al-salām
REAL ESTATE INVESTMENT TRUST

THRIVING AHEAD WITH A SOLID FOUNDATION

ANNUAL REPORT 2024

ABOUT THIS REPORT

THRVING AHEAD WITH A SOLID FOUNDATION

The cover design of Al-Salām REIT's Annual Report 2024 encapsulates the theme “Thriving Ahead with A Solid Foundation", embodying our strategic focus on stability, resilience, and sustainable value creation. The interplay of architectural forms and dynamic lines signifies continuous progress and adaptability, reinforcing our ability to navigate market shifts while capitalising on emerging opportunities. The structured yet forward-moving design reflects our commitment to long-term growth, operational excellence, and sustainable returns. Together, these elements symbolise Al-Salām REIT's readiness to build upon our strong foundation, unlock new avenues for expansion, and create enduring value for our stakeholders. As we move forward, we remain steadfast in our vision—leveraging stability as a catalyst for innovation, diversification, and future success.

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2 Point your camera or QR code scanner at the QR code

3 Get access to Al-Salām REIT's website

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6 FINANCIAL STATEMENTS

SECTION

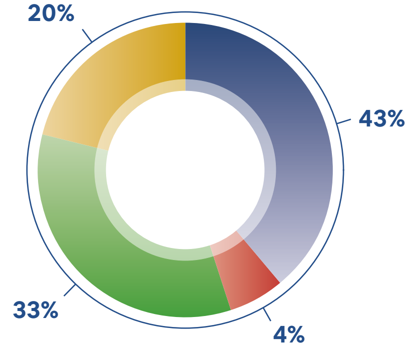
1 ABOUT US

2024 Highlights

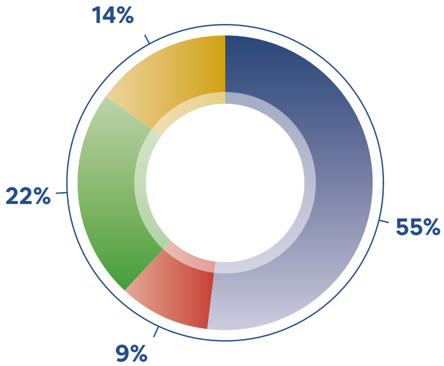
OUR BUSINESS

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

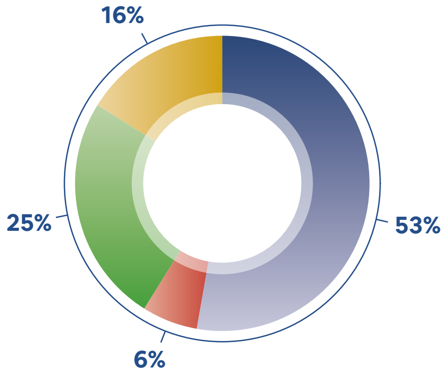
RM51.4 million
Net Property Income



RM78.5 million
Gross Revenue



RM1.24 billion
Property Value



54 units
Number of Properties

0.70 sen
Distribution per Unit (DPU)

RM217.5 million
Market Capitalization

1.87 %
Distribution Yield

2.7 million sq. ft.
Gross Floor Area

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 property 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 outlets, an office building, 42 F&B restaurants, 6 industrial assets and a college. Al-Salām REIT's property value increased to RM1.24 billion as of 31 December 2024 from its initial investment.

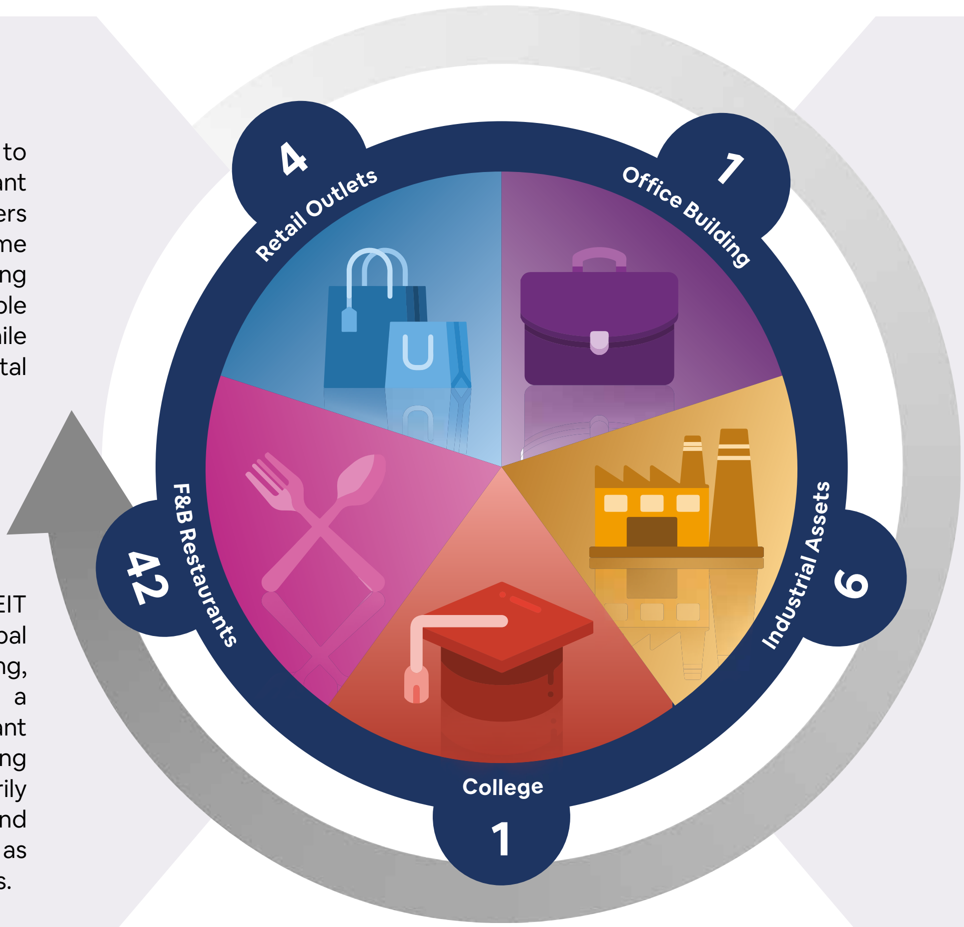
Al-Salām REIT's market capitalisation was RM217.5 million as of 31 December 2024.

Objective

The Fund's key objective is to invest in Shariah-compliant properties, 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.

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.



Salient Features

STRATEGIES

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.

Acquisition Growth Strategy

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

Capital and Risk Management

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.

FUND INFORMATION

Fund Name
Al-Salām Real Estate Investment Trust

Type of Fund
Income and Growth

Category of Fund
Diversified Real Estate Investment Trust

Fund Size
580,000,000 Units

STOCK MARKET INFORMATION

Listing
Main Market of Bursa Malaysia Securities Berhad

Listing Date
29 September 2015

Stock Name and Code
ALSREIT (5269)

OTHER INFORMATION

Distribution Policy
At least 90% of distributable income

Financial Year End
31 December

Corporate Information

MANAGER

JLG REIT MANAGERS SDN BHD
Formerly known as Damansara REIT Managers Sdn Berhad
(200501035558)
Registered Office:
Suite 1, Level 17, Menara KOMTAR,
Johor Bahru City Centre,
80888 IIBD, Johor.

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.alsamreit.com.my

TRUSTEE

AMANAHRAYA TRUSTEES BERHAD (200701008892)
Level 14, Wisma AmanahRaya,
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50508 Kuala Lumpur.
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Fax : (+603) 2072 0323
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Website : www.artrustees.my

REGISTRAR

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Menara Ansar, 65, Jalan Trus,
80000 Johor Bahru, Johor.
Tel : (+607) 223 5017
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SHARIAH COMMITTEE

1. **Dato' (Dr) Haji Nooh bin Gadot**
2. **Professor Madya Dr Abdul Halim bin Muhammad**
3. **IBFIM (200701005076)**
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   50480 Kuala Lumpur.
   Tel : (+603) 2031 1010
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   Email : shariah.consultancy@ibfim.com
   Website : www.ibfimonline.com

AUDITOR

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50490 Kuala Lumpur.
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SOLICITORS

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Website : www.albar.com.my

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Fax : (+603) 2780 2833
Email : partner@kaaplaw.com
Website : www.kaaplaw.com

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Jalan PJU 1A/4, Ara Damansara,
47301 Petaling Jaya, Selangor.
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Fax : (+603) 7734 5777
Email : arsakl@arsa.com.my
Website : www.arsa.com.my

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No. 46, Jalan Dungun,
Damansara Heights,
50490 Kuala Lumpur.
Tel : (+603) 2092 4822
Fax : (+603) 2092 5822
Website : ridzalaw.com.my

PROPERTY MANAGER

EXASTRATA SOLUTIONS SDN BHD (201001042323)
W-10-4, 4th Floor,
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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.
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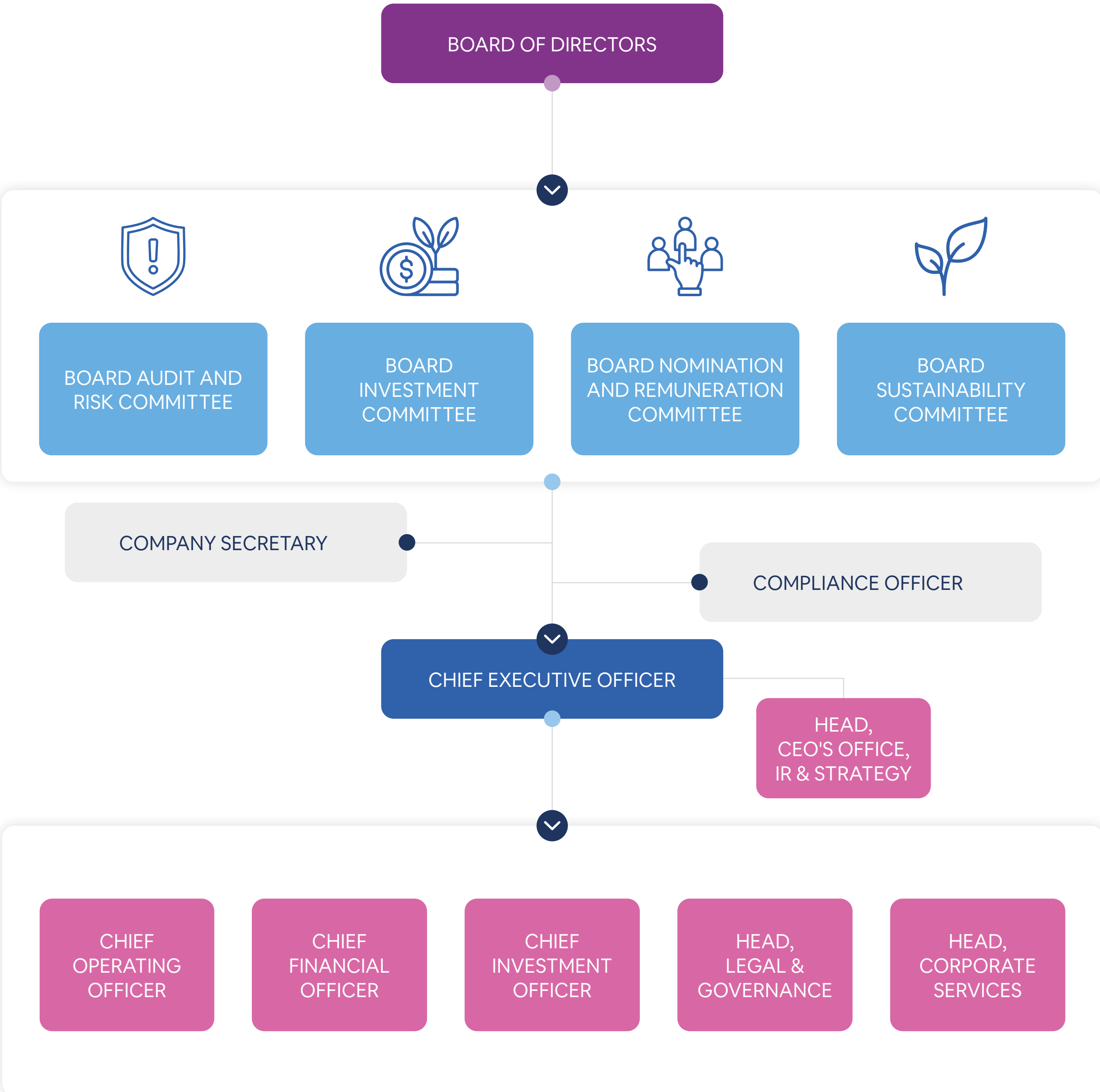
Fax : (+607) 267 9926

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



SECTION

2 BUSINESS OVERVIEW

Letter to Stakeholders

Dear Valued Stakeholders,

On behalf of the Board of Directors of the Manager, it is both an honour and a privilege to present the Annual Report and Audited Financial Statements of Al-Salām REIT (the "Fund") for the financial year ended 31 December 2024 ("FY2024"). This marks my first address to you as Chairman, and I would like to take this opportunity to reintroduce Al-Salām REIT with a catalytic growth story, in line with the rebranding of Al-Salam REIT's managers, Damansara REIT Managers Sdn Berhad to JLG REIT Managers Sdn Bhd.

As we step into a new dynamic and digitalised era of business, it is imperative that we reimagine our strategies and realign our priorities. The newly appointed management team, armed with deep industry expertise in capital market exercises and a track record of navigating property cycles, remain optimistic about the trajectory of the real estate market over the near to medium term. While macroeconomic headwinds, including inflationary pressures and interest rate volatility continue to pose challenges, we are confident of the opportunities emerging from evolving market dynamics.

Our priorities are clear: strengthen operational efficiencies, unlock value through asset optimisation, and pursue strategic, theme-driven portfolio diversification, anchored firmly in diversified retail, office, hospitality, and commercial assets. Our investment strategy now prioritises acquisitions that are synergistic with Al-Salām REIT's existing portfolio, strengthening value across the board while positioning us for long-term yield accretion. We are also actively reviewing and rebalancing the portfolio to maintain thematic clarity, replacing ageing assets with quality investments that deliver sustainable returns. At the same time, we are capitalising on the promising momentum of the Johor-Singapore Special Economic Zone ("JS-SEZ") by rolling out Asset Enhancement Initiatives ("AEIs") at our flagship assets, KOMTAR JBCC and Menara KOMTAR.

The early response from our investor base has been encouraging, signalling growing confidence in the REIT's turnaround strategy. This renewed momentum positions us to capitalise on key opportunities, from strengthening our footprint in urban commercial hubs and repositioning underperforming assets to advancing our sustainability commitments.

Moving forward, we will continue to explore innovative business models and leverage technology to future-proof Al-Salām REIT, optimise returns for our unitholders, and maintain our position as a forward-looking Shariah-compliant REIT of choice.

DATUK HASHIM BIN WAHIR
Chairman

Letter to Stakeholders

COMPANY PERFORMANCE AT A GLANCE

RM78.5 million
Gross Revenue

RM4.4 million
Realised Profit

RM217.5 million
Market Capitalisation

NAVIGATING CHALLENGES, SEIZING OPPORTUNITIES

FY2024 marked a year of recalibration and strategic repositioning for Al-Salām REIT as we navigated a resilient yet dynamic Malaysian economy. With a GDP growth of 5.1%, low inflation at 1.8%, and stable unemployment at 3.3%, the macroeconomic environment remained favourable for sustained commercial activities.

These factors provided a steady foundation for the nation's economic activity and positioned the property market for modest but stable growth. Moreover, the ongoing global tech upcycle presented additional opportunities, particularly for commercial and industrial sectors, through increased export activity and digital infrastructure investment.

Nonetheless, challenges persisted. Inflationary pressures and interest rate volatility weighed on property-related operating and financing costs, while global geopolitical uncertainties and trade restrictions posed potential headwinds to investment and cross border momentum.

Against this backdrop, Al-Salām REIT remained focused on prudent capital management, agile portfolio optimisation, and long-term value creation as we steered through this challenging macroeconomic landscape. We delivered a 2.8% increase in revenue to RM78.5 million, supported by a robust performance in the retail segment. Net property income (“NPI”) rose marginally to RM51.4 million despite higher utility and maintenance costs, reflecting our operational resilience and disciplined asset management.

Letter to Stakeholders

RENEWED STRATEGY FOR SUSTAINABLE RETURNS

Our portfolio, valued at RM1.24 billion, continued to benefit from strategic AEIs, particularly our flagship assets, KOMTAR JBCC and Menara KOMTAR, creating sustainable, long-term value to the portfolio and also improved returns to shareholders. At KOMTAR JBCC, a revised tenant mix and repositioning strategy resulted in a 9.9% increase in revenue. New tenancy agreements with notable brands enriching the asset's appeal. We also advanced enhancement efforts and pursued premium F&B tenants to elevate footfall and rental yield. Key initiatives include reconfiguring large vacant areas into mini-anchor tenants such as grocers, enhancing tenant mix with high-value and premium F&B brands, phasing out underperforming tenants, and renegotiating rental rates to improve yields. The strategy also targeted cross-border shoppers from Singapore with curated retail offerings. These initiatives strategically align with our objective to capitalise on the growth potential of JS-SEZ. Key enhancement works have commenced to position KOMTAR JBCC as a transit-oriented retail destination. In addition, plans are underway for the development of a Pedestrian Overhead Bridge, which will provide direct connectivity between the JB-Singapore Rapid Transit System ("RTS") station and KOMTAR JBCC, further strengthening the asset's long-term value proposition.

We are confident that these strategic enhancements and repositioning of the mall will attract a higher footfall traffic and bring in quality tenants, contributing towards a better NPI for KOMTAR JBCC.

SUSTAINABILITY AND GOVERNANCE COMMITMENTS

Sustainability remains integral to our value creation. In FY2024, we took measured steps towards integrating Environmental, Social, and Governance ("ESG") considerations in our leasing practices and tenant engagement. Notable initiatives included the introduction of Green Lease clauses in our lease agreements and the installation of a Klean recycling machine at @Mart Kempas to promote circular economy behaviour among tenants and shoppers.

On the governance front, a key leadership transition brought renewed strategic direction. The appointment of a new CEO and Board members has instilled greater operational focus, driving our turnaround strategy anchored on portfolio enhancement, operational efficiency, and strategic acquisitions or divestments.

We continue to uphold strong corporate governance standards in line with regulatory expectations. Our governance framework supports transparency, risk management, and accountability, ensuring that our operations are conducted ethically and sustainably.

Letter to Stakeholders

STRATEGIC RENEWAL WITH A CLEAR VISION FOR GROWTH

As we chart a new course for Al-Salām REIT, our strategic direction is defined by clarity, discipline, and a firm commitment to value creation. Under the guidance of the newly appointed management team, we are entering a pivotal phase of transformation, focused not only on turning around current performance, but on building a more resilient, future-ready portfolio. This renewed direction is underpinned by targeted initiatives that are both pragmatic and forward-looking, positioning the Fund to unlock greater long-term returns for unitholders.

Our roadmap begins with portfolio enhancement—repositioning and revitalising our assets to optimise occupancy rates and strengthen rental yields. This will be followed by a disciplined approach to asset acquisition and divestment, identifying yield-accretive opportunities while streamlining the portfolio to focus on strategic core assets. Equally critical is operational efficiency. Through digitalisation and proactive asset management, we are focused on improving cost structures and driving sustainable margins.

Our strategy embraces sustainability and ESG integration, embedding these principles into our asset planning and disclosures to align with both regulatory expectations and investor sentiment. Lastly, stakeholder engagement remains at the heart of our strategy. We are committed to transparent communication and fostering confidence through consistent performance and open dialogue with our unitholders.

With a sharpened focus, proven leadership, and the unwavering support of our stakeholders, Al-Salām REIT is well-positioned to capitalise on emerging opportunities and deliver long-term sustainable growth.

ACKNOWLEDGEMENTS

We would like to express our sincere gratitude to our unitholders, investors, clients, trustees, financiers, business partners, government agencies, and regulators for their continued support. We also acknowledge the contributions of our former Chairman, Dato' Haji Mohd Redza Shah bin Abdul Wahid, former Non-Independent Non-Executive Director, Ng Yan Chuan, and former CEO, YM Raja Nazirin Shah bin Raja Mohamad, whose leadership helped shape our foundations. To our employees and management team—your dedication remains the cornerstone of our progress, and we thank you for your tireless efforts in driving Al-Salām REIT forward.

We remain confident that our strategic initiatives will strengthen the Fund's long-term resilience and reaffirm our commitment to delivering sustainable value to all stakeholders.

Datuk Hashim bin Wahir
Chairman

5-Year Financial Performance

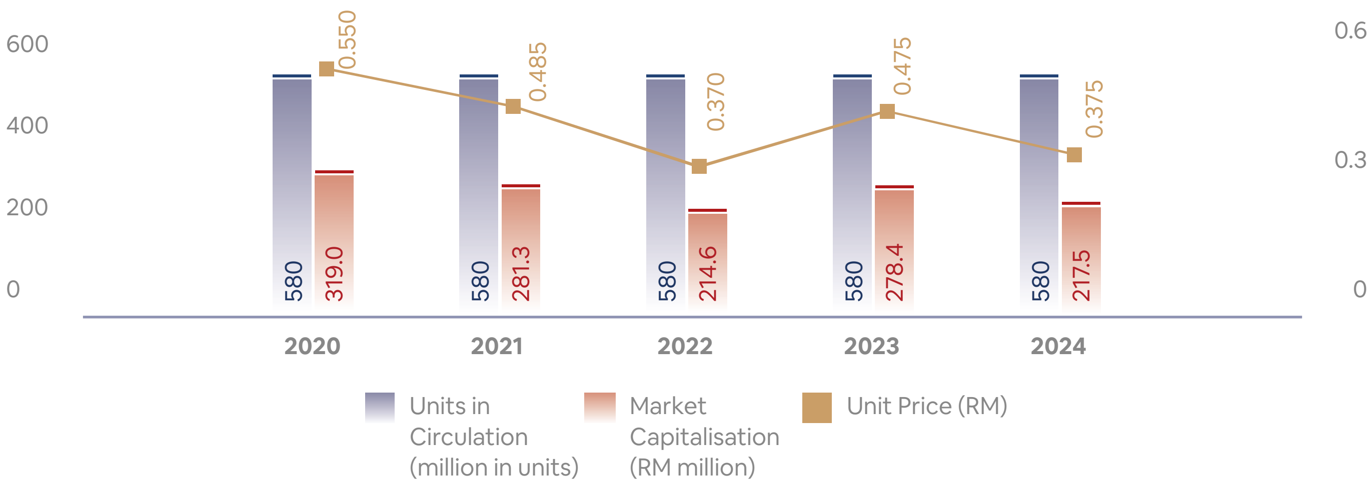
Financial Highlights – Group		FY2020 RM'000	FY2021 RM'000	FY2022 RM'000	FY2023 RM'000	FY2024 RM'000
Statement of Comprehensive Income - Key Data & Financial Ratios						
Gross Revenue		86,101	71,543	71,800	76,283	78,453
Net Property Income		64,970	54,994	51,439	50,908	51,415
Profit for the Year (Realised)		14,555	14,644	15,733	7,571	4,388
Earnings Per Unit (Realised) (Sen)		2.51	2.52	2.71	1.31	0.76
Statement of Financial Position - Key Data & Financial Ratios						
Investment Properties		1,189,365	1,177,237	1,224,173	1,239,014	1,201,723
Other Non-current Assets		3,686	708	803	1,797	1,667
Current Assets		61,503	75,555	80,138	75,250	113,875
Total Asset Value		**1,254,554**	**1,253,500**	**1,305,114**	**1,316,061**	1,317,265
Current Liabilities		65,125	17,180	473,105	140,374	66,659
Non-Current Liabilities		592,048	645,080	192,223	529,279	602,219
Total Liabilities		**661,747**	**662,890**	**665,328**	**669,653**	668,878
Net Asset Value (NAV)	**- Before Income Distribution**	**597,381**	**590,609**	**639,786**	**646,408**	648,387
	- After Income Distribution	**590,305**	**580,169**	**631,086**	**645,828**	647,053
Total Unitholders' Fund		**597,381**	**590,609**	**639,786**	**646,408**	648,387
NAV Per Unit (Before Income Distribution) (RM)		1.0300	1.0183	1.1031	1.1145	1.1179
NAV Per Unit (After Income Distribution) (RM)		1.0178	1.0003	1.0881	1.1135	1.1156

Financial Highlights – Fund		FY2020 RM'000	FY2021 RM'000	FY2022 RM'000	FY2023 RM'000	FY2024 RM'000
Statement of Comprehensive Income - Key Data & Financial Ratios						
Gross Revenue		86,101	71,543	71,800	76,283	78,453
Net Property Income		64,970	54,994	51,439	50,908	51,415
Profit for the Year (Realised)		14,614	14,704	15,767	7,600	4,439
Income Available for Distribution (Realised)		12,596	14,704	15,767	7,600	4,439
Earnings Per Unit (Realised) (Sen)		2.52	2.54	2.72	1.31	0.77
Distribution Per Unit (DPU) (Sen)		2.08	2.30	2.50	1.20	0.70
Annualised Distribution Yield (%)		3.78	4.74	6.76	2.53	1.87
Management Expenses Ratio (%)		0.66	0.63	0.69	0.72	0.67
Statement of Financial Position - Key Data & Financial Ratios						
Investment Properties		1,189,365	1,177,237	1,224,173	1,239,014	1,201,723
Other Non-Current Assets		3,686	708	803	1,797	1,667
Current Assets		56,021	69,955	74,454	67,639	107,687
Total Asset Value		**1,249,072**	**1,247,900**	**1,299,430**	**1,308,450**	1,311,077
Current Liabilities		64,713	17,441	468,617	137,517	63,824
Non-Current Liabilities		586,827	640,772	192,220	525,957	600,572
Total Liabilities		**651,640**	**658,213**	**660,837**	**663,474**	664,396
Net Asset Value (NAV)	**- Before Income Distribution**	**597,532**	**589,687**	**638,593**	**644,975**	646,681
	- After Income Distribution	**590,456**	**579,247**	**629,893**	**644,395**	645,347
Total Unitholders' Fund		**597,532**	**589,687**	**638,593**	**644,975**	646,681
NAV Per Unit (Before Income Distribution) (RM)		1.0300	1.0167	1.1010	1.1120	1.1150
NAV Per Unit (After Income Distribution) (RM)		1.0180	0.9987	1.0860	1.1110	1.1127
Unit Price as at 31 December (RM)		0.550	0.485	0.370	0.475	0.375

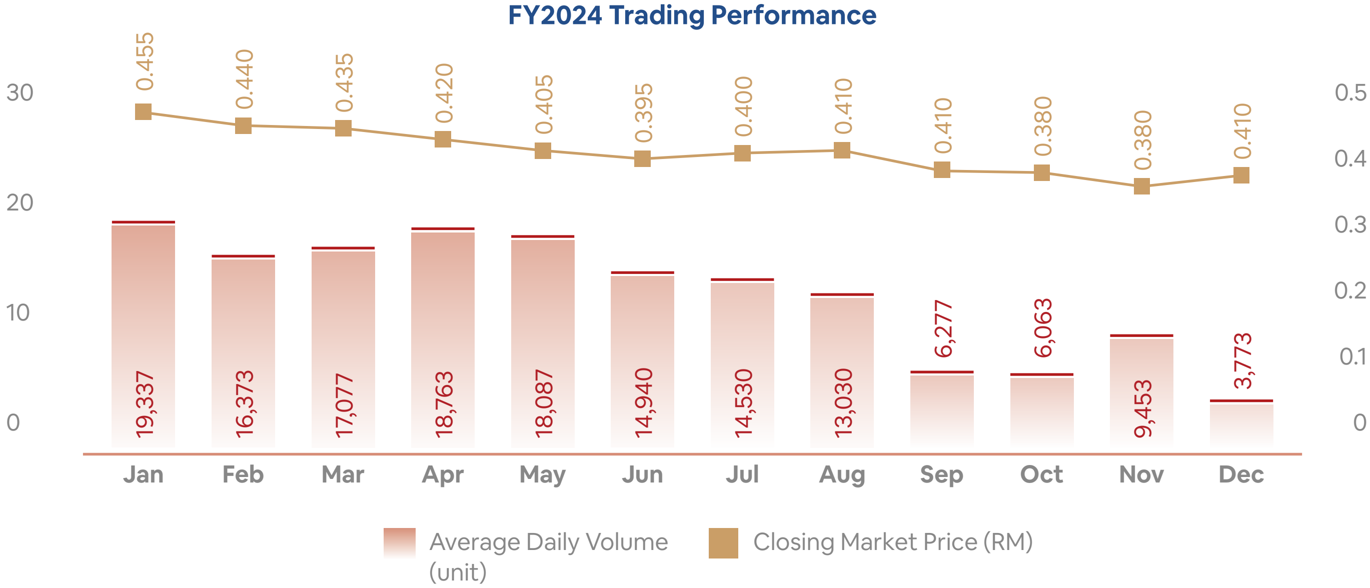
Trading Performance

Trading Summary	FY2020 RM'000	FY2021 RM'000	FY2022 RM'000	FY2023 RM'000	FY2024 RM'000
Closing Unit Price (RM)	0.550	0.485	0.370	0.475	0.375
52-weeks Highest Traded Price (RM)	0.870	0.630	0.520	0.530	0.475
52-weeks Lowest Traded Price (RM)	0.500	0.475	0.330	0.370	0.355
Price Movement (%)	(32.1)	(11.8)	(23.7)	28.4	(21.1)
Annual Total Return (%)	(28.3)	(7.1)	(17.0)	30.9	(19.2)
Number of Units in Circulation (unit '000)	580,000	580,000	580,000	580,000	580,000
Market Capitalisation (RM'000)	319,000	281,300	214,600	275,500	217,500

Market Capitalisation, Unit Price and Units in Circulation



FY2024 Trading Performance



Market Summary Report

Economic Overview

Malaysia's GDP growth is expected to expand within the forecast of 4.9% in 2025 (2024: 5.2%). It is faced with uncertainties from global politics related to Trump 2.0 policies, however Malaysia's economy remains to grow steadily. The growth is mainly influenced by investment upcycles and Budget 2025's raise in wages and salaries, coupled with Bank Negara Malaysia (BNM) maintained the Overnight Policy Rate (OPR) at 3.0% in 2025. This was to balance the inflation caused by higher sales & service tax, fuel subsidy reduction, higher minimum wage and higher cost of foreign workers.

The global economy is expected to slow down to 2.9% in 2025 (2024E: +3.2%) due to the continued slow growth in the United States, and China. Furthermore, despite the forecasted growth in Eurozone, United Kingdom, and Japan, it is still relatively underperforming.

The growth of ASEAN-6 on the other hand, will remain resilient with the support of global electronics upcycle, increase in foreign direct investment, and the normalisation of post-pandemic tourism. The global electronics upcycle is likely due to the expected rise in sales of semiconductors around the world. Foreign companies are investing money in ASEAN countries to increase their data centres and supply chain for its favourable labour market condition. Domestic consumers also contribute to the growth of ASEAN countries through increased consumer spending because of the interest rate cuts, lower inflation rate, and income growth. There are also China's stimulus measures, where China reintroduces imports from ASEAN countries. This is expected to improve trade and investment between the Johor-Singapore Special Economic Zone.

2025 is expected to execute the initiatives launched in mid-2023 of Malaysia which includes, the signing of Johor-Singapore Special Economic Zone (JSSEZ) agreement. This will be followed by New Investment Incentive Framework (Q3 2025), which will introduce a new investment program to attract businesses and create job opportunities in high value industries.

Malaysia's equity market was driven by construction, utilities, and banking stocks in 2024, raising the KLCI to as high as 1,678 though now though in 2025, it has decreased to 1,600 range. The surge in data centres have increased the electricity demand, while strong GDP and investment growth drove bank stocks. The 2025 KLCI is targeted to be 1,740 levels by the end of 2025. Banks, OW consumer, healthcare, and construction (of data centres), oil & gas, and technology (software & EMS) are key factors in achieving this target.

The equity market will be driven by 5 themes: trade diversification which benefits the semiconductor industry; energy and EV industries in Sabah, Kedah, and Perlis; banks, consumer, and tourism sectors (including REITs) supported by higher wages and tourism recovery; investment realisation of those from 2023; and GLC transformation with GEAR-UP initiatives to enhance corporate efficiency and investor confidence.

Market Summary Report

Malaysian REIT

REITs sector - Peer valuation summary

In retrospect, the 10-year Malaysian Government Securities (MGS) yield was less volatile in 2024, maintaining a range of 3.7% to 4.0%. The difference between MGS yield and M-REIT's net DPU yield has sustained around 164-229 bps, above its 10-year mean of 134 bps.

The KLRE index has risen by 12% in 2024 due to the increase in earnings from Retail and Hospitality assets. The M-REITs core earning grow by +7.8% for 9MCY24 mainly due to the new assets (for Sunway REIT, Axis REIT, YTL Hospitality REIT, Sentral REIT), positive rental reversion for retail segment (IGB REIT, CLMT, Sunway REIT) and improved occupancy for hospitality assets (Sunway REIT, KLCCCP, YTL Hospitality REIT)

M-REITs that are invested in industrial segment have resilient earnings due to their long-term tenancies with a strong rental reversion. Hospitality assets should also benefit from higher inbound tourist arrivals into the country.

M-REITs net DPU yield is currently at +205bps more than the 10-year MGS yield, which is at +1SD above the 10-year mean.

The strong dividend yields, and stable occupancy rates maintains the attractiveness of Malaysia's REIT sector. 55% of M-REIT sector debt is on floating rates (ranging from 9% of total debt for KLCCP to 100% for ALSREIT) at the end of 3Q24. The average interest costs in 9M24 ranged from 3.9% to 6.0%. Oversupply of retail and office space in Klang Valley and financing cost will remain key challenges for this sector.

Market Summary Report

Retail

Single-owned shopping malls are dominating retail spaces in Klang Valley, Penang, Iskandar Malaysia, Kota Kinabalu and Kuching, while shop offices with multi-ownerships dominate other localities. The foot traffic and sales in major retail stores is expected to rise from the recovery of tourism. Well-located malls in high-traffic areas are expected to maintain strong occupancy rates and have positive rental reversions. Malls with integrated lifestyle elements such as entertainment and experiential retail will likely retain footfall better.

In Klang Valley, Retail sales grew by 33.8% in 9M24, which is expected to reach 3.9% for the full year due to the festive shopping, and year-end sales. Shopping malls are integrating F&B, entertainment and experiential retail to attract customers in times of rising popularity in e-commerce.

Retail growth is expected to be driven by higher civil servant salaries and minimum wage increase from Budget 2025. Retail malls with low occupancy, traffic, and rental could be difficult to repurpose the space, but the adaptive reuse of projects done by REXKL and Zhongshan Building were able to overcome the problem.

Iskandar Malaysia (IM) remains strong as Singaporean visitors improves retail sector of IM. The overall occupancy rate of retail malls was 75%, while for well-positioned malls such as Mid Valley Southkey, Paradigm Mall, JB City Square had an average of 90% occupancy rate. The completion of the Johor Bahru-Singapore Rapid Transit System (RTS) is expected to further fuel the growth of the retail sector. F&B operators continue to be key role in improving occupancy rates. Recreation and entertainment operators (such as gym or bowling alleys) are also diversifying retail offerings and improving the occupancy rates.

Market Summary Report

Office

Office supply increased greatly in 2024, with new purpose-built office (PBO) completions exceeding demand. New PBOs offer high quality space with higher rents ranging from RM4.00 to RM5.00 per sq. ft. The older PBOs offer lower rental rates, but tenants are seeking office space with better quality. Hence, new PBOs could encourage tenants to relocate. Older PBOs are refurbishing or upgrading in effort to compete with newer PBOs. Many business operators remain in commercial shop offices due to their nature and lower rental cost.

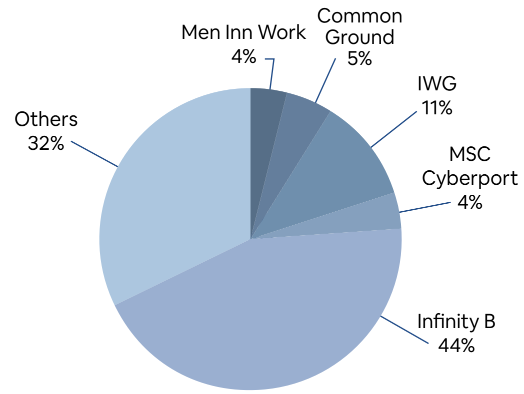
Development	Locality	Est. NLA (sq. ft.)
South Tower @ Mid Valley Southkey	Johor Bahru City Fringe	327,000
Menara Bank Rakyat @ Coronation Square JBCC	Johor Bahru City centre	550,000
UMCity Premium Corporate Office Tower	Medini	110,000
Total New Supply		987,000

Location	Building	Average Asking Gross Rent (RM/sq. ft./month
JB City Centre and Fringe	Older PBO	2.0 to 3.5
	New PBO	4.5 to 5.0
Medini/Puteri Harbour	New PBO	3.0 to 3.5

Johor Bahru has rapid expansion of co-working spaces with Infinity 8 holding the largest market share (44% market share), followed by International Workplace Group (IWG) holding 11%, and Common Ground (5%). The expansion of co-working operators into new PBOs and commercial shop offices due to the high demand of dynamic business environment. Despite the lower initial capital expenses, the space offers high-speed internet, community activities, F&B options. These spaces also provide shorter rental terms, so companies can adapt to changing business needs.

Iskandar Malaysia's proximity to Singapore allow business and workers to connect and collaborate. Many Singaporean business rent PBOs and shop offices in the area, creating a new competitive market and working demand. The demand for office space remain strong as the economy and infrastructure improves.

Market Share for Co-Working Operators (sq. ft.)



Source: CBRE | WTW Research & Consulting

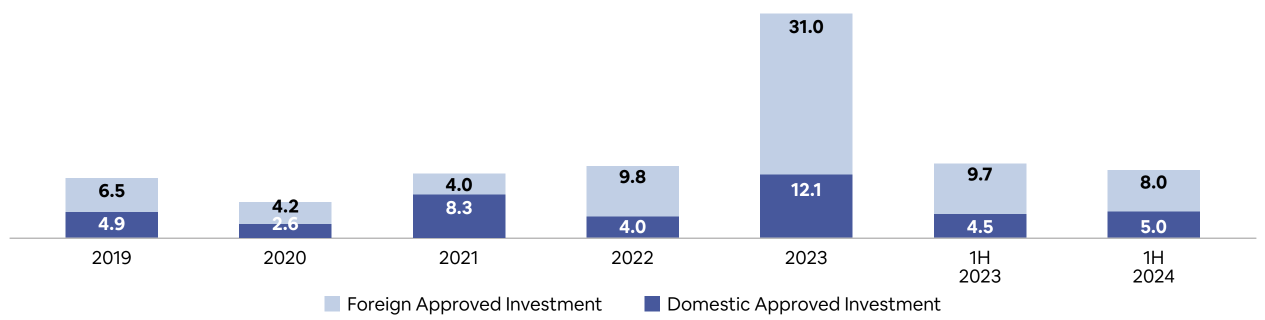
Market Summary Report

Industrial

Johor ranked 5th among Malaysian states with a record of having RM 129 billion in total approved investments in 1H24, with RM 8.0 billion contribution from FDI and RM 5.0 billion from domestic investment. In manufacturing sector, Johor Bahru had RM 6.0 billion approved investments, where domestic investment contributed to RM 1.5 billion and foreign investment contributed to RM 4.6 billion. The Invest Malaysia Facilitation Centre by State Government was implemented in Johor-Singapore Special Economic Zone (JS-SEZ) to streamline investments. The state promotes its political stability, infrastructure and connectivity, and the upcoming Johor Bahru-Singapore RTS Link to further improve business demand.

Industrial transactions increased by 5.0% y-o-y to 923 units in 9M24 (*cf.* 9M23: 875 units) valued at RM 4.5 billion, which increased by 51% y-o-y (*cf.* 9M23: RM 3.0 billion).

Approved Investment in Johor



Abbrevaition: 1H-January to June
Source: MIDA, CBRE | WTW Research & Consulting

There is significant growth in Grade-A warehouse market near seaports and the airport in Johor Bahru due to Iskandar Malaysia being close to Singapore and its spill over requirements. The demand for Grade-A warehouse is for their improved efficiency, productivity, and cost savings. There are total of 4 million sq. ft. Grade A warehouse stocks in Johor Bahru, which totals up to 20% of overall warehouse supply.

Johor Bahru is also a hotspot for data centres, and it attracts foreign investors due to its relatively cheaper land and operational costs. The rapid growth of data centres in Johor Bahru could impact the supply of electricity to the residents and business operators. The growing data centre industry is expected to use 990 MW to 1,400 MW by 2029, with ten applications to TNB requesting up to 2,000 MV. It also needs 4.2 million litres of water daily for cooling. Johor Bahru has rejected 30% of data centre applications since June 2024 due to resource concerns, and data centres are now required to include sustainability plans and job creation metrics. This sustainability guidelines are aimed to be introduced by late 2024.

References:
1. Maybank Investment Bank Berhad. (2024). *Malaysia 2025 Outlook & Lookouts: Brace Up for a Volatile Year.*
2. CBRE/WTW. (2024). *2025 Malaysia Real Estate Market Outlook.*

Management Discussion and Analysis

Overview of Al-Salām REIT

As one of the Shariah-compliant Real Estate Investment Trusts ("REITs") listed on the Main Market of Bursa Malaysia Securities Berhad, Al-Salām REIT ("the Fund") continues to demonstrate resilience through our diversified and income-generating property portfolio. Spanning across four sectors – retail outlets, office building, F&B restaurants, industrial & others – we manage properties worth RM1.24 billion as at 31 December 2024.

Since our listing, Al-Salām REIT has navigated periods of both expansion and adversity, reflecting the inherent cyclicality of the property and capital markets. Nevertheless, the Fund's ability to maintain operational stability and uphold its commitment to Shariah-compliant investment principles underscores its underlying resilience that support sustainable value creation and long-term growth.

Riding the Waves of Economic Recovery and Johor's Growth

The Malaysian economy grew 5.1% in 2024, despite global uncertainties, driven by domestic demand as the robust labour market contributed favourably to household spending. This particularly benefited the retail and F&B restaurant sectors. Looking ahead to 2025, supportive domestic factors such as investment upcycles, wage growth, and maintained OPR by Bank Negara Malaysia are expected to continue fostering a positive economic environment.

Additionally, with our primary exposure in Johor region, the Johor-Singapore Special Economic Zone ("JS-SEZ"), and the upcoming Johor Bahru-Singapore Rapid Transit System ("RTS") is set to boost cross-border investment and development in Johor, our primary geographical exposure. These initiatives are anticipated to further enhance the region's economic dynamism, driving demand for commercial and industrial properties.

FINANCIAL REVIEW

	FY2024 RM'000	FY2023 RM'000	Variance (%)
Gross Revenue	78,453	76,283	2.8
Net Property Income	51,415	50,908	1.0
Trust Expenses	44,834	42,543	5.4
Profit for the Year (Realised)	4,388	7,571	-42.0
Income Available for Distribution (Realised)	4,388	7,571	-42.0
EPU (sen) – Realised	0.76	1.31	-42.0
DPU (sen) – Realised	0.70	1.20	-42.0

For the financial year ended 31 December 2024 ("FY2024"), Al-Salām REIT recorded total revenue of RM78.5 million, representing a 2.8% increase compared to RM76.3 million in the previous year. This improvement was primarily driven by the sustained recovery and enhanced performance of the retail segment, reflecting the REIT's strategic focus on optimising asset performance.

Net Property Income ("NPI") posted a modest year-on-year growth of 1.0%, rising to RM51.4 million from RM50.9 million in FY2023. The uplift in NPI was attributable to the RM2.2 million increase in revenue, although partially offset by higher utilities, maintenance, and other operating costs amounting to RM1.7 million.

Trust expenses for the year rose, mainly due to an increase in Islamic financing costs, which amounted to RM40.5 million compared to RM36.5 million in FY2023.

Management Discussion and Analysis

FINANCIAL REVIEW (CONT'D)

Segmental Performance

In the retail sector, the overall industry experienced an improvement in footfall and sales in major shopping centres, particularly in Iskandar Malaysia, driving higher occupancy and positive rental reversions. In FY2024, Al-Salām REIT's retail segment delivered a commendable performance, with total revenue rising by 9.9% YOY to RM43.4 million. This growth was primarily driven by KOMTAR JBCC, which recorded higher rental, parking, and promotional income. The segment's NPI increased by 11.8% YOY, reflecting the increase in revenue, albeit partially offset by higher operating expenses incurred across all retail properties.

The office segment recorded a total revenue of RM6.9 million, reflecting a YOY decline of RM1.2 million, primarily attributable to a lower average occupancy rate of 81% compared to 92% in the preceding year. As newer and higher quality buildings begin to capture demand, especially in areas in Johor with Singaporean business spillover, legacy buildings have started to face downward rental pressure. The corresponding NPI contracted by RM1.3 million, further impacted by an increase in operating costs amounting to RM0.1 million.

The F&B segment posted a modest decline of 1.3% YOY in both revenue and NPI. The decrease was mainly due to the lower provision of deferred rental income during the year. Nevertheless, the segment remains resilient, supported by a stable triple net lease structure and a sustained 100% occupancy rate.

For the Fund's portfolio in the industrial and others segment, performance remained stable, registering a slight decrease in total revenue and NPI.

	Gross Revenue			Net Property Income		
	FY2024 RM'000	FY2023 RM'000	Change (%)	FY2024 RM'000	FY2023 RM'000	Change (%)
KOMTAR JBCC	20,746	16,982	22.2	4,209	1,788	135.4
@Mart Kempas	8,772	8,652	1.4	4,103	4,220	2.8
Mydin Hypermart Gong Badak	13,833	13,824	0.1	13,807	13,799	0.1
Unit No G-104, Megamall Pinang	64	35	82.8	63	35	80.0
Total Retail	**43,415**	**39,493**	**9.9**	**22,182**	**19,842**	**11.8**
Menara KOMTAR	6,875	8,141	-15.6	1,990	3,311	- 39.9
Total Office	**6,875**	**8,141**	**-15.6**	**1,990**	**3,311**	**- 39.9**
42 KFC and/or Pizza Hut Outlets	17,167	17,400	-1.3	17,135	17,368	-1.3
Total F&B Restaurant	**17,167**	**17,400**	**-1.3**	**17,135**	**17,368**	**- 1.3**
Industrial Premises	8,663	8,917	-2.8	8,648	8,901	-2.8
KPJIC	2,333	2,332	-	1,933	1,967	-1.7
Total Industrial & Others	**10,996**	**11,249**	**-2.2**	**10,581**	**10,868**	**-2.6**
Property Manager Fee				**(473)**	**(481)**	**1.7**
TOTAL PORTFOLIO	**78,453**	**76,283**	**2.8**	**51,415**	**50,908**	**1.0**

Management Discussion and Analysis

FINANCIAL REVIEW (CONT'D)

Statement of Financial Position

Performance indicators	FY2024 %	FY2023 %	Commentary
Management Expense Ratio	0.67	0.72	The Management Expense Ratio improved slightly to 0.67% in FY2024 (FY2023: 0.72%), reflecting enhanced cost efficiency and tighter control over operating expenses relative to the asset base.
Distribution Yield	1.87	2.53	Distribution Yield declined to 1.87% (FY2023: 2.53%), primarily due to lower distributable income and softening market conditions which impacted the unit price.
Total Return	(19.2)	30.90	Total return for the year turned negative, a reversal from the strong 30.9% recorded in FY2023 largely attributed to a decline in market valuation and unit price over the period, influenced by broader market volatility and sector-specific challenges.
Average Annual Total Return (5 years)	(8.1)	(3.12)	The Average Annual Total Return over 5 years registered -8.1%, compared to -3.12% in FY2023 as persistent market headwinds weighed on performance over the medium term.
Average Annual Total Return (3 years)	(1.7)	2.29	The 3-year Average Annual Total Return declined to -1.7% from a positive 2.29%.
NAV per unit (RM)	1.1156	1.1135	Despite the external challenges, NAV per unit showed a marginal increase to RM1.1156 affirming the underlying resilience of the Fund's asset portfolio and its long-term value preservation strategy.

Statement of Cash Flow

Activity	FY2024 (RM million)	FY2023 (RM million)	Commentary
Net Operating Activities	41.7	42.6	Marginal decline due to lower tenant collections amidst softer market dynamics.
Net Investing Activities	(1.0)	(1.6)	Lower outflows mainly for acquisition of equipment, capital expenditure, and pledged deposits.
Net Financing Activities	(44.1)	(48.7)	Reduced outflow mainly due to Islamic financing cost payments of RM38.5 million and income distribution RM3.3 million.
Cash & Cash Equivalents (as at 31 December 2024)	26.0	29.4	YOY decrease of 11.6% due to higher financing obligations and reduced operating inflows.
Fair Value of Investment Properties (as at 31 December 2024)	1.2	1.24	3.0% decline due to assets held for sale at RM37.1 million and net fair value loss RM1.9 million.

Fair Value of Investment Properties

As at 31 December 2024, Al-Salām REIT's investment properties were valued at RM1.20 billion, a 3.0% decline from FY2023 valuation of RM1.24 billion. This represented a net fair value loss of RM1.9 million and reclassification of assets as held for sale of RM37.1 million.

Management Discussion and Analysis

FINANCIAL REVIEW (CONT'D)

Fair Value of Investment Properties (Cont'd)

	Fair Value @ 31 December 2024 (RM'000)	Fair Value @ 31 December 2023 (RM'000)
Retail		
KOMTAR JBCC	431,000	431,000
@Mart Kempas	78,000	78,000
Mydin Hypermart Gong Badak	149,863	151,954
Unit No G-104, Megamall Pinang	1,130	1,130
Office		
Menara KOMTAR	70,000	70,000
F&B Restaurant		
42 KFC and/or Pizza Hut Outlets	314,030	313,730
Industrial & Others		
Industrial Premises	158,600	157,000
KPJIC	36,200	36,200
Total portfolio value	**1,238,823**	**1,239,014**
Less: Investment properties classified as held for sale	**37,100**	**-**
Total Investment Property	**1,201,723**	**1,239,014**

Gearing Analysis and Capital Management

Al-Salām's capital management strategy in FY2024 focused on maintaining a prudent gearing level and securing favourable financing terms to ensure the Fund's ability to meet its Islamic financing obligations and liabilities. This approach aimed to enhance cash flow and liquidity while optimising distributable earnings.

Key strategies implemented during the year included:

Diversifying debt funding sources, encompassing Islamic term financing and Sukuk, to mitigate reliance on a single funding avenue.

Ensuring sufficient cash reserves to service all financing obligations, thereby maintaining financial stability.

Conducting ongoing reviews of the debt portfolio to identify optimal refinancing strategies aimed at reducing funding costs.

Actively managing the maturity profiles of various financing obligations, such as Sukuk, to minimise refinancing risk and optimise the cost of capital.

As of the end of December 2024, the Fund's gearing ratio was at 48.6%. In view of this, the management is actively reviewing and considering various options to optimise capital structure of the Fund.

Management Discussion and Analysis

FINANCIAL REVIEW (CONT'D)

Gearing Analysis and Capital Management

Looking ahead, the Manager remains committed to capital management objectives, focusing on sustaining an optimal capital structure that supports long-term growth and delivers consistent returns to unitholders.

As at 31 December 2024, Al-Salām REIT's Islamic financing portfolio comprises the following:

	FY2024	FY2023
Total Islamic Financings (RM Millon)	639.8	639.6
Average Cost of Financing (%)	5.97	5.54
Fixed/Floating Ratio	100% floating	100% floating
Average Maturity Period (years)	2	2
Financing Service Cover ratio (times)	1.60	2.08
Gearing ratio (%)	48.6	48.6

	FY2024 (RM)	FY2023 (RM)
Non current		
Term Financing-i	118,000,000	-
Business Financing-i	70,000,000	70,000,000
Sukuk Ijarah	409,500,000	455,000,000
Less: Transaction Cost	3,221,966	(3,318,926)
Subtotal	**594,278,034**	**521,681,074**
Current		
Term Financing-i	-	118,000,000
Business Financing-i	-	-
Sukuk Ijarah	45,500,000	-
Less: Transaction Cost	-	(65,675)
Subtotal	**45,500,000**	**117,934,325**
Total Islamic Financing	**639,778,034**	**639,615,399**

Term Financing-i

In March 2024, the principal amount was scheduled for repayment, however, on 4 March 2024, the Bank issued a formal letter agreeing to extend the financing tenure by an additional two years, thereby revising the maturity date to March 2026. This extension reflects the Bank's confidence in the REIT's financial stability and commitment to fulfilling its obligations. The revised terms are expected to enhance cash flow management and support the continued optimisation of the capital structure.

Management Discussion and Analysis

FINANCIAL REVIEW (CONT'D)

Moving Forward

The REIT is committed to recalibrating our capital structure to achieve an optimal gearing level. This entails exploring cost-effective financing solutions and potential equity placements, aimed at enhancing financial flexibility and reducing reliance on debt.

The implementation of these strategies is anticipated to bolster the REIT's balance sheet resilience, improve liquidity, and optimise distributable earnings. By actively managing our capital structure, Al-Salām REIT is positioned to better navigate market volatilities, capitalise on growth opportunities, and deliver sustainable long-term value to unitholders. This disciplined financial stewardship underscores the REIT's commitment to maintaining a robust and adaptable capital framework, essential for our continued success in a dynamic economic landscape.

REVIEW OF OPERATIONS

RETAIL SECTOR

KOMTAR JBCC

Existing use	4-level Shopping Mall
GFA (sq. ft.)	623,374
NLA (sq. ft.)	367,973
Number of Car Park Bays	1,702 car parking bays
Market Value	RM431 million
Occupancy Rate	69%

KOMTAR JBCC is a prominent lifestyle and retail destination strategically situated in the heart of Johor Bahru City Centre. The mall has a Net Lettable Area of 367,973 sq ft spanning across four levels and houses over 150 retail outlets, including renowned international brands, specialty stores, and diverse dining establishments. As a key component of the city's urban revitalisation initiative, KOMTAR JBCC plays a vital role in enhancing Johor Bahru's appeal as a premier shopping and entertainment hub. Its seamless connectivity to major transportation networks, notably the Johor Bahru Sentral Station and Customs, Immigration and Quarantine ("CIQ") Complex, further solidifies its position as a central attraction for both local patrons and international visitors.

The upcoming Johor Bahru-Singapore Rapid Transit System ("RTS Link"), scheduled for commencement early 2027 will be directly connected to this mall via a Pedestrian Overhead Bridge.

Management Discussion and Analysis

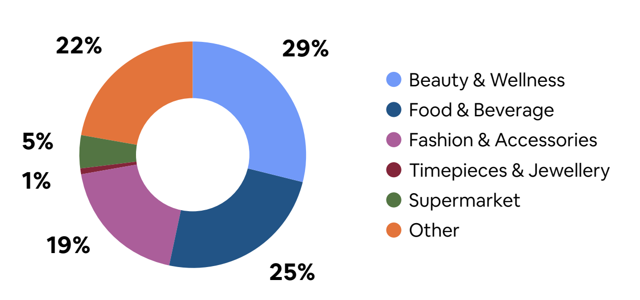
REVIEW OF OPERATIONS (CONT'D)

RETAIL SECTOR (CONT'D)

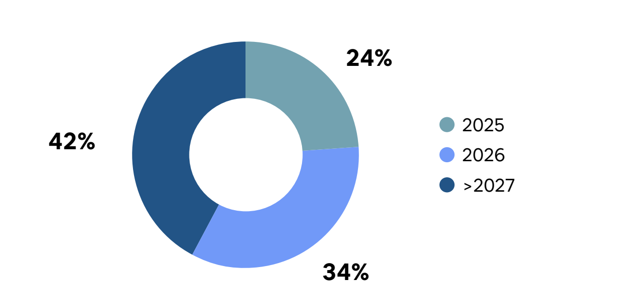
KOMTAR JBCC (CONT'D)

Asset Performance (as of 31 December 2024)

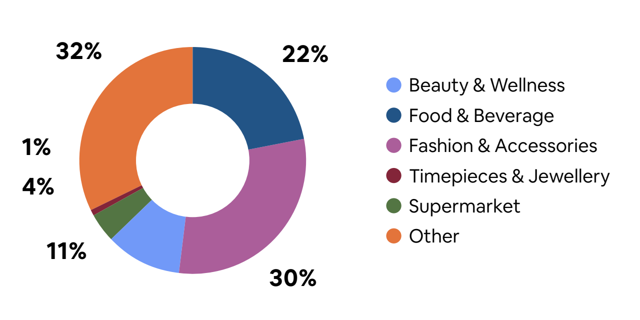
Tenant Mix by Trade Sector - Gross Rental Income (%)



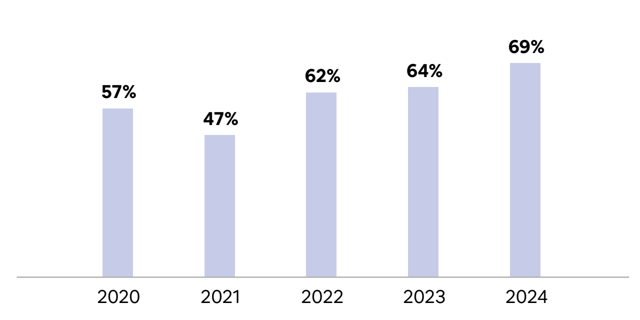
Lease Expiry Profile Based on Net Lettable Area (%)



Tenant Mix by Trade Sector - Net Lettable Area (%)



Average Occupancy Rate (%)



Top 10 Tenants

Tenant	% Total Income
1. Caring Pharmacy	6.32%
2. Brands Outlet	5.78%
3. McDonald's	5.44%
4. Marks & Spencer	4.50%
5. Watsons	4.46%
6. YFS Concept Store	4.07%
7. Kiehl's	3.85%
8. Tony Roma's	3.78%
9. Guardian	3.77%
10. Famous Amos	3.44%

Management Discussion and Analysis

REVIEW OF OPERATIONS (CONT'D)

RETAIL SECTOR (CONT'D)

KOMTAR JBCC (CONT'D)

Challenges and Prospects

Al-Salām REIT's retail segment remains resilient amid a rapidly evolving landscape of shifting consumer trends, rising competition, and economic headwinds. KOMTAR JBCC, the REIT's flagship retail asset, is strategically positioned to capitalise on Johor Bahru's growing prominence as a crossborder shopping destination, driven by a favourable exchange rate and infrastructure developments such as the JS-SEZ and the upcoming RTS Link.

In alignment with this momentum, the Manager has embarked on a series of AEIs at KOMTAR JBCC. Enhancement works have already commenced, including the reconfiguration of large underutilised spaces to attract mini-anchor tenants such as grocers, upward rental revisions, and an improved tenant mix that positions the mall as a vibrant, transit-oriented destination. Plans are also underway to construct a Pedestrian Overhead Bridge ("POB") linking the RTS station directly to KOMTAR JBCC, further reinforcing its connectivity and retail appeal.

In re-curating the mall's offerings, emphasis is being placed on introducing strategic retail segments with strong cross-border shopper appeal, groceries, city centre F&Bs and services. These categories are expected to drive higher basket sizes and deliver sustainable rental yields, particularly given the expected surge in Singaporean visitor traffic post-RTS completion. The third floor is being revitalised with high-value offerings such as grab-and-go outlets, pharmacies, souvenir shops, and lifestyle brands to cater to a wider commuter and tourist audience. Concurrently, a dual-pronged leasing strategy is being deployed – securing higher rentals from premium tenants while exiting underperforming spaces.

While challenges persist in the broader retail sector, these proactive, value-driven initiatives position KOMTAR JBCC to capture new growth opportunities, enhance asset resilience, and deliver stronger long-term returns to unitholders.

Management Discussion and Analysis

REVIEW OF OPERATIONS (CONT'D)

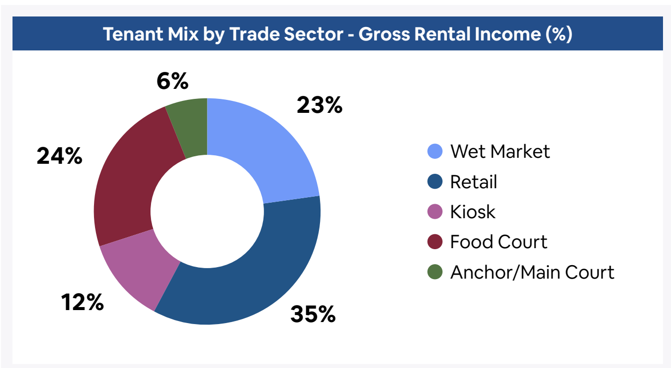
RETAIL SECTOR (CONT'D)

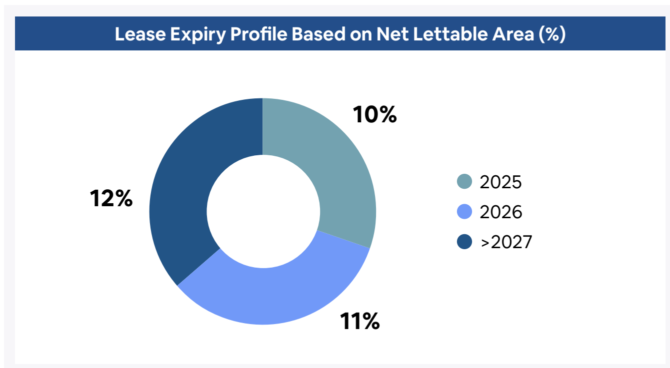
@Mart Kempas

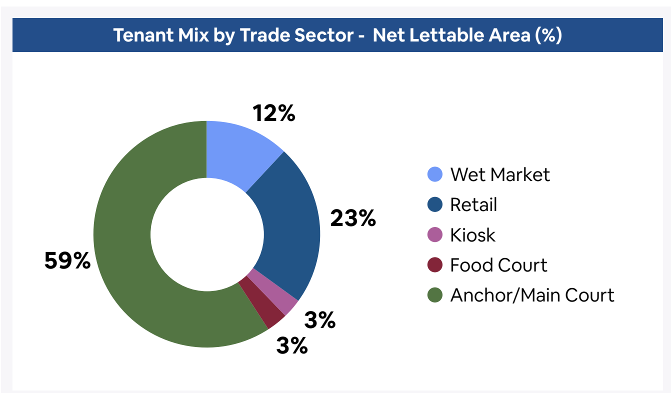
Existing use	Community Hypermarket
GFA (sq. ft.)	164,625
NLA (sq. ft.)	98,808
Number of Car Park Bays	478 car parking bays and 221 motorcycle parking bays
Market Value	RM78 million
Occupancy Rate	97%

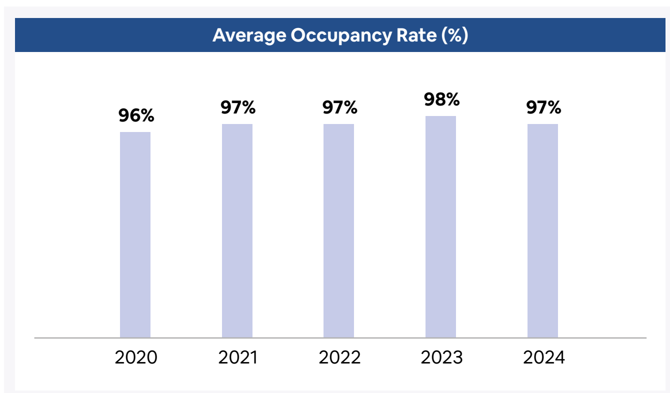
@Mart Kempas, located in Johor Bahru, is a community-centric retail complex that serves as a one-stop destination for daily essentials, serving the area's residential enclave. Anchored by Midas Mart, a cash-and-carry grocery superstore, the complex offers a diverse range of products, including groceries, household items, and organic goods.

Asset Performance (as of 31 December 2024)









Management Discussion and Analysis

REVIEW OF OPERATIONS (CONT'D)

RETAIL SECTOR (CONT'D)

@Mart Kempas (CONT'D)

Top 10 Tenants	
Tenant	**% Total Income**
1. Unified Vision Sdn Bhd	10
2. LinkMe Trading Sdn Bhd	2
3. Pasarayaku Trading	2
4. Lionmas Furnishers (M) Sdn Bhd	2
5. Kasut U Sdn Bhd	2
6. Mr. D.I.Y (Johor) Sdn Bhd	2
7. Cosmo Restarants Sdn Bhd	2
8. Green Point Departmental Store Sdn Bhd	2
9. Raihana Cold Storage	1
10. Family Jaya Enterprise	1

Challenges and Prospects

@Mart Kempas, strategically located within a mature residential enclave in Johor Bahru, continues to serve as a vital retail hub offering daily essentials through its anchor tenant, Midas Mart. However, the asset operates in an increasingly competitive landscape, facing pressure from the emergence of new community-focused retail complexes such as KipMall Tampoi, SMART Pandan, NSK Trade City Pandan, and Giant Tampoi. These developments have intensified competition for footfall and consumer spending, necessitating a sharper focus on differentiation and value-added services.

In response to these challenges, @Mart Kempas is actively exploring strategic tenant mix enhancements to sustain its competitiveness and drive organic growth. Future leasing strategies will prioritise categories with strong, consistent demand profiles, including pharmacies, bakeries, and fast food specialty outlets — sectors that align well with the evolving preferences of the surrounding community and have the potential to generate higher and more sustainable rental yields. By refining its offering to meet changing consumer needs and introducing experiential retail elements tailored to the community, @Mart Kempas is positioned to strengthen its relevance and resilience.

Management Discussion and Analysis

REVIEW OF OPERATIONS (CONT'D)

RETAIL SECTOR (CONT'D)

Mydin Hypermart Gong Badak

Existing use	Community Hypermarket
GFA (sq. ft.)	589,232 (including covered car park) 360,628 (excluding covered car park)
NLA (sq. ft.)	253,784
Number of Car Park Bays	634 – covered bays 171 – surface bays
Market Value	RM173 million
Occupancy Rate	100%

**The fair value is at RM150 million, derived from the market value of RM173 million less unbilled rental income*

Situated in Kuala Terengganu, Mydin Hypermart Gong Badak is known for its commitment to providing affordable and quality products. The 2-storey hypermarket offers a wide array of items, from groceries and household necessities to clothing and electronics, catering to the diverse needs of the local community. Its expansive layout comprising conventional retail lots include F&B lots, promotion lots, kiosks, pushcarts, ancillary lots, bazaar lots and food court. It is designed as a modern shopping mall with a leisurely ambiance, established as a key hub in the region.

Challenges and Prospects in the Retail Industry

Aligned with Al-Salām REIT's investment strategy to strengthen its diversified retail focus and enhance the value of existing assets, Mydin Hypermart Gong Badak, operating under a triple net lease arrangement, remains a stable contributor to the REIT's core income. Positioned as a resilient community hypermarket, Mydin Gong Badak leverages competitive pricing strategies and strong community engagement initiatives to serve the needs of its captive market. The strength of the well established Mydin brand further reinforces the asset's long-term appeal, and the Manager is confident that this synergistic approach will continue to drive sustainable footfall and income resilience, supporting the overall value optimisation of Al-Salām REIT's retail portfolio.

Management Discussion and Analysis

REVIEW OF OPERATIONS (CONT'D)

RETAIL SECTOR (CONT'D)

Unit No G-104, Megamall Pinang

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

Unit No. G-104 is a ground-floor retail lot within Megamall Pinang Shopping Complex, a prominent shopping destination located at Perai, Pulau Pinang. Occupied by Talk Space Distribution Sdn Bhd, a one-stop destination for mobile phones and related accessories, it is a budget-friendly telecommunications shop that features the latest flagship smartphones.

OFFICE SEGMENT

Menara KOMTAR

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	88%

Menara KOMTAR, a 25-storey freehold office tower located in Johor Bahru City Centre, stands as the sole office asset within Al-Salām REIT's diversified portfolio. The building is strategically positioned adjacent to KOMTAR JBCC. The building continues to serve as a strategic office space in Johor Bahru's central business district, maintaining a strong tenancy by the JCorp Group of Companies. Its prime location and stable occupancy underscore its significance in contributing to the REIT's income stability and long-term capital appreciation.

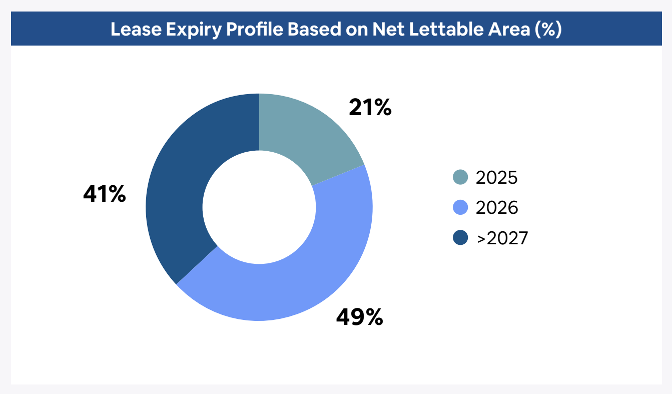
Management Discussion and Analysis

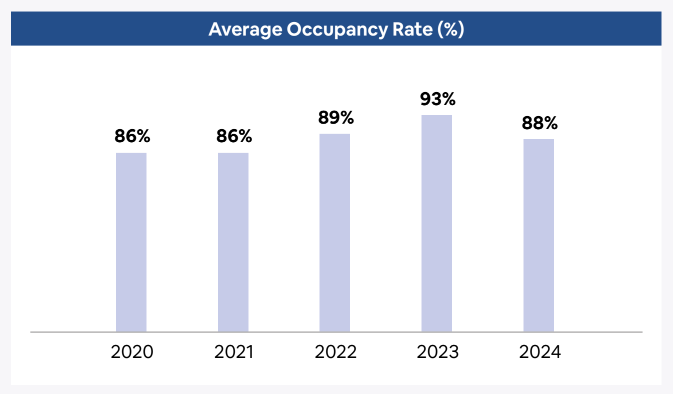
REVIEW OF OPERATIONS (CONT'D)

OFFICE SEGMENT (CONT'D)

Menara KOMTAR (CONT'D)

Asset Performance (as of 31 December 2024)





Menara KOMTAR (CONT'D)

Challenges and Prospects

In the first half of 2024, Johor Bahru's office market experienced a 2.6% increase in supply, leading to an average occupancy rate of 69.6% and approximately 4.74 million square feet of vacant office space. This expansion underscores the broader challenges facing the office sector, including market volatility, ongoing maintenance and compliance costs, and the evolving impact of hybrid work models.

Market volatility remains a significant concern, with fluctuations in interest rates and economic uncertainties potentially affecting rental yields and property valuations. Additionally, this segment faces operational costs associated with regular maintenance, HVAC upgrades, accessibility improvements, and adherence to safety regulations. These factors contribute to the complexity of managing office assets effectively.

The shift towards hybrid work arrangements has also led many tenants to reassess their space requirements, often resulting in downsizing. This trend has intensified competition among landlords, as the demand for office space becomes more selective. Despite these challenges, there is a growing preference for high-quality, sustainable office environments that support employee well-being and collaboration. Features such as biophilic design, wellness spaces, and energy-efficient systems are increasingly sought after by tenants aiming to enhance productivity and satisfaction.

Within this evolving landscape, Menara KOMTAR continues to demonstrate resilience, maintaining a strong occupancy rate anchored by the stable tenancy of the JCorp Group of Companies. Its positioning within a prime location and the stability of its tenant base reaffirm its appeal.

Management Discussion and Analysis

REVIEW OF OPERATIONS (CONT'D)

F&B RESTAURANT SEGMENT

The F&B restaurant segment remains a cornerstone of Al-Salām REIT's diversified portfolio, comprising 42 strategically located properties across Malaysia, all fully leased to QSR Brands Group of Companies, the operator of renowned fast-food chains KFC and Pizza Hut. These assets operate under a triple net lease arrangement, wherein QSR assumes responsibility for all property-related expenses, ensuring a stable and predictable income stream for the REIT.

Description	No. of Properties	Market Value (RM mil)
Restaurant located at shophouses/offices	23	84.7
Single-storey restaurant buildings with drive through outlets	16	207.8
Restaurants at mall	3	21.5
Total	**42**	**314.0**

Lease Terms

No of Properties (Second Acquisition)	Second Rental Period
5	17 September 2023 – 16 September 2026
No of Properties (Second Acquisition)	**Third Rental Period**
16	19 March 2025 – 18 March 2028
No of Properties (First Acquisition)	**Fourth Rental Period**
19	6 May 2024 – 5 May 2027
10	29 September 2024 – 28 September 2027

*KFC Bandar Sunway an KFC Kuchai Lama are in process for disposal.

Challenges and Prospects

During the review period, Al-Salām REIT's F&B segment encountered significant headwinds, primarily due to geopolitical tensions. Despite these challenges, QSR demonstrated resilience by maintaining its lease obligations, ensuring uninterrupted rental income for Al-Salām REIT.

Management Discussion and Analysis

REVIEW OF OPERATIONS (CONT'D)

F&B RESTAURANT SEGMENT

Challenges and Prospects

QSR's robust brand loyalty, operational excellence, and adaptive strategies underscore its capacity to navigate challenging business environments. Al-Salām REIT remains committed to supporting such synergistic partnerships, reinforcing its position as a forward-looking Shariah-compliant REIT dedicated to sustainable growth and value creation.

INDUSTRIAL & OTHERS SEGMENT

Industrial Premises

Al-Salām's industrial portfolio comprises 6 strategically located properties across Malaysia, integral to our diversified investment strategy. Leased to QSR under the triple net arrangement, these properties provide stable and long-term rental income streams. Positioned in key industrial hubs, these properties meet the demands of logistics and warehousing needs of our F&B operations supply chain of KFC and Pizza Hut.

Lease Terms

No of Properties (Second Acquisition)	Third Rental Period
1	19 March 2025 – 18 March 2028
No of Properties (First Acquisition)	**Fourth Rental Period**
2	6 May 2024 – 5 May 2027
3	29 September 2024 – 28 September 2027

Challenges and Prospects

Al-Salām REIT's industrial portfolio, which predominantly comprises upstream manufacturing facilities leased to QSR under triple net lease arrangements, continues to provide a stable and predictable income stream. These assets remain intrinsically linked to the operational performance of QSR, whose extensive network of KFC and Pizza Hut outlets supports sustained demand for its integrated supply chain. Notably, despite the temporary market headwinds, QSR's upstream manufacturing operations have demonstrated resilience, reinforcing the strength and reliability of this segment within Al-Salām REIT's diversified portfolio.

Management Discussion and Analysis

REVIEW OF OPERATIONS (CONT'D)

INDUSTRIAL & OTHERS SEGMENT (CONT'D)

KPJ International College of Nursing and Health Sciences Johor Bahru (KPJIC JB)

The KPJ International College of Nursing and Health Sciences in Johor Bahru, a key asset within our portfolio, serves as a pivotal institution in Malaysia's private healthcare education landscape. The college offers various tertiary level and post-graduate studies in Nursing and Health Science and Management, as well as short courses for healthcare assistants, addressing the growing demand for skilled healthcare professionals in the region. The college also conducts Continuous Professional Development (CPD) training programmes for KPJ Group of Hospitals and general public.

Strategically located in Bandar Dato Onn, the campus accommodates up to 400 students and is equipped with state-of-the-art facilities, including nursing practical labs, IT labs, lecture rooms, and a resource centre, providing a conducive environment for comprehensive healthcare education.

Rental Term

KPJIC JB current rental term will expires on 31 October 2025 and is expected to be renewed accordingly.

Challenges and Prospects

The education portfolio, anchored by KPJ International College Johor Bahru ("KPJIC JB"), continues to deliver stable and resilient income for Al-Salām REIT. As of 31 December 2024, the property remained fully occupied under a long-term master lease agreement with KPJ Healthcare University College Sdn Bhd, ensuring a predictable rental income stream. Strategically located in Bandar Dato' Onn, a rapidly developing township in Johor Bahru, KPJIC JB benefits from strong demographic growth and enhanced accessibility, reinforcing its position as a premier institution for healthcare education.

KPJIC JB's integration with KPJ Healthcare Berhad's extensive hospital network provides students with direct access to clinical training and practical experience, resulting in high employability rates and sustained enrolment demand. Looking ahead, the sector's growing focus on healthcare and technical training, coupled with KPJ's ongoing commitment to academic excellence, is expected to further strengthen the college's market relevance.

In alignment with Al-Salām REIT's strategic investment outlook, which prioritises resilience, thematic portfolio diversification, and long-term yield accretion, KPJIC JB is well-positioned to continue contributing positively to the REIT's overall performance, ensuring sustainable value creation for unitholders.

Management Discussion and Analysis

KEY RISK FACTORS

Al-Salām maintains a proactive and structured approach to risk management, integral to its overarching business strategy. The Manager has established a robust risk management framework designed to identify, assess, and mitigate risks that could materially impact the REIT's operations, financial performance, and liquidity. This framework is embedded within the organisation's culture and processes, ensuring responsiveness to the dynamic business environment.

Through a series of prudent risk management measures, Al-Salām REIT demonstrates our commitment to maintaining a resilient and adaptive risk management system, positioning the Fund to navigate challenges effectively and capitalise on opportunities for sustainable growth.

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

Anticipated and Known Risk Profiles

Focus Area	Mitigation Actions
Asset and Property Risks	
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 net property income due to higher operating and maintenance costs	**1. Proactive Asset Management** • Reposition or rebrand malls to adapt to changing consumer trends. **2. Strategic Capital Expenditure (Capex)** • Undertaking refurbishments to modernise the property and improve connectivity. • Enhanced operational efficiency and customer experience. **3. Portfolio Rebalancing** • Active portfolio review and asset recycling. **4. Tenant Diversification and Flexibility** • Focus on tenant mix category that has competitive pricing and growth. **5. Sustainability and ESG Initiatives** • Implement energy efficient technologies.
Competition	
The prospects for the retail space sector, particularly in Johor Bahru, were challenging and competitive due to the significant amount of retail space. While occupancy rates of shopping malls in JBCC and surrounding malls are improving, it is still below pre-pandemic levels.	**1. Strengthen of Tenant Relationships** • Developing partnerships with anchor tenants and offer creative lease terms. **2. Improve Tenant and User Satisfaction** • Enhance the mall experience with modern amenities.

Management Discussion and Analysis

KEY RISK FACTORS (CONT'D)

Anticipated and Known Risk Profiles (Cont'd)

Focus Area	Mitigation Actions
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 the investment yield will be generated enough to cover its profit rate expenses. Strategies include: **1. Debt Restructuring** Restructure existing debt arrangements to more favorable terms, revising terms to reflect a more stable and sustainable cost of financing. **2. Cost Control and Operational Efficiency** Offset any potential and optimizing asset management strategies to preserve profitability and reduce the impact of higher financing costs on overall profitability. **3. Adjusting Gearing Levels** Explore various options to optimise capital structure.
Credit Control	
Non-payment of rentals increases the risk of default whilst affecting the cash flow of the Fund	**1. Strong Tenant Selection and Screening** • Perform thorough due diligence before lease signing (e.g., financial health checks, credit scoring, trade references). **2. Security Deposits and Bank Guarantees** • Collecting adequate security deposits or bank guarantees to cover potential defaults. **3. Structured Lease Agreements** • Clear payment terms, late payment penalties, and termination clauses in lease contracts. • Building in early warning clauses for non-payment triggers and remedies. **4. Active Credit Control and Monitoring** • Set-up strict billing and collection processes (e.g., reminders before due dates, immediate follow-up on late payments). • Monitor tenants' payment patterns closely to spot early signs of financial distress. **5. Early Legal Action** • Initiate swift legal recovery processes for persistent defaulters to minimize loss impact.

Management Discussion and Analysis

KEY RISK FACTORS (CONT'D)

Anticipated and Known Risk Profiles (Cont'd)

Focus Area	Mitigation Actions
Business Continuity Risks	
The assets are exposed to natural and accidental disasters such as—fire, flood, or weather-related events—and cyber-attacks. A continuous assessment identifying how these risks may affect operations needs to be carried out to prepare the business on how to safeguard itself and procedures to mitigate the risks.	In safeguarding itself from such disaster, the Manager emphasises on preventive efforts such as: **1. Develop and Maintain a Business Continuity Plan (BCP)** • Establish a comprehensive BCP that outlines strategies for managing disruptions (e.g., natural disasters, cyberattacks, pandemics). • Ensure the BCP covers critical functions, key personnel, IT systems, facilities, and communication plans. **2. Regular Testing and Simulation Drills** • Conduct regular BCP drills and tabletop exercises to test preparedness. • Update the plan based on lessons learned and changes in operations or risk environment. **3. Backup Systems and Data Recovery** • Implement IT disaster recovery plans with off-site backups, cloud storage, and redundant systems. • Ensure critical data is securely backed up and recoverable within acceptable timeframes.
Environmental and Climate Risks	
The retail sector faces increasing exposure to climate risks, which can significantly impact business operations, asset values, and long-term sustainability. such as floods, storms, heatwaves, and droughts can cause direct damage to retail outlets, disrupt supply chains, and increase operational costs.	**Energy efficiency:** Invest in renewable energy (e.g., rooftop solar panels) and energy-saving technologies (e.g., smart lighting and HVAC systems). **Green retrofitting:** Invest in sustainable upgrades to maintain or increase property value. **Sustainability-linked financing:** Explore green loans or bonds tied to achieving ESG targets. **Asset risk assessment:** Conduct regular assessments of physical risks to property portfolios and adjust investment strategies accordingly.

Investor Relations Report

Throughout 2024, investor meetings were conducted through a mix of virtual platforms and in-person gatherings at various locations. However, there was a notable shift towards physical meetings as the year progressed. The Fund's Annual General Meeting ("AGM") also remained predominantly an in-person event.

4 Physical / Virtual Analyst Briefing

1 AGM

27 February 2024	Al-Salām Analyst Briefing (Virtual)
2 April 2024	Meeting with BIMB Securities (Physical)
25 April 2024	Al-Salām AGM at Holiday Inn JBCC (Physical)
30 April 2024	Site Visit to @Mart Kempas and Komtar JBCC (Physical)
31 May 2024	Al-Salām Analyst Briefing (Virtual)
6 May 2024	Klean Machine Launching Event at @Mart Kempas (Physical)
30 August 2024	Al-Salām Analyst Briefing (Virtual)
29 November 2024	Al-Salām Analyst Briefing at Hilton Petaling Jaya (Physical)

Al-Salam 9th Annual General Meeting held at Holiday Inn JBCC

Al-Salām Analyst Briefing held physically at Hilton Petaling Jaya