RE:

ANNUAL REPORT 2023

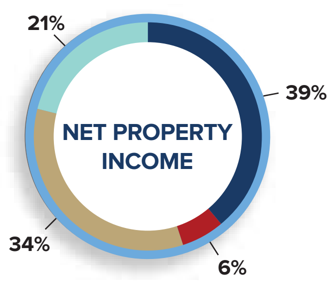
BOUND
VITALISE
ENERGISE

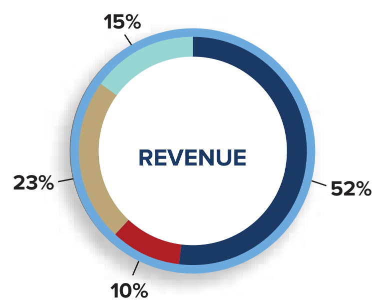
al-salām

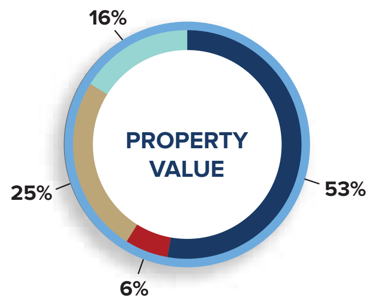
REAL ESTATE INVESTMENT TRUST

OUR BUSINESS

- Retail
- Office
- F&B Restaurant
- Industrial & Others







LEGEND:

- RETAIL
- OFFICE
- F&B RESTAURANT
- INDUSTRIAL & OTHERS

2023 HIGHLIGHTS

54
NUMBER OF PROPERTIES

RM76.3 million
GROSS REVENUE

RM50.9 million
NET PROPERTY INCOME

RM275.5 million
MARKET CAPITALISATION

1.20 sen
DISTRIBUTION PER UNIT (DPU)

RM1.24 billion
PROPERTY VALUE

2.7 million sq. ft.
GROSS FLOOR AREA

2.53%
DISTRIBUTION YIELD

REBOUND
REVITALISE
RE-ENERGISE

The cover of our annual report boldly showcases the headline "RE: BOUND VITALISE ENERGISE," epitomising Al-Salām REIT's proactive efforts towards strong recovery and growth. A majestic soaring bird graces the cover, serving as a symbol of our company's rise from adversity to prosperity.

After years of fortifying our foundation, Al-Salām REIT stands poised to harvest the fruits of our labour and pursue excellence in the years to come.

INSIDE THIS REPORT

14
Letter to Stakeholders

183
Financial Statements

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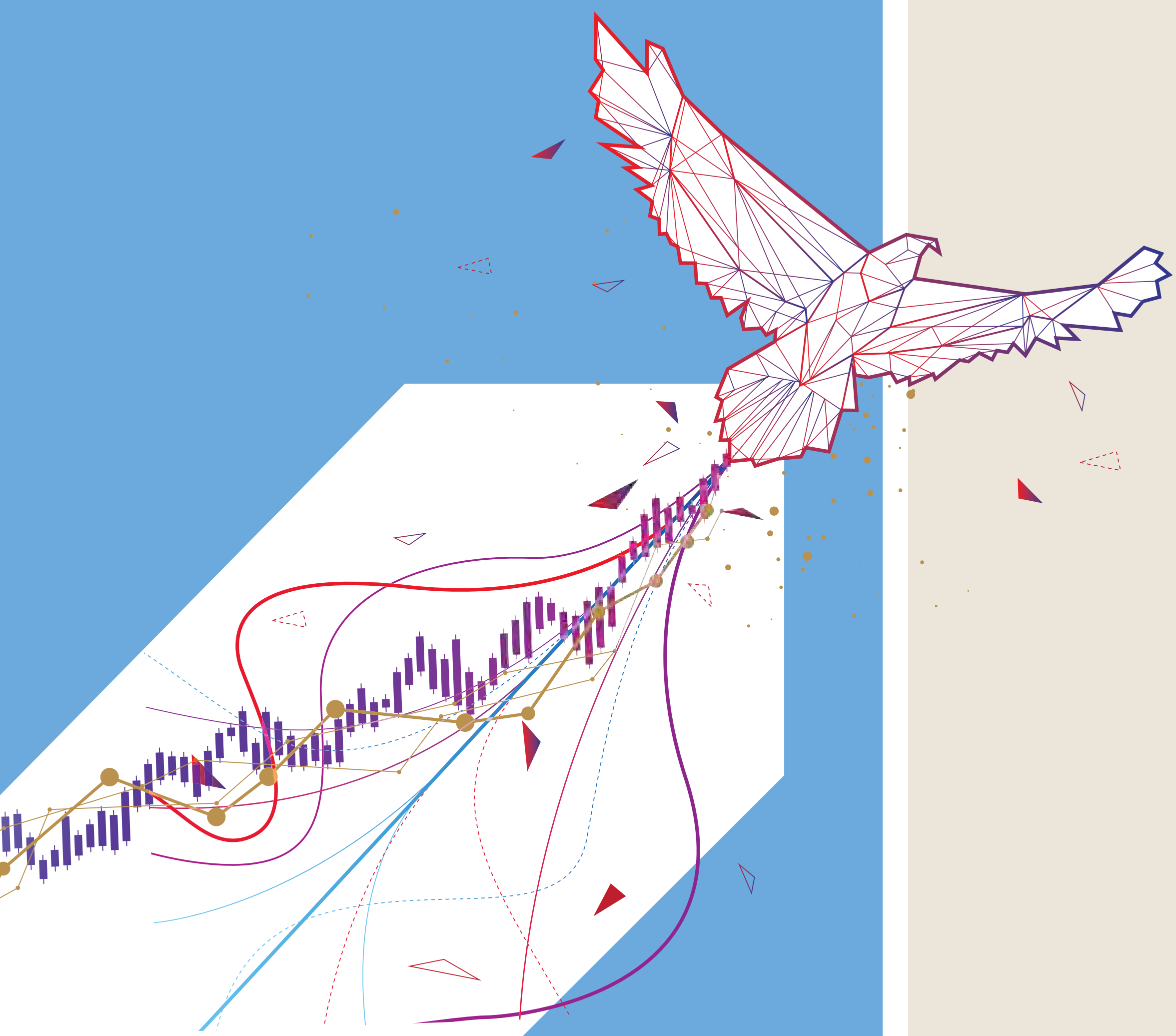
3 Get access to Al-Salām REIT's website

SECTION 01

ABOUT US



CORPORATE PROFILE

Al-Salām REIT is a diversified Islamic Real Estate Investment Trust in Malaysia with assets strategically located in Johor Bahru as well as in major towns throughout Malaysia.

Al-Salām Real Estate Investment Trust ("Al-Salām REIT") is a Shariah-compliant fund that invests in diversified Shariah-compliant properties. The properties of Al-Salām REIT, which has a diverse portfolio, are strategically located throughout Malaysia. Al-Salām REIT achieved its first milestone on 29 September 2015, when it was listed on Bursa Malaysia Securities Berhad's Main Market with an initial asset value of RM903.1 million. Al-Salām REIT began with 31 properties in 2015 and has grown to 54 properties across Malaysia, including 4 retail outlet, an office building, 42 food and beverage restaurants, 6 industrial assets and a college. Al-Salām REIT's asset value had increased to RM1.24 million as of 31 December 2023 from its initial investment.

The Manager of Al-Salām REIT, Damansara REIT Managers Sdn Berhad ("DRMSB" or the "Manager"), is a subsidiary of the Johor Corporation ("JCorp") Group of Companies. DRMSB is licenced to manage Islamic REITs under the Capital Markets and Services Act 2007.

Al-Salām REIT's market capitalisation was RM275.5 million as of 31 December 2023.

4
Retail Outlets

1
Office Building

42
Food and Beverage Restaurants

1
College

6
Industrial Buildings

CORPORATE INFORMATION

MANAGER

DAMANSARA REIT MANAGERS SDN BERHAD (200501035558)

Registered Office:

Level 14, Menara KOMTAR,
Johor Bahru City Centre,
80000 Johor Bahru, Johor.
Tel : (+607) 226 7692 / 226 7476
Fax : (+607) 222 3044

Principal Place of Business:

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

LISTING

MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

Stock Name : ALSREIT
Stock Code : 5269

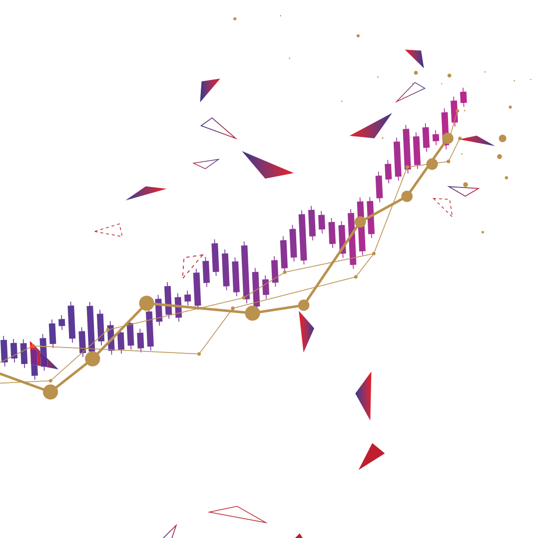
WEBSITE

www.alsalamreit.com.my

TRUSTEE

AMANAHRAYA TRUSTEES BERHAD (200701008892)

Level 14, Wisma AmanahRaya,
No 2, Jalan Ampang,
50508 Kuala Lumpur.
Tel : (+603) 2036 5129
Fax : (+603) 2072 0323
Email : art@arb.com.my
Website : www.artrustees.my



SHARIAH COMMITTEE

1. Dato' (Dr) Haji Nooh bin Gadot
2. Professor Madya Dr Abdul Halim bin Muhammad
3. IBFIM (200701005076)

Level 5, Bangunan AICB,
No. 10, Jalan Dato' Onn,
50480 Kuala Lumpur.
Tel : (+603) 2031 1010
Fax : (+603) 2026 9988
Email : info@ibfim.com
shariah.advisory@ibfim.com
Website : www.ibfimonline.com

REGISTRAR

LARKIN SENTRAL PROPERTY BERHAD

Lot S8, Podium 1,
Menara Ansar, 65, Jalan Trus,
80000 Johor Bahru, Johor.
Tel : (+607) 223 5017
Fax : (+607) 223 3275

AUDITOR

ERNST & YOUNG PLT (LLP0022760-LCA) (AF 0039))

Level 23A, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
50490 Kuala Lumpur.
Tel : (+603) 7495 8000
Fax : (+603) 2095 5332
Website : www.ey.com

SOLICITORS

ABDUL RAMAN SAAD & ASSOCIATES

C-2-1, Pacific Place Commercial Centre,
Jalan PJU 1A/4, Ara Damansara,
47301 Petaling Jaya, Selangor.
Tel : (+603) 7859 9229
Fax : (+603) 7734 5777
Email : arsakl@arsa.com.my
Website : www.arsa.com.my

MOHAMED RIDZA & CO

50-10-9, Level 10,
Wisma UOA Damansara,
No 50, Jalan Dungun,
Damansara Heights,
50490 Kuala Lumpur.
Tel : (+603) 2092 4822
Fax : (+603) 2092 5822
Website : ridzalaw.com.my

KADIR ANDRI & PARTNERS

Suite A-38-8, Level 38,
Menara UOA Bangsar,
5 Jalan Bangsar Utama 1,
59000 Kuala Lumpur.
Tel : (+603) 2780 2888
Fax : (+603) 2780 2833
Email : partner@kaaplaw.com
Website : www.kaaplaw.com

ALBAR & PARTNERS

Suite 14-3, Level 14,
Wisma UOA Damansara II,
No. 6 Changkat Semantan,
Damansara Heights,
50490 Kuala Lumpur.
Tel : (+603) 7890 3288
Fax : (+603) 7890 3266
Email : albar@albar.com.my
Website : www.albar.com.my

PROPERTY MANAGER

EXASTRATA SOLUTIONS SDN BHD (201001042323)

W-10-4, 4th Floor,
West Wing Subang Square, Jalan SS 15/4G,
47500 Subang Jaya, Selangor.
Tel : (+603) 5632 7686 / 5636 7686
Fax : (+603) 5613 1686
Email : admin@exastrata.net
Website : www.exastrata.net

SERVICE PROVIDER

DASB PROPERTY MANAGEMENT SDN BHD (201001022192)

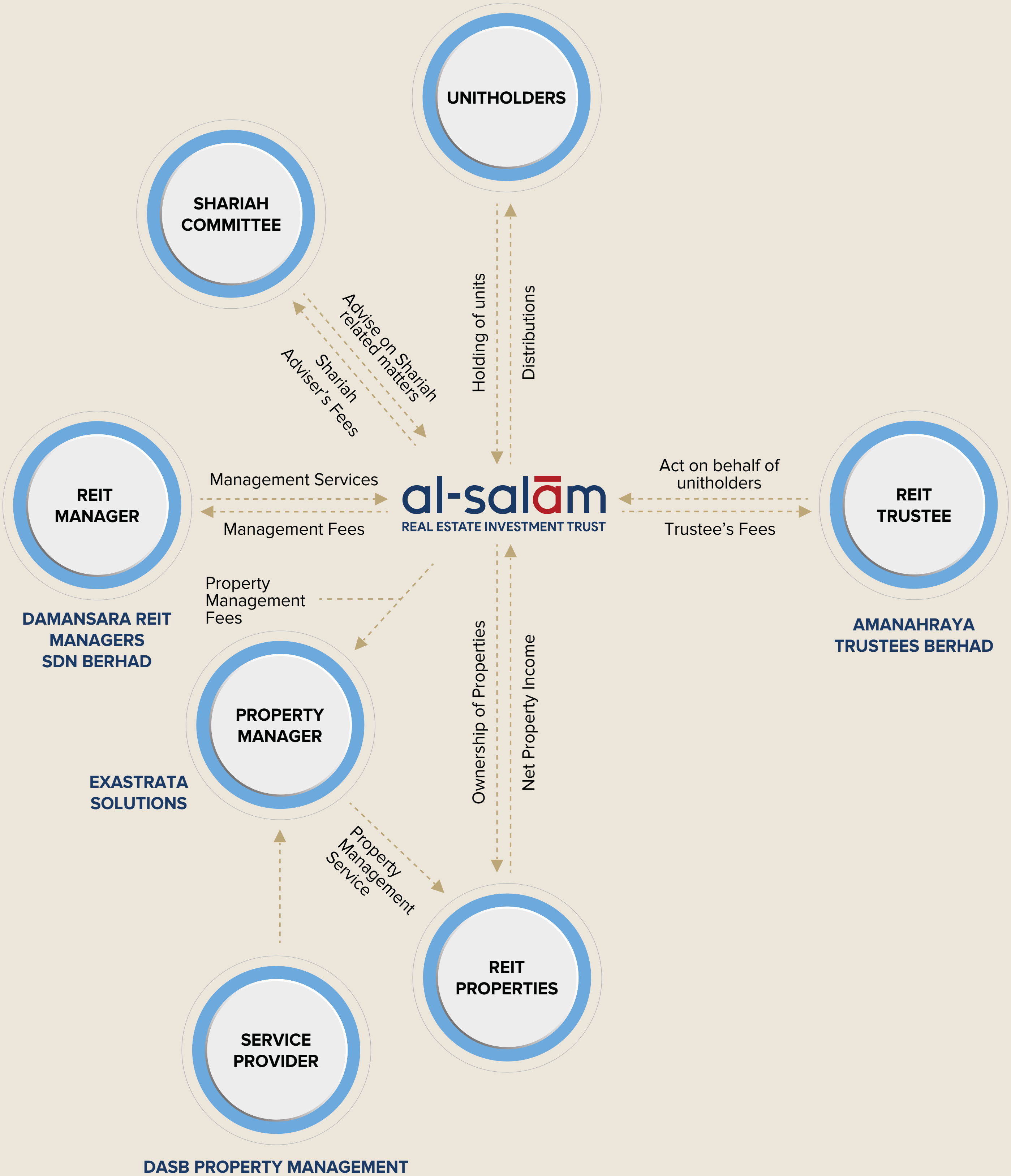
Level 5, Menara KOMTAR,
Johor Bahru City Centre,
80000 Johor Bahru, Johor.
Tel : (+607) 267 9900
Fax : (+607) 267 9926

INDEPENDENT PROPERTY VALUER

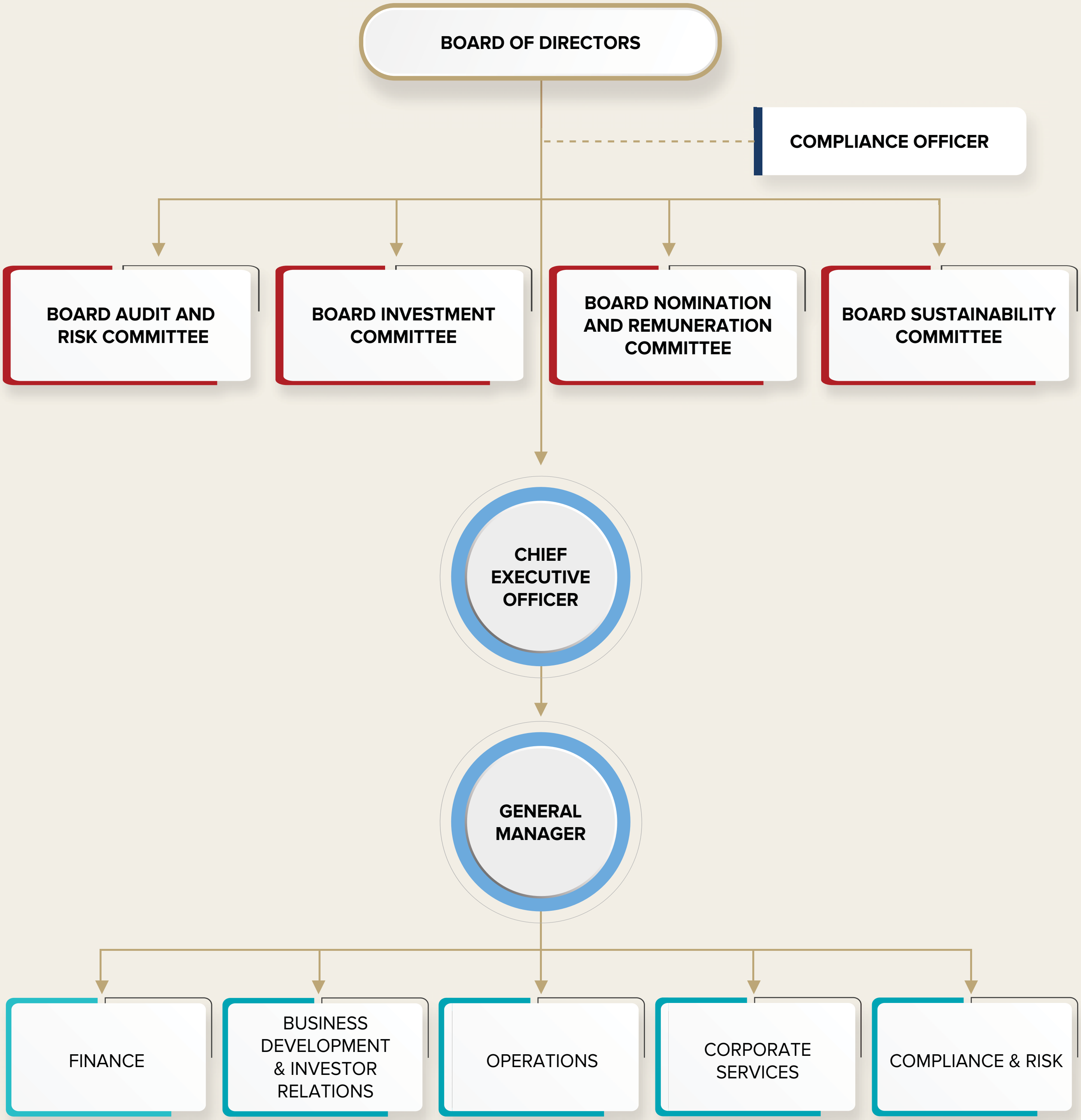
CHESTON INTERNATIONAL (KL) SDN BHD (200401008141)

Suite 2A, 2nd Floor, Plaza Flamingo,
No. 2, Tasik Ampang, Jalan Hulu Kelang,
68000 Ampang, Selangor, Malaysia.
Tel : (+603) 4251 2599
Fax : (+603) 4251 6599
Email : cikl@chestonint.com
Website : www.chestonint.com

TRUST STRUCTURE



ORGANISATION STRUCTURE



SALIENT FEATURES

Name of Fund

Al-Salām Real Estate Investment Trust

Type of Fund

Income and Growth

Listing

Main Market of Bursa Malaysia Securities Berhad

Category of Fund

Diversified Real Estate Investment Trust

Listing Date

29 September 2015

Distribution Policy

At least 90% of distributable income

Stock Name & Code

ALSREIT (5269)

Fund Size

580,000,000 units

Financial Year End

31 December

SALIENT FEATURES

OBJECTIVE

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

POLICY

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

STRATEGIES

1. **Active Asset Management**

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

2. **Acquisition Growth Strategy**

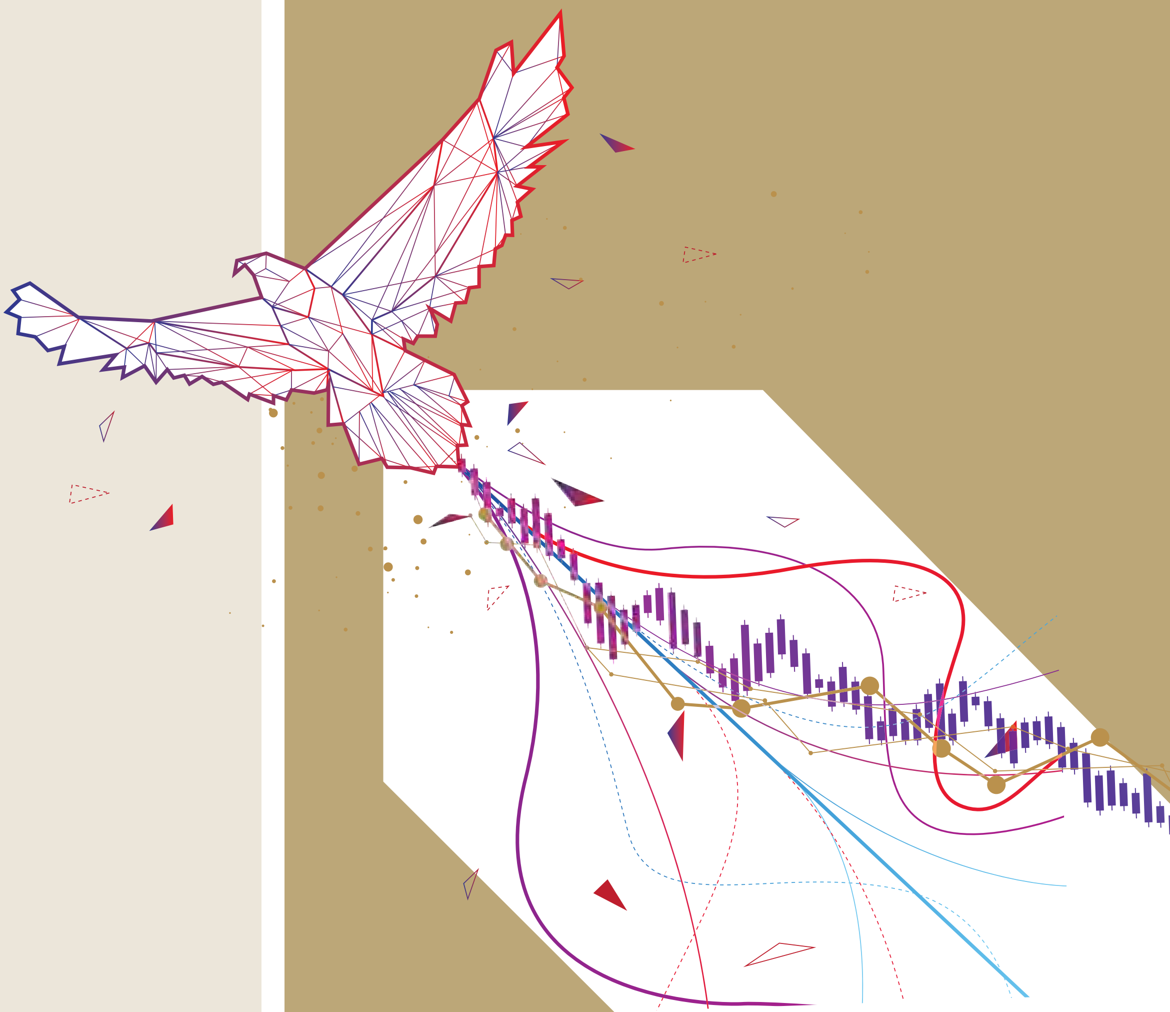
   The Manager will source for and acquire properties that fit within Al-Salām REIT's investment strategy to enhance returns to Unitholders and capitalise on opportunities for future income and NAV growth.

3. **Capital and Risk Management**

   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.

SECTION 02

BUSINESS OVERVIEW



ARCHITECTURAL ILLUSTRATION OF PEDESTRIAN OVERHEAD BRIDGE FROM RTS LINK BUKIT CHAGAR STATION TO KOMTAR JBCC

Guided by visionary strategies and the unwavering support of our customers, we are rebounding strongly and striving for even greater achievements.

RE: BOUND

LETTER TO STAKEHOLDERS

Dear Valued Stakeholders,

On behalf of the Board of Directors of the Manager, it is my privilege and pleasure to present to you the Annual Report and Audited Financial Statements of Al-Salām REIT (the "Fund") for the financial year ended 31 December 2023 ("FY2023").

In FY2023, the Fund's revenue sustained its recovery momentum with the influx of foreign tourists, driven by economic growth and depreciation in Malaysian Ringgit. However, the Fund's distributable income was impacted by external factors, specifically the higher electricity cost and higher financing cost. On a positive note, the value of the Fund's investment properties increased 1.2% year-on-year to RM1.24 billion as at 31 December 2023, underscoring the strong fundamentals of our properties.

The Fund posted a realised profit of RM7.6 million on the back of a RM76.3 million revenue in FY2023. The total income distribution for FY2023 is 1.20 sen per unit totalling RM7.0 million, which represents 92.0% of the income available for distribution.

LETTER TO STAKEHOLDERS

DATO' HAJI MOHD REDZA SHAH BIN ABDUL WAHID
Chairman

GROSS REVENUE

RM76.3 Million

REALISED PROFIT

RM7.6 Million

MARKET CAPITALISATION

RM275.5 Million

ECONOMIC LANDSCAPE

In the aftermath of the pandemic, the Johor Bahru-Singapore border activity has witnessed a robust resurgence, notably in the tourism sector. Johor is poised to host around 15 million overnight tourists in 2023, approaching the pre-pandemic figures.

Johor Bahru remains a key retail destination and has seen stronger retail spending throughout 2023. Prime shopping malls that are close to the Causeway boarder have seen uptrends in business, leading to increased rental rates, particularly for the prime retail space on ground floors.

The industrial property sector continued to see strong demand, primarily propelled by growth in sectors such as electrical & electronics, pharmaceuticals and medical devices, oil & gas, cold chain logistics and automotive subsectors. Furthermore, the rental market for the industrial properties remained robust, with rents consistently climbing since 2019 and there is a rising demand for high-quality warehouses.

LETTER TO STAKEHOLDERS

BUSINESS HIGHLIGHTS

The resilience of Al-Salām REIT's diversified asset portfolio is evident as KOMTAR JBCC continues to undergo rejuvenation as portrayed by the sustained recovery of the Fund's Net Property Income ("NPI") into FY2023, in tandem with the positive trend in consumer sentiment.

@Mart Kempas and Mydin Hypermart Gong Badak continued to demonstrate their resilience as community-centric hypermarkets that provide daily essentials. In addition, the Fund's sizable triple net lease assets portfolio (comprising Mydin Hypermart Gong Badak and QSR operated properties) continued to contribute to Al-Salām REIT's core earnings.

KOMTAR JBCC, which was affected by the border closure during the pandemic, has seen sustained improvement in FY2023. The resurgence can be attributed to the increased influx of Singaporean tourists and the weakness in Malaysian Ringgit. Towards the end of 2023, the footfall traffic at KOMTAR JBCC signaled a significant recovery in volume to reach pre-pandemic level. As at 31 December 2023, the occupancy rate stood at approximately 63%, representing a marginal improvement compared to the previous year's 62%. Notably, the gross revenue has significantly improved by RM5.0 million or 41.5%. This improvement is attributed to higher rental income, as well as increased revenue from parking and promotional activities. However, the NPI of the mall only saw an improvement of RM1.4 million. This modest increase is primarily due to higher operating expenses, particularly related to utility costs.

Menara KOMTAR expects to maintain its position as a strategic office space in Johor Bahru's central business district as well as having a continuous strong tenancy by JCorp Group of Companies.

Assets operated by QSR Brands (M) Holdings Bhd ("QSR") continued to provide income stability on the back of a triple net lease arrangement with Al-Salām REIT. QSR continued to persevere by virtue of their time-tested operational excellence and sustainable market share amidst the challenging business environment.

The Fund's sole education asset, the KPJ International College of Nursing and Health Sciences Johor Bahru ("KPJIC JB"), also generated a steady income from a master lease agreement with KPJ Group's education arm.

On the back of the ongoing recovery, Al-Salām REIT recorded an NPI of RM50.9 million in FY2023 (FY2022: RM51.4 million) on higher revenue of RM76.3 million in FY2023 (FY2022: RM71.8 million). However, the Fund's total income available for distribution dropped by 52% year-on-year to RM7.6 million (FY2022: RM15.8 million) mainly due to the higher Islamic financing costs of RM34.6 million (FY2022: RM 26.6 million). The rise in Islamic financing costs resulted from the full impact of a 100 basis point increase and a 25 basis point increase in the overnight policy rate ("OPR") during FY2022 and FY2023, respectively.

ENSURING SUSTAINABILITY

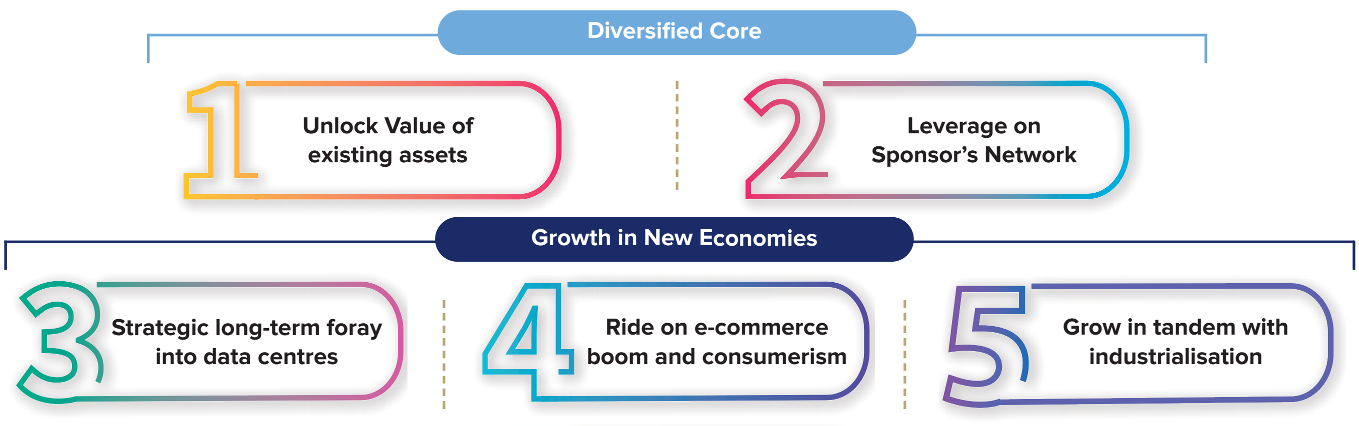
Sustainability is the key to long-term value creation for our various stakeholders, so it was especially important during this challenging time to ensure sustainability across all aspects of the Fund in the economic, environmental, social and governance contexts.

We will continue to adopt appropriate sustainability practices into our daily operations to achieve our strategic business objectives while minimising our environmental footprint. At the same time, we are committed to providing our employees with a balanced, safe and healthy workplace.

FUTURE PROSPECTS

Anticipating the year 2024, we are optimistic on the sustained retail spending momentum at KOMTAR JBCC as well as the Fund's overall outlook. The Manager has devised a robust strategy for portfolio growth, that aims at diversifying the asset classes and expanding its geographical footprint.

PORTFOLIO GROWTH STRATEGIES



LETTER TO STAKEHOLDERS

Of utmost importance is the strategic repositioning of KOMTAR JBCC, a collaborative effort involving the Manager, the property manager as well as 3rd party retail advisors. Together, we have replanned the tenant mix and layout configuration, with primary focus on beauty, premium and mainstream fashion, as well as F&B outlets. The mall will also feature al fresco spaces, adding a vibrant and open-air dimension to its offerings. Currently, the mall is undergoing an asset enhancement exercise, with the targeted completion of initial phase set by Q3 2024. The Manager expects a marked improvement to the mall's yield performance by the end of 2025 and greater success by 2027.

Additionally, the Johor Bahru-Singapore Rapid Transit System ("RTS") scheduled for completion by 2026 also bodes well for Johor, especially KOMTAR JBCC. With a capacity of 10,000 passengers per hour, the Johor Bahru-Singapore RTS is well-equipped to handle the anticipated increase in incoming travelers to the region and the subsequent rise in retail spending.

Signing Ceremony of MoU between Al-Salām REIT and MRTS.

Al-Salām REIT will also undertake the development of the Pedestrian Overhead Bridge ("POB") to connect KOMTAR JBCC to the above-mentioned RTS development via the RTS Link Bukit Chagar Station. Expected to be opened in 2027, measuring 42 metres in length and 4 to 8 metres in width, the air-conditioned POB of KOMTAR JBCC will offer commuters a seamless, safe and convenient link between the station, the mall and the surrounding Ibrahim International Business District ("IIBD").

We are eagerly anticipating several forthcoming catalytic initiatives poised to attract valuable foreign direct investment and foster local economic growth. Among these, the development of the RM25 billion IIBD, Johor-Singapore Special Economic Zone ("SEZ") and Johor-Singapore Special Financial Zone ("SFZ") hold considerable promise. In addition, the potential revival of the Kuala Lumpur-Singapore high-speed rail ("KL-SG HSR") project provides added confidence in the prospects of Johor's real estate industry, resulting in a beneficial spillover effect on the office market, particularly on Menara KOMTAR.

Moreover, the Manager is exploring avenues for asset diversification and geographical expansion, placing a greater focus on the industrial market segment. Currently, the Manager is assessing opportunities to undertake sale leaseback arrangements involving industrial assets including modern warehouses, factories situated at the major industrial areas across Peninsular Malaysia as well as long term forays into the data centre market segment. Assets under JCorp at major industrial parks in Johor, such as Tanjung Langsat Industrial Park, Muar Furniture Park, Pengerang Industrial Park and the upcoming Sedenak Tech Park ("STeP"), are being considered as part of the long-term asset pipeline for the Fund.

With a steadfast commitment to unitholders' interests, the Manager will thoroughly evaluate any asset acquisitions to ensure alignment with the Fund's objective of sustainable long-term growth in EPU and DPU.

APPRECIATION AND ACKNOWLEDGEMENTS

I extend my heartfelt thanks to our dedicated team for their unwavering support and commitment. It is through our collective efforts that we have successfully navigated the complexities of 2023 and are poised for growth in the coming year.

I would like to thank Dato' Wan Kamaruzaman bin Wan Ahmad who resigned as Independent Non-Executive Director, and Dato' Salehuddin bin Hassan who resigned as Non-Independent Non-Executive Director, for their guidance and services during their tenure as the Board members. On behalf of the Board, Management and employees of the Manager, we wish them every success in their future endeavours.

On behalf of the Board, I would also like to thank our unitholders, trustees, Shariah Committee, business partners, bankers, government authorities and other stakeholders for their continued support and confidence in the Fund.

We are excited about the opportunities that 2024 holds and are confident in our ability to continue to deliver stronger performance in the years ahead.

Thank you.

DATO' HAJI MOHD REDZA SHAH BIN ABDUL WAHID
Chairman

FIVE-YEAR FINANCIAL PERFORMANCE

Financial Highlights – Group

	FY2019 RM'000	FY2020 RM'000	FY2021 RM'000	FY2022 RM'000	FY2023 RM'000
Statement of Comprehensive Income – Key Data & Financial Ratios					
Gross Revenue	94,912	86,101	71,543	71,800	76,283
Net Property Income	69,121	64,970	54,994	51,439	50,908
Profit for the Year (Realised)	28,395	14,555	14,644	15,733	7,571
Earnings Per Unit (Realised) (Sen)	4.90	2.51	2.52	2.71	1.31
Statement of Financial Position – Key Data & Financial Ratios					
Investment Properties	1,187,635	1,189,365	1,177,237	1,224,173	1,239,014
Other Non-current Assets	931	3,686	708	803	1,797
Current Assets	60,614	61,503	75,555	80,138	75,250
Total Asset Value	**1,249,180**	**1,254,554**	**1,253,500**	**1,305,114**	**1,316,061**
Current Liabilities	531,919	65,125	17,180	473,105	140,374
Non-Current Liabilities	93,183	592,048	645,080	192,223	529,279
Total Liabilities	**625,102**	**661,747**	**662,890**	**665,328**	**669,653**
Net Asset Value (NAV) - Before Income Distribution	**624,078**	**597,381**	**590,609**	**639,786**	**646,408**
- After Income Distribution	**615,900**	**590,305**	**580,169**	**631,086**	**645,828**
Total Unitholders' Fund	**624,078**	**597,381**	**590,609**	**639,786**	**646,408**
NAV Per Unit (Before Income Distribution) (RM)	1.0760	1.0300	1.0183	1.1031	1.1145
NAV Per Unit (After Income Distribution) (RM)	1.0619	1.0178	1.0003	1.0881	1.1135

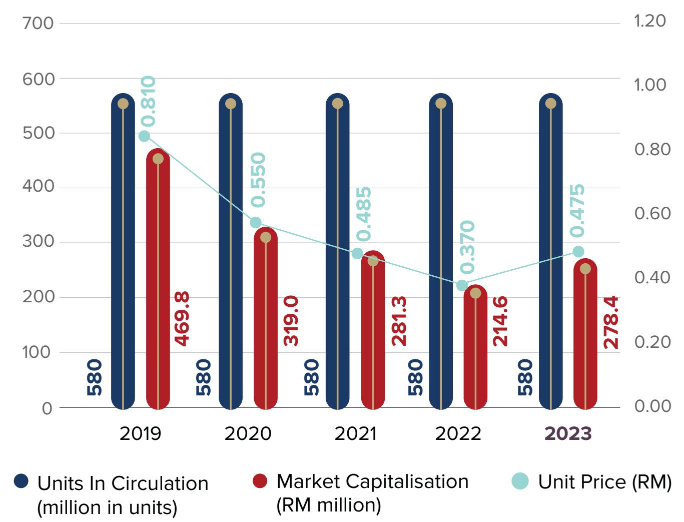
Financial Highlights – Fund

	FY2019 RM'000	FY2020 RM'000	FY2021 RM'000	FY2022 RM'000	FY2023 RM'000
Statement of Comprehensive Income – Key Data & Financial Ratios					
Gross Revenue	94,912	86,101	71,543	71,800	76,283
Net Property Income	69,121	64,970	54,994	51,439	50,908
Profit for the Year (Realised)	28,461	14,614	14,704	15,767	7,600
Income Available for Distribution (Realised)	28,461	12,596	14,704	15,767	7,600
Earnings Per Unit (Realised) (Sen)	4.91	2.52	2.54	2.72	1.31
Distribution Per Unit (DPU) (Sen)	4.75	2.08	2.30	2.50	1.20
Annualised Distribution Yield (%)	5.86	3.78	4.74	6.76	2.53
Management Expenses Ratio (%)	0.60	0.66	0.63	0.69	0.72
Statement of Financial Position – Key Data & Financial Ratios					
Investment Properties	1,187,635	1,189,365	1,177,237	1,224,173	1,239,014
Other Non-Current Assets	931	3,686	708	803	1,797
Current Assets	58,062	56,021	69,955	74,454	67,639
Total Asset Value	**1,246,628**	**1,249,072**	**1,247,900**	**1,299,430**	**1,308,450**
Current Liabilities	529,276	64,713	17,441	468,617	137,517
Non-Current Liabilities	93,183	586,827	640,772	192,220	525,957
Total Liabilities	**622,459**	**651,640**	**658,213**	**660,837**	**663,474**
Net Asset Value (NAV) - Before Income Distribution	**624,169**	**597,532**	**589,687**	**638,593**	**644,975**
- After Income Distribution	**615,991**	**590,456**	**579,247**	**629,893**	**644,395**
Total Unitholders' Fund	**624,169**	**597,532**	**589,687**	**638,593**	**644,975**
NAV Per Unit (Before Income Distribution) (RM)	1.0760	1.0300	1.0167	1.1010	1.1120
NAV Per Unit (After Income Distribution) (RM)	1.0621	1.0180	0.9987	1.0860	1.1110
Unit Price as at 31 December (RM)	0.810	0.550	0.485	0.370	0.475

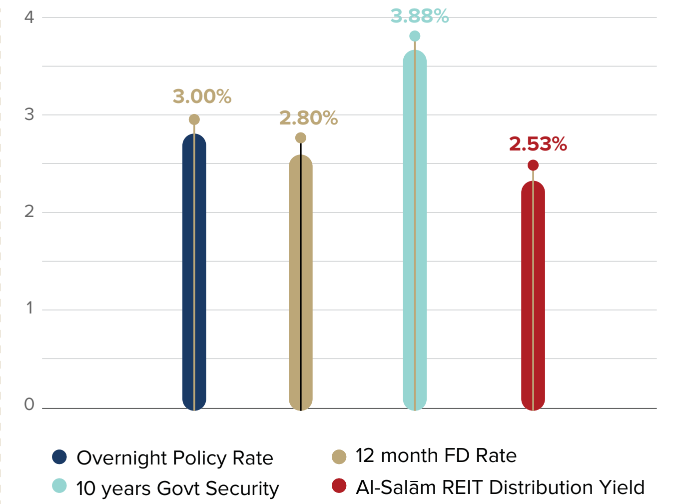
TRADING PERFORMANCE

Trading Summary	FY2019	FY2020	FY2021	FY2022	FY2023
Closing Unit Price (RM)	0.810	0.550	0.485	0.370	0.475
52-weeks Highest Traded Price (RM)	0.940	0.870	0.630	0.520	0.530
52-weeks Lowest Traded Price (RM)	0.780	0.500	0.475	0.330	0.370
Price Movement (%)	-	(32.1)	(11.8)	(23.7)	28.4
Annual Total Return (%)	5.9	(28.3)	(7.1)	(17.0)	30.9
Number of Units in Circulation (unit '000)	580,000	580,000	580,000	580,000	580,000
Market Capitalisation (RM'000)	469,800	319,000	281,300	214,600	275,500

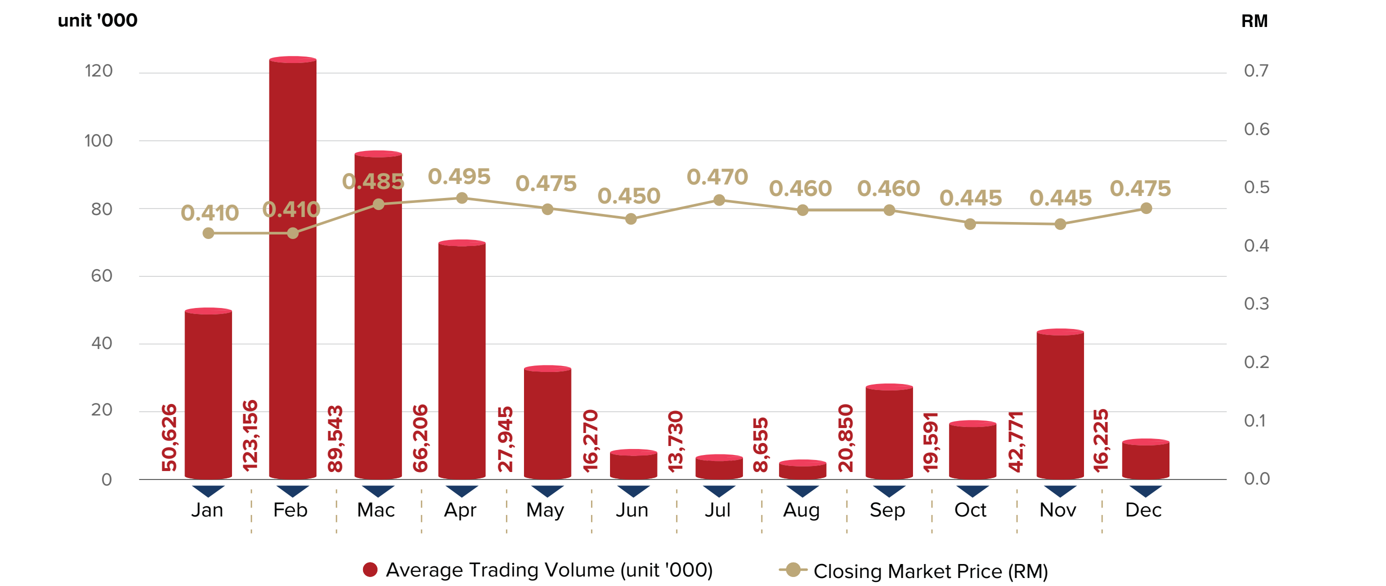
MARKET CAPITALISATION, UNIT PRICE AND UNITS IN CIRCULATION



COMPARATIVE YIELD



FY2023 Trading Performance



MARKET REPORT SUMMARY

1. ECONOMIC OVERVIEW

Malaysia's GDP growth is forecasted at 4.4% for 2024E (2023E: +3.9%), supported by robust consumer spending, investments in infrastructure and recoveries in trade-related services and manufacturing industries. The global economy is expected to grow at a slower pace of +2.8% in 2024 after a +3.3% of expansion in 2023, driven by slower growths in US and China, and ongoing sluggishness in Europe. This global economic shift is reflected in the declining global composite purchasing index, which indicated a consumer transition from goods to services as the economy reopens post Covid-19. ASEAN-6 on the other hand is expected to pick up the pace through measures taken to support the respective domestic economies such as relaxation of visa requirements for foreign travelers. Headwinds in 2024 include global economic shifts, especially in the US and China geostrategic competition that led to geoeconomic fragmentation. The year 2023 ends with two major conflicts, the Russia-Ukraine war and Israel-Palestine war. The market seems to be factoring in the likelihood of an ongoing deadlock in the Russia-Ukraine conflict and a low probability of the Israel-Palestine issue escalating into a broader Middle East crisis.

2023 has been a year of transition to a more stable domestic political environment for Malaysia, which also enables focus on medium to long term transition of the economy. In the year, there has been various notable blueprints and roadmaps such as MADANI Economy, National Energy Transition Roadmap (NETR), New Industrial Master Plan 2030, 12th Malaysia Plan Mid-Term Review, Hydrogen Economy & Technology Roadmap, and Fiscal Responsibility Act and Energy Efficiency & Conservation Act. 2024 is then the year of execution and implementation of the announced blueprints and roadmaps. Fiscal reforms are high on the execution agenda, with the key element being the implementation of targeted rationalisation of fuel subsidy in 2024, together with economic restructuring where the main event is Progressive Wage Policy (PWP), to address the cost-of-living issues, adequacy of retirement savings and equality.

Globally, inflation rates have peaked and are seen slowing, signaling the end of the hike cycle for interest rates, with the US Fed keeping the fed funds rate (FFR) at 5.25-5.50%. 2024 FFR outlook is forecasted to have cuts up to 75bps and 100bps in 2025. Bank Negara is also expected to maintain the Overnight Policy Rate at 3.00%. Into 2024, the risk for further weakness in consumer spending cries for additional government subsidy rollbacks.

The equity market is set to benefit from stable interest rates and increased foreign direct investment. Corporate earnings are projected to see an upswing.

(Extracted from Maybank Report: Malaysia 2024 Outlook and Lookouts)

2. MALAYSIAN REIT

9M23 topline growth for M-REITs under our coverage (+15% YoY) was largely contributed by improved occupancies and strong rental growth from their retail and hospitality assets. Occupancy rose YoY for the sub-segments, led by Hospitality, following the recovery in travel. M-REITs' growth in revenue was also encouraged by partial income contribution from new assets e.g. at PREIT, CLMT, and AXRB. Bottomline growth (9M23: +5% YoY) was however impacted by higher utilities and finance costs.

We remain NEUTRAL on the sector going into 2024. We forecast the sector's CY24E YoY earnings growth to remain decent at +9.1%, to be supported by sustained occupancy and rental rates, coupled with several new asset injections (i.e. into PREIT, CLMT, SREIT, SENTRAL, AXRB and YTLREIT).

Elsewhere, we expect Bank Negara to pause on interest rate, and the OPR to stay at 3% throughout 2024. This will provide respite in terms of higher financing cost experienced in 2023. As at end-Sep 2023, the sector's floating rate debt exposure was 54%; interest costs in CY23E ranged between 3.8% to 5.4% (CY22: 2.8%-4.3%).

With global monetary policy tightening at its tail-end, interest should return to high yielding stocks in 2024. M-REITs currently offer an average CY24E net yield of 6.1%, primarily led by YTLREIT (8.4%) and SENTRAL (7.4%). Meanwhile, the sector's trailing net yield spread (against the 10Y MGS yield) is at its average of 227bps. Our Fixed Income Research Team expects 10Y MGS yield to lower to 3.50% by end-1H24. This translates into a CY24E net yield spread of 192bps.

(Extracted from Maybank Report: Malaysia 2024 Outlook and Lookouts)

3. RETAIL

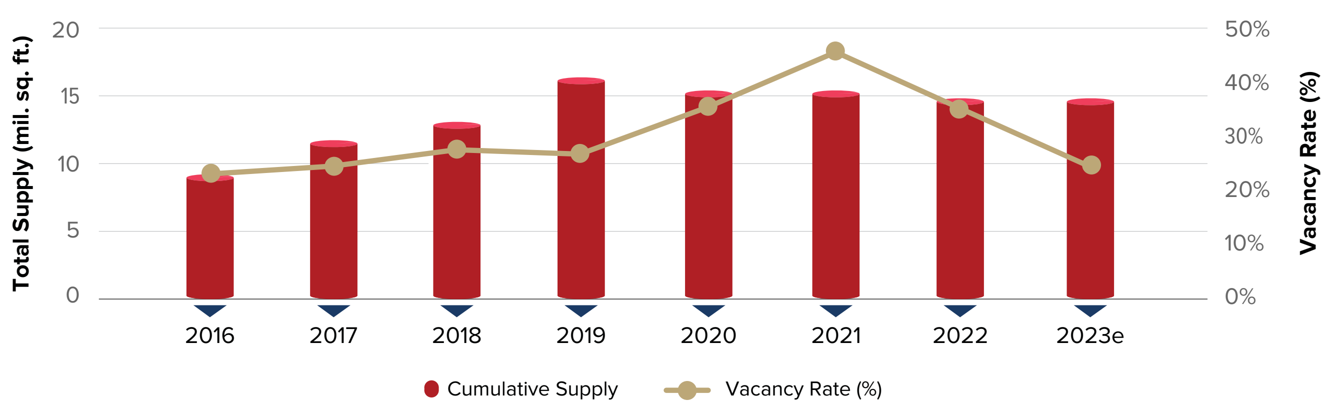
Iskandar Malaysia (IM) remains a significant shopping destination for visitors from Singapore, capitalising on the favourable Singapore Dollar – Malaysian Ringgit exchange rate. IM's proximity to Singapore is driving visitors from the island republic to shop and spend in IM malls. With this trend, the overall occupancy rate improved to pre-pandemic levels at around 75% over 14.8 million sq. ft. space. As of 2023, incoming supplies include Medini Lakeside Mall, The Commune and Horizon Mall @ Horizon Hills, all slated for opening in 2024-2025. Additionally, IM expects Singaporean retailer Mustafa to open in Capital City Mall by the end of 2024, after consideration of the slow progress of planning and construction works. Upon opening of these four malls, there will be an additional 1.63 million sqft retail space in the market.

The preference for cashless payment persists with shoppers continuing to favour digital wallet payments in the post-pandemic era. Bank Negara Malaysia (BNM) and the Monetary Authority of Singapore (MAS) have collaboratively introduced a cross-border QR-code payment link between Malaysia and Singapore. This facility enables customers of participating financial institutions to make retail payments seamlessly. Shoppers can now conveniently pay by scanning the DuitNow QR code when shopping in IM. This enhancement has contributed positively to the retail industry.

Mall operators are diversifying their strategies to boost footfall. These include collaborations with external partners such as travel agencies and hotels; embracing modern devices; and enhancing infrastructure. Paradigm Mall collaborated with Singapore-based travel agencies and offered mall vouchers to guests staying at their partner hotels to tap into tourism foot traffic. Meanwhile, several mall operators have provided electric vehicle (EV) charging infrastructure in some of their car parking bays anticipating this transition process. Sunway Big Box Retail Park has set up Iskandar Malaysia's (IM) first Tesla supercharging station to attract Tesla owners from southern Malaysia and Singapore. Other than that, Al-Salām REIT and Mass Rapid Transit Corporation (MRT Corp) are developing a pedestrian overhead bridge linking KOMTAR JBCC and the Rapid Transit System (RTS) Link Bukit Chagar station. The completion of this infrastructure project is anticipated to direct visitors to KOMTAR JBCC.

The IM retail sector has generally returned to pre-pandemic levels, propelled by robust spending of Singapore visitors. However, inflation and weaker local currency may diminish local spending power. Meanwhile, in both Batu Pahat and Melaka, mall performance remains relatively stable without notable enhancements. Although there is improved performance in certain spots, retailers and mall operators may still face challenges due to higher costs.

Cumulative Supply and Vacancy Rate of Retail Malls in Iskandar Malaysia



(Extracted from CBRE/WTW Market Outlook Report 2024)

MARKET REPORT SUMMARY

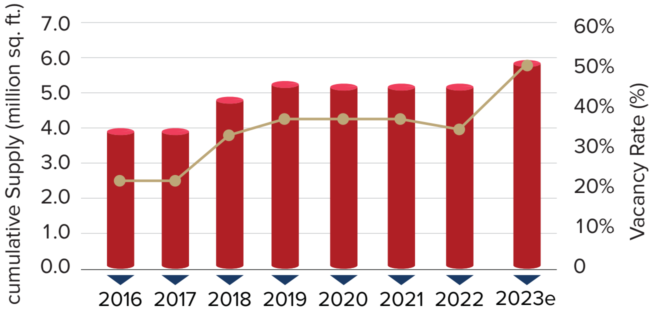
4. OFFICE

Iskandar Malaysia's (IM) purpose-built office (PBO) market is experiencing heightened competition, contributed by the substantial influx of new completions in 2023: North Tower in Mid Valley Southkey and Sunway Big Box Office Tower @ Sunway City Iskandar Puteri. About 507,000 sq. ft. of new space has pushed total supply to 5.9 million sq. ft., increasing the vacancy rate to about 50.0% compared to 35.0% in 2022.

On upcoming supply, the construction of Medini 10 is slated to resume in 2024 with about 415,000 sq. ft. of space. South Tower in Mid Valley Southkey, UMCity Premium Corporate Office Tower and Menara Bank Rakyat @ Coronation Square are also set to be completed by 2024, totalling about 987,000 sq. ft. of office space. Following that, a co-working space operator will be located in UMCity Premium Corporate Office Tower whereas Menara Bank Rakyat @ Coronation Square will depend on the owner's occupation.

Older PBOs with inadequate amenities are struggling to retain their existing tenants while landlords of newly completed buildings that provide value-added features including Malaysia Digital (MD) accreditation are in a better position to negotiate with prospects.

Supply and Vacancy Rate of PBO in IM



Source:
CBRE I WTW Research

Notable New Purposed Built Offices Completions in IM

Development	Locality	Est. NLA (sq. ft.)
North Tower @ Mid Valley Southkey	Johor Bahru City Fringe	327,000
Sunway Big Box Office Tower @ Sunway City Iskandar Puteri	Iskandar Puteri	180,000
	Total New Supply	507,000

Source: CBRE I WTW Research

Co-working space operators have been actively expanding in Iskandar Malaysia (IM), including two branches by INFINITY8 in 1H2023 and one by Regus in UMCity Premium Corporate Office Tower after the completion of the office tower. IM co-working space operators may continue to benefit from the paradigm shift in working modes which may pose some pressure on conventional purpose-built office (PBOs).

IM PBO supply is beginning to outpace the market demand. While the overall PBO occupancy is anticipated to experience a downturn with the completion of the incoming PBOs. However, rental rates for prime PBOs are expected to hike due to higher costs. Co-working space is rivalling conventional PBOs, hence which landlords should adapt by providing more flexible office solutions while enhancing the quality of space.

Notable Co-Working Space Expansions in IM

Branch	Type of Space Occupied	Operator	Location	Size (sq. ft.)
Newly Launched				
Kongsi Work (Molek)	Office space in shop office	INFINITY 8	Tebrau	10,000
INFINITY 8 Reserve Mid Valley Southkey	PBO	INFINITY 8	Johor Bahru City Fringe	14,000
Incoming				
UMCity Premium Corporate Office Tower	PBO	Regus	Medini	N/A

Source: CBRE I WTW Research

(Extracted from CBRE/WTW Market Outlook Report 2024)

MARKET REPORT SUMMARY

5. INDUSTRIAL

Johor was in fifth position with total approved investments as of 3Q2023 worth RM20.0 billion. The manufacturing sector contributed significantly with about 35.0% (RM7.0billion). Transaction volume and value recorded a substantial y-o-y surge of 55% and 25%, respectively. 875 units changed hands in the first nine months of 2023 worth RM2.98billion, compared to 566 units transacted worth RM2.39 billion in the corresponding period in 2022. Some noteworthy industrial transactions were observed:

- September 2023: Eco World Development Group Bhd acquired 403.78-acre freehold land in Mukim of Senai for RM211.06 million from IOI Prima Property Sdn Bhd

- November 2023: STT GDC Malaysia 2 Sdn Bhd acquired seven (7) parcels of adjoining freehold/leasehold land totalling 22.39 acres in Nusa Cemerlang Industrial Park for RM117.02 million from Crescendo Corporation Berhad

- November 2023: Microsoft Payments (M) Sdn Bhd acquired three (3) parcels of freehold land totalling 60.38 acres in Mukim of Pulai for RM315.17 million from Crescendo Corp Bhd

- November 2023: Paragon Globe Bhd proposed to acquire eight (8) parcels of freehold land totalling 115.91-acre for RM146.1 million from UEM Sunrise

Renowned developers are active in Iskandar Malaysia's (IM) industrial developments. Some examples are land acquisitions by Eco World in Senai for a proposed Eco Business Park VI worth RM1.58 billion, and by Paragon Globe in Gerbang Nusajaya for a proposed industrial development worth RM0.96 billion. Besides that, Sunway Group is in a partnership with Equalbase to develop a 136-acre industrial logistic development in Sunway City Iskandar Puteri's Free Commercial Zone. At the same time, SP Setia is converting 308 acres of agricultural land into industrial land in the Gelang Patah locality.

Underpinned by Singapore's constrained data centre capacity, data centre investors and operators are eyeing to set up their facilities in Iskandar Malaysia (IM), leveraging on the availability of land and power supply at lower costs, proximity to Singapore as well as supportive local authorities. In line with this, Jland Group (JLG) announced their expansion plan in May, introducing a 640-acre data centre park named Sedenak Tech Park 2 (STeP 2), which is set to be operational in September 2024. Data centre developments in IM are mainly focused in Sedenak Tech Park, Nusajaya Tech Park and YTL Green Data Centre Park.

Hotspots near connectivity nodes including Pasir Gudang, Kulai, Senai, and Port of Tanjung Pelepas (PTP) continue to see demand from industrial players. The state government is also refining the 'Fast Lane' standard operating procedure (SOP) after its first implementation by the Kulai Municipal Council. Priority is given to the Johor Bahru City Council (MBJB), Iskandar Puteri City Council (MBIP) and Pasir Gudang City Council (MBPG). The realisation of the Johor Fast Lane across the state will create a more business and investor-friendly environment to draw more investors.

Company	Facility Name	Power (MW)	Expected Completion	Location
Airtrunk	JHB1	150+	Phase 1: 2024	JB
Shanghai DC - Science Co Ltd - MN Holdings Bhd	N/A	120	Phase 1: 2024	STeP
Princeton Digital Group	JH1	150	Phase 1: 2024	STep
YTL Power International I Bhd & Nvidia Corp	N/A	N/A	Phase 1: 2024	YTL Green Data Centre Park

Abbreviation: MW-megawatt, JB-Johor Bahru, STeP-Sedenak Tech Park
Source: CBRE I WTW Research

(Extracted from CBRE/WTW Market Outlook Report 2024)

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL AND BUSINESS REVIEW

OVERVIEW OF AL-SALĀM REIT

Al-Salām REIT is a diversified Malaysian REIT with a total portfolio asset value of RM1.24 billion. The asset portfolio comprises retail, office, F&B restaurant, industrial and college.

FINANCIAL REVIEW

Table 1: Key Financial Highlights

	FY2022 RM'000	FY2023 RM'000	Variance (%)
Gross Revenue	71,800	**76,283**	6.2
Net Property Income	51,439	**50,908**	(1.0)
Trust Expenses	32,624	**42,543**	30.4
Profit for the Year (Realised)	15,733	**7,571**	(51.9)
Income Available for Distribution (Realised)	15,733	**7,571**	(51.9)
EPU (sen) – Realised	2.71	**1.31**	(51.7)
DPU (sen) – Realised	2.50	**1.20**	(52.0)

For FY2023, Al-Salām REIT registered revenue of RM76.3 million, which is an improvement of 6.2% from RM71.8 million recorded in FY2022. The increase in revenue was mainly contributed to by the retail segment, particularly KOMTAR JBCC.

Despite the higher revenue, Al-Salām REIT's NPI decreased marginally by 1% year-on-year to RM50.9 million (FY2022: RM51.4 million). The decrease was mainly due to a lower contribution from the office segment and an increase in electricity costs following the introduction of the Imbalance Cost Pass Through ("ICPT") by Tenaga Nasional Berhad.

Higher trust expenses were attributable to higher Islamic financing costs of RM36.5 million (FY2022: RM28.4 million), due to the full impact of a 100 basis points and 25 basis points increase in OPR in FY2022 and FY2023 respectively. As such, Al-Salām REIT registered lower realised earnings per unit ("EPU") of 1.31 sen for FY2023 (FY2022: 2.71 sen).

SEGMENTAL PERFORMANCE

The retail segment reported higher total revenue of RM39.5 million, marking a notable year-on-year increase of 15.8%. This was mainly driven by KOMTAR JBCC, attributable to higher rental, parking and promotional income. However, NPI registered a 7.3% increase year-on-year as the higher total revenue was partially offset by higher operating expenses from all retail outlets.

The office segment reported a lower total revenue of RM8.1 million, representing a year-on-year decrease of RM0.6 million. This was due to lower rental rate charged to tenants, despite achieving a higher occupancy rate of 92% (2022: 89%). Consequently, the NPI experienced a year-on-year decrease of RM1.5 million, which was further compounded by a rise in operating expenses totalling RM0.9 million.

The F&B segment recorded a slight 2.4% decrease year-on-year in both total revenue and NPI. This was due to the lower provision of rental variable income, as previously mentioned. Notably, the properties maintain a triple net arrangement with a consistent 100% occupancy rate (2022: 100%).

The industrial & others segment saw a marginal year-on-year increase of RM0.1 million in total revenue. Correspondingly, the NPI recorded a slight 0.1% increase year-on-year, as the higher revenue was offset by the higher operating expenses.

Table 2: Segmental Gross Revenue and NPI 2022-2023

	Gross Revenue			Net Property Income		
	FY2022 RM'000	FY2023 RM'000	Change %	FY2022 RM'000	FY2023 RM'000	Change %
KOMTAR JBCC	11,999	16,982	41.5	414	1,788	331.9
@Mart Kempas	8,275	8,652	4.6	4,286	4,220	(1.5)
Mydin Hypermart Gong Badak	13,824	13,824	-	13,795	13,799	-
Unit No G-104, Megamall Pinang	-	35	100.0	-	35	100.0
Total Retail	**34,098**	**39,493**	**15.8**	**18,495**	**19,842**	**7.3**
Menara KOMTAR	8,708	8,141	(6.5)	4,757	3,311	(30.4)
Total Office	**8,708**	**8,141**	**(6.5)**	**4,757**	**3,311**	**(30.4)**
42 KFC and/or Pizza Hut Outlets	17,834	17,400	(2.4)	17,801	17,368	(2.4)
Total F&B Restaurant	**17,834**	**17,400**	**(2.4)**	**17,801**	**17,368**	**(2.4)**
Industrial Premises	8,895	8,917	0.2	8,882	8,901	0.2
KPJIC	2,265	2,332	3.0	1,980	1,967	(0.7)
Total Industrial & Others	**11,160**	**11,249**	**0.8**	**10,862**	**10,868**	**-**
Property Manager Fee	-	-	-	(476)	(481)	-
TOTAL PORTFOLIO	**71,800**	**76,283**	**6.2**	**51,439**	**50,908**	**(1.0)**

PROFIT FOR THE YEAR

For FY2023, Al-Salām REIT recorded a lower realised profit of RM7.6 million (FY2022: RM15.7 million) and an unrealised profit of RM14.1 million (FY2022: RM49.7 million).

The 71.6% year-on-year drop in realised profit was mainly attributable to marginally lower NPI and higher Islamic financing cost. Notably, Islamic financing costs rose by RM8.1 million given the higher profit rates following a series of OPR rate hike throughout 2022 and 2023.

The unrealised gain of RM14.1 million was attributable to a fair value gain from the revaluation of investment properties of RM12.6 million and unbilled rental income of RM3.2 million. However, this gain was partially offset by a tax expense of RM0.2 million and allowance for expected credit loss on amount due from receivables of RM1.5 million.

DISTRIBUTION PER UNIT

Total income available for distribution for FY2023 amounted to RM7.6 million (FY2022: RM15.7 million). The Fund distributed three interim income distributions, totalling 1.10 sen per unit (or total of RM6.4 million) on 10 July 2023, 2 October 2023 and 27 December 2023.

Subsequently, on 24 January 2024, the Manager, declared a final income distribution of 0.10 sen per unit totalling RM0.58 million.

The total income distribution for FY2023 amounted to 1.20 sen per unit (FY2022: 2.50 sen) totalling RM7.0 million, representing 92% of the income available for distribution.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

STATEMENT OF FINANCIAL POSITION

Al-Salām REIT's total asset value increased to RM1.32 billion as at 31 December 2023 (FY2022: RM1.31 billion) primarily owing to fair value gain from the revaluation on investment properties of RM12.6 million.

Table 3: Performance Benchmarks

	Performance Benchmarks	FY2022	FY2023	Commentary
i.	Management expense ratio (%)	0.69	0.72	Management expense ratio of 0.72 increased by 4.3% due to an increase in fees and NAV.
ii.	Distribution Yield (%)	6.76	2.53	Distribution yield has decreased from 6.76% to 2.53% due to lower DPU and higher closing price.
iii.	Total Return (%)	(16.95)	30.90	Total return for the financial year of 30.9% contributed by 28.37% capital gain (FY2022: capital loss of 23.71%) plus distribution yield of 2.53% (FY2022: 6.76%).
iv.	Average annual total return (5 years) (%)	(11.78)	(3.12)	The 5-year average annual total return increased due to positive return recorded in 2023.
v.	Average annual total return (3 years) (%)	(17.45)	2.29	The 3-year average annual total return increased due to positive return recorded in 2023.
vi.	NAV per unit	1.0881	1.1135	NAV per unit increased by 2.3% mainly due to gain in fair value (after income distribution) (RM) adjustment of investment properties.

Notes:

i. *The ratio of expenses incurred in operating Al-Salām REIT of RM4.5 million (FY2022: RM4.1 million) to the weighted average NAV of Al-Salām REIT of RM636.0 million (FY2022: RM592.3 million).*
ii. *Based on DPU of 1.20 sen (FY2022: 2.50 sen) divided by its closing price as at 31 December 2023 of RM0.475 (FY2022:RM0.370).*
iii. *Total return represents the change in unit price during the year plus distribution yield for the year.*
iv. *Average annual total return is the sum of the return rates of Al-Salām REIT over a given number of years divided by that number of years.*
v. *Average annual total return is the sum of the return rates of Al-Salām REIT over a given number of years divided by that number of years.*
vi. *Net asset value per unit is determined by deducting the value of all Al-Salām REIT's liabilities from the total asset value divided by total issued units.*

STATEMENT OF CASH FLOWS

Operating activities

Net cash generated from operating activities was RM42.6 million in FY2023 (FY2022: RM51.1 million). This was mainly due to lower collection from tenants.

Investing activities

Al-Salām REIT spent RM1.6 million for investing activities in FY2023 (FY2022:RM0.03 million). Investing activities relates to acquisition of equipment, capex and pledged deposit with licensed banks.

Financing activities

Net cash used in financing activities during FY2023 was RM48.7 million (FY2022: RM43.0 million), largely due to payment of Islamic financing costs of RM31.7 million and income distribution of RM15.1 million.

Therefore, as at 31 December 2023, the Fund's cash and cash equivalent position stood at RM29.4 million, a decrease of 20.8% year-on-year.

Fair Value of Investment Properties

As at 31 December 2023, the total value of Al-Salām REIT's investment properties stood at RM1.24 billion (FY2022: RM1.22 billion), representing a growth of 1.6%. The increase was due to a net fair value gain of RM12.6 million.

However, the portfolio's property yield for FY2023 decreased slightly to 3.89% (2022: 3.95%) mainly attributed to the higher valuation of investment properties, which outweighed the improved performance of KOMTAR JBCC during the financial year.

	Fair Value @ 31 Dec 2022 (RM'000)	Fair Value @ 31 Dec 2023 (RM'000)	Property Yield 2022 (%)	Property Yield 2023 (%)
Retail				
KOMTAR JBCC	431,000	431,000	0.10	0.41
@Mart Kempas	76,000	78,000	5.64	5.41
Mydin Hypermart Gong Badak	153,183	151,954	6.66[i]	6.96[i]
Unit No G-104, Megamall Pinang	1,120	1,130	-	5.31[ii]
Office				
Menara KOMTAR	70,000	70,000	6.80	4.73
F&B Restaurant				
42 KFC and/or Pizza Hut Outlets	306,570	313,730	5.81	5.54
Industrial & Others				
Industrial Premises	150,300	157,000	5.91	5.67
KPJIC	36,000	36,200	5.50	5.43
TOTAL	**1,224,173**	**1,239,014**	**3.95**	**3.89**

Notes:

i. Computed based on NPI (which excludes unbilled rental income).
ii. Computed based on annualised yield.

MANAGEMENT DISCUSSION AND ANALYSIS

RETAIL SEGMENT

KOMTAR JBCC

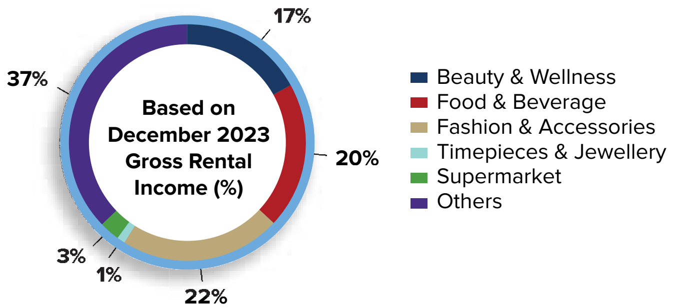
LOCATION:
Johor Bahru City Centre, Johor

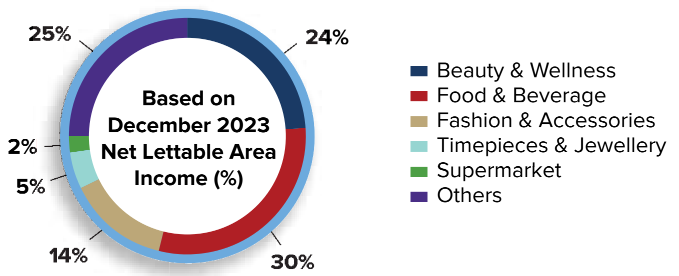
Existing Use	4-Level Shopping Mall
GFA (sq. ft.)	623,374
NLA (sq. ft.)	402,027
Number of Car Park Bays	1,049 bays
Market Value	RM431 million
Occupancy Rate	63%

Located in the heart of the Central Business District of Johor Bahru City Centre, KOMTAR JBCC offers a diverse range of stores that cater to wellness, health, fashion, dining and lifestyle preferences, offering shoppers immersive shopping experiences.

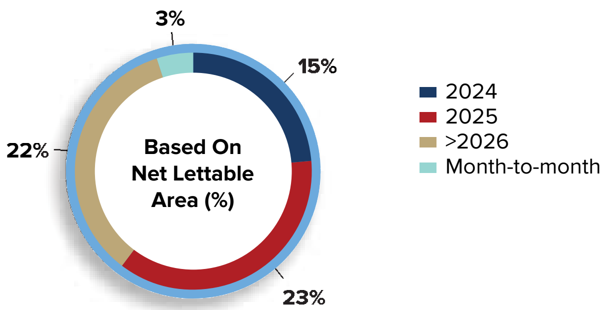
ASSET PERFORMANCE

Tenant Mix by Trade Sector

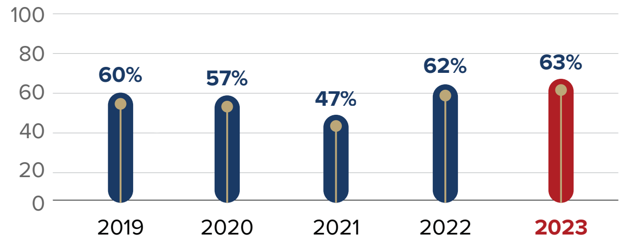




Lease Expiry Profile



Average Occupancy Rate (%)



MANAGEMENT DISCUSSION AND ANALYSIS

RETAIL SEGMENT

Top 10 Tenants

Tenant	% Total Income
Padini	7.14%
Brands Outlet	5.39%
Kidz Republic	4.24%
F.O.S	4.12%
Caring Pharmacy	2.70%
Sushi Zanmai	2.49%
Thai Express	2.45%
Kiehl’s	2.27%
Bath and Body Work	2.22%
MR. D.I.Y.	2.15%

CHALLENGES AND PROSPECTS

The retail market in Malaysia has undergone significant transformation over the years, making it one of the most dynamic and exciting industries in the country. Malaysia’s retail sector has a rich history that dates back to the early days of trading. With influences from Malay, Chinese, Indian, and indigenous cultures, the market has always been a vibrant melting pot of goods and services. From traditional bazaars to modern shopping malls, the evolution of the retail landscape is remarkable.

The rise of e-commerce has revolutionized the way Malaysians shop, and the pandemic has accelerated the shift towards online shopping. Retailers that invested in robust e-commerce platforms and omnichannel strategies experienced growth, while those reliant solely on physical stores faced challenges.

Inspired to be the next Klang Valley by 2030, Johor Bharu is currently stands in a season of transition with few catalytic projects, among other Ibrahim International Business District (IIBD), the KL-Singapore High Speed Rail (HSR), the Johor Bharu-Singapore Rapid Transit System (RTS Link) and Coronation Square.

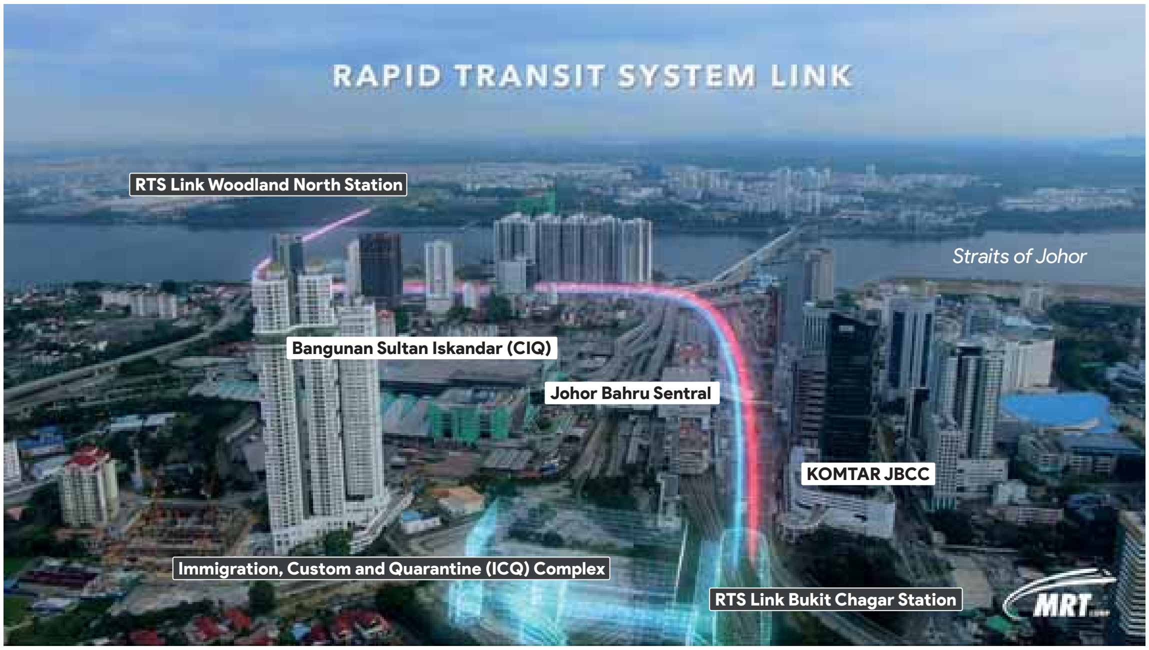
Johor Bharu-Singapore Rapid Transit System (RTS Link)

Ibrahim International Business District (IIBD)

MANAGEMENT DISCUSSION AND ANALYSIS

RETAIL SEGMENT

The RTS Link is expected to transport around 10,000 passengers per hour in each direction, ushering in an era of seamless travel between Singapore and Johor Bahru.



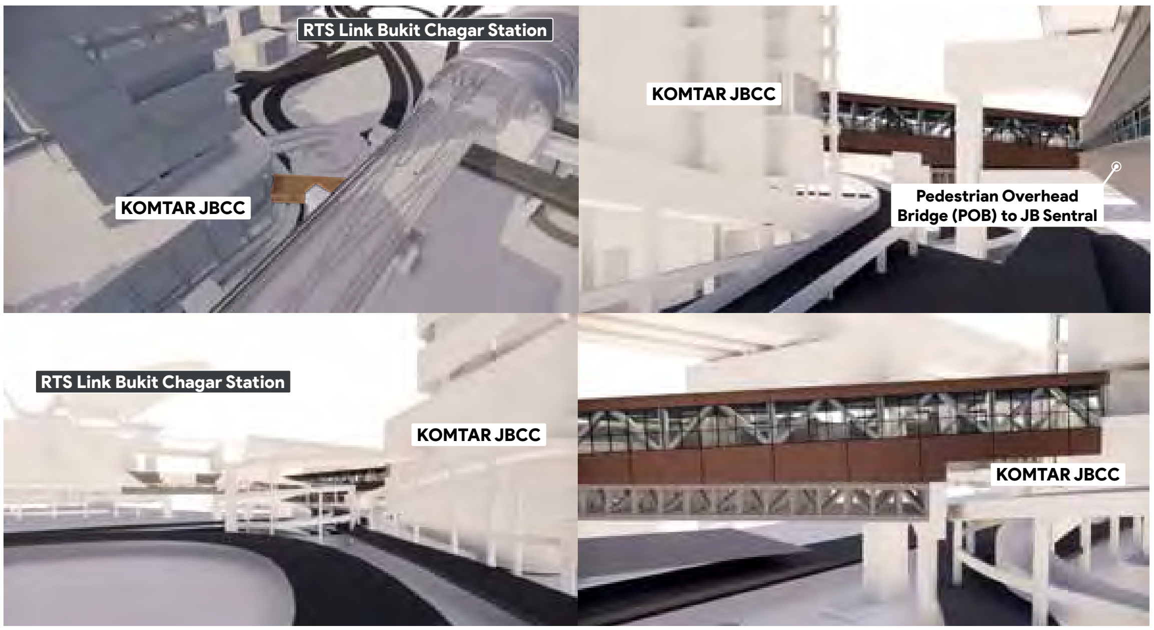
10,000 passengers per hour

6 minutes journey time between stations

4km in length between JB and Woodlands

80km/h maximum operation speed

The highly-anticipated RTS Link Bukit Chagar Station will be directly connected to KOMTAR JBCC via a Pedestrian Overhead Bridge ("POB") and would make the cross-border travellers and shoppers lean towards the mall.



42m long

4-8m wide

Air-conditioned with retail offerings

The imminent opening of the RTS Link Station in 2027 will greatly enhance KOMTAR JBCC's accessibility, leading to a substantial increase in footfall traffic with anticipated surge in RTS Link passengers alone is anticipated to double the pre-pandemic visitation. Thus, the mall is poised to capitalise on the ensuing commercial boon given its uniquely strategic location within the causeway and connected to the hotel facility.

MANAGEMENT DISCUSSION AND ANALYSIS

RETAIL SEGMENT

In light of the catalytic RTS Link development, it has become inevitable to repurpose the business model of KOMTAR JBCC, from City Centre Mall to Transit-Oriented Shopping Mall. The consumer preferences have shifted to experiential elements such as F&B and entertainment in malls.

Active development underway in front of KOMTAR JBCC

JB-Singapore RTS Link progress on track for completion

Recognising the latest consumer trends, extensive efforts have been invested in reconfiguring the tenant mix and layout, with a primary emphasis on enhancing offerings in beauty, premium and mainstream fashion, as well as F&B outlets. The mall will also feature al fresco spaces, adding a vibrant and open-air dimension to its offerings. Currently, the mall is undergoing phases of asset enhancement exercises, with the targeted completion of initial phase of asset enhancement initiatives would be in Q3, 2024.

With the influx of international shoppers and tourists, the commercial value of KOMTAR JBCC and IIBD is expected to increase, offering the public promising investment opportunities through Al-Salām REIT.

MANAGEMENT DISCUSSION AND ANALYSIS

RETAIL SEGMENT

@MART KEMPAS

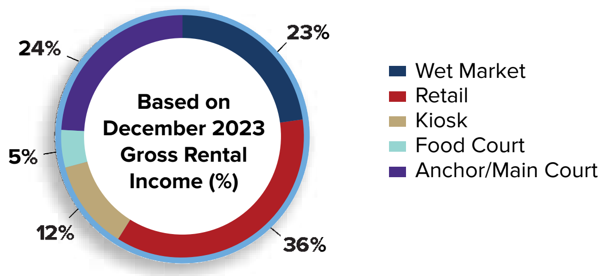
LOCATION: Kempas, Johor Bahru

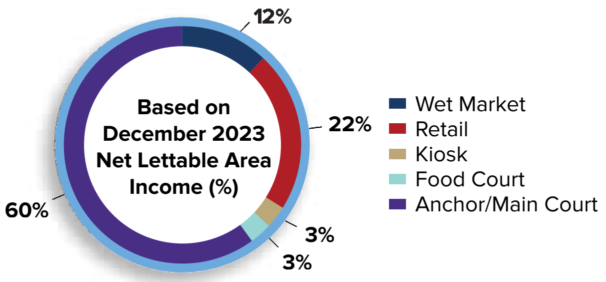
Existing Use	Community Hypermarket
GFA (sq. ft.)	164,625
NLA (sq. ft.)	98,247
Number of Parking Bays	478 car parking and 221 motorcycle parking bays
Market Value	RM78 million
Occupancy Rate	98%

@Mart Kempas is a single-storey purpose-built hypermarket that has been operating since March 2011. The hypermarket is located in Kempas, Johor Bahru, surrounded by residential and commercial areas. The layout includes a fresh market, dry retail lots, a food court and promotion areas.

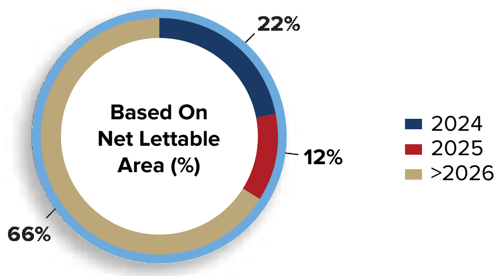
ASSET PERFORMANCE

Tenant Mix by Trade Sector

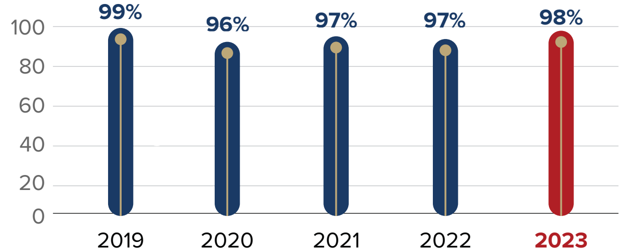




Lease Expiry Profile



Average Occupancy Rate (%)



MANAGEMENT DISCUSSION AND ANALYSIS

RETAIL SEGMENT

Top 10 Tenants

Tenant	% Total Income
Unified Vision Sdn Bhd (Midas)	10.3%
Linkme LM Trading Sdn Bhd	2.4%
Pasaraya ku Trading (Melaka) Sdn Bhd	2.5%
Lionmas Furnishers (M) Sdn Bhd	2.1%
Kasut U Sdn Bhd	2.0%
Sedap 1 Kafe Sdn Bhd	1.6%
Green Point Departmental Store Sdn Bhd	1.6%
Cosmo Restaurants Sdn Bhd	1.6%
Ashri Soya Enterprise	1.6%
Mr. D.I.Y. (Johor) Sdn Bhd	1.4%

CHALLENGES AND PROSPECTS

The entry of a new hypermart into the Kempas area has raised the competition and any disruptions to supply chain could cast uncertainties on the operations of the hypermart.

Amidst these potential challenges, @Mart Kempas stands strong with its established presence, fostering loyalty within the captive market in the vicinity. The robust capabilities of the mart operator further ensure the sustained performance of the hypermart. With retail space nearly at full occupancy and a consistent high demand, Al-Salām REIT is actively considering expansion plans for the hypermart. Furthermore, to align with the current trend, additional F&B offerings have been introduced at @Mart Kempas.

MANAGEMENT DISCUSSION AND ANALYSIS

RETAIL SEGMENT

MYDIN HYPERMART GONG BADAK

LOCATION:
Kuala Terengganu, Terengganu

Located in Kuala Terengganu, Mydin Hypermart Gong Badak is a two-storey hypermarket housing commercial activity within the robust retail and wholesaling market segments. The mall comprises conventional retail lots, including F&B lots, promotion lots, kiosks, pushcarts, ancillary lots, bazaar lots and food court.

Designed as a modern shopping mall that offers a more leisure-like atmosphere, Mydin Hypermart Gong Badak is one of the main attractions for locals in Kuala Terengganu.

Existing Use	Community Hypermarket
GFA (sq. ft.) Including Covered Car Park	589,232
GFA (sq. ft.) Excluding Covered Car Park	360,628
NLA (sq. ft.)	253,784
Number of Car Park Bays	634 covered parking bays and 171 surface car parking bays
Market Value	RM172 million
No of Parking Bay	805
Occupancy Rate	100%

**The fair value is at RM153 million, derived from the market value of RM172 million less unbilled rental income*

LEASE TERM

30 years commencing from 21 September 2018 and ending on 20 September 2048.

CHALLENGES AND PROSPECTS

As the asset is under a triple net lease arrangement with Mydin Hypermart being well positioned as a resilient community hypermarket, the Manager expects Mydin Hypermart Gong Badak to sustain its contribution to Al-Salām REIT's core income.

In adopting a comprehensive strategy, Mydin Hypermart Gong Badak combines competitive pricing with a robust community engagement programme, catering to the specific demands of this captive market. Leveraging the strength of the well-established Mydin brand further enhances its appeal and the Manager believes that this synergistic approach positions the hypermart to consistently attract patrons over the long term.

UNIT NO G-104, MEGAMALL PINANG

LOCATION:
Perai, Pulau Pinang

Existing Use	Retail Lot
GFA (sq. ft.)	2,762
NLA (sq. ft.)	2,762
Market Value	RM1,130,000
Occupancy Rate	100%

Talk Space Distribution Sdn Bhd is the one-stop destination for mobile phones and related accessories, ranging from the latest flagship smartphones to budget-friendly options. The shop is strategically situated on the Ground Floor of Megamall Pinang Shopping Complex—a hub where shoppers converge to explore fashion, electronics, and delectable dining options.

LEASE TERM

The lot is currently rented for a term of two years with an option to renew for another period of two years. The current term will expire on 30 April 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

OFFICE SEGMENT

Menara KOMTAR is Al-Salām REIT's only office asset portfolio. It is expected to maintain its position as a strategic office space in Johor Bahru as well as continuous strong tenancy by Johor Corp as the building derives its core tenancy from the sponsor.

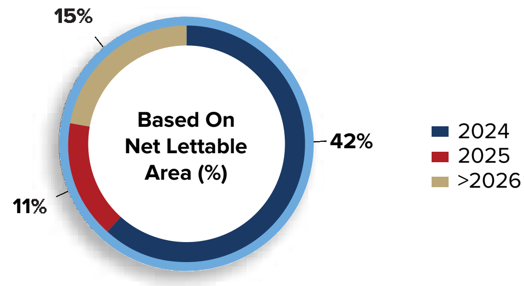
MENARA KOMTAR

LOCATION: Johor Bahru City Centre, Johor

Existing Use	Office Tower
GFA (sq. ft.)	242,195
NLA (sq. ft.)	160,592
Number of Car Park Bays	208 bays
Market Value	RM70 million
Occupancy Rate	93%

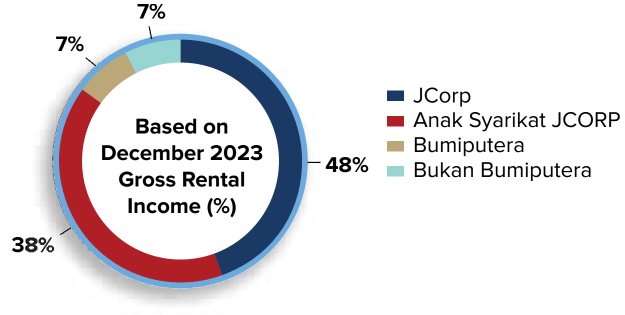
The 25-storey Menara KOMTAR is a purpose-built office tower located in Flagship Zone A of Iskandar Malaysia, which was established with the key development strategy to regenerate Johor Bahru into a vibrant economic centre while preserving its cultural and heritage values.

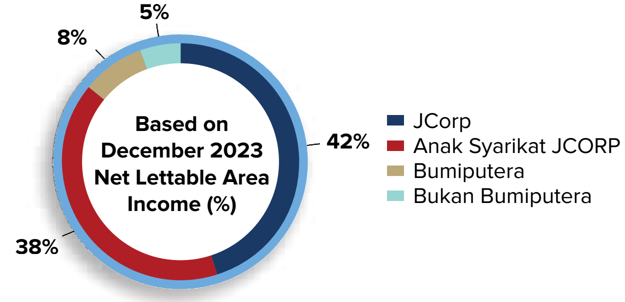
Lease Expiry Profile



ASSET PERFORMANCE

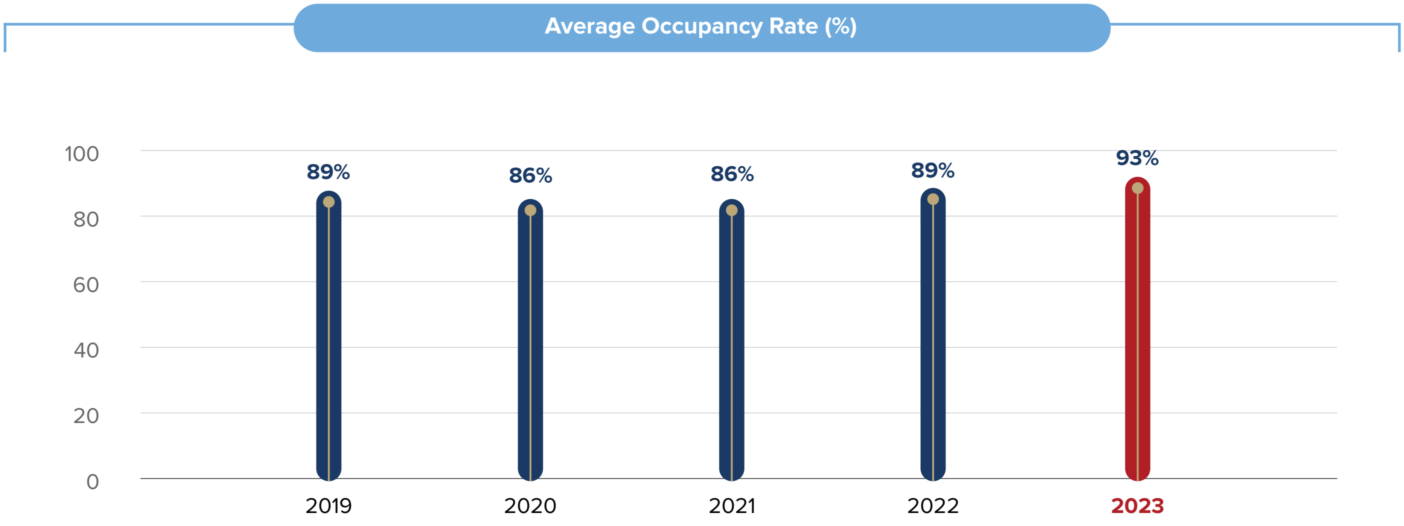
Tenant Mix by Trade Sector





MANAGEMENT DISCUSSION AND ANALYSIS

OFFICE SEGMENT



CHALLENGES AND PROSPECTS

In response to the shift towards co-working and flexible working spaces, Menara KOMTAR will reconfigure its existing space and introduce co-working and flexible working solutions. Situated within the KOMTAR JBCC complex, the tower can leverage integration with the shopping mall, transportation hub and hotel to create a dynamic ecosystem. The success of these integrated components can significantly contribute to the overall prospects of Menara KOMTAR.

Menara KOMTAR is poised to maintain its status as a strategic office space in Johor Bahru, supported by the continuous strong tenancy of JCorp, a core tenant sponsored by the building. Additionally, with the impending RTS development and companies from across the causeway seeking cost-effective rental spaces, the office building is well-positioned for positive prospects. The strategic location, combined with flexible workspace solutions, positions Menara KOMTAR as a forward-thinking and adaptable choice for businesses in the evolving work environment.

MANAGEMENT DISCUSSION AND ANALYSIS

F&B RESTAURANT SEGMENT

KFC & PIZZA HUT OUTLETS

LOCATION: Throughout Malaysia

F&B RESTAURANT SEGMENT

The F&B restaurant segment comprises 42 restaurant establishments across Malaysia. The properties form part of the crucial downstream segment which houses fast food services for well-known household brands KFC and Pizza HUT under QSR Group of Companies (QSR). Al-Salām REIT leases all the F&B restaurants to the QSR.

Description	No of Properties	Market Value (RM mil)
Restaurant located at shophouses/offices	23	84.5
Single-storey restaurants building with drive through outlets	16	207.9
Restaurants at mall	3	21.4
Total	**42**	**313.7**

LEASE TERM

No of Properties (Second Acquisition)	Second Rental Period
5	17 September 2023 – 16 September 2026
16	19 March 2022 – 18 March 2025
No of Properties (First Acquisition)	**Third Rental Period**
11	6 May 2021 – 5 May 2024
10	29 September 2021 – 28 September 2024

CHALLENGES AND PROSPECTS

In response to the evolving preferences of food and beverage patrons, KFC and Pizza Hut have undergone a significant pivot towards e-commerce, contactless channels, and drive-thru facilities. Recognising the transformative trends in the industry, Al-Salām REIT is actively exploring collaboration with QSR to develop drive-thru facilities in key areas across Malaysia. This initiative aligns with Al Salam's commitment to playing a strategic partnership role with QSR, leveraging the evolving landscape of dining preferences.

Assets operated by QSR continue to be a stable source of income for Al-Salām REIT, on the back of the triple net lease arrangement. QSR's resilience is attributed to their time-tested operational excellence and sustainable market share, navigating through the challenging business environment.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRIAL & OTHERS SEGMENT

INDUSTRIAL PREMISES

LOCATION: Throughout Malaysia

INDUSTRIAL PREMISES

Al-Salām REIT has 6 industrial / warehouse properties with a cumulative market value of RM157.0 million. The 6 properties located across Malaysia form part of the crucial F&B operations supply chain of KFC and Pizza Hut. Al-Salām REIT leases all the industrial properties to QSR.

LEASE TERM

No of Properties (Second Acquisition)	Second Rental Period
1	19 March 2022 – 18 March 2025
No of Properties (First Acquisition)	**Third Rental Period**
2	6 May 2021 – 5 May 2024
3	29 September 2021 – 28 September 2024

CHALLENGES AND PROSPECTS

Given that the current industrial assets within Al-Salām REIT are upstream manufacturing facilities supporting QSR outlets under a triple net lease structure, the performance of these properties is intrinsically tied to the success of the F&B outlets. As such, assets operated by QSR continues to provide income stability on the back of triple net lease arrangement with Al-Salām REIT. QSR's resilience is underscored by their proven operational excellence and a sustainable market share.

As part of QSR's strategic vision to expand its upstream business while adhering to an asset-light business model, the Manager is committed to ongoing collaboration with QSR. This involves identifying and pursuing development opportunities or sale-leaseback arrangements for potential assets within this segment. This proactive engagement aligns with both parties' goals, ensuring the continuous growth and adaptability of the industrial assets within Al-Salām REIT's portfolio.

Moreover, Al-Salām REIT is actively pursuing the identification of additional yield-accretive industrial assets for inclusion in its portfolio. In alignment with the strategic direction of leveraging the sponsor's capabilities and network, the Manager will place a particular emphasis on Johor Corp's industrial parks, such as the Tanjung Langsat Industrial Park, Muar Furniture Park, Pengerang Industrial Park and Sedenak Tech Park ("STeP"). Nevertheless, Al-Salām REIT remains open to exploring opportunities beyond the Group, particularly if the potential deal proves accretive for the Fund. Such opportunities may extend to sectors like logistics and warehousing, to tap into the flourishing e-commerce activities, and in the realm of data centres by capitalising on the developments within STeP.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRIAL & OTHERS SEGMENT

KPJ INTERNATIONAL COLLEGE OF NURSING AND HEALTH SCIENCES JOHOR BAHRU (KPJIC JB)

LOCATION:
Bandar Dato' Onn, Johor

The property is a four-storey building known as KPJ International College of Nursing and Health Sciences Johor Bahru located in Bandar Dato' Onn, a self-contained, residential township 12 kilometres from Johor Bahru.

The building has a 100% occupancy rate as at 31 December 2023.

RENTAL TERM

The building is currently rented by KPJ Healthcare University College Sdn Bhd for a term of 3 years. The current term will expire on 31 October 2025.

CHALLENGES AND PROSPECTS

KPJIC JB, as the Fund's exclusive education property asset, has consistently delivered stable earnings through a master lease arrangement with KPJ Group's education arm. Leveraging the robust reputation of KPJ as a key player in the healthcare industry, we hold confidence that the property will maintain its track record of offering sustainable yields for Al-Salām REIT in the foreseeable future.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL MANAGEMENT

The Manager's capital management strategy for Al-Salām REIT is to maintain an appropriate gearing level and accommodative financing rate to ensure that the Fund is able to service its Islamic financings and liabilities. The capital management strategy also seeks to reduce exposure to fluctuations in financing rates. This approach will ensure an improved cash flow and liquidity position while optimising Al-Salām REIT's distributable earnings.

The following capital management strategies were implemented in FY2023:

- Maintaining a diverse range of sources for debt funding. These include Islamic term financing and Sukuk;
- Retaining sufficient cash flow and cash position to service all financing obligations;
- Ongoing review of the Fund's debt portfolio to determine the optimal debt refinancing strategy to reduce funding costs; and
- Actively managing the range of maturities of its various financing obligations such as Sukuk to reduce refinancing risk and to optimise the cost of capital.

As at 31 December 2023, Al-Salām REIT's Islamic financing portfolio comprises the following:

	FY2022	FY2023
Total Islamic Financings (RM Mil)	637.3	639.6
Average Cost of Financing (%)	4.17	5.54
Fixed/Floating Ratio	100% floating	100% floating
Average Maturity Period (years)	2	2
Financing Service Cover ratio (times)	1.57	1.60
Gearing ratio (%)	48.8	48.6

	FY2022 (RM)	FY2023 (RM)
Non Current:		
Term Financing-i	118,000,000	-
Business Financing-i	70,000,000	70,000,000
Sukuk Ijarah	-	455,000,000
	188,000,000	525,000,000
Less: Transaction Cost	(937,578)	(3,318,926)
Sub Total	**187,062,422**	**521,681,074**
Current:		
Sukuk Ijarah	451,000,000	-
Term Financing-i	-	118,000,000
	451,000,000	118,000,000
Less: Transaction Cost	(792,120)	(65,675)
Sub Total	**450,207,880**	**117,934,325**
Total Islamic Financing	**637,270,302**	**639,615,399**

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL MANAGEMENT

SUKUK IJARAH

On 24 August 2023, the Manager successfully refinanced the Sukuk Ijarah Issue 2 with the issuance of RM455,000,000 in nominal value of Sukuk Ijarah Issue 3 which bears profit rate of 5.09% to 6.25% (2022: 3.75% to 5.09%) per annum.

TERM FINANCING-I

As at the reporting date, Al-Salām REIT has sent a letter requesting an extension of the facility tenure to repay a borrowing of RM118,000,000 for an additional 2 years. As at the date of the financial statements, Al-Salām REIT plans to finalise this extension letter before the maturity date in March 2024. Considering the feasibility of extending the financing tenure, Al-Salām REIT is confident on it's materialisation.

MOVING FORWARD

Al-Salām REIT's present gearing ratio of 48.6% position it as one of the highest geared REITs domestically. Despite this, the Manager intends to reduce the current debt levels to a more manageable degree in the next year to achieve optimal gearing. To reach this target level, the fund plans to explore cost-effective financing solutions and implement placements to obtain the most favourable capital structure for the future.

Al-Salām REIT remains committed to exercising proper stewardship of capital and risk in its pursuit to delivering long-term and sustainable value to shareholders and all stakeholders. The Manager is actively working to strengthen the balance sheet and enhance strategic relationships with all parties involved.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY RISK FACTORS

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

The Manager consistently identifies and mitigates anticipated or known risks to which the Fund is exposed that could have material impact on the Fund's operations, performance, financial condition and liquidity.

In 2023, a major risk faced by the Fund is the performance of its retail assets, KOMTAR JBCC and the business performance of its major tenant, QSR Brands (M) Holdings Bhd. As such, in evaluating good potential tenants in optimising the occupancy rate of retails assets, Al-Salām REIT will continue to diligently assess its potential tenants to ascertain tenant's corporate strength and financial reliability, which include tenant's financial stability, lease length, and type of lease agreement.

A summary of the significant risks of Al-Salām REIT is as below:

Anticipated and Known Risk Profiles

Focus Area	Disclosures
Sustainable Performance and Competitive Returns to Unitholders	
Retail assets have become not yield-accretive due to: • Assets are physically unattractive and deteriorating due to wear and tear • Tenants opted for a relocation of business, in favour of lower rentals at other new malls • Lower NPI due to higher operating and maintenance costs	The Manager has launched the first phase of a repositioning exercise for KOMTAR JBCC in 2023. Further refurbishment and upgrading works will take place in 2024 to accommodate the change in tenancy mix and layout reconfiguration. Coupled with the ongoing development in the construction of the JB-Singapore RTS, it is expected that an increase of the footfall will jumpstart the demand for retail spaces at KOMTAR JBCC, contributing to the improvement in the demand and rental rates comparable to the market.
Competition	
The prospects for the retail space sector, particularly in Johor Bahru, were challenging and competitive in 2023 due to the significant amount of retail space. While occupancy rates of KOMTAR JBCC and surrounding malls are improving, it is still below pre-pandemic levels.	The Manager undertakes active marketing and promotional strategies aimed at maximising occupancy, including a flexible rental package to existing and new prospective tenants of the mall, as well as at Menara KOMTAR
Financial	
The Fund faces challenges in managing higher financing costs due to the increase in OPR, announced in 2023.	The Manager closely monitors the Fund's cash flow position and financing profile, to ensure that the investment yield adequately covers its profit rate expenses. Additionally, the Manager manages the Fund's gearing level to limit exposure to profit rate risk. The Manager may also consider other alternatives, such as hedging strategies, in order to mitigate increase in financing costs.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY RISK FACTORS

<table>
<tr><th>Focus Area</th><th>Disclosures</th></tr>
<tr><td colspan="2">Credit Control</td></tr>
<tr><td>Non-payment of rentals increases the risk of default whilst affecting the cash flow of the Fund.</td><td>A designated credit control unit monitors debtors ageing to ensure effective and efficient collection of rentals. The Unit undertakes continuous and close engagement with tenants to discuss proposed solutions, e.g., settlement plan. Apart from that, stricter procedures have been put in place which include issuance of reminder letters or letters of demand and initiating legal action against defaulters.</td></tr>
<tr><td colspan="2">Business Continuity</td></tr>
<tr><td>The assets are exposed to natural and accidental disasters, such as fire, flood, or weather-related events and cyber-attacks. It is imperative to conduct ongoing assessments to identify potential risks and their potential impact on operations. These assessments will enable the development of proactive measures and procedures to safeguard the business and effectively manage risks.</td><td>In safeguarding itself from such risk of climate change and accidental disasters, The REIT Manager emphasises on preventive efforts such as:
• Ensuring regular upkeep includes checking for leaks and performing electrical inspections that prevent minor issues from escalating into major problems.
• Implementing regular M&E inspections and preventive maintenance protocols.
• Undertakes adequate and comprehensive commercial property insurance policies to shield against accidents, damage, or legal claims to safeguard financial investment.
• Educating the employees, property managers on safety initiatives to ensure property safety, longevity and property value.

Apart from that the REIT Manager also put in place the Business Continuity Management (“BCM”) framework which involves assessing Business Impact Analysis should any unforeseen disaster occurs. This involves comprehensive preparation for emergencies, which include developing a clear plan for unexpected events, complete with emergency contacts, evacuation procedures, and essential supplies.</td></tr>
<tr><td colspan="2">Human Capital and Talent Management</td></tr>
<tr><td>Ineffective succession planning may affect Al-Salām REIT's operations if a critical role becomes vacant without a successor. Such an occurrence will have an adverse impact on the organisation.

There is also the risk that the Manager will be unable to attract and retain a competent staff force to manage its portfolio and execute its strategies for sustainable growth.</td><td>The JCorp Group is developing a talent pool to ensure comprehensive a succession planning framework in place, which includes the identification of future successors and leadership training for candidates for critical positions.

Additionally, the strategic implementation of activities and processes is designed to decrease the likelihood of lengthy vacancies in critical roles and limit the impact of when they do occur.</td></tr>
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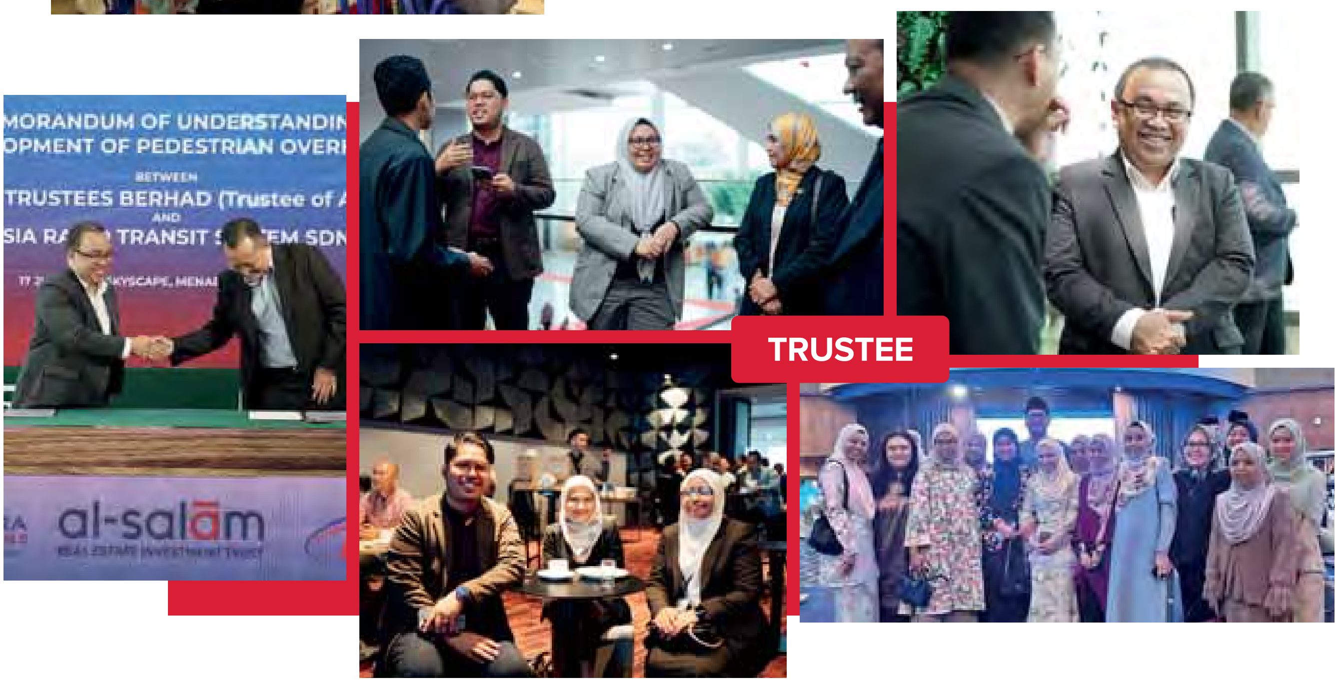
STAKEHOLDER ENGAGEMENT

INVESTMENT COMMUNITY

TRUSTEE

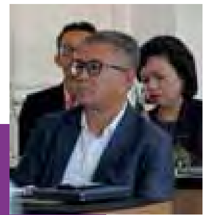


STAKEHOLDER ENGAGEMENT

EXISTING/POTENTIAL BUSINESS PARTNERS

STAKEHOLDER ENGAGEMENT

BOARD AND EMPLOYEES



STAKEHOLDER ENGAGEMENT

REGULATORS

COMMUNITY