent with those used in the industry;
- We had discussions with the independent professional valuers to obtain an understanding of the property related data used as input to the valuation models which included, amongst others, rental income data, yield rate and discount rate;
- We tested the accuracy of rental income data applied in the valuation by comparing them with lease agreements and challenged yield rate by comparing them with available industry data, taking into consideration comparability and market factors;
- We assessed whether the discount rate used to determine the present value of the cash flows reflects the estimated market rate of return for comparable assets with similar profile; and
- We also evaluated the Group's and the Fund's disclosures on those assumptions to which the outcome of the valuation is most sensitive. The disclosures on the valuation sensitivity and significant assumptions used are included in Note 3.2 and 10 to 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 the information included in the annual report, 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 the work we have performed, we conclude that 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 financial statements of the Group and of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determine is necessary to enable the preparation of financial statements of the Group and of the Fund 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 true and fair presentation of these financial statements.

In preparing the financial statements of the Group and of the Fund, the Manager 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 either intend to liquidate the Group or the Fund or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

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 and International Standards on Auditing 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.

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and the Fund, 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 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 or 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 of the Group and the Fund 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 Group and the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and the Fund, including the disclosures, and whether the financial statements of the Group and the Fund 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 our audit opinion.

We communicate with the Manager 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 the Manager 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Fund for 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.

INDEPENDENT AUDITORS' REPORT

Other matters

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

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ismed Darwis bin Bahatiar
02921/04/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
24 February 2022

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 RM	Group 2020 RM	Fund 2021 RM	Fund 2020 RM
Gross rental income	**4**	68,998,220	82,352,366	68,998,220	82,352,366
Other income	**5**	2,544,863	3,748,350	2,544,863	3,748,350
Total revenue		71,543,083	86,100,716	71,543,083	86,100,716
Utilities expenses		(2,330,363)	(4,287,747)	(2,330,363)	(4,287,747)
Maintenance expenses		(3,135,090)	(3,841,956)	(3,135,090)	(3,841,956)
Quit rent and assessment		(1,661,222)	(1,832,035)	(1,661,222)	(1,832,035)
Property manager fee		(467,400)	(483,915)	(467,400)	(483,915)
Other property expenses		(8,955,158)	(10,685,331)	(8,955,158)	(10,685,331)
Total property expenses		(16,549,233)	(21,130,984)	(16,549,233)	(21,130,984)
Net property income		54,993,850	64,969,732	54,993,850	64,969,732
Investment income	**6**	329,773	451,867	329,773	451,867
Net fair value loss on investment properties	**10**	(12,740,709)	(31,261,883)	(12,740,709)	(31,261,883)
Total investment expense		(12,410,936)	(30,810,016)	(12,410,936)	(30,810,016)
Net investment income		42,582,914	34,159,716	42,582,914	34,159,716
Islamic financing costs:					
- Finance costs		(24,474,076)	(26,882,588)	(5,272,853)	(14,716,516)
- Finance costs from a subsidiary		-	-	(19,201,223)	(12,166,072)
- Imputed finance costs		(1,565,096)	(2,007,193)	(1,565,096)	(2,007,193)
Allowance for expected credit losses of trade receivables	**13**	(9,527,577)	(13,404,632)	(9,527,577)	(13,404,632)
Allowance for expected credit loss on amount due from a subsidiary		-	-	(1,133,848)	-
Manager fees		(2,477,759)	(2,323,291)	(2,477,759)	(2,323,291)
Trustee fees		(119,566)	(124,660)	(119,566)	(124,660)
Audit fees					
- Current year		(190,000)	(186,000)	(155,000)	(156,000)
- Other services		(10,000)	(10,000)	(10,000)	(10,000)
Valuation fees		(340,000)	(605,000)	(340,000)	(605,000)
Other expenses		(691,651)	(901,417)	(666,059)	(872,222)
Total fund expenses		(39,395,725)	(46,444,781)	(40,468,981)	(46,385,586)
Profit/(loss) before tax		3,187,189	(12,285,065)	2,113,933	(12,225,870)
Tax credit/(expenses)	**7**	16,833	(1,245,581)	16,833	(1,245,581)
Profit/(loss) for the year, representing total comprehensive income/(expense) for the year		3,204,022	(13,530,646)	2,130,766	(13,471,451)

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONT'D)

	Note	Group 2021 RM	Group 2020 RM	Fund 2021 RM	Fund 2020 RM
Total comprehensive income/(expense) for the year					
Realised		14,643,732	14,555,180	14,704,324	14,614,375
Unrealised:		(11,439,710)	(28,085,826)	(12,573,558)	(28,085,826)
Unbilled rental income	4	3,734,166	4,421,638	3,734,166	4,421,638
Net fair value loss on investment properties	10	(12,740,709)	(31,261,883)	(12,740,709)	(31,261,883)
Tax credit/(expenses)	7	16,833	(1,245,581)	16,833	(1,245,581)
Allowance for expected credit loss on amount due from receivables		(2,450,000)	-	(2,450,000)	-
Allowance for expected credit loss on amount due from a subsidiary		-	-	(1,133,848)	-
		3,204,022	(13,530,646)	2,130,766	(13,471,451)
Earnings/(loss) per unit	8				
Gross		0.55	(2.12)	0.36	(2.11)
Net		0.55	(2.33)	0.37	(2.32)
Net income distribution	9	9,975,967	13,165,867	9,975,967	13,165,867
Income distribution per unit (sen):	9				
Gross		1.72	2.27	1.72	2.27
Net		1.72	2.27	1.72	2.27

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Group 2021 RM	Group 2020 RM	Fund 2021 RM	Fund 2020 RM
Assets					
Non-current assets					
Investment properties	**10**	1,177,236,522	1,189,364,689	1,177,236,522	1,189,364,689
Equipment	**11**	708,310	877,096	708,310	877,096
Investment in a subsidiary	**12**	-	-	2	2
Trade receivables	**13(a)**	-	2,809,590	-	2,809,590
		1,177,944,832	1,193,051,375	1,177,944,834	1,193,051,377
Current assets					
Trade receivables	**13(a)**	33,418,411	21,834,125	33,418,411	21,834,125
Other receivables and prepaid expenses	**13(b)**	4,953,108	4,860,977	4,952,844	4,860,485
Amount due from immediate holding company	**13(c)**	-	50,377	-	50,377
Amount due from related companies	**13(d)**	1,027,188	446,189	1,027,188	446,189
Fixed deposits with licensed banks	**14**	26,352,000	27,970,000	20,822,000	22,500,000
Cash and bank balances	**14**	9,804,187	6,340,983	9,734,366	6,329,870
		75,554,894	61,502,651	69,954,809	56,021,046
Total assets		1,253,499,726	1,254,554,026	1,247,899,643	1,249,072,423
Total unitholders' fund and liabilities					
Unitholders' fund					
Unitholders' capital	**18**	572,545,319	572,545,319	572,545,319	572,545,319
Undistributed income		18,064,117	24,836,062	17,141,295	24,986,496
Total unitholders' fund		590,609,436	597,381,381	589,686,614	597,531,815
Non-current liabilities					
Deferred tax liability	**15**	1,228,748	1,245,581	1,228,748	1,245,581
Other payables	**16**	8,194,657	8,946,318	8,194,657	8,946,318
Islamic financing	**17**	635,656,938	581,855,901	186,669,178	117,108,795
Amount due to a subsidiary	**16(c)**	-	-	444,679,509	459,526,831
		645,080,343	592,047,800	640,772,092	586,827,525

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021 (CONT'D)

	Note	Group 2021 RM	Group 2020 RM	Fund 2021 RM	Fund 2020 RM
Current liabilities					
Other payables and accrued expenses	**16**	16,905,846	13,124,845	16,536,836	12,713,083
Amount due to immediate holding company	**16(a)**	54,496	-	54,496	-
Amount due to related companies	**16(b)**	849,605	-	849,605	-
Amount due to a subsidiary	**16(c)**	-	-	-	52,000,000
Islamic financing	**17**	-	52,000,000	-	-
		17,809,947	65,124,845	17,440,937	64,713,083
Total liabilities		662,890,290	657,172,645	658,213,029	651,540,608
Total unitholders' fund and liabilities		1,253,499,726	1,254,554,026	1,247,899,643	1,249,072,423
Number of units in circulation	**18**	580,000,000	580,000,000	580,000,000	580,000,000
Net asset value ("NAV")					
- before income distribution		590,609,436	597,381,381	589,686,614	597,531,815
- after income distribution		580,169,436	590,305,381	579,246,614	590,455,815
NAV per unit					
- before income distribution		1.02	1.03	1.02	1.03
- after income distribution		1.00	1.02	1.00	1.02

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN NET ASSET VALUE

FOR THE YEAR ENDED 31 DECEMBER 2021

	Unitholders' capital RM	Realised* RM	Unrealised RM	Total undistributed income RM	Total unitholders' fund RM
Group					
At 1 January 2020	572,545,319	11,934,515	39,598,060	51,532,575	624,077,894
Total comprehensive income/(loss)	-	14,555,180	(28,085,826)	(13,530,646)	(13,530,646)
Transactions with unitholders:					
Income distributions (Note 9)	-	(13,165,867)	-	(13,165,867)	(13,165,867)
At 31 December 2020	572,545,319	13,323,828	11,512,234	24,836,062	597,381,381
At 1 January 2021	572,545,319	13,323,828	11,512,234	24,836,062	597,381,381
Total comprehensive income/(loss)	-	14,643,732	(11,439,710)	3,204,022	3,204,022
Transactions with unitholders:					
Income distributions (Note 9)	-	(9,975,967)	-	(9,975,967)	(9,975,967)
At 31 December 2021	572,545,319	17,991,593	72,524	18,064,117	590,609,436
Fund					
At 1 January 2020	572,545,319	12,025,754	39,598,060	51,623,814	624,169,133
Total comprehensive income/(loss)	-	14,614,375	(28,085,826)	(13,471,451)	(13,471,451)
Transactions with unitholders:					
Income distributions (Note 9)	-	(13,165,867)	-	(13,165,867)	(13,165,867)
At 31 December 2020	572,545,319	13,474,262	11,512,234	24,986,496	597,531,815
At 1 January 2021	572,545,319	13,474,262	11,512,234	24,986,496	597,531,815
Total comprehensive income/(loss)	-	14,704,324	(12,573,558)	2,130,766	2,130,766
Transactions with unitholders:					
Income distributions (Note 9)	-	(9,975,967)	-	(9,975,967)	(9,975,967)
At 31 December 2021	572,545,319	18,202,619	(1,061,324)	17,141,295	589,686,614

*Distributable

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 RM	Group 2020 RM	Fund 2021 RM	Fund 2020 RM
Cash flows from operating activities					
Profit/(loss) before tax		3,187,189	(12,285,065)	2,113,933	(12,225,870)
Adjustments for:					
Islamic financing costs:					
- Finance costs		24,474,076	26,882,588	24,474,076	26,882,588
- Imputed finance costs		1,565,096	2,007,193	1,565,096	2,007,193
Depreciation of equipment		172,286	163,514	172,286	163,514
Fair value loss on investment properties		12,740,709	31,261,883	12,740,709	31,261,883
Investment income		(329,773)	(451,867)	(329,773)	(451,867)
Unbilled rental income		(3,734,166)	(4,421,638)	(3,734,166)	(4,421,638)
Allowance for expected credit losses of trade receivables		9,527,577	13,404,632	9,527,577	13,404,632
Operating profit before working capital changes		47,602,994	56,561,240	46,529,738	56,620,435
(Increase)/decrease in:					
Trade receivables		(14,568,107)	(22,020,474)	(14,568,107)	(22,020,474)
Other receivables and prepaid expenses		(92,130)	(1,129,793)	(92,357)	(1,226,443)
Amount due from immediate holding company		50,377	-	50,377	-
Amount due from related companies		(580,999)	289,080	(580,999)	289,080
(Decrease)/increase in:					
Other payables and accrued expenses		3,235,806	(4,818,567)	3,230,745	(4,735,701)
Amount due to immediate holding company		54,496	-	54,496	-
Amount due to related companies		849,605	(513,948)	849,605	(513,948)
Net cash generated from operating activities		36,552,042	28,367,538	35,473,498	28,412,949
Cash flows from investing activities					
Income received from other investments		329,773	451,867	329,773	451,867
Purchase of equipment		(3,500)	(110,033)	(3,500)	(110,033)
Additions to investment properties	A	(612,542)	(2,017,972)	(612,542)	(2,017,972)
Net cash used in investing activities		(286,269)	(1,676,138)	(286,269)	(1,676,138)
Cash flows from financing activities					
(Increase)/decrease in pledged deposits with licensed banks		(704,893)	5,891,893	(644,893)	9,031,893
(Increase)/decrease in restricted cash		(58,708)	113,185	-	-
Income distributions paid		(9,975,968)	(13,165,867)	(9,975,968)	(13,165,867)
Islamic financing costs paid		(24,546,741)	(26,992,357)	(24,546,741)	(26,992,357)
Transaction cost paid		(897,860)	(3,928,296)	(897,859)	(3,928,296)
Increase in amount due to a subsidiary		-	-	959,835	4,142,774
Net drawdown in Islamic financing		1,000,000	7,215,000	1,000,000	-
Net cash used in financing activities		(35,184,170)	(30,866,442)	(34,105,626)	(30,911,853)
Net increase/(decrease) in cash and cash equivalents		1,081,603	(4,175,042)	1,081,603	(4,175,042)
Cash and cash equivalents at beginning of year		27,222,763	31,397,805	27,222,763	31,397,805
Cash and cash equivalents at end of year (Note 14)		28,304,366	27,222,763	28,304,366	27,222,763

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONT'D)

Note A

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

	Note	Group 2021 RM	Group 2020 RM	Fund 2021 RM	Fund 2020 RM
Payment by cash		612,542	2,017,972	612,542	2,017,972
Proceeds from Islamic financings	**17**	-	30,973,600	-	30,973,600
		612,542	32,991,572	612,542	32,991,572

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

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 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 immediate holding company is Damansara Assets Sdn. Bhd.. The ultimate holding corporation is Johor Corporation, a body corporate established under the Johor Corporation Enactment No. 4, 1968 (as amended by the Enactment No. 5, 1995). Both holding company and corporation are incorporated in Malaysia.

The immediate holding company is Damansara Assets Sdn. Bhd.. The ultimate holding corporation is Johor Corporation, a body corporate established under the Johor Corporation Enactment No. 4, 1968 (as amended by the Enactment No. 5, 1995). Both holding company and corporation are incorporated in Malaysia.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

1. Corporate information (cont'd.)

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 for the current financial year is RM467,400 (2020: RM483,915).

(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 RM2,477,759 (2020: RM2,323,291).

(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 RMNil (2020: RM283,200).

(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.

(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 RM119,566 (2020: RM124,660).

The financial statements of the Group and of the Fund were authorised by the Board of Directors of the Manager for issuance on 24 February 2022.

2. Significant accounting policies

2.1 Basis of preparation

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") and International Financial Reporting Standards. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

The financial statements of the Group and the Fund are prepared under the historical cost basis except for investment properties and applicable financial instruments that have been measured at their fair values.

The financial statements are presented in Ringgit Malaysia ("RM") except when otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

2. Significant accounting policies (cont'd.)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except in the current period, the Group and the Fund adopted the following new and amended MFRS mandatory for annual financial periods beginning on or after 1 January 2021:

Description	Effective for annual period beginning on or after
Amendments to MFRS 16: Covid-19-Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2	1 January 2021

The adoption of the above new and amended MFRS did not have any significant financial impact to the Group and the Fund.

2.3 Standards and interpretations issued but not yet effective

The standards and interpretations that are issued but not yet effective are disclosed below. The Group and the Fund intend to adopt these standards, if applicable, when they become effective:

Description	Effective for annual periods beginning on or after
Amendment to MFRS 16 Leases: Covid-19 Related Rent Concessions beyond 30 June 2021	1 April 2021
Annual improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendment to MFRS 17 Insurance Contracts: Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Group and the Fund expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of application.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies

(a) 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 Group 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 Group 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.

Business combination

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. Under the acquisition method, the identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date.

Acquisition costs incurred are expensed and included in administrative expenses. The difference between these fair values and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or discount on acquisition.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Basis of consolidation (cont'd.)

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.

(b) Revenue recognition

(i) Rental income

The Group and the Fund earn revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property.

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

(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.

(ii) Other income

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 and the Fund recognise 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(b) Revenue recognition (cont'd.)

(ii) Other income (cont'd.)

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 event 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.

(c) Income distribution

Income distributions are recognised as a liability when they are approved by Trustee and the board of directors of the Manager. Interim distributions are deducted from unitholders' funds when they are paid.

Income distribution to unitholders that are declared after the reporting period are not recognised as a liability at the end of the reporting period.

(d) Taxation

(i) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in OCI or in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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 unitholders within two months from the end of the reporting period.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(d) Taxation (cont'd.)

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(a) When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss

(b) In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Group and the Fund offset deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(e) Investment properties

Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property comprises principally office building and shopping mall that are not occupied substantially for use by, or in the operations of, the Group and the Fund, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.

Investment property is measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and (only in case of investment property held under a lease) initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(e) Investment properties (cont'd.)

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. The fair values were determined based on the capitalisation of net income method ("investment 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 valuation is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the period in which they arise, including the corresponding tax effect.

For the purposes of these financial statements, in order to avoid double counting, the fair value reported in the financial statements is:

(i) Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments;

(ii) In the case of investment property held under a lease, increased by the carrying amount of any liability to the head lessor that has been recognised in the statement of financial position as a finance lease obligation.

Investment property is derecognised either when it has been disposed of (i.e. at the date the recipient obtains control of the investment property in accordance with the requirements for determining when a performance obligation is satisfied in MFRS 15) or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration to be included in the gain or loss arising from the derecognition of investment property, the Group and the Fund consider the effects of variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any) in accordance with the requirements for determining the transaction price in MFRS 15.

(f) 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.

(g) 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.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(g) Impairment of non financial assets (cont'd.)

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.

(h) Leases

<u>As a lessor</u>

Leases in which the Group and the Fund do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging 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. Contingent rents are recognised as revenue in the period in which they are earned.

(i) Islamic Financing

Islamic financing are recognised initially at fair value, net of transaction costs incurred. Islamic financing 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 Islamic financing using the effective interest method.

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 twelve months after the end of the reporting period.

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

(j) Provisions

Provisions are recognised when the Group and the Fund have a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(k) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition and measured either at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Fund's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Fund have applied the practical expedient, the Group and the Fund initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component and therefore are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Fund's business model for managing financial assets refer to how they manage their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Fund commit to purchase or sell the asset.

The Group and the Fund determined the classification of their financial assets as financial assets (debt instruments) at amortised cost at its initial recognition.

Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Fund's financial assets at amortised cost includes trade receivables, other receivables (excluding prepaid expenses and unbilled rental income), amount due from related companies, fixed deposits with licensed banks, and cash and bank balances.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

(i) The rights to receive cash flows from the asset have expired; or

(ii) The Group and the Fund have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the Fund has transferred substantially all the risks and rewards of the asset, or the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(k) Financial assets (cont'd.)

Derecognition (cont'd.)

When the Group and the Fund have transferred their rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Fund continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Fund also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Fund have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Fund could be required to repay.

(l) Impairment of financial assets

The Group and the Fund recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Fund expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12- months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group and the Fund apply a simplified approach in calculating ECLs. Therefore, the Group and the Fund do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Fund have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Fund consider factors if a financial asset in default such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments that indicate that the Group and the Fund are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Fund. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(m) Financial liabilities

Recognition and measurement

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

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Fund become a party to the contractual provisions of the financial instruments. Financial liabilities are classified as other financial liabilities.

The Group's and the Fund's other financial liabilities include total payables (non- current and current), Islamic financing, amount due to related companies and amount due to a subsidiary.

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(m) Financial liabilities (cont'd.)

Derecognition

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 financier on substantially different terms, or the terms of an existing liability are substantially modified, such as exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(n) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement 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.

(o) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of restricted cash as they are considered an integral part of the Group's and the Fund's cash management.

(p) 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.

(q) Current versus non-current classification

The Group and the Fund present assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold and consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 months after reporting period; or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after reporting period.

All other assets are classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONT'D)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(q) Current versus non-current classification (cont'd.)

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting period; or
- There is no unconditional right to defer the settlement of the liability; for at least twelve months after reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(r) Fair value measurement

The Group and the Fund measure financial instruments such as derivatives and investment property at fair value at each balance sheet date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability; or
(ii) In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Fund use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities, for which fair value is measured or disclosed in the financial statements, are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(i) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
(ii) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
(iii) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group and the Fund determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONT'D)

3. Significant accounting judgements and estimates

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

3.1 Critical judgements made in applying accounting policies

There are no critical judgements made by management in the process of applying the Group's and the Fund's accounting policies that have a significant effect on the amounts recognised in the financial statements.

(a) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured at fair value, the Group and the Fund have concluded that certain investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time while others are held for eventual sale. As a result, the Group and the Fund have measured deferred tax on changes in fair values of these investment properties using the corporate income tax rate or the real property gains tax rate, as appropriate.

3.2 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:

Fair value of investment properties

The Group and the Fund carry their investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group and the Fund had engaged an independent professional valuer to determine the fair value and there are no material events that affect the valuation between the valuation date and financial year end.

The determined fair value of the investment properties by the independent professional valuer is most sensitive to the estimated yield rate and discount rate. The range of the yield rate and the discount rate used in the valuation is described in Note 10.

The following table demonstrates the sensitivity of the fair value measurement to changes in estimated term yield rate, discount rate and its corresponding sensitivity result in a higher or lower fair value measurement:

	Fair value Increase/(decrease)	
	2021 RM	**2020 RM**
Yield rate		
- 0.25%	28,732,000	18,717,000
+ 0.25%	(32,363,000)	(15,127,000)
Discount rate		
- 0.25%	10,011,000	25,514,000
+ 0.25%	(15,498,000)	(25,730,000)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

4. Gross rental income

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Rental income:				
- Base rental income	61,544,366	72,113,424	61,544,366	72,113,424
- Unbilled rental income	3,734,166	4,421,638	3,734,166	4,421,638
Percentage rent	558,467	558,429	558,467	558,429
Service charges	3,161,221	5,258,875	3,161,221	5,258,875
	68,998,220	82,352,366	68,998,220	82,352,366

5. Other income

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Timing of revenue recognition:				
At a point in time				
Parking income	1,499,953	2,055,216	1,499,953	2,055,216
Event and advertising income	1,044,910	1,693,134	1,044,910	1,693,134
	2,544,863	3,748,350	2,544,863	3,748,350

6. Investment income

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Income from Islamic deposit placements	329,773	451,867	329,773	451,867

7. Tax credit/(expenses)

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Deferred tax relating to the origination and reversal of temporary differences (Note 15)	16,833	(1,245,581)	16,833	(1,245,581)

Pursuant to Section 61A of the Malaysian Income Tax Act, 1967 ("Act"), income of the Fund will be exempted from tax provided that at least 90% of its total taxable income (as defined in the Act) is distributed to the unitholders' in the basis period of the Fund for that year of assessment within two months after the close of the financial year. If the 90% distribution condition is not complied with or the 90% distribution is not made within two months after the close of the financial year which forms the basis period for a year of assessment, the Fund will be subject to income tax at the prevailing statutory rate on its total taxable income. Income which has been taxed at the Fund's level will have tax credits attached when subsequently distributed to unitholders.

As at the date of this financial statements, the Fund has declared more than 90% of its distributable income to unitholders for the financial year ended 31 December 2021 accordingly. No provision for income tax expense has been made for the year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

7. Tax credit/(expenses) (cont'd.)

Deferred tax liability has been provided for the investment properties held by Al-Salām REIT at 10% which reflects the expected manner of recovery of the investment properties, i.e. recovered through sale.

Reconciliation of the tax expense is as follows:

	Group		Fund	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Profit/(loss) before tax	3,187,189	(12,285,065)	2,113,933	(12,225,870)
Tax at the statutory tax rate of 24% (2020: 24%)	764,925	(2,948,416)	507,344	(2,934,209)
Expenses not deductible for tax purposes	4,043,762	8,015,296	4,015,530	8,008,333
Income not subject to tax	(4,808,687)	(5,066,880)	(4,522,874)	(5,074,124)
Deferred tax recognised at different tax rate	16,833	(1,245,581)	16,833	(1,245,581)
	16,833	(1,245,581)	16,833	(1,245,581)

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%.

8. Earnings/(loss) per unit

The gross and net earnings/(loss) per unit, which are calculated based on the profit/(loss) before tax and profit/(loss) 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 2021, are as follows:

	Group		Fund	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Earnings/(loss) attributable to unitholders:				
Profit/(loss) before tax	3,187,189	(12,285,065)	2,113,933	(12,225,870)
Profit/(loss) for the year	3,204,022	(13,530,646)	2,130,766	(13,471,451)
Number of units	580,000,000	580,000,000	580,000,000	580,000,000
Gross earnings/(loss) per unit (sen)	0.55	(2.12)	0.36	(2.11)
Net earnings/(loss) per unit (sen)	0.55	(2.33)	0.37	(2.32)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

9. Income distribution

	Group and Fund 2021 RM	2020 RM
Income distributions on ordinary shares in respect of the current financial year		
First interim income distribution of 0.86 sen per unit declared on 11 March 2020 and paid on 15 April 2020	-	4,987,945
First interim income distribution of 0.50 sen per unit declared on 26 November 2021 and paid on 20 January 2022	2,900,000	-
	2,900,000	4,987,945
Income distribution on ordinary shares in respect of the previous financial year		
Final income distribution of 1.41 sen per unit declared on 30 January 2020 and paid on 28 February 2020	-	8,177,922
Final income distribution of 1.22 sen per unit declared on 26 January 2021 and paid on 26 February 2021	7,075,967	-
	9,975,967	13,165,867

The Manager had declared a final income distribution of 1.80 (2020: 1.22) sen per unit totalling RM10,440,000 (2020: RM7,076,000) for the financial year ended 31 December 2021 on 27 January 2022 (2020: 26 January 2021).

The financial statements for the current year do not reflect this final income distribution. Such income distribution will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2021.

The total distributions (including proposed final income distribution) for the financial year ended 31 December 2021 amounting to RM13,340,000 (2020: RM12,063,945). Total income distribution is 2.30 (2020: 2.08) sen per unit.

Distribution to unitholders is derived from the following sources:

	Group 2021 RM	Group 2020 RM	Fund 2021 RM	Fund 2020 RM
Net property income	54,993,850	64,969,732	54,993,850	64,969,732
Investment income	329,773	451,867	329,773	451,867
Less: Unbilled rental income	(3,734,166)	(4,421,638)	(3,734,166)	(4,421,638)
	51,589,457	60,999,961	51,589,457	60,999,961
Less: Fund expenses	(36,945,725)	(46,444,781)	(36,885,133)	(46,385,586)
Realised income	14,643,732	14,555,180	14,704,324	14,614,375
Undistributed income brought forward	13,323,828	11,934,515	13,474,262	12,025,754
Less: Undistributed income	(17,991,593)	(13,323,828)	(18,202,619)	(13,474,262)
	9,975,967	13,165,867	9,975,967	13,165,867
Number of units in circulation	580,000,000	580,000,000	580,000,000	580,000,000
Income distribution per unit (sen):				
Gross	1.72	2.27	1.72	2.27
Net	1.72	2.27	1.72	2.27

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

10. Investment properties

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
At 1 January	1,189,364,689	1,187,635,000	1,189,364,689	1,187,635,000
Additions	-	28,603,200	-	28,603,200
Enhancements	612,542	4,388,372	612,542	4,388,372
Fair value adjustment	(12,740,709)	(31,261,883)	(12,740,709)	(31,261,883)
At 31 December	1,177,236,522	1,189,364,689	1,177,236,522	1,189,364,689

Fair value measurement of the Group's and the Fund's investment properties

The fair values of the Group's and the Fund's investment properties as of 31 December 2021 have been arrived at on the basis of valuation carried out by Nawawi Tie Leung Property Consultants Sdn Bhd, independent valuer not related to the Group and the Fund. The valuer 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 following table shows a reconciliation of Level 3 fair values:

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Valuation per valuers' report	1,190,460,000	1,198,854,000	1,190,460,000	1,198,854,000
Less: unbilled rental income	(13,223,478)	(9,489,311)	(13,223,478)	(9,489,311)
	1,177,236,522	1,189,364,689	1,177,236,522	1,189,364,689

10. Investment properties (cont'd.)

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	Inter-relationship between significant unobservable inputs and fair value measurement
Term yield ranging from 5.00% - 6.75% (2020: 5.80% - 7.50%)	Higher term yield rates, lower fair value
Reversionary yield ranging from 5.50% - 7.25% (2020: 6.00% - 7.80%)	Higher reversionary yield rates, lower fair value
Discount rate ranging from 5.50% to 7.25% (2020: 6.00% - 7.80%)	Higher discount rate, lower fair value
Allowance for void of 2.50% - 10.00% (2020: 0.00% - 20.00%)	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
31 DECEMBER 2021 (CONT'D)

10. Investment properties (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	2021 Fair value RM	2020 Fair value RM	Fair value hierarchy
1. KOMTAR JBCC ##	Freehold	-	-	Johor Bahru, Johor	31/12/2021	429,600,000	432,000,000	3
2. Menara KOMTAR ##	Freehold	-	-	Johor Bahru, Johor	31/12/2021	62,000,000	73,000,000	3
3. @Mart Kempas ##	Leasehold	99	85	Johor Bahru, Johor	31/12/2021	72,000,000	70,000,000	3
4. Malaysian College of Hospitality & Management (MCHM) ##	Freehold	-	-	Johor Bahru, Johor	31/12/2021	34,000,000	33,800,000	3
5. Mydin Hypermart Gong Badak ##	Leasehold	99	88	Gong Badak, Terengganu	31/12/2021	151,776,522	154,510,689	3
6. QSR Properties: Restaurant in shop lots								
a. KFC restaurant ##	Freehold	-	-	Kajang, Selangor	31/12/2021	9,700,000	9,700,000	3
b. KFC restaurant ##	Freehold	-	-	Jitra, Kedah	31/12/2021	530,000	530,000	3
c. KFC restaurant ##	Leasehold	93	83	Ayer Hitam, Johor	31/12/2021	2,040,000	2,000,000	3
d. KFC restaurant #	Leasehold	99	69	Bayan Lepas, Penang	31/12/2021	4,000,000	4,000,000	3
e. KFC restaurant ###	Leasehold	99	74	Petaling Jaya, Selangor	31/12/2021	9,300,000	9,400,000	3
f. KFC restaurant #	Leasehold	74	64	Port Dickson, Negeri Sembilan	31/12/2021	1,800,000	1,750,000	3
g. KFC restaurant ##	Leasehold	99	71	Kuala Perlis, Perlis	31/12/2021	480,000	480,000	3
h. PHD restaurant ##	Freehold	-	-	Ulu Tiram, Johor	31/12/2021	936,000	870,000	3
i. PHD restaurant ##	Leasehold	99	64	Kota Tinggi, Johor	31/12/2021	816,000	830,000	3
j. KFC restaurant #	Leasehold	99	60	Kepong, Kuala Lumpur	31/12/2021	7,300,000	7,500,000	3
k. KFC restaurant #	Freehold	-	-	Kampar, Perak	31/12/2021	1,400,000	1,400,000	3
l. KFC restaurant #	Freehold	-	-	Jalan Raja Laut, Kuala Lumpur	31/12/2021	4,700,000	4,700,000	3
m. KFC restaurant #	Freehold	-	-	Jalan Ipoh, Kuala Lumpur	31/12/2021	8,700,000	8,700,000	3
n. KFC restaurant #	Freehold	-	-	Ipoh, Perak	31/12/2021	2,000,000	2,000,000	3
o. KFC restaurant #	Leasehold	99	78	Balai Panjang, Melaka	31/12/2021	980,000	950,000	3

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONT'D)

10. Investment properties (cont'd.)

Description of property	Tenure of land	Term of lease Years	Remaining term of lease Years	Location	Date of valuation	2021 Fair value RM	2020 Fair value RM	Fair value hierarchy
p. KFC restaurant #	Freehold	-	-	Ulu Tiram, Johor	31/12/2021	1,648,000	1,630,000	3
q. KFC restaurant #	Freehold	-	-	Jalan Dato Onn Jaafar, Perak	31/12/2021	3,400,000	3,400,000	3
r. KFC restaurant #	Freehold	-	-	Senawang, Negeri Sembilan	31/12/2021	840,000	830,000	3
s. KFC restaurant #	Freehold	-	-	Seremban, Negeri Sembilan	31/12/2021	3,900,000	3,900,000	3
t. KFC restaurant #	Leasehold	999	894	Kota Kinabalu, Sabah	31/12/2021	2,800,000	2,770,000	3
u. Pizza Hut restaurant #***	Leasehold	99	92	Kuching, Sarawak	31/12/2021	4,000,000	4,000,000	3
v. KFC restaurant #	Leasehold	99	66	Sg Buloh, Selangor	31/12/2021	1,600,000	1,580,000	3
w.KFC restaurant #	Freehold	-	-	Jalan Hang Tuah, Melaka	31/12/2021	2,090,000	2,090,000	3
Restaurants in shopping mall								
x. KFC Restaurant in Queensbay Mall #	Freehold	-	-	Bayan Lepas, Penang	31/12/2021	14,000,000	13,972,000	3
y.KFC Restaurant Kompleks Bukit Jambul #	Freehold	-	-	Bayan Lepas, Penang	31/12/2021	2,850,000	2,842,000	3
z. KFC Restaurant in Megamall Pinang Shopping Complex #	Freehold	-	-	Perai, Penang	31/12/2021	2,540,000	2,540,000	3
aa. Pizza Hut Restaurant in Megamall Pinang Shopping Complex #	Freehold	-	-	Perai, Penang	31/12/2021	1,110,000	1,110,000	3
Restaurants with drive through facility								
bb. Pizza Hut and KFC ###	Leasehold	99	43	Jalan Kuchai Lama, Kuala Lumpur	31/12/2021	14,500,000	15,000,000	3
cc. Pizza Hut and KFC ##	Freehold			Sungai Petani, Kedah	31/12/2021	5,300,000	5,300,000	3
dd. Pizza Hut and KFC ##	Freehold	-	-	Senai, Johor	31/12/2021	8,800,000	8,600,000	3
ee. Pizza Hut and KFC ## Aliff,	Freehold	-	-	Taman Damansara Johor Bahru	31/12/2021	12,300,000	12,100,000	3
ff. Pizza Hut and KFC ###	Freehold	-	-	Taman Perling, Johor Bahru	31/12/2021	14,000,000	13,800,000	3

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONT'D)

10. Investment properties (cont'd.)

Description of property	Tenure of land	Term of lease Years	Remaining term of lease Years	Location	Date of valuation	2021 Fair value RM	2020 Fair value RM	Fair value hierarchy
Restaurants with drive through facility (cont'd.)								
gg. Pizza Hut and KFC ##	Freehold	-	-	Ipoh, Perak	31/12/2021	8,700,000	8,700,000	3
hh. Pizza Hut and KFC ####	Leasehold	96	75	Off Jalan Kepong, Kuala Lumpur	31/12/2021	15,800,000	16,000,000	3
ii. Pizza Hut and KFC ##	Leasehold	83	62	Pusat Bandar Wangsa Maju, Kuala Lumpur	31/12/2021	26,700,000	27,000,000	3
jj. Pizza Hut and KFC ##	Leasehold	99	87	Hang Tuah Jaya, Melaka	31/12/2021	10,700,000	8,700,000	3
kk. KFC #	Freehold	-	-	Bandar Seri Alam, Johor Bahru	31/12/2021	7,800,000	7,620,000	3
ll. KFC #	Leasehold	991	890	Skudai, Johor	31/12/2021	8,000,000	7,900,000	3
mm. KFC #	Freehold	-	-	Georgetown, Penang	31/12/2021	24,000,000	24,000,000	3
nn. Pizza Hut and KFC #	Freehold	-	-	Kepala Batas, Penang	31/12/2021	6,900,000	6,900,000	3
oo. Pizza Hut and KFC #	Leasehold	99	87	Puchong Perdana Selangor	31/12/2021	15,100,000	14,800,000	3
pp. Pizza Hut and KFC #	Freehold	-	-	Seremban Negeri Sembilan	31/12/2021	8,400,000	8,300,000	3
qq. KFC #	Leasehold	99	90	Jasin, Melaka	31/12/2021	4,000,000	4,270,000	3
Warehouse and factory								
rr. Warehouse ##	Freehold	-	-	Simpant Ampat Penang	31/12/2021	1,600,000	1,500,000	3
ss. Warehouse and factory #	Leasehold	99	75	Kota Kinabalu, Sabah	31/12/2021	3,000,000	3,000,000	3
tt. Warehouse ##	Leasehold	99	66	Pelabuhan Klang, Selangor	31/12/2021	47,200,000	47,398,000	3
uu. Warehouse and factory ##	Leasehold	99	66	Pelabuhan Klang, Selangor	31/12/2021	26,700,000	27,000,000	3
vv. Warehouse and factory ###	Freehold	-	-	Shah Alam, Selangor	31/12/2021	59,100,000	59,052,000	3
ww. Warehouse #	Leasehold	999	880	Kota Kinabalu, Sabah	31/12/2021	3,800,000	3,640,000	3
						1,177,236,522	1,189,364,689	

10. Investment properties (cont'd.)

The investment properties amounting to RM152,658,000 (2020: RM152,094,000) are used to secure against Term Financing-I ("TF-i") issued by the Fund as disclosed in Note 17.

The investment properties amounting to RM911,878,522 (2020: RM1,021,270,689) are used to secure against Islamic Medium Term Notes ("IMTNs") issued by the subsidiary as disclosed in Note 17.

The investment properties amounting to RM96,900,000 (2020: RMNil) are used to secure against Business Financing-I ("BF-I") issued by the Fund as disclosed in Note 17.

Restaurant with drive-through facility: Pizza Hut and KFC Off Jalan Kepong, Kuala Lumpur amounting of RM15,800,000 (2020: RM16,000,000) are used to secure against Commodity Murabahah Revolving Credit ("CMRC").

* Based on valuation carried out by independent professional valuer, Messrs. Nawawi Tie Leung Property Consultant Sdn Bhd.

11. Equipment

	Group		Fund	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Cost				
At 1 January	1,270,413	1,160,380	1,270,413	1,160,380
Additions	3,500	110,033	3,500	110,033
At 31 December	1,273,913	1,270,413	1,273,913	1,270,413
Accumulated depreciation				
At 1 January	(393,317)	(229,803)	(393,317)	(229,803)
Charge for the year	(172,286)	(163,514)	(172,286)	(163,514)
At 31 December	(565,603)	(393,317)	(565,603)	(393,317)
Net carrying amount				
At 31 December	708,310	877,096	708,310	877,096

12. Investments in a subsidiary

	Fund	
	2021 RM	**2020 RM**
Unquoted shares, at cost	2	2

Details of the subsidiary are as follows:

Name of subsidiary	**Principal activities**	**Country of incorporation**	**Proportion of ownership interest 2021 %**	**Proportion of ownership interest 2020 %**
ALSREIT Capital Sdn Bhd	Special purpose company for the purpose of raising Islamic Financing for the Fund	Malaysia	100	100

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONT'D)

13. Trade receivables, other receivables and prepaid expenses

(a) Trade receivables

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Non-current				
Third party (Note (i))	-	2,809,590	-	2,809,590
Current				
Third parties	11,873,475	9,545,998	11,873,475	9,545,998
Amount due from related companies	13,491,214	6,256,724	13,491,214	6,256,724
	25,364,689	15,802,722	25,364,689	15,802,722
Less: Allowance for expected credit losses	(5,169,756)	(3,457,908)	(5,169,756)	(3,457,908)
	20,194,933	12,344,814	20,194,933	12,344,814
Unbilled rental income (Note (ii))	13,223,478	9,489,311	13,223,478	9,489,311
	33,418,411	21,834,125	33,418,411	21,834,125

Trade receivables comprise rental receivable from lessees. The credit period granted by the Group and the Fund on rental receivable from lessees generally ranges from 1 to 7 days (2020: 1 to 7 days).

(i) Trade receivables (non-current)

In the previous financial year, the Fund entered into a settlement agreement with a customer. Both parties agreed that the outstanding rental of RM5,619,180 is to be paid by the customer through 24 monthly instalments as and when they fall due on 7th day of each month starting January 2021.

(ii) Unbilled rental income

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:

	Total gross carrying amount at default RM	Allowance for expected credit losses RM	Total RM
Group			
At 31 December 2021			
1 to 30 days past due	4,396,892	(776,963)	3,619,929
31 to 60 days past due	3,147,348	(68,529)	3,078,819
61 to 90 days past due	2,165,760	(318)	2,165,442
90 to 120 days past due	2,623,660	(7,132)	2,616,528
More than 120 days pass due	13,031,029	(4,316,814)	8,714,215
	25,364,689	**(5,169,756)**	**20,194,933**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

13. Trade receivables, other receivables and prepaid expenses (cont'd.)

(a) Trade receivables (cont'd.)

The ageing analysis of the Group's and of the Fund's trade receivables is as follows: (cont'd.)

	Total gross carrying amount at default RM	Allowance for expected credit losses RM	Total RM
Group (cont'd)			
At 31 December 2020			
1 to 30 days past due	8,128,774	-	8,128,774
31 to 60 days past due	1,933,779	(224,778)	1,709,001
61 to 90 days past due	1,934,927	(181,507)	1,753,420
90 to 120 days past due	1,661,282	(1,268,937)	392,345
More than 120 days pass due	2,143,960	(1,782,686)	361,274
	15,802,722	**(3,457,908)**	**12,344,814**
Fund			
At 31 December 2021			
1 to 30 days past due	4,396,892	(776,963)	3,619,929
31 to 60 days past due	3,147,348	(68,529)	3,078,819
61 to 90 days past due	2,165,760	(318)	2,165,442
90 to 120 days past due	2,623,660	(7,132)	2,616,528
More than 120 days pass due	13,031,029	(4,316,814)	8,714,215
	25,364,689	**(5,169,756)**	**20,194,933**
At 31 December 2020			
1 to 30 days past due	8,128,774	-	8,128,774
31 to 60 days past due	1,933,779	(224,778)	1,709,001
61 to 90 days past due	1,934,927	(181,507)	1,753,420
90 to 120 days past due	1,661,282	(1,268,937)	392,345
More than 120 days pass due	2,143,960	(1,782,686)	361,274
	15,802,722	**(3,457,908)**	**12,344,814**

Movement in allowance for expected credit losses of trade receivables:

	Group and Fund 2021 RM	2020 RM
At 1 January	3,457,908	-
Derecognition loss on lease receivables (Note (iii))	9,527,577	13,404,632
Written off	(7,815,729)	(9,946,724)
At 31 December	5,169,756	3,457,908

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

13. Trade receivables, other receivables and prepaid expenses (cont'd.)

(a) Trade receivables (cont'd.)

(iii) Derecognition loss on lease receivables

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organisation. The rapid spread of ongoing COVID-19 pandemic throughout the country has a significant impact on the overall economy. The Movement Control Order ("MCO") imposed by the Government of Malaysia has caused the reduction in the income generated by the Group's and the Fund's retail and food and beverages ("F&B") tenants.

As at the date of the financial statements, Malaysia's international borders remain closed.

In view of the ongoing COVID-19 pandemic, the Group and the Fund granted rent concession of RM9,527,577 (2020: RM13,404,632) to their tenants.

(b) Other receivables and prepaid expenses

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Other receivables	4,617,722	4,427,153	4,617,458	4,426,661
Prepaid expenses	335,386	433,824	335,386	433,824
Other receivables and prepaid expenses	4,953,108	4,860,977	4,952,844	4,860,485

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Total trade and non-trade receivables (non-current and current)	38,371,519	29,504,692	38,371,255	29,504,200
Less:				
Prepaid expenses	(335,386)	(433,824)	(335,386)	(433,824)
Add:				
Amount due from immediate holding company (Note(c))	-	50,377	-	50,377
Amount due from related companies (Note (d))	1,027,188	446,189	1,027,188	446,189
Fixed deposits with licensed banks	26,352,000	27,970,000	20,822,000	22,500,000
Cash and bank balances	9,804,187	6,340,983	9,734,366	6,329,870
Total financial assets carried at amortised cost (debt instruments)	75,219,508	63,878,417	69,619,423	58,396,812

(c) Amount due from immediate holding company

Amount due from immediate holding company is non-trade, unsecured, interest-free and repayable on demand.

(d) Amount due from related companies

Amount due from related companies, which arose mainly from collections on behalf, is unsecured, interest-free and repayable on demand. Transactions with related parties are disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

14. Cash and cash equivalents

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Fixed deposits with licensed banks	26,352,000	27,970,000	20,822,000	22,500,000
Cash and bank balances	9,804,187	6,340,983	9,734,366	6,329,870
	36,156,187	34,310,983	30,556,366	28,829,870
Less:				
Restricted cash (Note (a))	(69,821)	(11,113)	-	-
Pledged deposits with licensed banks (Note (b))	(7,782,000)	(7,077,107)	(2,252,000)	(1,607,107)
	28,304,366	27,222,763	28,304,366	27,222,763

At the reporting date, the weighted average deposit rate per annum and average remaining maturity period of fixed deposits with licensed banks are as follows:

	Group		Fund	
	2021	2020	2021	2020
Weighted average deposit rate (%)	1.43%	1.49%	1.43%	1.45%
Average remaining maturity period	33	32	15	5

(a) The Group has restricted cash which serves as reserve for prepayment of finance cost on Sukuk Ijarah amounting to RM69,821 (2020: RM11,113), which are not available for general use.

(b) The deposits with licensed banks of the Group and of the Fund of RM7,782,000 and RM2,252,000 (2020: RM7,077,107 and RM1,607,107) 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.

15. Deferred tax liability

	Group and Fund	
	2021 RM	2020 RM
At 1 January	1,245,581	-
Recognised in profit or loss (Note 7)	(16,833)	1,245,581
At 31 December	1,228,748	1,245,581

The deferred tax liability relates to fair value gain on investment properties which is expected to be recovered through sale. The amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying values at the reporting date unless the property is held with the objective to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Based on the Finance Act 2019 which was gazetted in December 2019, it was clarified that the RPGT rate of 10% is prescribed for disposal of investment properties held for more than 5 years for a trustee of a trust.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

16. Other payables and accrued expenses

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Non current				
Tenant deposit payables	8,194,657	8,946,318	8,194,657	8,946,318
Current				
Tenant deposit payables	5,882,510	5,624,357	5,882,510	5,624,357
Other payables	3,328,226	1,576,038	3,328,226	1,576,038
Income distribution	2,900,000	-	2,900,000	-
Accrued expenses	3,660,076	4,583,010	3,625,076	4,553,010
Accrued financing cost (Note 17)	1,135,034	1,341,440	801,024	959,678
	16,905.846	13,124,845	16,536,836	12,713,083
Total payables (non-current and current)	25,100,503	22,071,163	24,731,493	21,659,401
Add:				
Islamic financing (Note 17)	635,656,938	633,855,901	186,669,178	117,108,795
Amount due to immediate holding company (Note (a))	54,496	-	54,496	-
Amount due to related companies (Note (b))	849,605	-	849,605	-
Amount due to a subsidiary (Note (c))	-	-	444,679,509	511,526,831
Total financial liabilities carried at amortised cost	661,661,542	655,927,064	656,984,281	650,295,027

(a) Amount due to immediate holding company

Amount due to immediate holding company is non-trade, unsecured, interest-free and repayable on demand.

(b) Amount due to related companies

Amount due to related companies are non-trade, unsecured, interest-free and repayable on demand.

(c) Amount due to a subsidiary

Amount due to a subsidiary represents unsecured advances received from the proceeds raised from Islamic financing by the subsidiary. 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 due to a subsidiary are the accrued profit from the cash reserves of RM4,308,251 (2020: RM5,220,275) which is unsecured, repayable on demand and bears returns of 3.72% to 3.91% (2020: 3.72% to 3.90%) per annum, 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.

16. Other payables and accrued expenses (cont'd.)

(c) Amount due to a subsidiary (cont'd.)

The detail breakdown of amount owing to a subsidiary company are as follows:

	2021 RM	2020 RM
Fund		
Amount due to a subsidiary	451,000,000	520,000,000
Less: Transaction costs	(2,012,240)	(3,252,894)
	448,987,760	516,747,106
Less: Accrued interest from cash reserve	(4,308,251)	(5,220,275)
	444,679,509	511,526,831

17. Islamic financing

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Non current				
Term Financing-i ("TF-i") (Note (a))	118,000,000	118,000,000	118,000,000	118,000,000
Business Financing-i ("BF-i") (Note (b))	70,000,000	-	70,000,000	-
Sukuk Ijarah (Note (c))	451,000,000	468,000,000	-	-
	639,000,000	586,000,000	188,000,000	118,000,000
Less: Transaction cost	(3,343,062)	(4,144,099)	(1,330,822)	(891,205)
	635,656,938	581,855,901	186,669,178	117,108,795
Current				
Sukuk Ijarah (Note (c))	-	52,000,000	-	-
Total Islamic financing	635,656,938	633,855,901	186,669,178	117,108,795

(a) TF-i

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 3.79% (2020: 4.18%) per annum. The principal amount is to be expected to be paid in March 2024.

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

(i) The financing payment cover ratio ("FPCR") of not less than 1.25 times;
(ii) Total debts and financing over total assets value of not more than 50%; and
(iii) Minimum security cover of 1.25 times.

The financing is secured by the investment properties amounting to RM152,658,000 (2020: RM152,094,000) as per disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

17. Islamic financing (cont'd.)

(b) BF-i

The BF-i profit is payable over a period of 72 months from the date of first disbursement. The effective profit rate for the BF-i will be based on COF which is based on the Bank's COF + 0.60% per annum for the duration of the BF-i.

The average effective profit rate for the BF-i is 3.56% (2020: nil) per annum. The principal amount is to be expected to be paid in September 2026.

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

(i) The financing payment cover ratio ("FSCR") of not less than 1.25 times;
(ii) Total debts and financing over total assets value of not more than 50%; and
(iii) Minimum security cover of 1.30 times.

The financing is secured by the investment properties amounting to RM96,900,000 as per disclosed in Note 10.

(c) Sukuk Ijarah

On 24 August 2018, a subsidiary of the Group, ALSREIT Capital Sdn Bhd established a Sukuk Ijarah Programme comprising Islamic Medium Term Notes ("IMTN") of up to RM1,500,000,000.

On 24 August 2020, the Group issued RM520,000,000 in nominal value of IMTNs ("Issue 2") which bears profit rate of 3.72% to 3.91% (2020: 3.72% to 3.90%) per annum.

The Sukuk Ijarah Programme has a significant covenant in which the subsidiary, Al-Salām REIT and its subsidiary shall at all times, maintain the following financial covenants:

(i) Finance Service Cover Ratio ("FSCR") at Issuer level of not less than 1.5 times;
(ii) FSCR at Al-Salām REIT level of not less than 1.5 times;
(iii) Minimum Security Cover Ratio of at least 2.0; and
(iv) 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 RM911,878,522 (2020: RM1,021,270,689) as per disclosed in Note 10.

Revolving credit:

As of 31 December 2021, the Fund unutilised revolving credit facilities amounting to RM10,000,000 (2020: RM10,000,000) which is granted from a financial institution. The said facility of is secured by investment properties of the subsidiary amounting to RM15,800,000 (2020: RM16,000,000) as mentioned in Note 10.

Changes in liabilities arising from financing activities:

	Non-current RM	Current RM	Total RM
Group			
At 1 January 2021	581,855,901	52,000,000	633,855,901
Cash flows	52,235,941	(52,000,000)	235,941
Charged to profit or loss	1,565,096	-	1,565,096
At 31 December 2021	635,656,938	-	635,656,938
At 1 January 2020	86,000,816	162,044,847	248,045,663
Cash flows	546,202,122	(162,785,000)	383,417,122
Charged to profit or loss	1,565,096	828,020	2,393,116
Reclassification	(51,912,133)	51,912,133	-
At 31 December 2020	581,855,901	52,000,000	633,855,901

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

17. Islamic financing (cont'd.)

Revolving credit: (cont'd)

Changes in liabilities arising from financing activities: (cont'd)

	Non-current RM	Current RM	Total RM
Fund			
At 1 January 2021	117,108,795	-	117,108,795
Cash flows	67,995,287	-	67,995,287
Charged to profit or loss	1,565,096	-	1,565,096
At 31 December 2021	186,669,178	-	186,669,178
At 1 January 2020	86,000,816	349,486,991	435,487,807
Cash flows	29,542,883	(350,000,000)	(320,457,117)
Charged to profit or loss	1,565,096	513,009	2,078,105
At 31 December 2020	117,108,795	-	117,108,795

18. Unitholders' capital

	No. of units 2021	No. of units 2020	2021 RM	2020 RM
Group and Fund				
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 Initial Public Offering ("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 2021 based on the Record of Depositors are as follows:

	No. of units 2021	No. of units 2020	2021 RM	2020 RM
Group and Fund				
Related companies:				
Johor Corporation	24,436,600	24,436,600	11,851,751	13,440,130
Damansara Assets Sdn Bhd	278,539,417	278,539,417	135,091,617	153,196,679
Kulim (Malaysia) Berhad	27,060,600	27,060,600	13,124,391	14,883,330
Johor Land Berhad	1,499,500	1,499,500	727,258	1,100,000
KPJ Healthcare Berhad	2,000,000	2,000,000	970,000	824,725
Kumpulan Bertam Plantations Berhad	296,000	296,000	143,560	162,800
Tenaga Utama (Johor) Berhad	7,688	7,688	3,729	4,228

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 RM0.49 per unit as at 31 December 2021 (2020: RM0.55 per unit).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

19. Management Expense Ratio ('MER')

	Fund	
	2021 %	2020 %
MER	0.63	0.66

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 have 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:

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Rental income received/receivable from related companies	34,774,595	34,958,508	34,774,595	34,958,508
Other property management fees charged by related companies of the Manager (including in other operating expenses)	5,902,509	6,104,009	5,902,509	6,104,009
Finance cost paid/payable to a subsidiary	-	-	19,335,023	12,309,689

The related party transactions described above were entered into in the normal course of business and are based on negotiated and mutually agreed terms.

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
Group		
At 31 December 2021		
Financial liability at amortised cost		
Islamic financing - non-current	635,656,938	590,541,852
At 31 December 2020		
Financial liability at amortised cost		
Islamic financing - non-current	581,855,901	529,474,285
Islamic financing - current	52,000,000	52,000,000
Fund		
At 31 December 2021		
Financial liability at amortised cost		
Islamic financing - non-current	186,669,178	166,135,378
Amount due to a subsidiary	445,529,114	424,406,474
	632,198,292	590,541,852
At 31 December 2020		
Financial liability at amortised cost		
Islamic financing - non-current	117,108,795	104,596,005
Amount due to a subsidiary	459,526,831	424,878,280
	576,635,626	529,474,285

The fair value of the non-current Islamic financing was estimated using discounted cash flow analysis based on market equivalent profit rate of 3.68% (2020: 3.77%) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

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

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.

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 due from related companies is disclosed in Note 13.

<u>Credit risk concentration profile</u>

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, approximately 59% (2020: 82%) of the Group's and Fund's trade receivables was due from third party. The risk of default arising from non-performance by this party is low.

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: (cont'd)

(b) Liquidity risk

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

22. Financial risk management objectives and policies (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Fund's financial liabilities as at the reporting date based on undiscounted contractual payments:

	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
Group					
31 December 2021					
Non-profit bearing financial liabilities:					
Other payables and accrued expenses	-	25,100,503	25,100,503	16,905,846	8,194,657
Profit bearing financial liabilities:					
Variable profit rate instruments -					
Islamic financing	3.68	635,656,938	701,000,600	-	701,000,600
Fund					
31 December 2021					
Non-profit bearing financial liabilities:					
Other payables and accrued expenses	-	24,731,493	24,731,493	16,536,836	8,194,657
Profit bearing financial liabilities:					
Variable profit rate instruments -					
Islamic financing	3.64	186,669,178	216,085,400	-	216,085,400
Amount owing to a subsidiary	3.76	444,679,509	484,915,200	-	484,915,200
Group					
31 December 2020					
Non-profit bearing financial liabilities:					
Other payables and accrued expenses	-	22,071,163	22,071,163	13,124,845	8,946,318
Profit bearing financial liabilities:					
Variable profit rate instruments -					
Islamic financing	3.77	633,855,901	708,259,200	52,000,000	656,259,200
Fund					
31 December 2020					
Non-profit bearing financial liabilities:					
Other payables and accrued expenses	-	21,659,401	21,659,401	12,713,083	8,946,318
Profit bearing financial liabilities:					
Variable profit rate instruments -					
Islamic financing	3.82	117,108,795	136,030,400	-	136,030,400
Amount owing to a subsidiary	3.72	511,526,831	572,228,800	52,000,000	520,228,800

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

22. Financial risk management objectives and policies (cont'd.)

(c) Interest rate risk

Interest 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 interest rates.

The Group and the Fund manage their interest 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 Islamic financing. 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 interest rate promptly.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the Group's and Fund's (loss)/profit before tax would have been:

	Group (Decrease)/Increase		Fund (Decrease)/Increase	
	Effect on loss before tax 2021 RM	Effect on profit before tax 2020 RM	Effect on loss before tax 2021 RM	Effect on profit before tax 2020 RM
Interest rate decreased by 25 basis points	(1,531,620)	1,525,075	(417,945)	238,750
Interest rate increased by 25 basis points	1,531,620	(1,525,075)	417,945	(238,750)

The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

The interest rate mentioned above will have an impact on the management of the Group and the Fund, regardless of whether it is an Islamic fund or otherwise. It does not in any way suggest that the Group and the Fund will invest in conventional financial instruments. All the investments and placements carried out for the Group and the Fund are in accordance with the Shariah requirements.

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
- Other comprising fund level operations

No information on geographical areas is presented as the Group and the Fund operate solely in Malaysia.

The accounting policies of the reportable segments below are the same as the Group's and the Fund's accounting policies described in Note 2.

23. Segment reporting (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 2.

	Retail outlets RM	Office buildings RM	F&B restaurants RM	F&B Non-restaurants RM	Other - Fund level operations RM	Total RM
Group						
For the year ended 31 December 2021						
Total revenue	34,491,746	8,288,137	17,387,619	11,375,581	-	71,543,083
Total property expenses	(12,316,371)	(3,361,506)	(35,883)	(298,730)	(536,743)	(16,549,233)
Net property income/(loss)	22,175,375	4,926,631	17,351,736	11,076,851	(536,743)	54,993,850
Fair value (loss)/gain on investment properties	(3,639,865)	(11,106,844)	2,156,000	(150,000)	-	(12,740,709)
Investment income	-	-	-	-	329,773	329,773
Total income/(loss)	18,535,510	(6,180,213)	19,507,736	10,926,851	(206,970)	42,582,914
Total fund expenditure	(8,286,790)	(140,840)	(884,993)	(253,164)	(3,790,766)	(13,356,553)
Operating profit/(loss)	10,248,720	(6,321,053)	18,622,743	10,673,687	(3,997,736)	29,226,361
Islamic financing costs	-	-	-	-	(26,039,172)	(26,039,172)
Income tax credit	-	-	-	-	16,833	16,833
Profit/(loss) for the year	10,248,720	(6,321,053)	18,622,743	10,673,687	(30,020,075)	3,204,022
Total assets	799,207,793	106,294,465	286,460,000	189,778,926	(128,241,458)	1,253,499,726
Total liabilities	7,450,761	12,020,140	-	733,264	642,686,125	662,890,290

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

23. Segment reporting (cont'd.)

	Retail outlets RM	Office buildings RM	F&B restaurants RM	F&B Non-restaurants RM	Other - Fund level operations RM	Total RM
Fund						
For the year ended 31 December 2021						
Total revenue	34,491,746	8,288,137	17,387,619	11,375,581	-	71,543,083
Total property expenses	(12,316,371)	(3,361,506)	(35,883)	(298,730)	(536,743)	(16,549,233)
Net property income/(loss)	22,175,375	4,926,631	17,351,736	11,076,851	(536,743)	54,993,850
Fair value (loss)/gain on investment properties	(3,639,865)	(11,106,844)	2,156,000	(150,000)	-	(12,740,709)
Investment income	-	-	-	-	329,773	329,773
Total income/(loss)	18,535,510	(6,180,213)	19,507,736	10,926,851	(206,970)	42,582,914
Total fund expenditure	(8,286,790)	(140,840)	(884,993)	(253,164)	(4,864,022)	(14,429,809)
Operating profit/(loss)	10,248,720	(6,321,053)	18,622,743	10,673,687	(5,070,992)	28,153,105
Islamic financing costs	-	-	-	-	(26,039,172)	(26,039,172)
Income tax credit	-	-	-	-	16,833	16,833
Profit/(loss) for the year	10,248,720	(6,321,053)	18,622,743	10,673,687	(31,093,331)	2,130,766
Total assets	799,207,793	106,294,465	286,460,000	189,778,926	(133,841,541)	1,247,899,643
Total liabilities	7,450,761	12,020,140	-	733,264	638,008,864	658,213,029

23. Segment reporting (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 2.

	Retail outlets RM	Office buildings RM	F&B restaurants RM	F&B Non-restaurants RM	Other - Fund level operations RM	Total RM
Group						
For the year ended 31 December 2020						
Total revenue	49,415,446	9,173,209	16,164,150	11,347,911	-	86,100,716
Total property expenses	(16,612,866)	(3,653,645)	(32,518)	(348,040)	(483,915)	(21,130,984)
Net property income/(loss)	32,802,580	5,519,564	16,131,632	10,999,871	(483,915)	64,969,732
Fair value (loss)/gain on investment properties	(36,676,835)	(200,848)	1,925,800	3,690,000	-	(31,261,883)
Investment income	-	-	-	-	451,867	451,867
Total (loss)/income	(3,874,255)	5,318,716	18,057,432	14,689,871	(32,048)	34,159,716
Total fund expenditure	-	-	-	-	(17,555,000)	(17,555,000)
Operating (loss)/profit	(3,874,255)	5,318,716	18,057,432	14,689,871	(17,587,048)	16,604,716
Islamic financing costs	-	-	-	-	(28,889,781)	(28,889,781)
Income tax expense	-	-	-	-	(1,245,581)	(1,245,581)
(Loss)/profit for the year	(3,874,255)	5,318,716	18,057,432	14,689,871	(47,722,410)	(13,530,646)
Total assets	801,943,889	104,441,085	284,464,000	187,709,119	(124,004,067)	1,254,554,026
Total liabilities	15,084,407	3,013,191	-	699,697	638,375,350	657,172,645

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONT'D)

23. Segment reporting (cont'd.)

	Retail outlets RM	Office buildings RM	F&B restaurants RM	F&B Non-restaurants RM	Other - Fund level operations RM	Total RM
Fund						
For the year ended 31 December 2020						
Total revenue	49,415,446	9,173,209	16,164,150	11,347,911	-	86,100,716
Total property expenses	(16,612,866)	(3,653,645)	(32,518)	(348,040)	(483,915)	(21,130,984)
Net property income/(loss)	32,802,580	5,519,564	16,131,632	10,999,871	(483,915)	64,969,732
Fair value (loss)/gain on investment properties	(36,676,835)	(200,848)	1,925,800	3,690,000	-	(31,261,883)
Investment income	-	-	-	-	451,867	451,867
Total (loss)/income	(3,874,255)	5,318,716	18,057,432	14,689,871	(32,048)	34,159,716
Total fund expenditure	-	-	-	-	(17,495,805)	(17,495,805)
Operating (loss)/profit	(3,874,255)	5,318,716	18,057,432	14,689,871	(17,527,853)	16,663,911
Islamic financing costs	-	-	-	-	(28,889,781)	(28,889,781)
Income tax expense	-	-	-	-	(1,245,581)	(1,245,581)
(Loss)/profit for the year	(3,874,255)	5,318,716	18,057,432	14,689,871	(47,663,215)	(13,471,451)
Total assets	801,943,889	104,441,085	284,464,000	187,709,119	(129,485,670)	1,249,072,423
Total liabilities	15,084,407	3,013,191	-	699,697	632,743,313	651,540,608

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (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 (Islamic financing as detailed in Note 17) offset by cash and cash equivalents in Note 14 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 Islamic financing.

The SC Guidelines requires that the total Islamic financing of the Group and the Fund (including Islamic financing through issuance of debt securities) should not exceed 60% of the total asset value of the Group and the Fund at the time the Islamic financing are incurred. Notwithstanding, the Group's and the Fund's total Islamic financing 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 Islamic financing to the total asset value. The gearing ratios at the end of the reporting period is as follows:

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Total Islamic financing (Note 17)	635,656,938	633,855,901	186,669,178	117,108,795
Amount due to a subsidiary	-	-	444,679,509	511,526,831
	635,656,938	633,855,901	631,348,687	628,635,626
Total assets value as per statements of financial position	1,253,499,726	1,254,554,026	1,247,899,643	1,249,072,423
Total Islamic financing to total assets value ratio	50.7%	50.5%	50.6%	50.3%

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:

	Group		Fund	
	2021 RM	2020 RM	2021 RM	2020 RM
Less than one year	36,370,801	35,992,210	36,370,801	35,992,210
Between one and five years	186,871,340	184,366,779	186,871,340	184,366,779
More than five years	412,687,998	450,039,591	412,687,998	450,039,591
	635,930,139	670,398,580	635,930,139	670,398,580

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