RE:

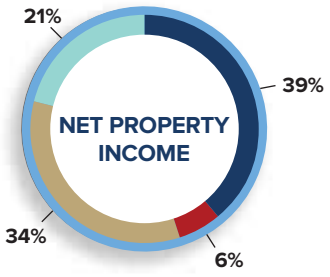
ANNUAL REPORT 2023

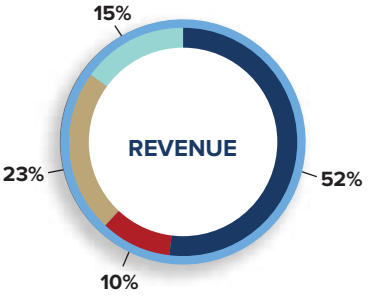
BOUND
VITALISE
ENERGISE

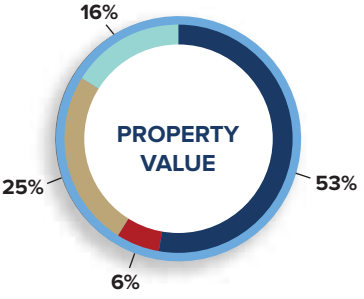
al-salām
REAL ESTATE INVESTMENT TRUST

OUR BUSINESS

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



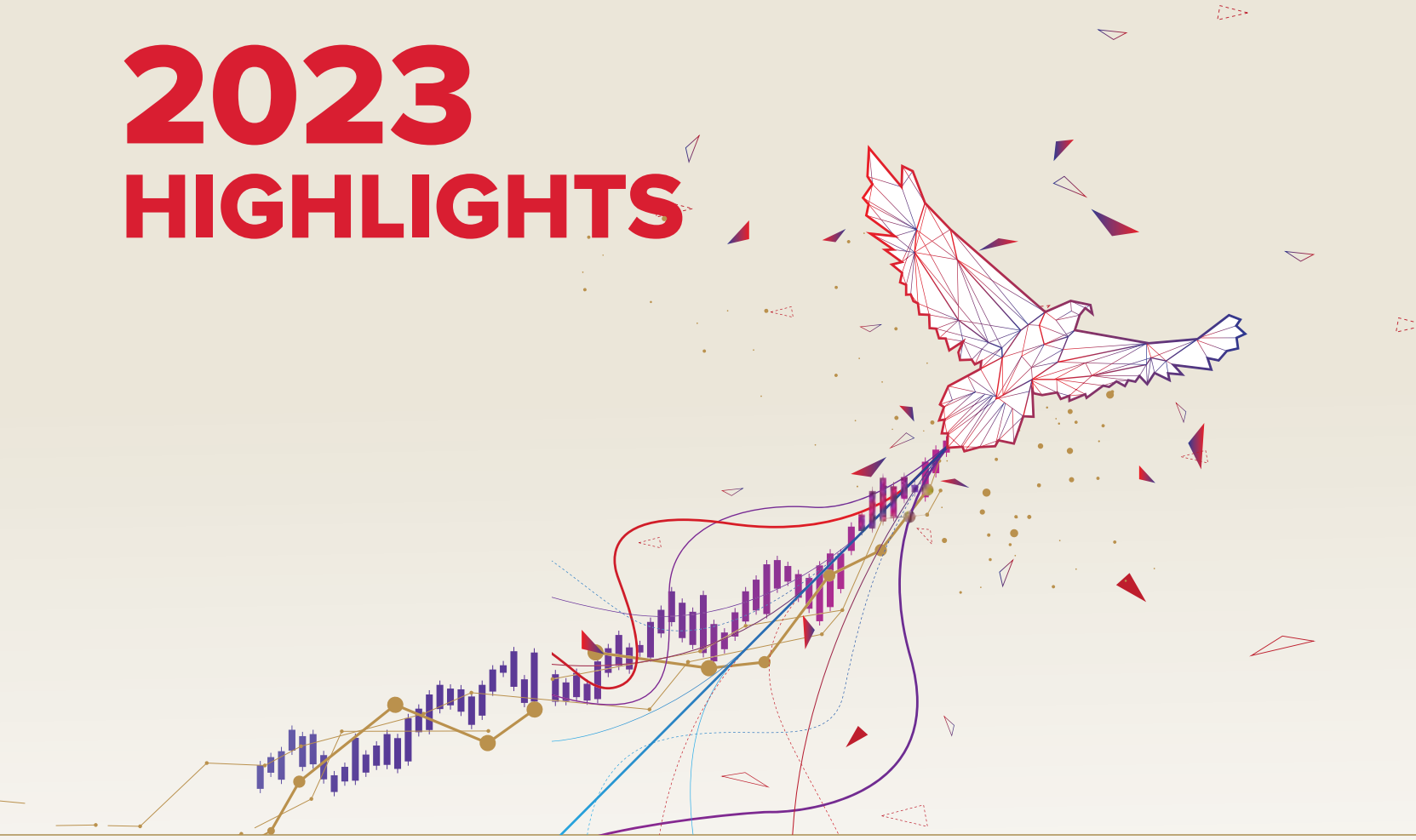




LEGEND:

- 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.

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1 Open the Camera app or open the dedicated QR code reader

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

3 Get access to Al-Salām REIT's website

SCAN ME

SECTION 01

ABOUT US

05 Corporate Profile

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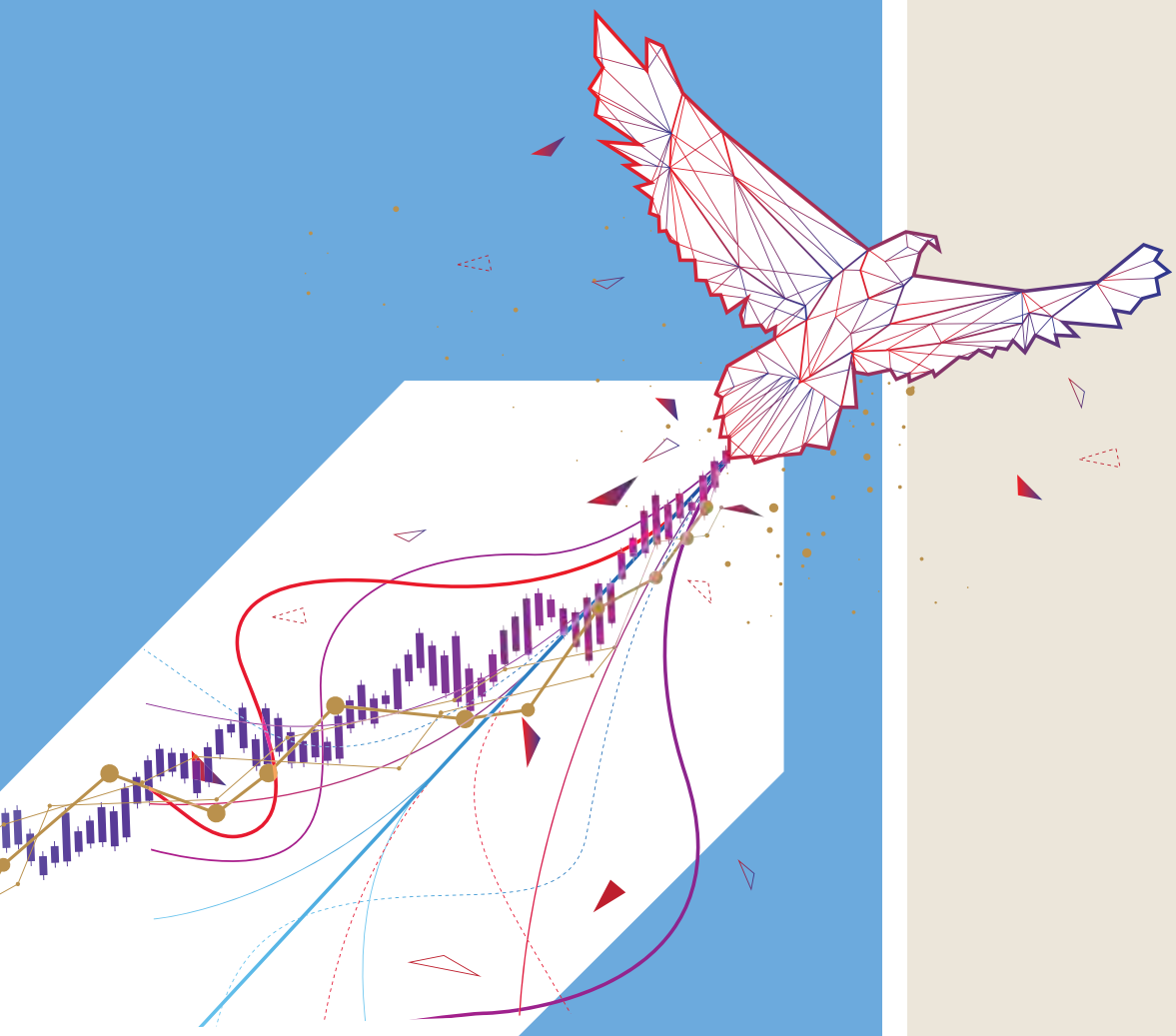
09 Salient Features



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)

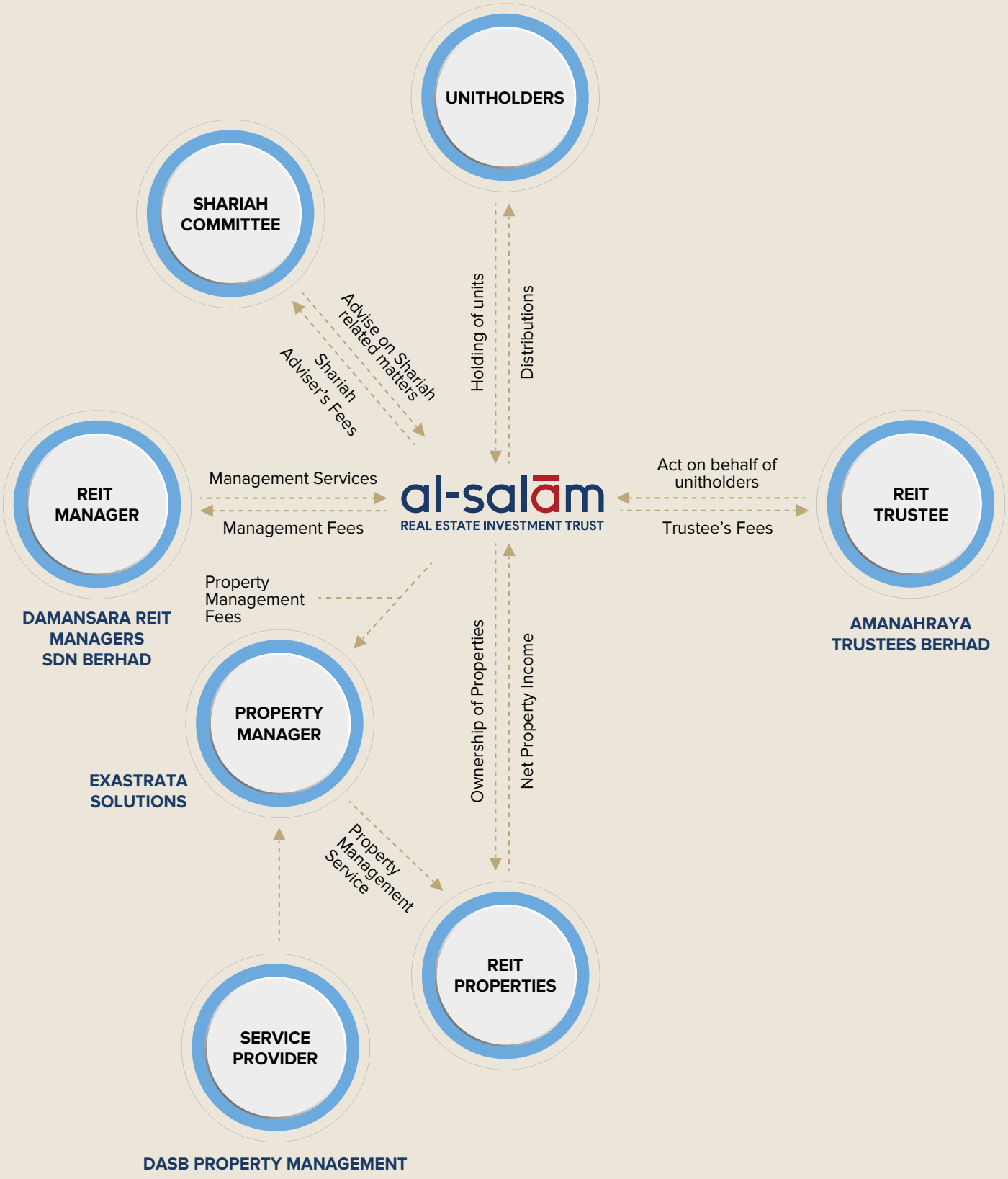
Level 5, Menara KOMTAR,
Johor Bahru City Centre,
80000 Johor Bahru, Johor.
Tel : (+607) 267 9900
Fax : (+607) 267 9926

INDEPENDENT PROPERTY VALUER

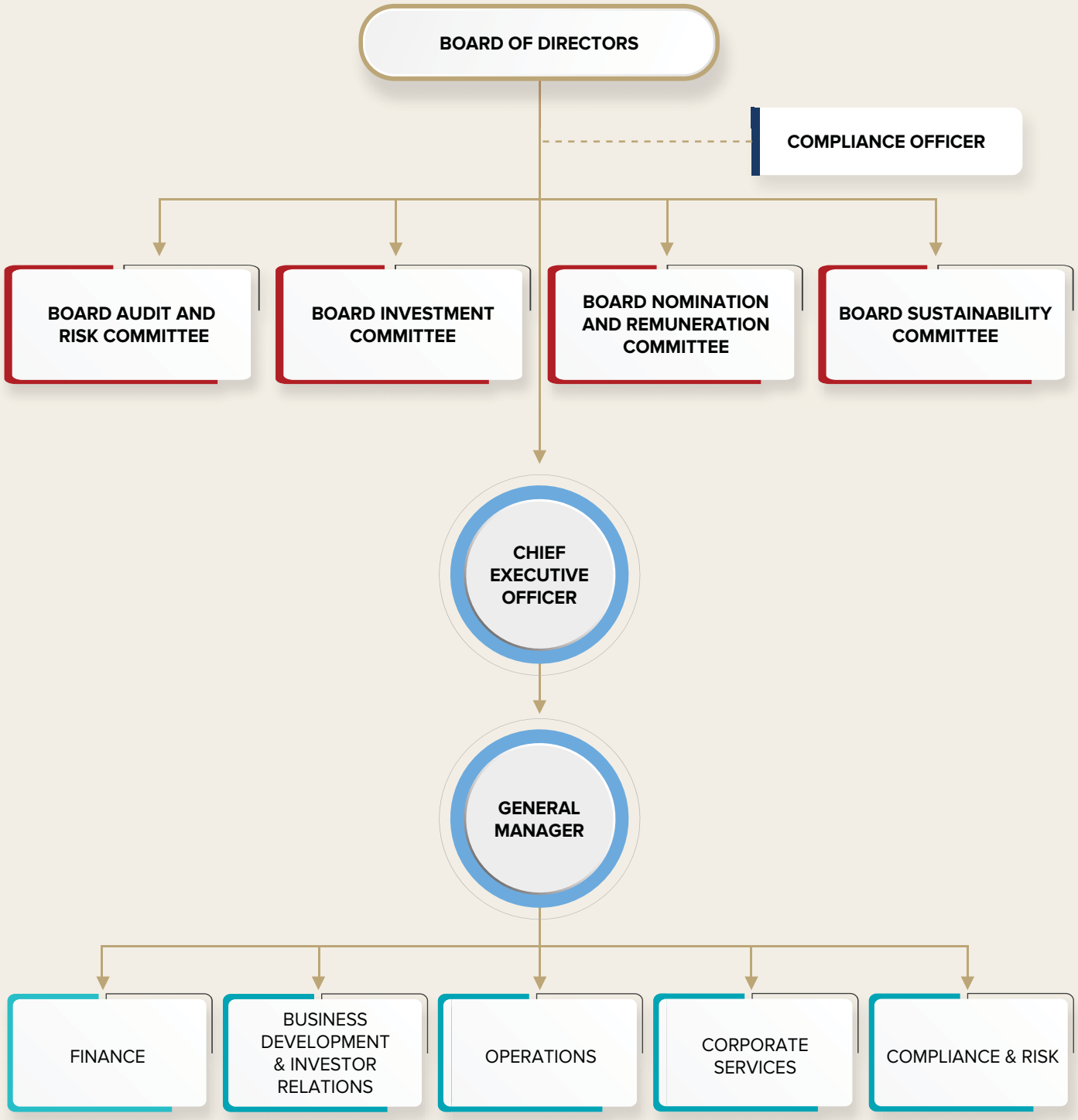
CHESTON INTERNATIONAL (KL) SDN BHD (200401008141)

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.

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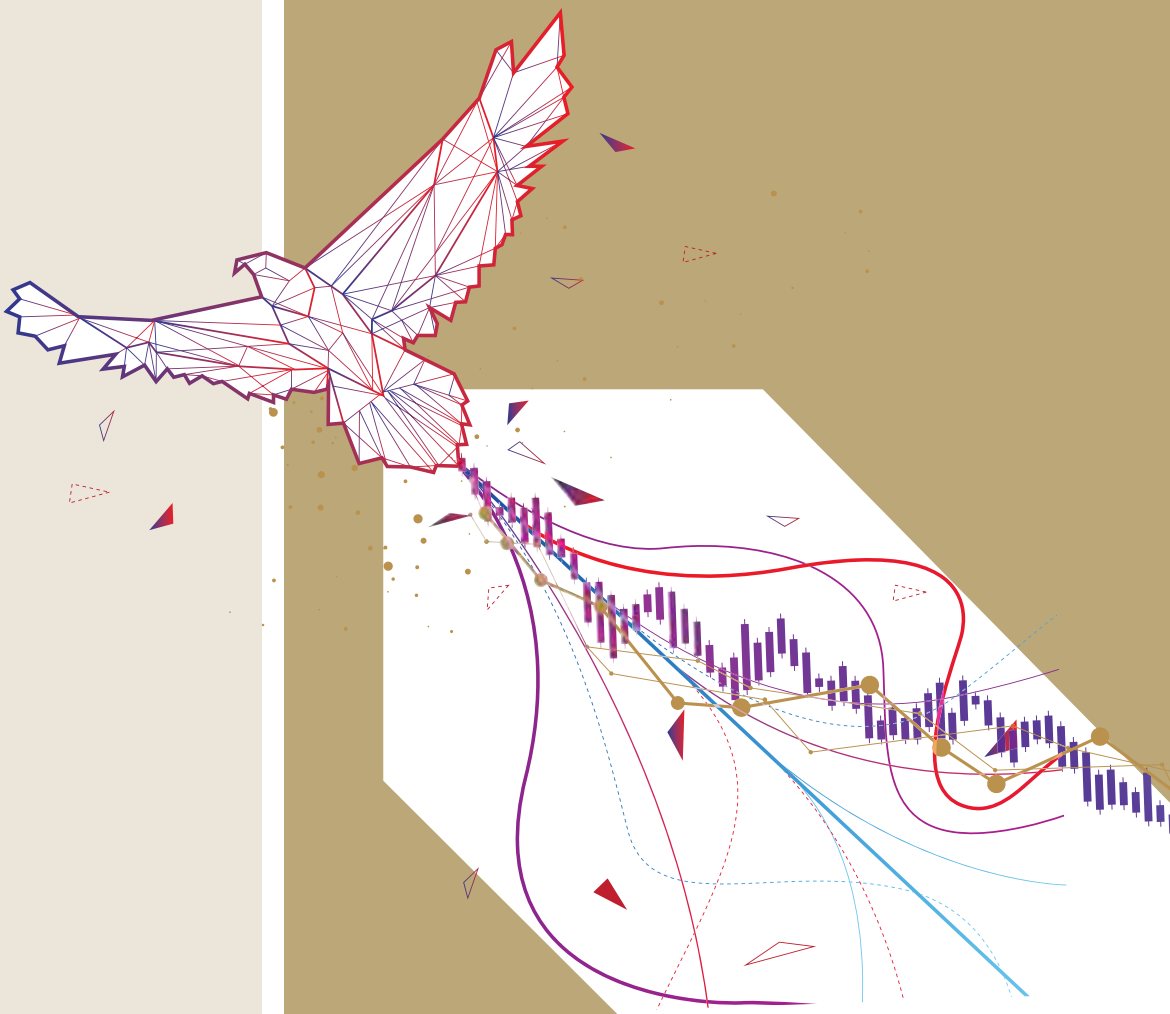
SECTION 02

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

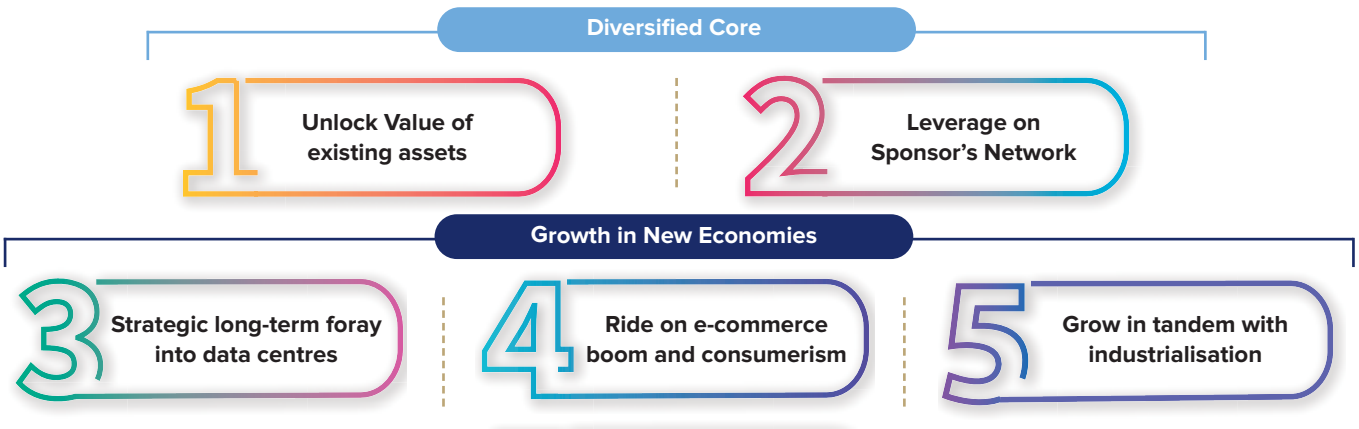
Sustainability is the key to long-term value creation for our various stakeholders, so it was especially important during this challenging time to ensure sustainability across all aspects of the Fund in the economic, environmental, social and governance contexts.

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



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

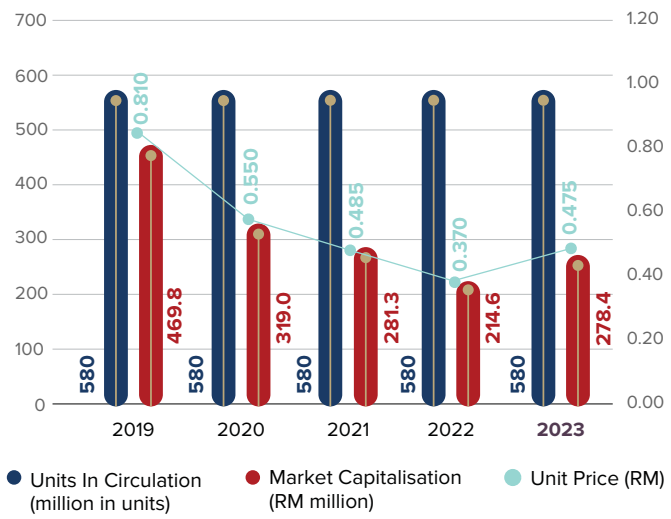
Financial Highlights – Fund

	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

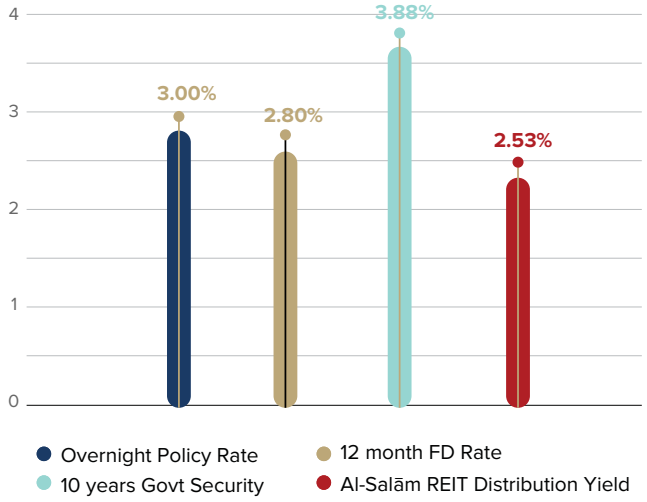
TRADING PERFORMANCE

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

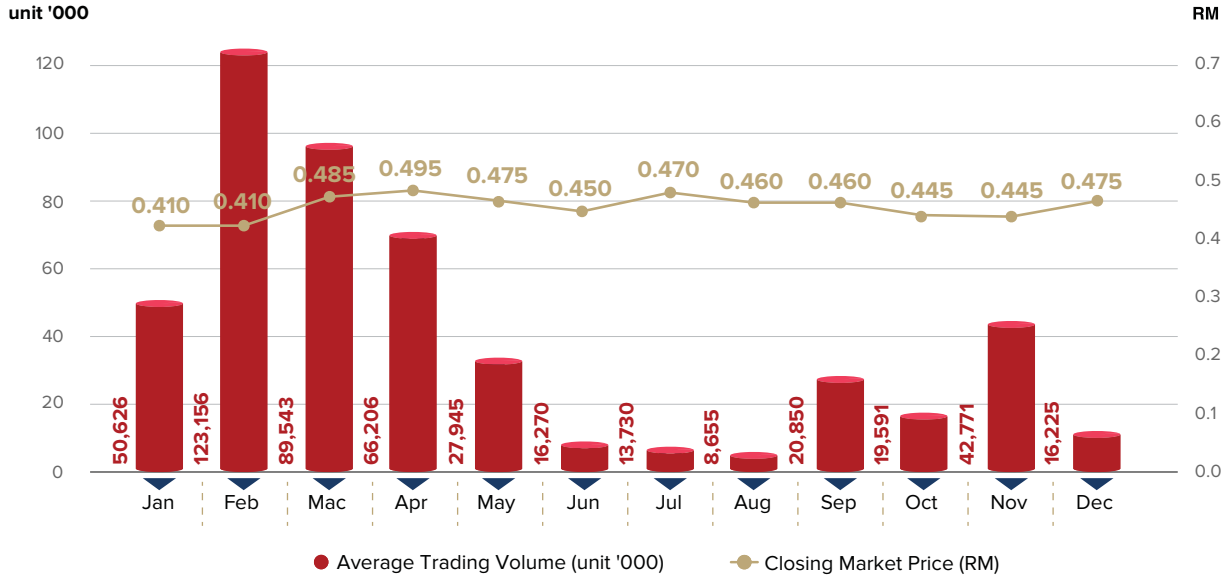
MARKET CAPITALISATION, UNIT PRICE AND UNITS IN CIRCULATION



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

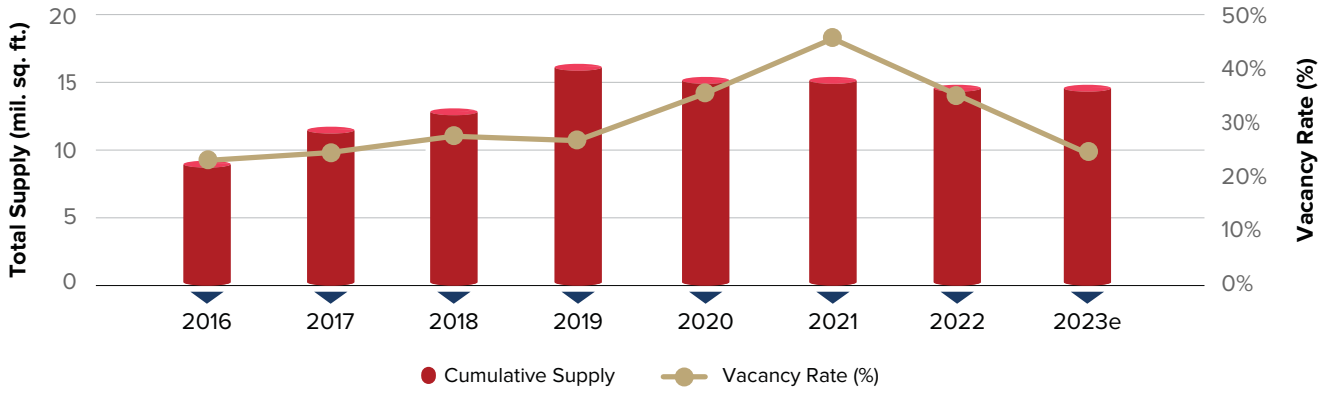
Iskandar Malaysia (IM) remains a significant shopping destination for visitors from Singapore, capitalising on the favourable Singapore Dollar – Malaysian Ringgit exchange rate. IM's proximity to Singapore is driving visitors from the island republic to shop and spend in IM malls. With this trend, the 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

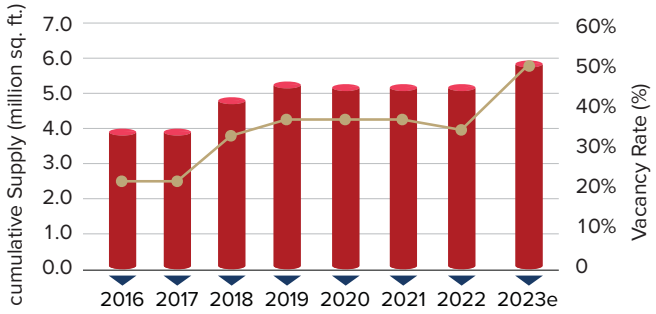
4. OFFICE

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

● Cumulative supply — Vacancy Rate (%)

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)

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

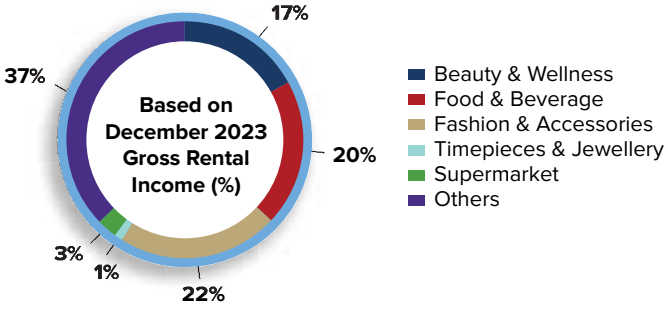
LOCATION:
Johor Bahru City Centre, Johor

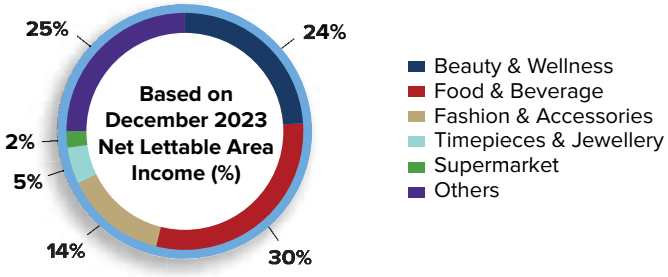
Existing Use	4-Level Shopping Mall
GFA (sq. ft.)	623,374
NLA (sq. ft.)	402,027
Number of Car Park Bays	1,049 bays
Market Value	RM431 million
Occupancy Rate	63%

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.

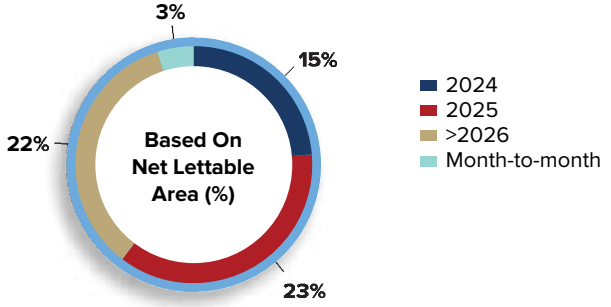
ASSET PERFORMANCE

Tenant Mix by Trade Sector

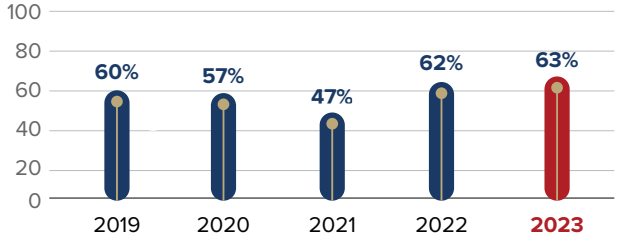




Lease Expiry Profile



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.

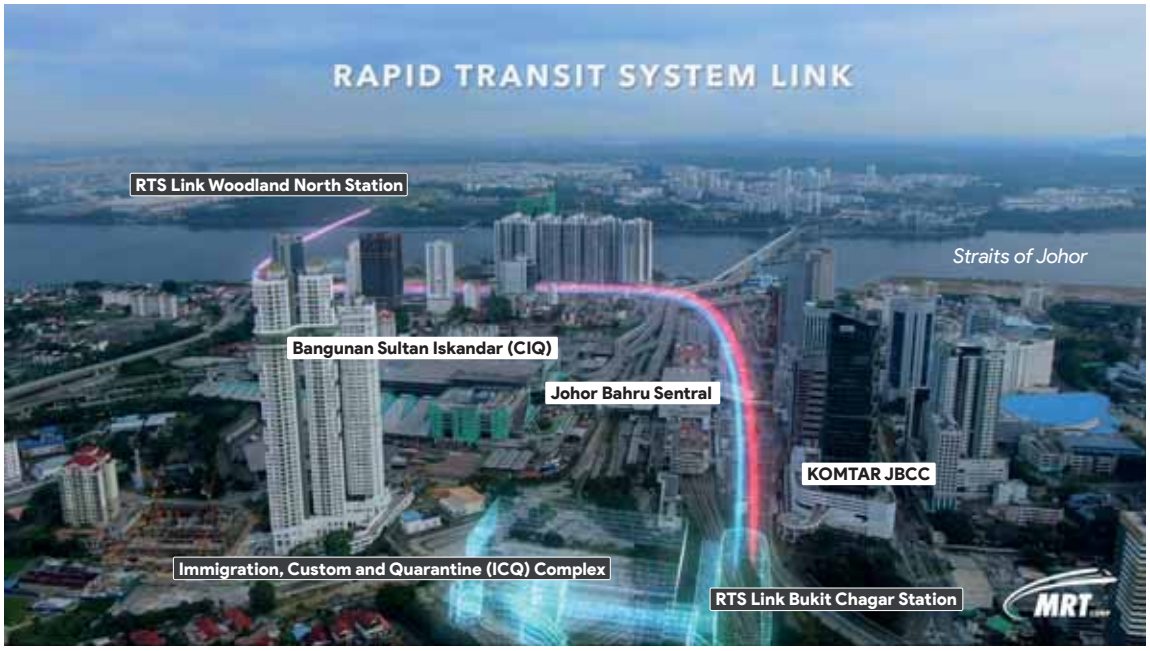
Johor Bharu-Singapore Rapid Transit System (RTS Link)

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.



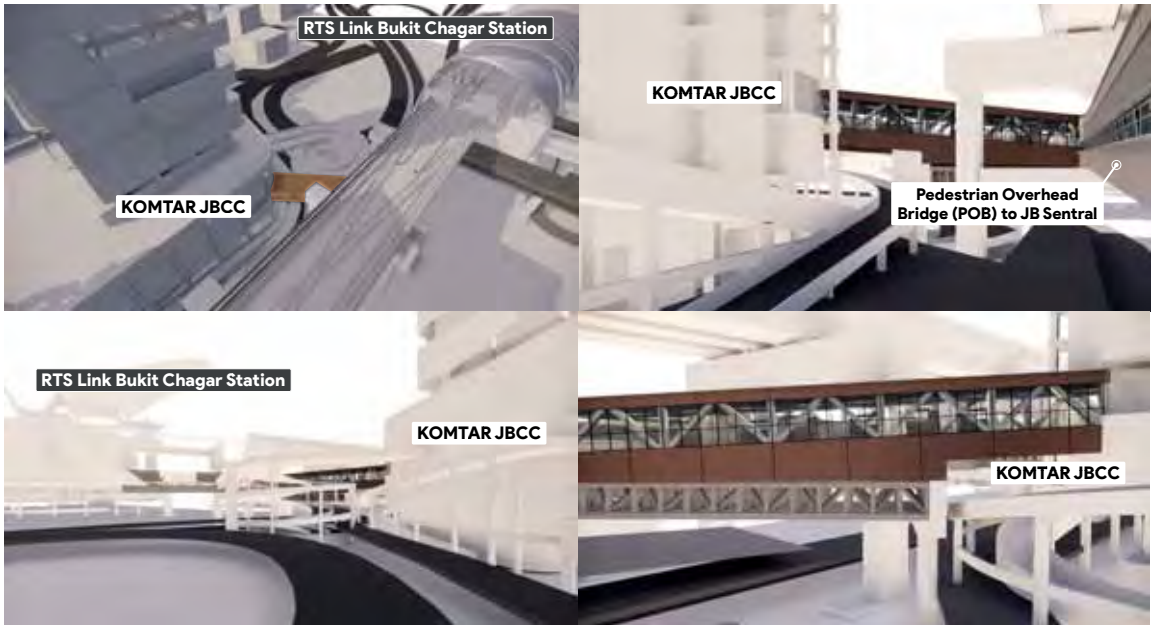
10,000 passengers per hour

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

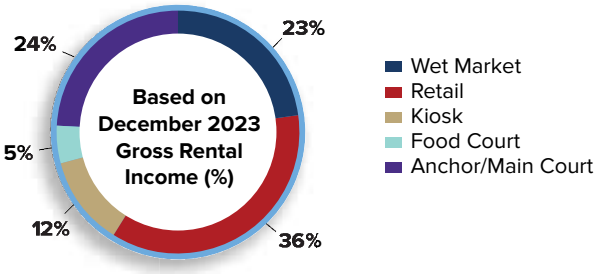
LOCATION:
Kempas, Johor Bahru

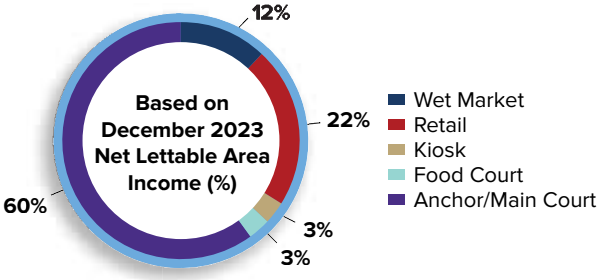
Existing Use	Community Hypermarket
GFA (sq. ft.)	164,625
NLA (sq. ft.)	98,247
Number of Parking Bays	478 car parking and 221 motorcycle parking bays
Market Value	RM78 million
Occupancy Rate	98%

@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.

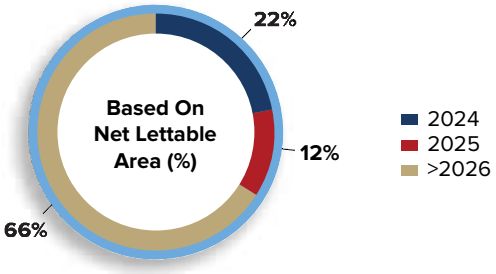
ASSET PERFORMANCE

Tenant Mix by Trade Sector

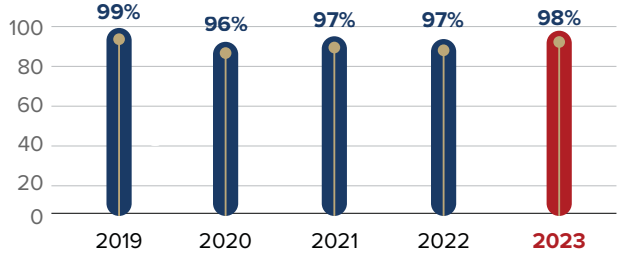




Lease Expiry Profile



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.

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.

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%

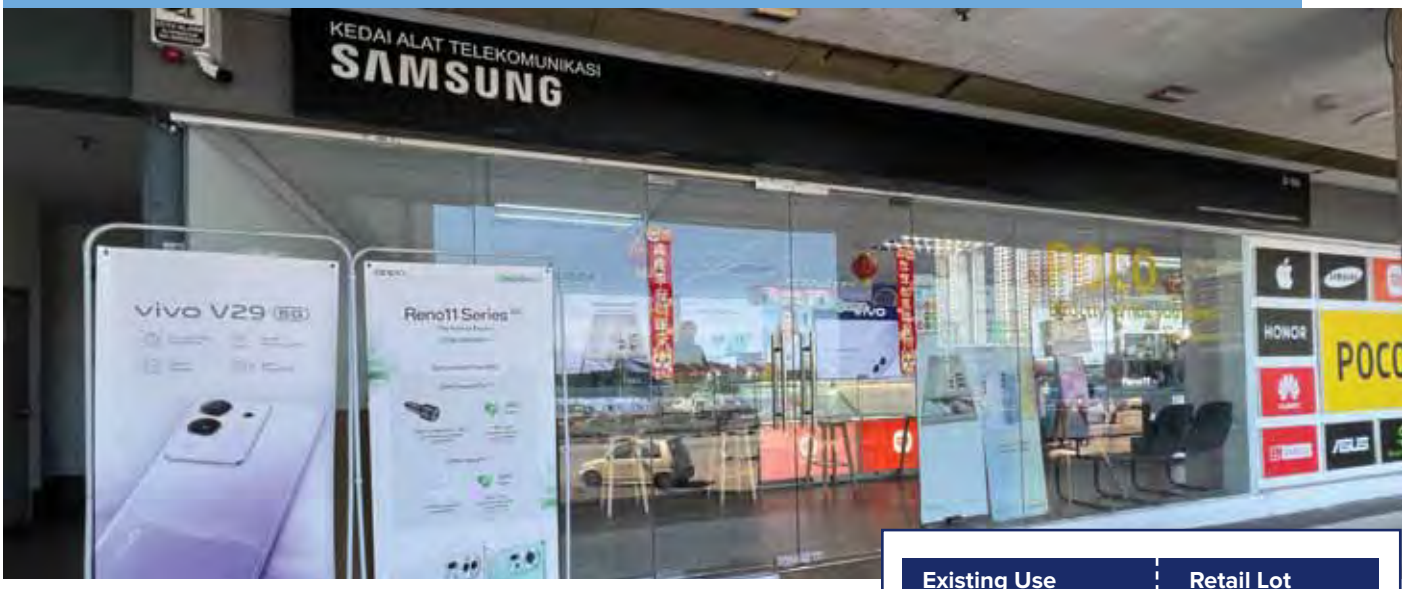
**The fair value is at RM153 million, derived from the market value of RM172 million less unbilled rental income*

MANAGEMENT DISCUSSION AND ANALYSIS

RETAIL SEGMENT

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

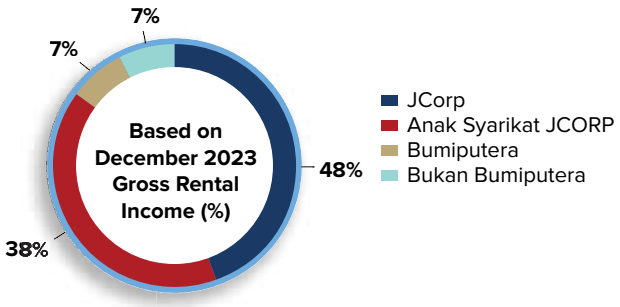
LOCATION:
Johor Bahru City Centre, Johor

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%

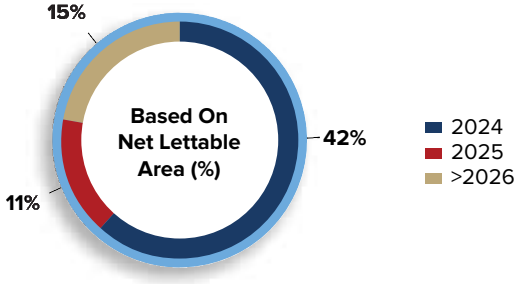
The 25-storey Menara KOMTAR is a purpose-built office tower located in Flagship Zone A of Iskandar Malaysia, which was established with the key development strategy to regenerate Johor Bahru into a vibrant economic centre while preserving its cultural and heritage values.

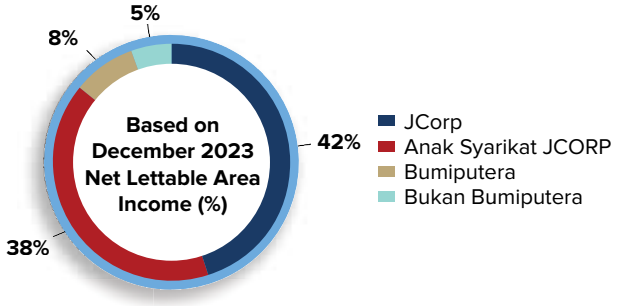
ASSET PERFORMANCE

Tenant Mix by Trade Sector



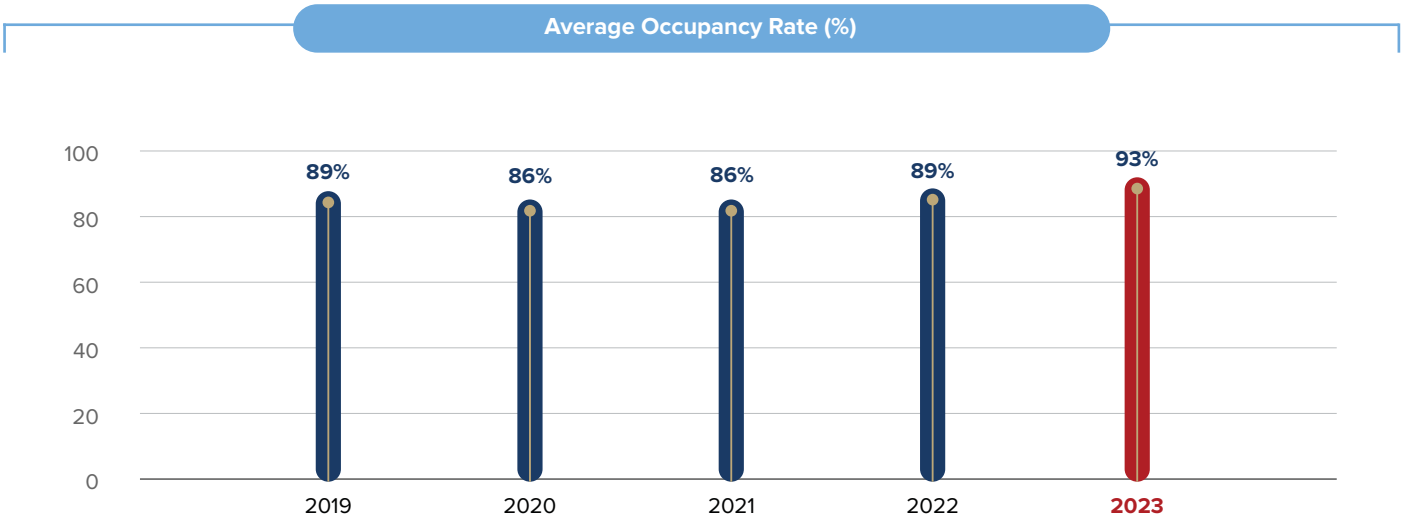
Lease Expiry Profile





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

Focus Area	Disclosures
Credit Control	
Non-payment of rentals increases the risk of default whilst affecting the cash flow of the Fund.	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.
Business Continuity	
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.	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.
Human Capital and Talent Management	
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.	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.

STAKEHOLDER ENGAGEMENT

INVESTMENT COMMUNITY

TRUSTEE

STAKEHOLDER ENGAGEMENT

EXISTING/POTENTIAL BUSINESS PARTNERS

STAKEHOLDER ENGAGEMENT

BOARD AND EMPLOYEES

STAKEHOLDER ENGAGEMENT

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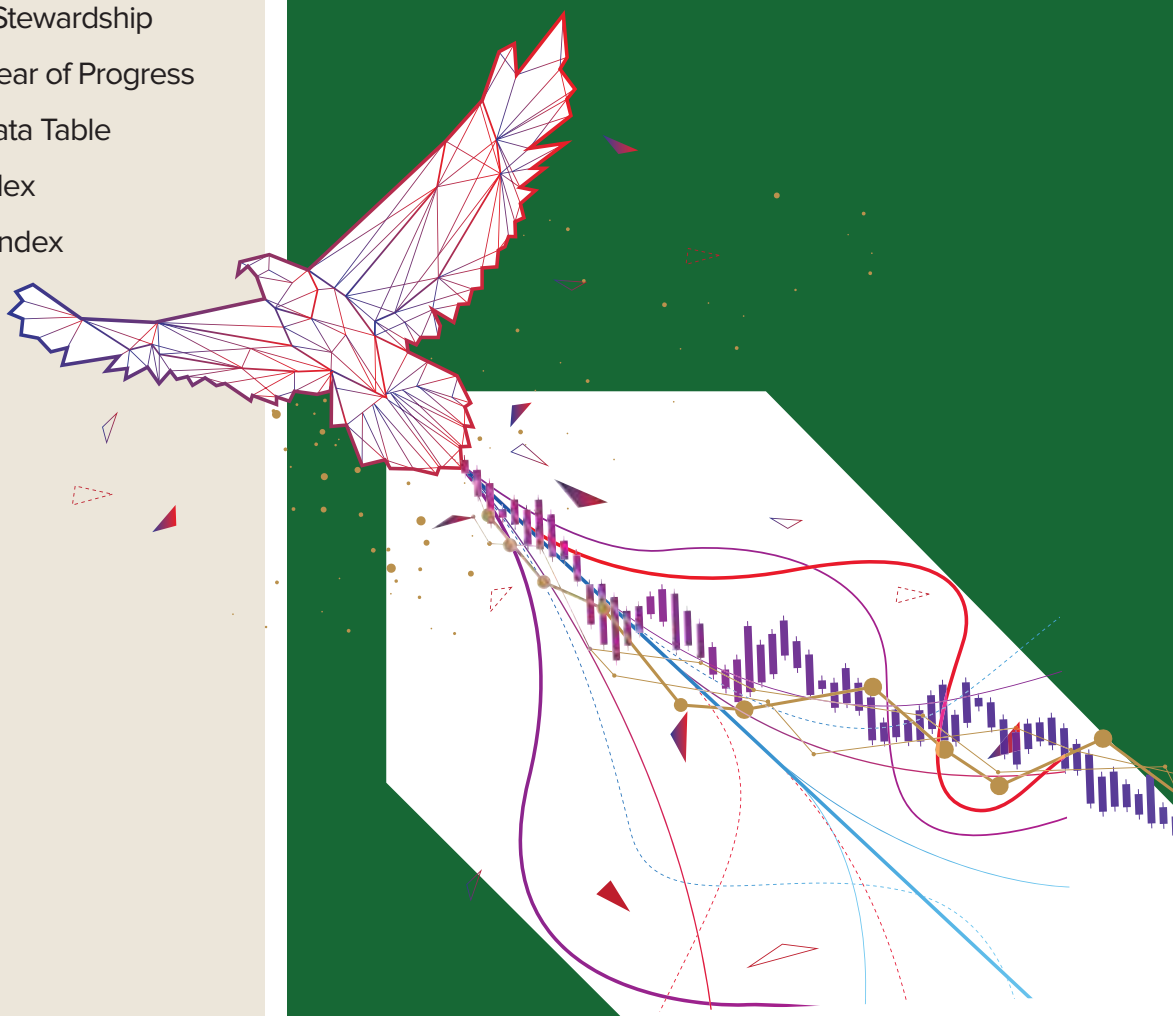


mart
KEMPAS
Pasar Raya
Mm
Midas Mart
Pasar Raya
Mm
Midas Mart
M.R.D.I.Y.
Always Low Prices
KU
Harga Rendah

Our stakeholders are rising to the occasion and driving our recovery. Highly motivated and dynamic, we are set to reach new heights together.

RE: ENERGISE

A CURSORY SNAPSHOT OF OUR SUSTAINABILITY JOURNEY

OVERVIEW OF AL-SALĀM REAL ESTATE INVESTMENT TRUST

Al-Salām Real Estate Investment Trust ("Al-Salām REIT" or "the REIT") operates as a Shariah-compliant fund, primarily engaging in the investment of diverse Shariah-compliant properties. From an initial 31 properties in 2015, Al-Salām REIT has expanded our portfolio to encompass 54 properties nationwide, including three retail malls, an office building, seven Food & Beverage Non-Restaurant assets and a Food & Beverage restaurant chain with 43 locations.

SUSTAINABILITY STATEMENT

DEFINING THE REPORTING SCOPE AND BOUNDARY

This sustainability statement details our activities from 1 January 2023 to 31 December 2023 ("FY2023"). It focuses on three key properties: KOMTAR JBCC, Menara KOMTAR, and Pasaraya Komuniti @Mart Kempas. A dedicated property manager has been assigned to oversee the management of the REIT's buildings. The following sections will also offer an overview of the REIT's sustainability achievements.

KOMTAR JBCC

MENARA KOMTAR

PASARAYA KOMUNITI @MART KEMPAS

A CURSORY SNAPSHOT OF OUR SUSTAINABILITY JOURNEY

REPORTING APPROACH

To prepare our Sustainability Statement, we referenced the Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("MMLR") and the Bursa Malaysia Sustainability Reporting Guide (3rd edition). We also integrated the Global Reporting Initiative ("GRI") Standards, aligning with the United Nations Sustainable Development Goals ("UN SDGs") and the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations.

FEEDBACK

In our ongoing efforts to continuous improvement, we aspire to enhance our sustainability reporting. We value our stakeholders' participation and welcome any questions, feedback or recommendations. Feedback can be submitted via email contact on our website.

ASSURANCE STATEMENT

All data presented in our Sustainability Statement has undergone internal sourcing and verification by the Sustainability Management Committee, ensuring transparency. Moving forward, the REIT intends to explore the prospect of obtaining independent assurance for future disclosures, understanding the value of third-party verification in enhancing the credibility of our data.

INITIATIVES PAVING OUR PATH FORWARD

We are pleased to present this sustainability statement for the financial year ending 31 December 2023, our sixth sustainability statement. This document details the incorporation of Environmental, Social, and Governance ("ESG") principles into our REIT operations, offering a transparent overview of our sustainability endeavours.

During fiscal year 2023, Al-Salām REIT made significant progress in our sustainability efforts. We established a Board Sustainability Committee (BSC) to assist in oversight and compliance. Additionally, we formed a Sustainability Management Committee (SMC), led by the CEO, which reports quarterly to the BSC on key sustainability matters. The SMC also evaluates policies, frameworks, and advises the Board on environmental, health, safety, and community relations.

Additionally, Al-Salām REIT engaged external consultants to conduct a preliminary assessment for the Green Building Index ("GBI") certificate application for three key properties: KOMTAR JBCC, Pasaraya Komuniti @Mart Kempas, and Menara KOMTAR, advancing environmental stewardship efforts.

Furthermore, this reporting year, we are planning the take-off of the Green Lease Programme to align our operations with eco-friendly practices, incorporating sustainability principles into our leasing agreements and enforcing various green criteria.

OUR SUSTAINABILITY PERFORMANCE HIGHLIGHTS

SUSTAINABILITY MILESTONES SHOWCASING OUR 2023 ACHIEVEMENTS

SOUND CORPORATE GOVERNANCE

Operations assessed for corruption-related risks

100%
ASSESSED

Number of cases on corruption and bribery

0
CASES

Number of cases of data privacy breached & data loss

0
CASES

SUSTAINABLE TRUST FUND

Percentage of procurement budget spent on local supplier

100%
SPENT

Percentage of new suppliers that were screened using environmental criteria

33%
SCREENED

Percentage of suppliers assessed for their environmental impact

46%
ASSESSED

STRONG SOCIAL RELATIONSHIPS

Total training hours recorded for employees

920
HOURS

Lost-Time Injury Rate ("LTIR")

4.00

Cases of harassment, discrimination & human rights violation

0
CASES

ENVIRONMENTAL STEWARDSHIP

Total renewable energy generated from solar panels

408,171.9
kWh

Percentage of energy saved by utilising renewable energy generated

37.87%

Began reporting on Scope 3 emissions for employee business travel in

FY 2023

2017

- Published first Sustainability Statement.
- Established a Sustainability Governance Structure that consist of the Board of Directors and Sustainability Steering Committee.
- Identified 6 stakeholder groups and conducted stakeholder engagement exercise.
- Conducted a Materiality Assessment.

2018

- Established ESG Framework that consist of 5 pillars (Governance, Environment, Partner, Corporate Social Investment and People).
- Established a Sustainability Strategy comprised of Corporate Governance, Environment, Economic and Social.
- Conducted a materiality reassessment for FY2018.
- Identified 7 stakeholder groups and conducted stakeholder engagement exercise.

2019

- Conducted stakeholder engagement exercise.
- Conducted a materiality reassessment for FY2019.

Our Climate Reporting Journey

- Began reporting on electricity and water consumption for KOMTAR JBCC, Menara KOMTAR and Pasaraya Komuniti @Mart Kempas.

2020

- Reviewed and revised the Sustainability Governance Structure to include Board of Directors, Board Audit & Risk Committee, and the Manager.
- Conducted stakeholder engagement exercise.
- Conducted materiality reassessment in FY2020.

LOOKING BACK ON OUR REPORTING JOURNEY

2021

- Reviewed and revised the ESG Framework to consist of 4 pillars (Robust Corporate Governance, Sustainable Trust Fund, Environmental Stewardship and Strong Social Relationship).
- Adopted SDG 8, 9, 11, 13 and 16.
- Reported on our contributions to the UN SDGs.
- Revised stakeholder groups to include Customers and Local Communities,
- Conducted materiality reassessment and benchmarking exercise for FY2021.

Our Climate Reporting Journey

- Began reporting on Scope 2 emissions for KOMTAR JBCC, Menara KOMTAR and Pasaraya Komuniti @Mart Kempas.

2022

- Continued reporting disclosures on four pillars (Robust Corporate Governance, Sustainable Trust Fund, Environmental Stewardship and Strong Social Relationship).
- Updated our contributions to the UNSDGs.

2023

- Updated the Sustainability Governance Structure by forming the BSC and SMC.
- Conducted a materiality reassessment for FY2023 and consolidated the number of material matters to 13.
- Streamlined our material matters to Bursa Malaysia's sustainability disclosure requirements.

Our Climate Reporting Journey

- Began aligning disclosures with TCFD recommendations.
- Reported on our limited Scope 3 GHG emissions.

A STRATEGIC APPROACH TOWARD SUSTAINABLE EXCELLENCE

OUR SUSTAINABILITY FRAMEWORK

Embarking on a transformative journey with our Sustainability Framework, we are committed to responsible real estate investment. Our mission is clear—to integrate ESG principles into every facet of our business to create enduring value for our stakeholders.

Our framework, structured around four ESG pillars, guides our responsible investment and community engagement. Each pillar is reinforced by our Commitment Statement, emphasising our dedication to upholding high sustainable real estate management standards. Aligned with the UN SDGs, this framework steers Al-Salām REIT toward our goal of contributing to a sustainable world.

Vision	To deliver long-term sustainable value to our stakeholders and communities in which we operate			
Mission	To integrate sustainable business practices throughout the REIT			
ESG Pillars	**Robust Corporate Governance**	**Sustainable Trust Fund**	**Strong Social Relationships**	**Environmental Stewardship**
ESG Commitment Statement	Upholding the highest standards of governance, business ethics and integrity	Ensuring long-term sustainable returns while spurring socio-economic growth	Creating a diverse and talented workforce within a safe environment while contributing to the community	Conserving and preserving the environment through responsible management and practices
Material Sustainability Matters	• Corporate Governance and Anti-Corruption • Regulatory Compliance and Risk Management • Data Privacy and Cybersecurity	• Economic Performance • Supply Chain Management	• Tenant and Customer Satisfaction • Occupational Health and Safety • Labour Practices and Standards • Diversity and Inclusion • Community Enrichment	• Energy, Emissions, and Climate Resilience • Water Consumption • Waste Management
Key Action Plans	Transparent and comprehensive reporting practices in accordance to relevant standards	Integrating sustainable business practices into management approach	Increasing stakeholder engagement	Monitoring and recording sustainability progress
Our Contribution to The UN SDGs	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	8 DECENT WORK AND ECONOMIC GROWTH	11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION
Our Stakeholders	• Regulatory Agencies & Statutory Bodies • Investors	• Tenants • Employees • Service Providers & Suppliers	• Property, Service, Maintenance Managers • Customers & Communities	
Alligments with Framework and Guidelines	BURSA MALAYSIA	TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES	GRI SUSTAINABILITY DISCLOSURE DATABASE	SUSTAINABLE DEVELOPMENT GOALS

A STRATEGIC APPROACH TOWARD SUSTAINABLE EXCELLENCE

ALIGNING GROWTH WITH GLOBAL GOALS

The UN SDGs represent a forward-thinking roadmap aimed at addressing global sustainability challenges by 2030. The 17 goals encourage global collaboration to shape a more equitable future. Al-Salām REIT has embraced five SDGs closely aligned with our core values as we navigate the sustainable development landscape.

8.7: Measures to eradicate forced labour, modern slavery and child labour

8.8: Protection of labour rights and promotion of safe and secure working environments for all

8 DECENT WORK AND ECONOMIC GROWTH

- Ensured compliance with labour related regulations, including the minimum wage, no child labour and no forced labour.
- Provided continuous training programmes for employees and recorded 919.5 training hours
- 100% of employees received performance review

9.4: Upgrade infrastructure with greater adoption of clean and environmentally sound technologies

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- Solar panel installation in Pasaraya Komuniti @Mart Kempas which has generated 408,171.9 kWh of electricity.

11.6: Reduce the adverse per capita environmental impact of cities by paying attention to municipal and waste management

11 SUSTAINABLE CITIES AND COMMUNITIES

- Implemented comprehensive 3Rs (Reduce, Reuse, Recycling) programme by strategically placing recycle bins throughout the premises, encouraging tenants to segregate waste responsibly.

13.2: Integration of climate change measures into policies, strategies and planning

13 CLIMATE ACTION

- Included climate-related management in the Board of Directors and the Sustainability Management Committee's roles and responsibilities.
- Track and record Scope 1, Scope 2 and Scope 3 emissions.
- Implemented electricity saving initiatives.
- Committed to raise awareness among employees on responsible water use and waste management.

16.5: Reduce all forms of corruption and bribery

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

- Review of risks on a quarterly basis on the ERM Policy & Framework
- Established codes, policies and procedures:
  - Code of Conduct and Business Ethics
  - Whistleblowing Policy
  - Anti-Bribery and Corruption Policy and Manual

A STRATEGIC APPROACH TOWARD SUSTAINABLE EXCELLENCE

SUSTAINABILITY PERFORMANCE SCORECARD ("KPIs")

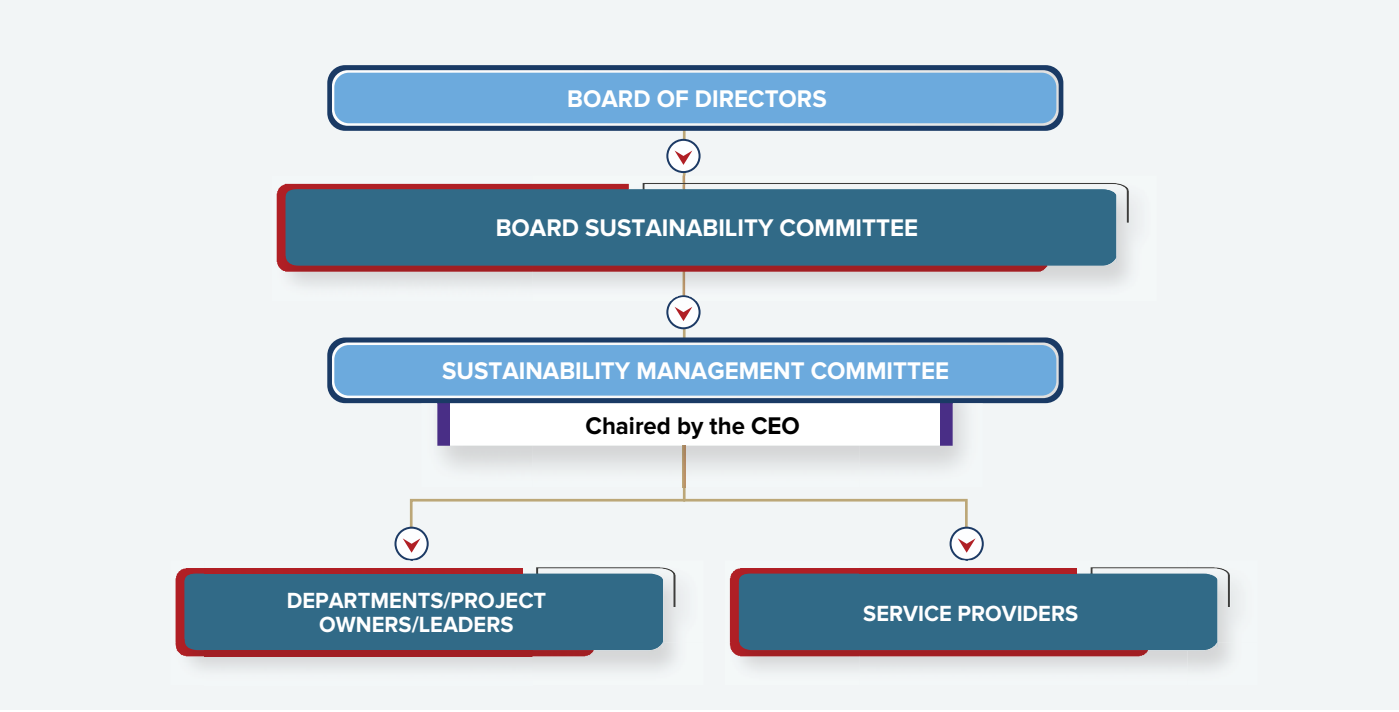
Al-Salām REIT prioritises sustainability through a detailed framework that is measured against a set of Sustainability Key Performance Indicators (KPIs). These KPIs serve as a structured roadmap in alignment with our values, guiding initiatives and ensuring informed decision-making.

ESG Pillars	Key Performance Indicators (FY2023 Targets)	FY2023 Result
Robust Corporate Governance	**Corporate Governance & Anti-Corruption** Maintain **30%** female participation on the Board of Directors.	14% of the Board consists of women.
	Regulatory Compliance and Risk Management Conduct **one** internal risk management review to incorporate ESG risk and opportunities into DRMSB's risk management framework.	Achieved
	Data Privacy & Cybersecurity Maintain **zero** customer privacy breaches and data losses.	Achieved
Sustainable Trust Fund	**Supply Chain Management** Maintain **100%** of procurement budget expenditure on local suppliers.	Achieved
	Supply Chain Management To include criteria for ESG-related matters as part of the supplier performance evaluation.	Conducted supplier assessment on environmental related criteria
Environmental Stewardship	**Energy, Emissions & Climate Resilience** Achieve **30%** reduction on energy consumption by utilising renewable solar energy.	37.87% reduction recorded
	Waste Management Engage with Property Managers to conduct a pilot project for the installation of **3** recycling bins at Al-Salām REIT's Office and retail properties to promote waste segregation at the source.	Achieved
Strong Social Relationships	**Occupational Health & Safety** Maintain **zero** fatalities, permanent disabilities or major injuries across DRMSB operations.	Zero fatalities and one injury recorded
	Tenant and Customer Satisfaction Maintain the tenant satisfaction survey with a minimum score of **85%** achieved.	KOMTAR JBCC: 80% Menara KOMTAR: 84% @Mart Kempas: 85%
	Labour Practices & Standards Record **zero** incidents of human rights infringement throughout DRMSB operations	Zero complaints regarding human rights violations recorded

A STRATEGIC APPROACH TOWARD SUSTAINABLE EXCELLENCE

OVERVIEW OF OUR GOVERNANCE STRUCTURE

At the helm, the Board of Directors ("the Board") has strategic oversight of the Group's overall sustainability strategy and performance including climate-related risks and opportunities. The Board approves proposed initiatives and strategies and is supported by the Board Sustainability Committee ("BSC") and the Sustainability Management Committee ("SMC"). The BSC reports to the Board on the Group's ESG performance and the implementation of our approved sustainability initiatives. The SMC recommends to the BSC relevant initiatives and identifies issues that are material to the Group.



Roles and Responsibilities	
Board of Directors	• Ultimate **statutory and fiduciary** responsibility for decision-making relating to the functions and duties of the Committee.
Board Sustainability Committee	• Assist the Board in fulfilling its **oversight responsibilities** in relation to the Group's objectives, policies, and practices with respect to sustainability and compliance with statutory requirements
Sustainability Management Committee (Management & Property Managers)	• Regularly improves, develops, executes, monitors and audits sustainability targets, policies, practices, working principles and management systems. • Reports to the BSC on material sustainability matters on a quarterly basis. • Reviews the relevant policies and frameworks and makes recommendations to the Board on the Manager's policy and performance in relation to the environment, health, safety and community.
Head of Departments/Project Leaders	• Executes ESG initiatives and reports to the SMC.

A STRATEGIC APPROACH TOWARD SUSTAINABLE EXCELLENCE

CONNECTING WITH OUR STAKEHOLDERS

We consistently seek feedback from key stakeholder groups through diverse engagement platforms, establishing connections to gather suggestions, comprehend concerns and shape responsive strategies. We aim to meet stakeholder expectations and cultivate shared value, fostering a mutually beneficial relationship between the REIT and stakeholders.

STAKEHOLDERS	Why They Are Important	How We Engage
Investors	Investors provide us with the financial capital needed to sustain our growth. They are entitled to receive a return on their investment and be apprised of developments in the REIT.	• AGM • Corporate website • Annual & quarterly reports • Investor relations briefings • Investment criteria/policy
Regulatory Agencies & Statutory Bodies	Regulatory agencies and statutory bodies are vital to the REIT, ensuring we comply with rules, maintain customer trust and contribute to the stability of financial markets. Their oversight is integral for our credibility and success.	• Quarterly compliance report to the Board • Announcements, notifications & reporting • Compliance audits
Tenants	Tenants are crucial to a REIT as they contribute to the generation of rental income, ensuring the financial performance and sustained growth of the real estate investment trust.	• Tenant satisfaction survey • Joint community programme • Complaint management - ServeDeck • Promotion on green/renewable energy and waste management efficiency
Employees	Employees are essential to us as they play a pivotal role in managing, maintaining, and enhancing the properties, contributing to the overall operational efficiency and success of the operations.	• Performance appraisal and career development plan • Townhall • Revision of salary package • Work-life balance
Service Providers & Suppliers	Service providers and suppliers play a crucial role as they contribute to the seamless functioning of property management, maintenance, and other essential services, ensuring the overall well-being and sustainability of the business.	• Evaluation & performance reviews • Compliance to MACC Act • Procurement Policy
Property, Services, Maintenance Managers	Property, service, and maintenance managers play a pivotal role in supervising the effective functioning, maintenance, and value augmentation of the assets. Their role significantly contributes to the overall success and performance of the investment trust.	• Monthly report • Monthly meeting
Customers and Communities	Customers and communities are important as their presence and engagement contribute to the vibrancy and success of retail properties, fostering positive economic and social impacts within the communities we serve.	• Complaint management • Social media such as Facebook, Instagram • Emails • Community events • Foodbank/voluntary works

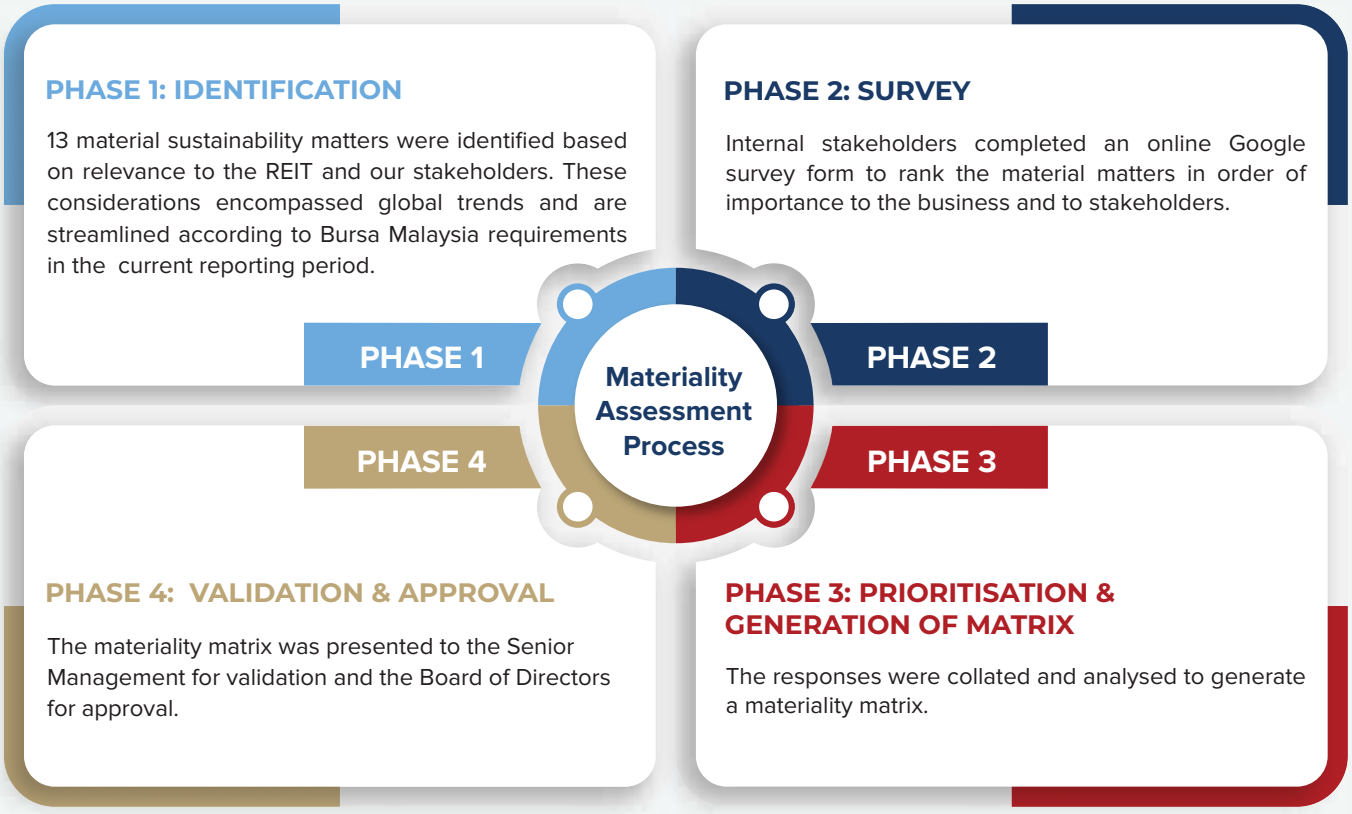
A STRATEGIC APPROACH TOWARD SUSTAINABLE EXCELLENCE

Topics Raised	How We Respond	Frequency of Engagement
• Corporate financial performance • Corporate governance • Investor relationship management • Environmental matters • Safety of assets	• Provide regular financial reports, including quarterly and annual statements • ESG strategy, performance and disclosures which include management of climate related risks	• Yearly • Quarterly
• Compliance to regulations • Labour practices • Transparency and disclosures	• Adhere to local regulatory bodies • Timely response to inquiries and requests for clarification regarding specific matters • Timely submission/filing of regulatory reports	• Quarterly • As and when required • Annually
• Safety and health • Communication and tenant-owner relations • Mall/Building facilities • Environmental matters • Activities, programmes or marketing campaigns to increase footfall	• Provide clear and consistent communication on safety protocols, emergency procedures, and health guidelines • Establish a feedback mechanism • Conduct regular inspections to identify and address maintenance issues promptly. • Implement sustainable and environmentally friendly practices within the property, such as energy-efficient lighting, waste reduction programs, and green certifications.	• Twice a year • By event • Monthly • Ongoing
• Staff performance and development • Business strategies, objectives, achievements • Staff wellbeing • Employee benefits	• Strict occupational safety and health procedures • Salary review and performance review • Provide relevant upskilling and development opportunities	• Yearly • Ongoing
• Transparent procurement process • Business ethics	• Establish and communicate clear and transparent procurement guidelines • Implement a comprehensive Code of Conduct and Business Ethics that outlines the ethical standards expected from service providers and suppliers.	• Ongoing
• Income & expenditure • Leasing & total occupancy • Marketing & promotions • Maintenance summary • Security, housekeeping & parking	• Provide regular financial reports detailing income and expenditure • Monitor and analyse leasing and occupancy metrics regularly, addressing any vacancies or underperforming areas. • Support the implementation of promotional campaigns that align with the overall marketing strategy of the REIT. • Regular meetings with property, service, and maintenance managers to discuss key matters, address challenges, and make collaborative decisions.	• Monthly
• Safety and health • Facilities or services provided in the building • Promotion or sales offers by tenants • Social contribution	• Develop and share emergency response plans to address any potential safety concerns promptly. • Establish a feedback mechanism to gather input from shoppers and the community • Provide support to tenants in executing effective marketing campaigns • Implement CSR programmes that address community needs	• Ongoing • Monthly • By event

IDENTIFYING OUR MATERIAL SUSTAINABILITY MATTERS

DETAILING THE MATERIALITY ASSESSMENT PROCESS

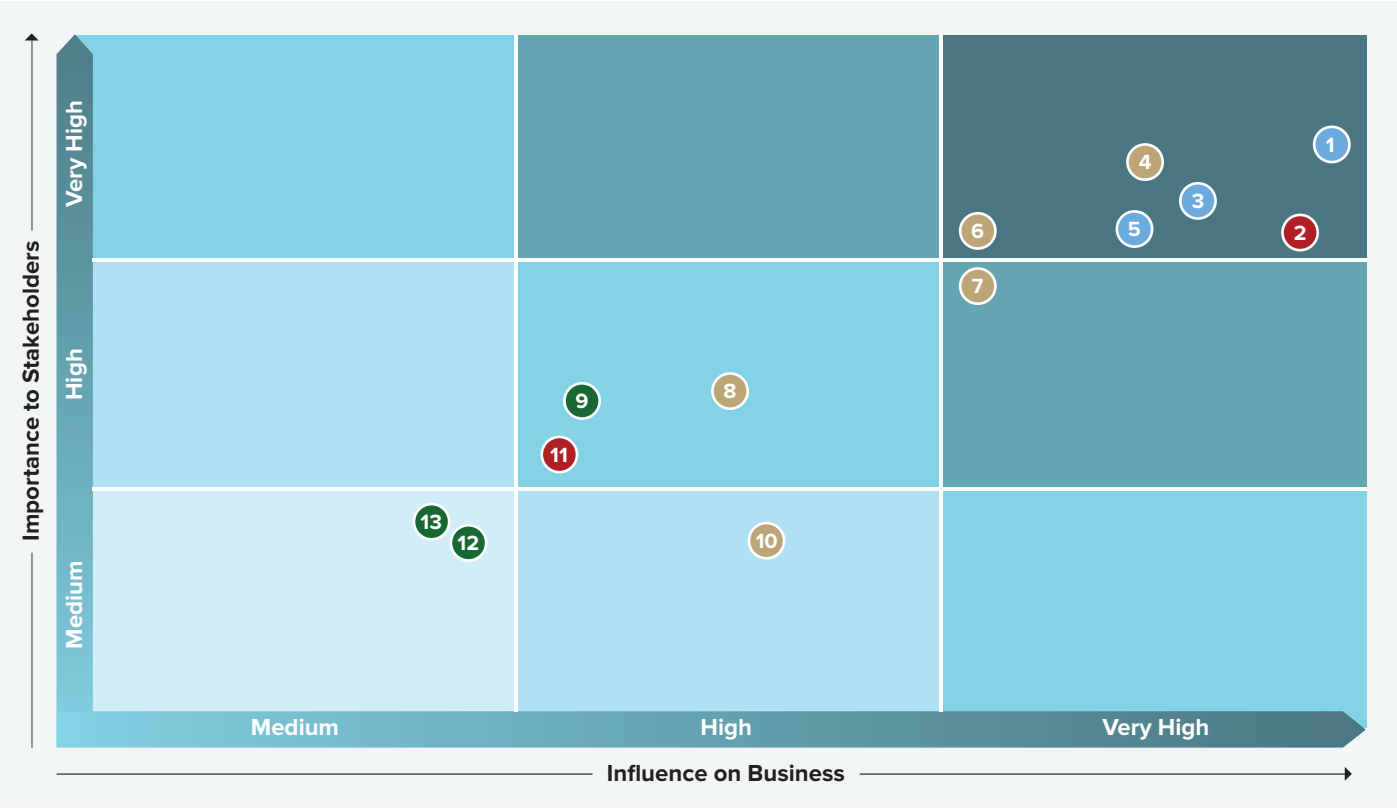
The materiality assessment acts as a strategic tool for identifying and prioritising our significant sustainability concerns, guiding our decision-making processes and enabling the development of impactful sustainability initiatives. We regularly assess our material sustainability issues to ensure that our direction aligns with the broader values and priorities of our community.



IDENTIFYING OUR MATERIAL SUSTAINABILITY MATTERS

THE OUTCOME – MATERIALITY MATRIX

Leveraging the data gathered during the survey phase, we strategically tabulated all identified material matters onto a matrix. The visual representation illustrates their significance to stakeholders and their impact on the REIT, providing an outlined view of our strategic considerations.



Robust Corporate Governance		Sustainability Trust Fund		Strong Social Relationships		Environmental Stewardship	
01	Corporate Governance and Anti-Corruption	02	Economic Performance	04	Tenant and Customer Satisfaction	09	Energy, Emissions and Climate Resilience
03	Regulatory Compliance and Risk Management	11	Supply Chain Management	06	Occupational Health and Safety	12	Waste Management
05	Data Privacy and Cybersecurity			07	Labour Practices and Standards	13	Water Consumption
				08	Diversity and Inclusion		
				10	Community Enrichment		

This year, the Manager identified 13 material matters, with the top five (5) being **Governance and Anti-Corruption, Economic Performance, Regulatory Compliance and Risk Management, Tenant and Customer Satisfaction, and Data Privacy and Cybersecurity.**

IDENTIFYING OUR MATERIAL SUSTAINABILITY MATTERS

MAPPING OUR MATERIAL MATTERS

Material sustainability matters are inherently connected to our ESG pillars, key stakeholders, and UN SDGs, crucial in identifying and addressing factors impacting the REIT's performance. Recognising these connections allows us to adopt a holistic approach to sustainability, enhancing responsible business practices, and contributing meaningfully to stakeholder objectives and the UN SDGs.

Investors	Regulatory Agencies & Statutory Bodies	Tenants	Employees	Service Providers & Suppliers	Property, Services, Maintenance Managers	Customers and Communities

Robust Corporate Governance

Upholding the highest standards of governance business ethics and integrity

Corporate Governance and Anti-Corruption	Ensure ethical business practices and strong accountability through systems policies and procedures to prevent corruption bribery and unethical behaviour.	
Regulatory Compliance and Risk Management	Proactively address and disclose information about material risks to provide transparency and enable informed decision-making.	
Data Privacy and Cybersecurity	Protect our customers' personal information and digital assets from unauthorised access breaches and misuse.	

Sustainable Trust Fund

Ensuring long-term sustainable returns while spurring socio-economic growth

Economic Performance	The evaluation and measurement of the operational and financial performance of the organisation	
Supply Chain Management	Bolstering the local economy by obtaining goods and services from local suppliers whenever feasible through our procurement practices.	

IDENTIFYING OUR MATERIAL SUSTAINABILITY MATTERS

Strong Social Relationships

Creating a diverse and talented workforce within a safe environment while contributing to the community

Tenant and Customer Satisfaction	Efforts made to ensure positive experiences for both tenants and customers within the properties.
Occupational Health and Safety	Measures are taken to prevent workplace accidents and/or injuries and to maintain a safe and conducive working environment.
Labour Practices and Standards	Al-Salām REIT ensures the fair treatment of workers and upholds fundamental human rights and labour standards.
Diversity and Inclusion	Ensure equal opportunities for all employees regardless of their background and endeavour to create a work environment that respects and values differences.
Community Enrichment	Al-Salām REIT invests resources and efforts in improving the quality of life and well-being of local communities.

Environmental Stewardship

Conserving and preserving the environment through responsible management and practices

Energy Emissions and Climate Resilience	Mitigate our impact and take action on climate change by managing our energy usage to minimise our greenhouse gas ("GHG") emissions.
Water Consumption	Ensure the responsible and efficient use of water in our operations.
Waste Management	Minimise our environmental impact by managing the disposal and generation of our waste.

IDENTIFYING OUR MATERIAL SUSTAINABILITY MATTERS

FUTURE PREPARED REPORTING WITH TCFD

In FY2023, Al-Salām REIT enhanced climate risk management by adopting TCFD recommendations. This enables comprehensive reporting on climate risks and opportunities, supporting informed decision-making and responsible asset management. Our climate change framework aligns with the four (4) core components of TCFD: governance, strategy, risk management as well as metrics and targets.

Governance

The strategic oversight of climate-related risks and opportunities is a crucial responsibility for the Board. It highlights the assessment and strategic handling of climate-related issues by our management.

Board of Directors	Management
• The Board exercises strategic oversight regarding the REIT's sustainability strategies, policies and performance, encompassing climate-related aspects	• The SMC recommends sustainability strategies and initiatives to the Board, including those that are climate-related.
• The Board examines and grants approval for ESG KPIs which also include climate-related indicators.	• The Sustainability Committee assesses and oversees the execution of sustainability initiatives and performance, including those linked to climate considerations.

Strategy

The SMC serves as the cornerstone of our sustainability efforts, entrusted with assessing and managing climate-related risks and opportunities. By implementing strategies and reporting outcomes to the Board, the SMC drives our sustainability initiatives forward. Through assessments and recommendations, it ensures management addresses the challenges of the evolving sustainability landscape.

Transition Risks

Transition Risk	Potential Impact	Opportunities
Policy and Legal	• Potential incurred costs from penalties and fines.	Aligning with or exceeding expected environmental regulations allows us to effectively enter new markets and proactively tackle potential legal challenges.
Technology	• Incurred upfront costs from investments in new technology and its implementation. • Incurred costs from adaptation of new operational processes to accommodate new standards.	By investing in and implementing cutting-edge technologies and green initiatives that decrease carbon emissions in our operations, the REIT can establish itself as a frontrunner in sustainable property management.
Market	• Decrease in revenue from cost increase. • Economic transitions, such as recessions, can affect property values and rental incomes. A weak economic environment may lead to higher vacancies, reduced demand, and financial challenges for the REIT.	By communicating and marketing our commitment to sustainability, we can differentiate ourselves and attract environmentally conscious clients.

IDENTIFYING OUR MATERIAL SUSTAINABILITY MATTERS

Transition Risk	Potential Impact	Opportunities
Reputation	• Investors and tenants increasingly prioritise sustainable and climate-resilient properties. Failure to meet these expectations may lead to dissatisfaction and reputational damage.	Opportunity to enhance the reputation of the REIT by being at the forefront of a climate-conscious service.

Physical Risk

Physical Risks	Potential Impact	Opportunities
Acute	Severe weather events or natural disasters may disrupt supply chains, damage infrastructure and threaten safety, impacting operational continuity.	Taking proactive measures to address acute physical risks offers a chance to strengthen strategic resilience. Conducting comprehensive risk assessments, formulating emergency response plans and investing in resilient infrastructure can help alleviate immediate impacts.
Chronic	Prolonged environmental changes, such as rising temperatures and shifting precipitation patterns pose persistent challenges, potentially affecting infrastructure, resource availability and our worker's health over the long term.	Incorporating sustainable practices, making investments in energy-efficient technologies, and embracing climate-resilient infrastructure can help alleviate the long-term impacts.

Risk Management

We set our goals and measures geared towards mitigating the potential financial implications of climate change. These include the processes used to identify, assess and manage risks and how these processes are integrated into our existing risk management.

Climate Risk Identification	Climate Risk Assessment	Climate Risk Management
• Climate-related risks are identified alongside other risks via the Enterprise Risk Management ("ERM") Framework.	• Potential climate-related risks are assessed based on their likelihood of occurrence and the impact on the business, if an adverse climate-related event occurs. • The Audit and Risk Management Committee reviews the risk updates by departments on a quarterly basis.	• When necessary, the management implements action plans with specific timeframes for mitigation. • The Audit and Risk Management Committee regularly examines the internal control processes and the results of risk management.

Metrics and targets

Al-Salām REIT measures carbon emissions, energy and water usage, expressing carbon emissions in tCO_2e, electricity in kWh and water in m^3. To assess greenhouse gas ("GHG"), energy and water intensity, we compute absolute values and normalise them by dividing against the floor space of our operations in m2. Additionally, we quantify the share of renewable energy generated by our solar panels within our total energy consumption in kWh.

We track and disclose emissions under Scope 1 and Scope 2, continuously monitor GHG emissions across our operations as well as uphold consistent enhancement of TCFD disclosures to be consistent with all relevant recommendations and regulatory requirements.

ROBUST CORPORATE GOVERNANCE

Robust governance is crucial to upholding sustainable business practices. Our objective is to carry out our operations in accordance with stringent legal and regulatory standards conducting business with the utmost honesty and integrity.

100%
operations assessed for corruption-related risks

Zero
cases on corruption and bribery

Zero
cases of data privacy breached & data loss

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Sustainability Material Matters

- Corporate Governance & Anti-Corruption
- Regulatory Compliance & Risk Management
- Data Privacy and Cybersecurity

ROBUST CORPORATE GOVERNANCE

CORPORATE GOVERNANCE AND ANTI-CORRUPTION

Corporate governance and anti-corruption measures serve as foundational pillars of ethical business practices and long-term sustainability. Effective corporate governance ensures that our operations are conducted with adherence to regulatory frameworks, allowing us to build the REIT's reputation and foster trust among our stakeholders. Our anti-corruption measures reinforce ethical governance, creating an environment where resources are efficiently allocated and decisions are merit-based.

Our Approach

Internal Standard Operating Procedures ("SOPs") play a pivotal role in maintaining seamless daily operations at Al-Salām REIT, covering areas such as business growth, internal controls, risk management, compliance, IT, talent management, finance and operations. We also established the Manager's Code of Conduct and Business Ethics ("the Code") to delineate the expected conduct for all employees and associates, along with disciplinary measures for noncompliance.

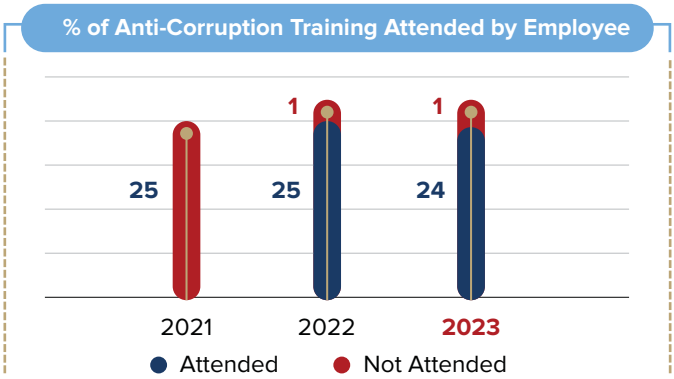
The Whistleblowing Policy and the Anti-Bribery and Anti-Corruption Policy ("ABAC Policy") are disseminated through various channels, including email, briefings, training sessions and posters. The Whistleblowing Policy has been revised to align with JCorp standards, ensuring confidentiality, impartial evaluation and appropriate action against malicious reports, adhering to the Whistleblowers Protection Act 2010.

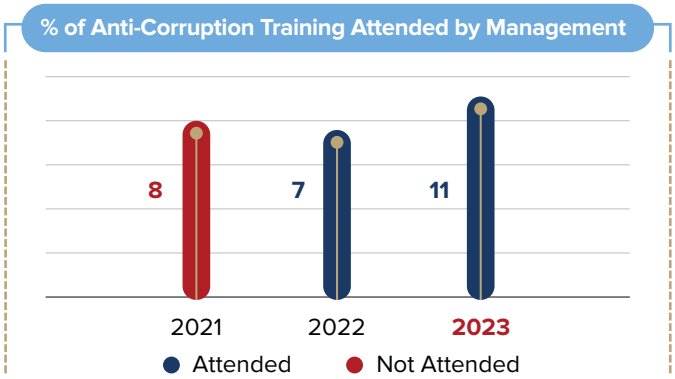
Al-Salām REIT complies with the Malaysia Anti-Corruption Act of 2009 and has implemented the ABAC Policy, and the No-Gift, No-Entertainment Policy. Further initiatives include refresher briefings, integrity pledges from service providers and ongoing risk assessments, contributing to the REIT's regulatory compliance and a corruption-free environment.

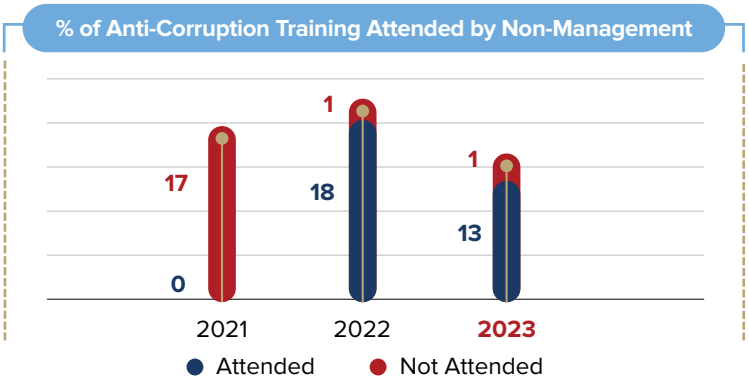
Our Performance

I. Anti-Corruption Training

In FY2023, Al-Salām REIT documented a 96% employee participation rate in anti-corruption training initiatives, highlighting broad engagement and heightened awareness. Particularly noteworthy was the management team's 100% attendance rate to all training sessions. Meanwhile, 93% of non-management staff engaged in anti-corruption training.







ROBUST CORPORATE GOVERNANCE

II. Anti-Corruption Risk Assessment

All operations underwent a comprehensive evaluation in FY2023 which was conducted against 15 identified corruption risks. We achieved 100% coverage across five vital departments within the Manager. By subjecting our operations to an external assessment, the REIT reinforces transparency and mitigates corruption risks across various facets of our organisational structure.

- Fraud
- Bribery & Kickbacks
- Government Interaction
- Facilitation Payments
- Gifts, entertainment & hospitality
- Charitable and political donations, sponsorship
- Money Laundering
- Procurement Practices
- Collusion
- Conflict of Interest
- Embezzlement
- Recruitment
- Cyber Corruption
- Country of Operation

ZERO
reported cases of corruption and bribery

Source: Corporate Services

REGULATORY COMPLIANCE AND RISK MANAGEMENT

Regulatory compliance and risk management are integral to sustaining the trust, reputation, and operational resilience of the REIT. Adherence to regulatory frameworks is crucial for keeping our operations within legal boundaries, fostering trust among stakeholders and safeguarding against legal repercussions. Effective risk management facilitates the identification, assessment and mitigation of threats that could impact financial performance, reputation and overall business continuity.

Our Approach

The Manager manages a compliance report outlining the requisites of various acts, risk treatment, mitigation plans and risk ratings to ensure the REIT adheres to pertinent legal and statutory requirements. Upholding compliance also involves training sessions on legal requirements, seeking professional legal advice and conducting internal audits through external consultants to maintain objectivity. Equally vital is the compliance of tenants with stipulated legal mandates and agreements, such as the Uniform By-Laws 1984 and the Fire Services Act 1988.

Al-Salām REIT communicates these obligations to tenants through notifications and organises monitoring sessions for departments, contractors and consultants to ensure regulatory adherence. Additionally, the REIT requests insurance cover notes for property protection, maintains a manual notification planner for license renewals supervised by the Building Manager, and keeps the Board abreast of legal and secretarial updates for regulatory awareness. These initiatives are communicated internally through meetings and briefings, and externally through Annual General Meetings, analyst briefings, the REIT's corporate website and annual reports.

Our Performance

Risk management oversight is entrusted to the Board Audit and Risk Management Committee ("BARC"), with support from the Enterprise Risk Management Committee ("ERMC"). These committees embed risk management into the Manager's daily operations, encompassing the identification of risk parameters, appetite, profiles, treatment options, action plans and indicators.

ROBUST CORPORATE GOVERNANCE

Quarterly risk assessments, guided by the Enterprise Risk Management ("ERM") Policy and Framework, inform a detailed risk register, spanning strategic, financial, operational, compliance, IT, and integrity risks. Notably, the ERM Policy and Framework incorporate re-classifications such as ESG Risk, Market Risk, and Partnership Risk.

We conducted a supplier risk assessment this year, covering environmental, social, labour, health and safety, tax, and data protection issues which revealed no high risks. Regular communication and reporting mechanisms ensure risk owners address potential issues, presenting progress and mitigation plans at Management Committee meetings.

The essential national laws, regulations, and guidelines that pertain to the REIT's business encompass but are not restricted to:

- Capital Market Services Act 2007
- Main Market Listing Requirements
- Guidelines on Listed REITs
- Guidelines on Islamic Capital Market Products and Services
- Income Tax Act 1967
- EPF Act 1991
- Malaysian Code on Corporate Governance (“MCCG”)
- Guidelines on Corporate Governance for Capital Market Intermediaries

The REIT complies with the Occupational Safety and Health Act (OSHA Act) concerning Building Management, upholding our pledge to foster a safe and healthy work environment across all buildings under our management.

Source: Legal Unit/ Operations/ Property Manager/ Service Manager

DATA PRIVACY AND CYBERSECURITY

In our role as custodians of extensive data, including tenant information, financial records and operational details, the REIT places great importance on protecting this information from unauthorised access, breaches and cyber threats. As digital services become integral to the REIT's operations, a robust cybersecurity framework is imperative to mitigate potential cyber-attacks, ensuring business operations continuity and preventing reputational damage.

Our Approach

Al-Salām REIT implemented initiatives and programmes designed to safeguard the privacy of both customers and employees. Notably, the REIT has established a User Access Rights Matrix, ensuring that access to sensitive information is only granted to authorised personnel. The REIT also strictly adheres to the Personal Data Protection (“PDP”) Policy in compliance with data protection regulations.

In anticipation of potential security or privacy breaches, Al-Salām REIT instituted a Cyber Security Procedure. This procedure outlines essential measures to be taken in the event of a data breach, emphasising a swift response to mitigate risks and protect the integrity of information. Collectively, these initiatives reinforce the REIT's data privacy and cybersecurity, ensuring the resilience of our operations and stakeholder trust.

Our Performance

We are pleased to announce that for this financial year, there have been no instances of data breaches or loss of customer data, serving as a testament to the effectiveness of our data privacy and cybersecurity protocols.

ZERO
incidents of data breaches and loss of customer data

Source: Corporate Services

SUSTAINABLE TRUST FUND

Our diverse economic performance includes strong growth financial stability an unwavering dedication to responsible investment and an effective system for managing the supply chain.

100%
of procurement budget spent on local supplier

33%
of new suppliers that were screened using environmental criteria

46%
of suppliers assessed for their environmental impact

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Sustainability Material Matters

- Economic Performance
- Supply Chain Management

SUSTAINABLE TRUST FUND

ECONOMIC PERFORMANCE

Economic performance directly influences the financial health and sustainability of businesses. Positive economic performance provides stable returns for investors and also enhances the REIT's capacity to pursue strategic initiatives, such as property acquisitions and expansions.

Our Approach

The REIT strategically approaches economic performance by diligently managing the annual budget for our buildings. Through prudent budget management, we align the allocation of resources with our financial objectives, allowing for effective cost control and optimal utilisation of funds. This approach enables us to navigate economic uncertainties and respond to market dynamics, ultimately contributing to the long-term financial stability of our real estate investment portfolio.

Our Performance

Al-Salām REIT's Economic Performance	Total Amount (RM)
Economic value generated (revenue)	76,282,819
Operating costs	25,374,399
Payments made to providers of capital (dividends)	6,959,952
Economic value retained (profits)	21,702,044

Source: Finance

SUPPLY CHAIN MANAGEMENT

Effective supply chain management is essential for sourcing quality materials, engaging reliable suppliers, and maintaining cost-efficient processes throughout the lifecycle of real estate assets. An optimised supply chain promptly meets tenants' needs, increases property value and contributes to the REIT's overall financial performance and sustained growth.

Our Approach

Considering the REIT's role as a fund manager and the diverse nature of leasing agreements, Al-Salām REIT has a limited involvement in the selection of contractors and service providers for our properties. Under triple-net lease agreements, supply chain decisions and property expenditures rest with the tenant. Conversely, for other properties, significant construction or asset replacement necessitates approval from the REIT's trustee, while management services fall under the jurisdiction of the REIT's property managers.

The REIT acknowledges the impact of procurement decisions and supply chain management on our operations and, therefore, has vigilant oversight on all such determinations. Upon trustee approval for construction work, the REIT closely monitors the progress. Property managers are mandated to report on water and electricity consumption, with Al-Salām REIT utilising the gathered data to further implement targeted energy and water-saving initiatives that enhance operational efficiency.

Furthermore, we manage our supply chain through a structured approval process, particularly concerning any total replacement of assets. For assets under Al-Salām REIT ownership, we obtain prior approval from the trustee before proceeding with any substantial replacement. The management services for properties under the purview of the Manager encompass a range of responsibilities, including maintenance, cleaning, security, and cover statutory property expenses such as quit rent and assessment, along with insurance. In the case of properties operating under triple-net lease arrangements, statutory property expenses and insurance remain integral aspects overseen by the REIT.

SUSTAINABLE TRUST FUND

The REIT actively oversees the assessment procedures for suppliers, contractors and service providers. Screening criteria encompass elements such as pricing, punctuality, quality of service, after sales service and complaints received. Performance evaluations are conducted semi-annually, with stakeholders being ranked on a scale from one (1) to four (4) according to specific criteria. In cases of subpar performance, stakeholders receive reminders via letters or emails to encourage improvement.

Our Performance

I. Proportion of spending on local suppliers

Al-Salām REIT retained 100% local suppliers for three consecutive years, demonstrating our steadfast support for local businesses within our supply chain.

Al Salam REIT	2021	2022	2023
Total amount spent on all suppliers (RM)	20,317,617	24,432,874	29,632,609
Percentage of local suppliers	100%	100%	100%

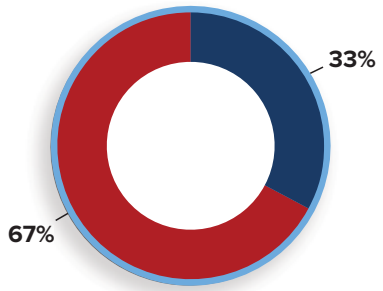
II. Supplier assessment

In FY2023, Al-Salām REIT initiated assessments on both new and existing suppliers based on environmental criteria, screening 33% of new suppliers and 46% of total suppliers for their environmental impacts.

List of environmental criteria:

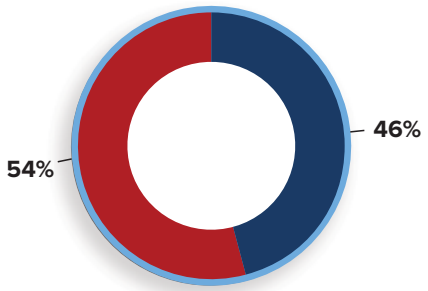
- Compliance with Environmental Regulation
- Natural Hazards
- Green Products/Packaging
- Energy and Water
- Air Emissions
- Climate Change
- Biodiversity

% of new suppliers that were assessed using environmental criteria



Complete Assessment Unable to Assess

% of suppliers that were assessed using environmental impacts



Complete Assessment Unable to Assess

Source: Business Development

STRONG SOCIAL RELATIONSHIPS

Acknowledging that our purpose extends beyond asset management we embrace a broader responsibility to society and the environment. Accordingly we strive to foster a positive inclusive work environment that empowers our employees for development and growth.

920 hours
training hours recorded for employees

4.00
Lost-Time Injury Rate ("LTIR")

Zero
cases of harassment discrimination & human rights violation

8 DECENT WORK AND ECONOMIC GROWTH

Sustainability Material Matters

- Tenant and Customer Satisfaction
- Diversity and Inclusion
- Occupational Health and Safety
- Community Enrichment
- Labour Practices and Standards

STRONG SOCIAL RELATIONSHIPS

TENANT AND CUSTOMER SATISFACTION

Customer satisfaction, including retail and commercial tenants, directly impacts the reputation of the properties under management. A high level of satisfaction attracts quality tenants and strengthens relationships with customers, positively influencing the perception of the REIT within the market. Additionally, positive tenant experiences bolster tenant retention, reducing vacancy rates and enhancing the overall value of the real estate portfolio.

Our Approach

Employing various communication channels, we actively engage in initiatives promoting social betterment that concurrently enhance tenant relationships and align with evolving customer expectations. Moreover, we conduct biannual satisfaction surveys that gauge and improve tenant sentiment, allowing us to secure long-term tenancies. The surveys cover their satisfaction in aspects like cleanliness, security, technical features, concierge services, parking facilities, food courts and promotional activities.

Efficient complaint resolution is also integral to managing satisfaction. In KOMTAR JBCC, tenants, customers and shoppers can provide feedback or register complaints using designated feedback forms. Once a complaint is submitted, concierge personnel promptly forward the information to the respective Head of Department ("HOD") to initiate the resolution process.

The HOD takes proactive measures to follow up on the issue, either through email or a phone call, ensuring open communication while addressing concerns. Al-Salām REIT works to provide a resolution within three working days, to ensure responsiveness, effective communication, as well as the overall satisfaction of our tenants and customers.

Additionally, we employ the ServeDeck system within all properties to address various concerns, encompassing mechanical, electrical, cleanliness issues, and more. The public can submit their concerns by scanning QR Codes strategically placed in public areas like lift lobbies and restrooms. Throughout the reporting period, the REIT tracks and documents all issues received. Every complaint or issue is resolved within a single day.

Our Performance

Al-Salām REIT achieved an impressive average survey score of 82.6% across our properties, including KOMTAR JBCC, Menara KOMTAR, and Pasaraya Komuniti @Mart Kempas.

Property	Total No. of Complaints/Issues Received	Satisfaction Survey Score (%)
KOMTAR JBCC	128	82.8
Menara KOMTAR	136	80
Pasaraya Komuniti @Mart Kempas	321	85

Source: Property Manager

STRONG SOCIAL RELATIONSHIPS

OCCUPATIONAL HEALTH AND SAFETY

A robust occupational health and safety framework safeguards against any potential risks while contributing to tenant and employee satisfaction. By prioritising health and safety measures, Al-Salām REIT adheres to regulatory requirements and creates a safe environment, thereby enhancing the overall value and attractiveness of our real estate portfolio.

Our Approach

Employees are encouraged to take responsibility for OHS matters by promptly reporting incidents, non-compliance and non-conformities. The Manager monitors operations and properties to mitigate workplace safety risks by establishing an Emergency Response Team ("ERT") at each property with designated roles, including chairman, secretary, employer and employee representatives. The ERT is further organised into specialised teams such as Fire Fighting, Search and Rescue, and First Aid, ensuring efficient emergency response.

The REIT enhances preparedness through annual fire drills and emergency evacuation procedures. In anticipation of the upcoming 2024 fire drill, an awareness programme was organised in collaboration with The Fire and Rescue Department of Malaysia on October FY2023, serving to enrich the understanding of safety protocols. Tenants receive timely notifications about the fire drill through memos sent via email. In the event of an emergency, designated fire wardens guide tenants and customers towards the nearest exit doors for swift assembly at the designated safe area.

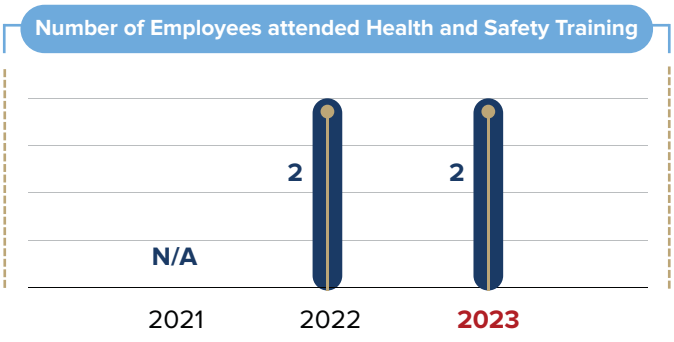
At Al-Salām REIT, we adopt a proactive stance towards health and safety, entrusting Howden Insurance Brokers with the responsibility of inspecting and identifying work-related hazards at our properties every 2 or 3 years. These regular inspections ensure a comprehensive assessment of potential risks, contributing to a safe and secure environment.

The REIT upholds workplace safety by eliminating risks to employees' health and safety across dimensions such as usage, operation, storage, handling and material transportation. We also recognised the importance of a conducive work environment and began archiving a portion of documents, creating the space necessary for efficient office operations. The office layout, previously encumbered by surplus documents, had overloaded workstations and obstructed fire exists, posing a potential safety hazard to employees.

Our Performance

In FY2023, Al-Salām REIT recorded only one work-related incident, a testament to our effective safety measures. Additionally, 8% of the total employees participated in health and safety training sessions.

	2021	2022	2023
Number of work-related incidents	N/A	2	1
Total Number of Hours Work (all employees)	N/A	52,000	50,000
Lost Time Incident Rate (LTIR)	N/A	7.69	4.00



Source: Corporate Services & Property Managers

STRONG SOCIAL RELATIONSHIPS

LABOUR PRACTICES AND STANDARDS

Upholding ethical labour practices is instrumental in building trust among employees, stakeholders and the community. Complying with established standards aligns with legal and regulatory requirements which contributes to attracting and retaining skilled personnel. Furthermore, by adhering to stringent labour practices, we ensure fair treatment and employee well-being, fostering a positive workplace culture.

Our Approach

The Manager adheres to the core tenets outlined in the Employment Act 1955, denouncing any manifestations of child labour, forced labour or bonded labour within our operations. This extends to fostering a respectful workplace that clearly opposes any form of sexual violence, harassment, humiliation or intimidation.

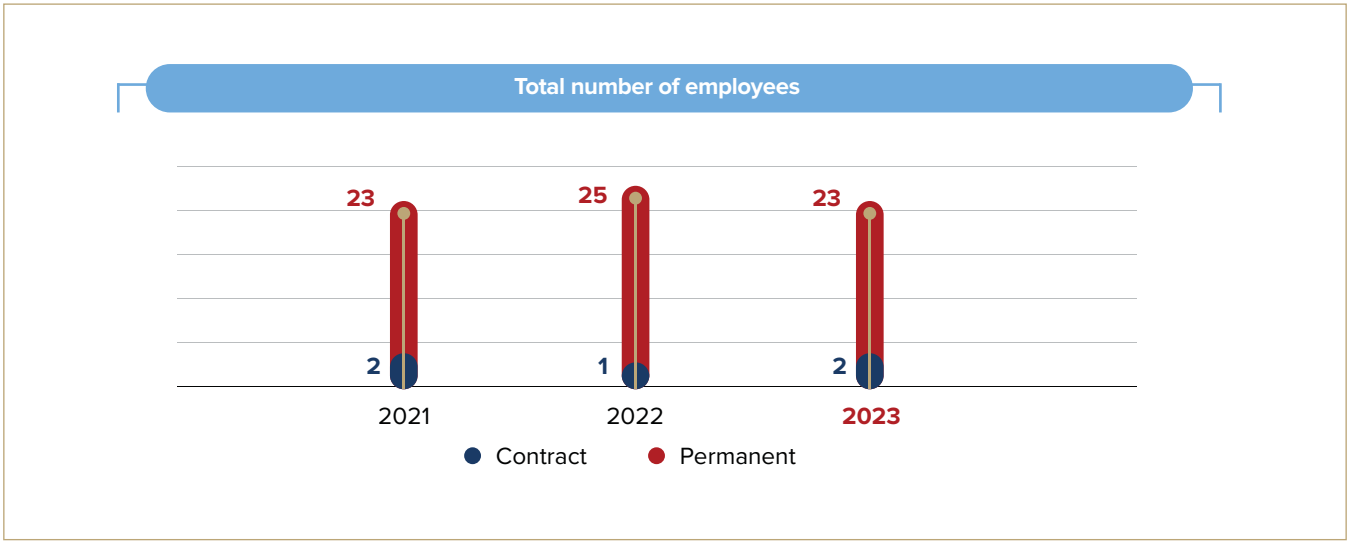
We actively pursue individuals who are innovative and possess the right experience to contribute to our expanding team. Our talent management programme focuses on enhancing both organisational core competencies and position-specific skills. During the annual performance and career development reviews, employees are strongly encouraged to engage in open discussions with their supervisors about their performance, aspirations and training needs.

The REIT promotes the exchange of talent and ideas, utilising the Human Resource functions to nurture our people. Furthermore, we also implemented talent development programmes that empower individuals to gain the necessary knowledge and skills for business excellence and unlocking their full potential.

We prioritise our people's well-being by offering competitive remuneration packages, including medical coverage, insurance, dental care, paternal leave and pilgrimage leave.

Our Performance

I. Total employee strength

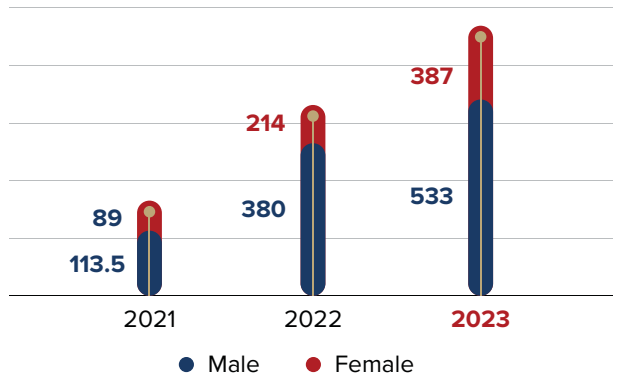


STRONG SOCIAL RELATIONSHIPS

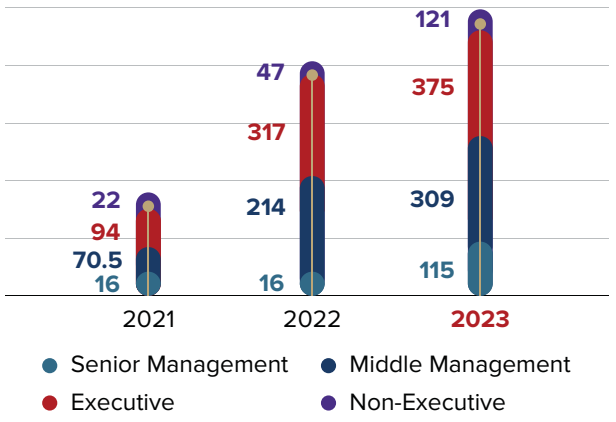
II. Total training hours

YEAR	FY2021	FY2022	FY2023
Total Training Hours	202.5	594	920
BY GENDER			
Total training hours for male	113.5	380	533
Total training hours for female	89	214	387
BY EMPLOYMENT CATEGORY			
Total training hours for senior management	16	16	115
Total training hours for middle management	70.5	214	309
Total training hours for executive	94	317	375
Total training hours for non-executive	22	47	121
BY PROGRAMME TYPE			
Technical	12	22	27
Personal Development	0	1	0
Regulatory/Compliance	1	6	5
Leadership	2	7	8
Safety	1	1	1
TOTAL PROGRAMMES	16	37	41

Total Training Hours by Gender



Total Training Hours by Employee Category



STRONG SOCIAL RELATIONSHIPS

III. Employee Turnover

Number of Employee Turnover by Employee Category and Gender										
Year	Senior Management		Management		Executive		Non-Executive		Total	RATE
	Male	Female	Male	Female	Male	Female	Male	Female		
2021	0	0	1	0	2	0	0	1	4	**15%**
2022	1	0	0	0	0	1	0	0	2	**8%**
2023	0	0	0	0	0	1	1	1	3	**12%**

IV. List of ESG-related trainings in FY2023

No.	Programme Name
1	Roundtable Discussion – Understanding ESG & How to Integrate into Business Practice
2	ESG,Stakeholder Capitalism and Sustainable and Responsible Investment (SRI)
3	SIRIM ESG SEMINAR 2023 – Driving ESG To Advance the Nation
4	Greenhouse Gas (“GHG”) Training Assessment (Scope 1,2,3)
5	Environmental, Social, and Governance (“ESG”) Program
6	Mandatory Accreditation Programme (Part 2): Leading for Impact (“LIP”)

V. Employee Survey

Criteria	Overall Satisfaction Score
Company Culture	62%
Manager/Supervisor	77%
Team Dynamics and Communication	73%
Compensation and Benefits	43%
Career Development and Growth Opportunities	57%
Workload	57%
Employee Well-being	57%

ZERO
complaints concerning human rights violations

Source: Corporate Services

STRONG SOCIAL RELATIONSHIPS

DIVERSITY AND INCLUSION

Embracing diversity ensures a wide spectrum of perspectives and talents within the workforce that fosters innovation and drives better decision-making processes. By cultivating a workplace that values differences, the REIT is better positioned to attract, retain and develop a diverse pool of talent. Furthermore, it aligns with the broader principles of social responsibility, contributing to a more harmonious society.

Our Approach

The REIT recognises the intrinsic value of a diverse workforce. We actively promote equal opportunities, fair treatment and a sense of belonging for all employees, fostering a collaborative environment where individuals from varied backgrounds can contribute their unique strengths and achieve their full potential.

Our Performance

Our workforce consisted of 25 employees, featuring a gender distribution of 60% men and 40% women, showcasing a well-balanced representation across genders within the REIT.

	FY2021	FY2022	FY2023
Total Employee Strength	25	26	25
Male	56%	54%	60%
Female	44%	46%	40%

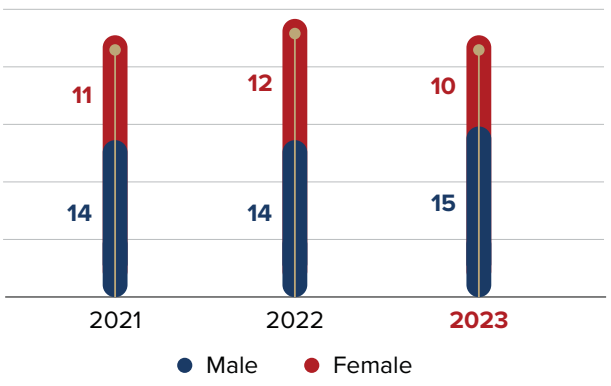
Employment Category	FY2021	FY2022	FY2023
Senior Management	8%	4%	8%
Management	24%	23%	40%
Executive	40%	50%	36%
Non-Executive	28%	23%	16%

Age Group	<30	30-50	>50
Senior Management	0%	0%	100%
Management	0%	70%	30%
Executive	11%	89%	0%
Non-Executive	0%	100%	0%

STRONG SOCIAL RELATIONSHIPS

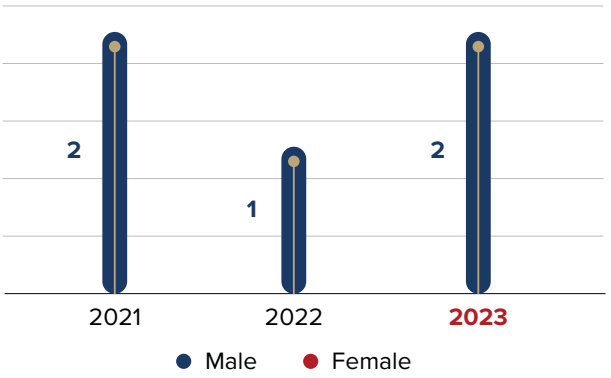
Employee Strength

No. of Employees by Gender

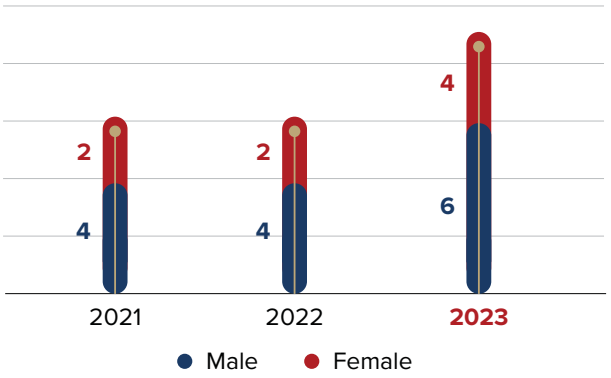


Number of Employees by Gender for Each Employee Category

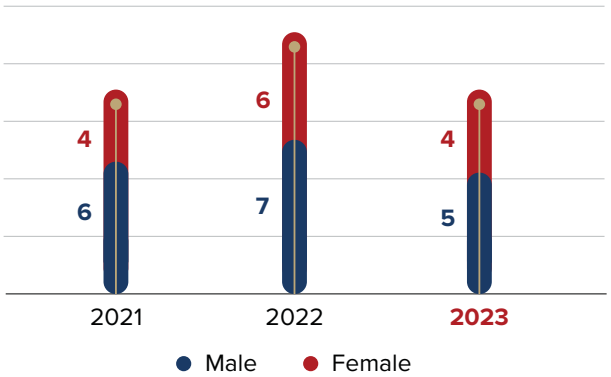
Senior Management



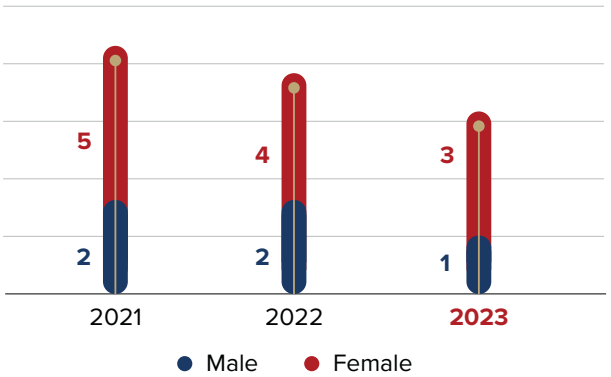
Management



Executive



Non-Executive



STRONG SOCIAL RELATIONSHIPS

Number of Employees by Age Group for Each Employee Category

Source: Corporate Services

STRONG SOCIAL RELATIONSHIPS

COMMUNITY ENRICHMENT

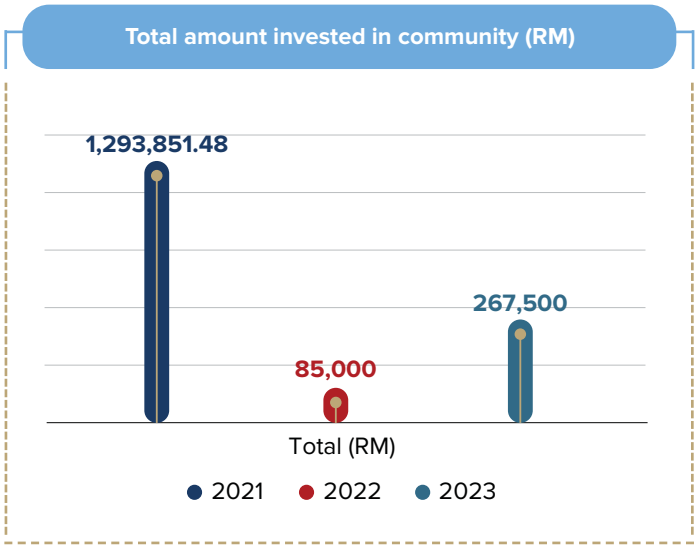
Engaging in community enrichment initiatives is crucial for cultivating a positive social impact and fostering sustainable development. Through active participation in activities that contribute to the well-being of local communities, Al-Salām REIT not only enhances its reputation but also plays a significant role in building more resilient and thriving neighborhoods.

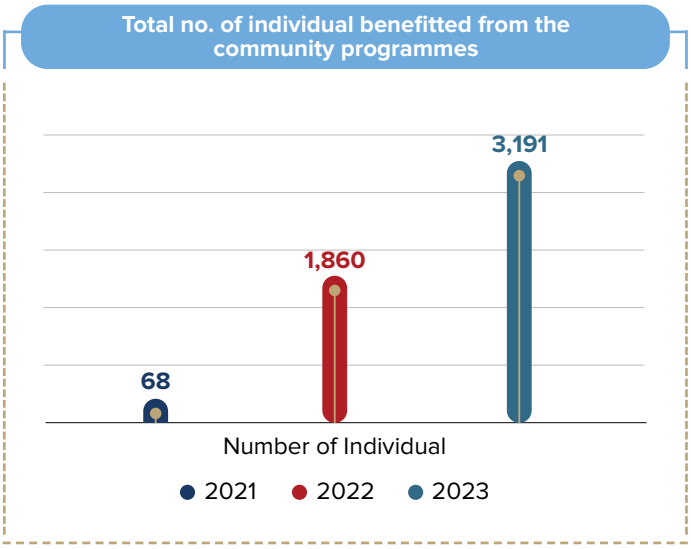
Our Approach

Through strategic partnerships with Non-Governmental Organisations ("NGOs") and other community-focused entities, Al-Salām REIT actively engages in initiatives that uplift local societies. These efforts extend beyond financial contributions, encompassing meaningful collaborations and programmes that address specific community needs.

Our Performance

In FY2023, Al-Salām REIT invested RM 267,500 in various community programmes, positively impacting a total of 3,191 individuals.





Source: Operations/ Property Manager

ENVIRONMENTAL STEWARDSHIP

In our joint pursuit of a sustainable future Al-Salām REIT acknowledges the profound importance of the surrounding environment. We are committed to incorporating sustainable and responsible investment practices into our operations actively exploring avenues to minimise energy waste and water consumption.

408,171.9 kWh
renewable energy generated from solar panels

37.87%
of energy saved by utilising renewable energy generated

Began reporting on Scope 3 emissions for employee business travel in FY2023

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

Sustainability Material Matters

- Energy Emissions and Climate Resilience
- Waste Management
- Water Management

ENVIRONMENTAL STEWARDSHIP

ENERGY, EMISSIONS AND CLIMATE RESILIENCE

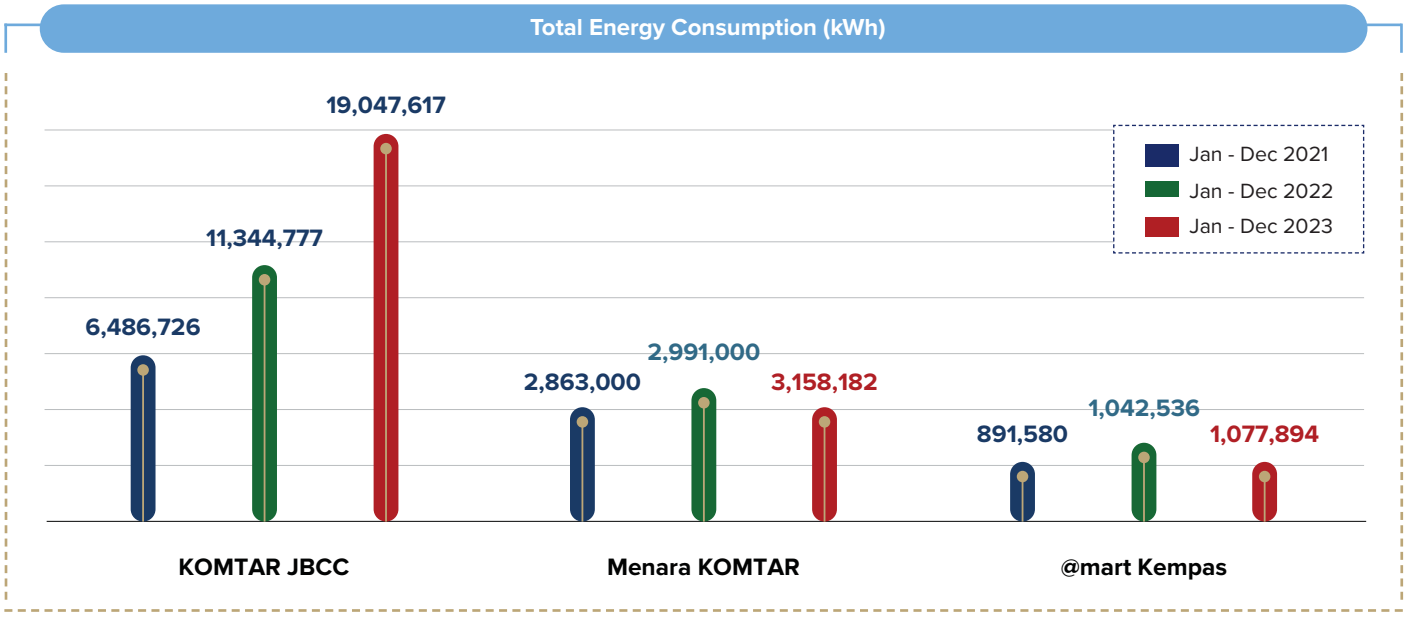
Recognising the global challenges posed by climate change, Al-Salām REIT embraced responsible energy consumption and emissions management as integral components of our operations. We prioritise energy-efficient practices and invest in climate-resilient infrastructure that contribute to broader environmental goals, ensuring the longevity of our properties as a responsible real estate player.

Our Approach

To bolster energy efficiency and climate resilience across our properties, we pursue the Green Building Index ("GBI") certification. A preliminary assessment was conducted that revealed the potential for GBI certification following an upgrading process for KOMTAR JBCC and Menara KOMTAR.

Al-Salām REIT also implemented a Green Lease for tenants that reinforced sustainability practices, incorporating criteria such as Energy Usage, Renewable Energy, Chemical Usage, Waste and Water Management, and Sustainable Procurement. Furthermore, the REIT installed solar panels at Pasaraya Komuniti @Mart Kempas which included a revenue meter that records the solar PV system's electrical energy generation that is directly connected to the property for immediate utilisation. Additional energy-efficient measures we implemented include replacing fluorescent tubes and rescheduling operational hours for escalators, AHUs, kitchen exhaust fans, and kitchen fresh air fans, showcasing a holistic approach to energy management and climate resilience.

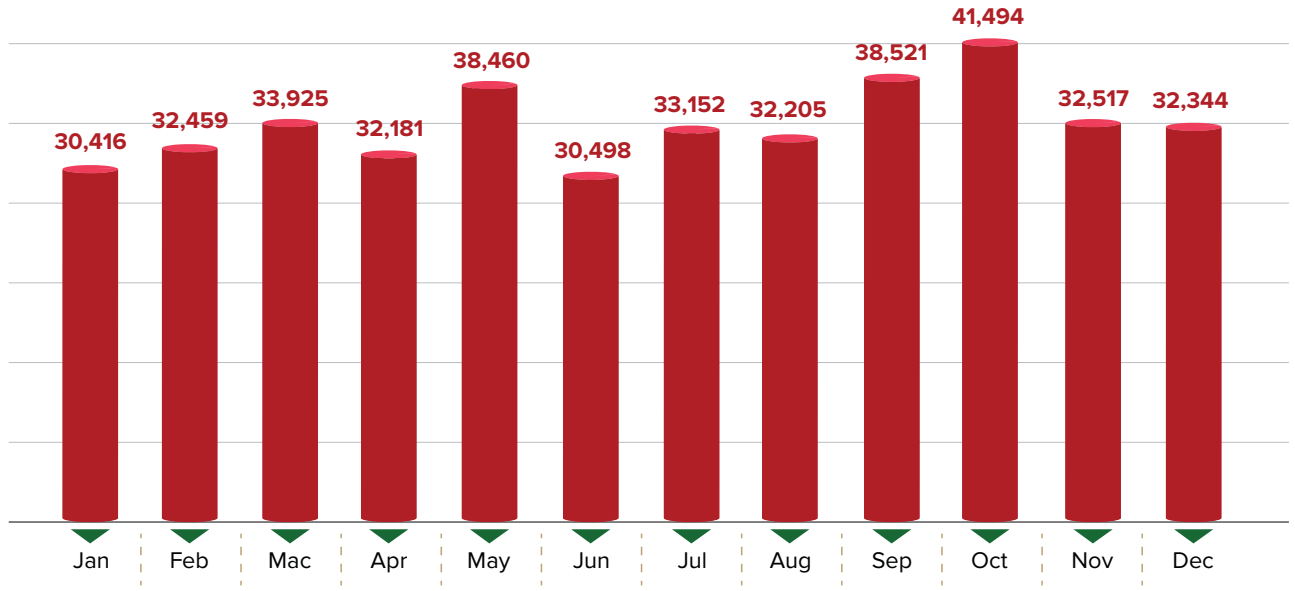
Our Performance



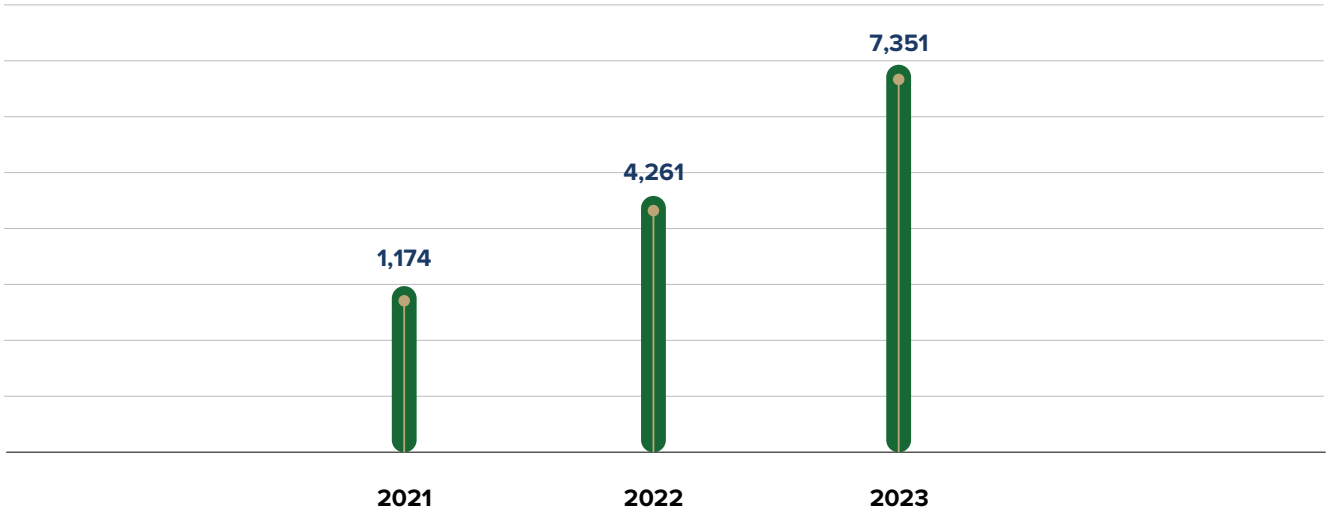
In FY2023, Al-Salām REIT generated 408,171.9 kWh of electricity from solar panels at Pasaraya Komuniti @Mart Kempas. The REIT effectively utilised 100% of the renewable energy generated, contributing to a 37.87% reduction in overall electricity consumption.

ENVIRONMENTAL STEWARDSHIP

Total Solar Energy Generated at Pasaraya Komuniti @Mart Kempas (kWh)



Total Diesel Consumption at HQ Office (L)



ENVIRONMENTAL STEWARDSHIP

The REIT recorded a 72.52% increase in Scope 1 emissions from diesel consumption, resulting in 19.82 tCO2e. Additionally, Scope 2 emissions from electricity consumption at the Manager's office in Petaling Jaya and Johor Bahru were recorded at 22.93 tCO2e, a 20.86% increase from FY2022.

In FY2023, we initiated the recording of Scope 3 emissions, encompassing employee business travel using cars and motorcycles which totalled 4.39 tCO2e. The jump in the percentage of emmisions was due to the lift in the COVID-19 Movement Control Order ("MCO"). Operations and business activities at the head office gradually resume to pre-MCO years. The Manager controls the rates of carbon emissions by introducing the Work-From-Anywhere concept, where applicable. Furthermore, we also recorded Scope 3 emissions related to downstream leased assets across our properties, registering 18,278.98 tCO2e and experienced a 51.73% increase. To control carbon emissions from leased assets, the Manager is looking into green energy alternatives to reduce reliance on electricity.

GHG EMISSIONS			2021	2022	2023
Scope 1 emissions (Fuel)					
Diesel		metric tonnes	3.16	11.50	19.85
Scope 2 emissions (electricity)					
DRMSB Office – Petaling Jaya & Johor Bahru		metric tonnes	20.60	19.80	23.94
Scope 3 emissions					
a)	DRMSB Employee Business Travel i. Car ii. Motorcycle	metric tonnes	N/A	N/A	4.25 0.15
b)	Downstream Leased Assets (JBCC, Menara KOMTAR, Pasaraya Komuniti @Mart Kempas) i. Water ii. Electricity	metric tonnes	18.20 7,988.21	21.00 11,995.08	24.80 18,161.28
Total CO2e (Tonnes)			**8,030.17**	**12,047.38**	**18,234.26**

Source: Corporate Services & Property Manager

WATER MANAGEMENT

Recognising the vital role of water resources and its scarcity, the REIT acknowledges the need for efficient water usage across our properties. In implementing robust water management practices, Al-Salām REIT aims to minimise our environmental impact and promote conservation.

Our Approach

Al-Salām REIT supports responsible water consumption through targeted initiatives tailored to each property. At KOMTAR JBCC, the REIT implemented a strategic approach by closing toilets based on occupancy and demand, ensuring water usage aligns with actual needs.

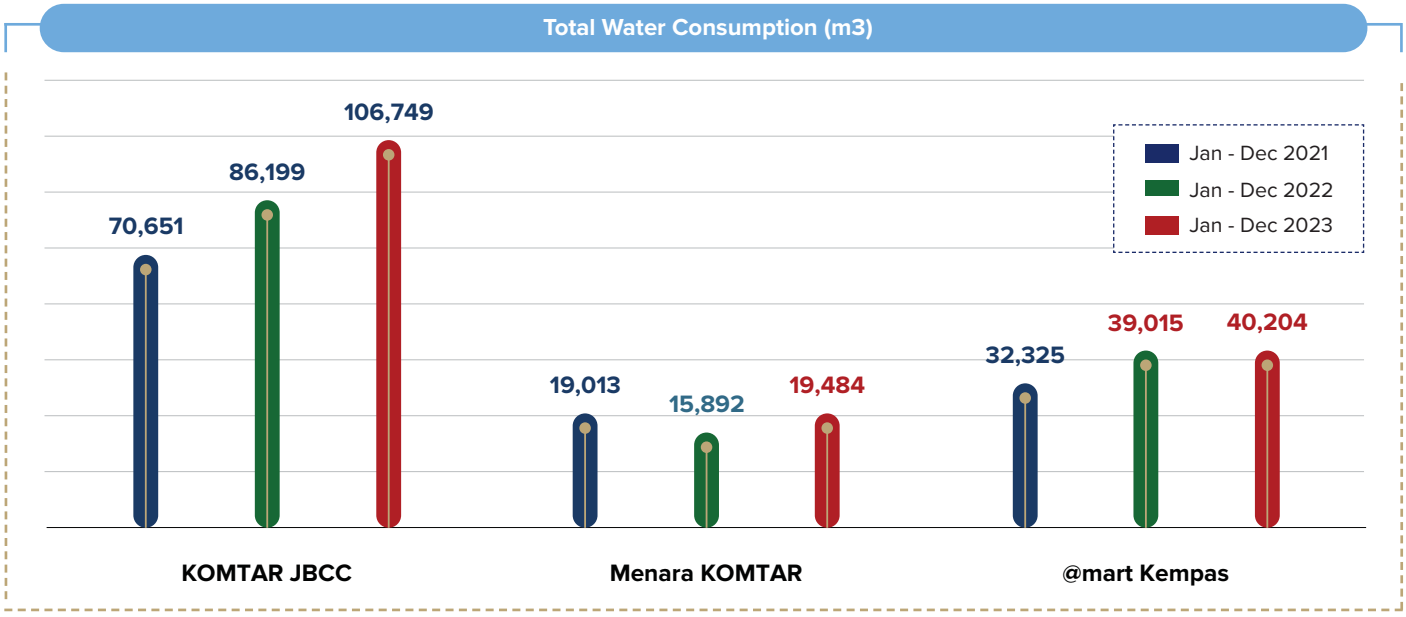
In Menara KOMTAR, the emphasis is on creating awareness through prominent signage within the toilet areas, encouraging occupants to actively reduce water usage. Similarly, at Pasaraya Komuniti @Mart Kempas, the REIT employs awareness signages strategically placed in toilet and sink areas, fostering a culture of mindfulness among users.

Our Performance

In FY2023, Al-Salām REIT recorded water consumption of 166,437m3, a 17.95% increase compared to the figures from FY2022. Water consumption experienced an upward trend across all three properties, with KOMTAR JBCC recording the highest increase. Several factors contributed to this, including a rise in foot traffic driven by increased events, particularly at KOMTAR JBCC. The uptick in activity during FY2023 post-Covid also played a role.

Natural elements, such as the rainy season, influenced water usage as it was necessary to keep loading areas clean from mud brought in by rain. Furthermore, repair and maintenance activities at KOMTAR JBCC contributed to the overall water consumption.

Water Consumption (m3)	2021	2022	2023
KOMTAR JBCC	70,651	86,199	106,749
Menara KOMTAR	19,013	15,892	19,484
Pasaraya Komuniti @Mart Kempas	32,325	39,015	40,204
Total	**121,989**	**141,106**	**166,437**



Source: Property Manager

ENVIRONMENTAL STEWARDSHIP

WASTE MANAGEMENT

The REIT recognises that efficient waste management has the potential to mitigate environmental impact and contribute to the overall well-being of the communities in which we operate. By adopting effective waste management strategies, Al-Salām REIT aims adhere to regulatory standards and minimise our ecological footprint.

Our Approach

KOMTAR JBCC, under the stewardship of Al-Salām REIT, contributes to sustainability by implementing a 3Rs (Reduce, Reuse, Recycling) programme. The programme involves strategically placing recycle bins throughout the premises, encouraging tenants to segregate waste responsibly.

The building also adopts a self-managing system, wherein the weight of the waste is measured and handed over to relevant licensed contractors for proper disposal, promoting resource efficiency and fostering a sustainable operational model.

The Manager is strategically devising a plan to implement Reverse Vending Technology with AI integration throughout all properties under management. This cutting-edge vending machine is designed to accept both PET bottles and aluminium cans seamlessly through a unified chute.

Our Performance

The REIT acknowledges that quantifying the amount of waste generated is essential and has initiated concrete steps to improve waste data tracking and recording. As Al-Salām REIT engaged with the relevant contractors and sought their insights on waste recycling handling, we identified areas for improvement, including the volume of waste generated and limited space at the loading bay for recycling bins. In response, the REIT has adopted a self-maintenance approach, involving the cleaning staff to assist in weighing the waste.

This initiative is currently being implemented at KOMTAR JBCC and is set to extend to other Al-Salām REIT buildings, such as Menara KOMTAR and Pasaraya Komuniti @Mart Kempas.

Source: Property Manager

CONCLUDING A YEAR OF PROGRESS

Through strong corporate governance, meticulous risk management, and a proactive approach to ESG factors, the REIT strives to set the standard for responsible real estate investment. Our dedication to transparency, integrity, and social responsibility is evident in our performance metrics, community enrichment initiatives, and prudent risk mitigation strategies. As a responsible corporation, the REIT not only aims for financial success but actively engages in fostering a positive impact on society and the environment. With these principles guiding us, we are committed to building a resilient and sustainable future where corporate ethics and economic success intertwine, shaping our ESG journey for years to come.

PERFORMANCE DATA TABLE

Robust Corporate Governance

Indicator	Unit	FY2021	FY2022	FY2023
Corporate Governance and Anti-Corruption				
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category				
• Management	%	0	100	100
• Non-Management	%	0	95	93
Bursa C1(b) Percentage of operations assessed for corruption related risks	%	N/A	N/A	100
Bursa C1(c) Confirmed incidents of corruption and actions taken	Number	0	0	0
Data Privacy and Cybersecurity				
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy or losses of customer data	Number	0	0	0

Sustainable Trust Fund

Indicator	Unit	FY2021	FY2022	FY2023
Supply Chain Management				
Bursa C7(a) Proportion of spending on local suppliers	%	100	100	100
Sector Specified (REITs) S6(a) - Percentage of new suppliers that were screened using environmental criteria	%	N/A	N/A	33
Sector Specified (REITs) S6(a) - Percentage of suppliers assessed for environmental impacts	%	N/A	N/A	46

Strong Social Relationships

Indicator	Unit	FY2021	FY2022	FY2023
Occupational Health and Safety				
Bursa C5(a) Number of work-related fatalities	Number	0	0	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	N/A	7.69	4.00
Bursa C5(c) Number of employees (crews) trained on health and safety standards	Number	N/A	2	2
Labour Practices and Standards				
Bursa C6(a) Total hours of training by employee category				
• Senior Management	Hours	16	16	115
• Management	Hours	71	214	309

PERFORMANCE DATA TABLE

Indicator	Unit	FY2021	FY2022	FY2023
• Executive	Hours	94	317	375
• Non-Executive	Hours	22	47	121
Bursa C6(b) Percentage of employees that are contractors or temporary staff				
• Permanent	%	92	96	92
• Contract	%	8	4	8
Bursa C6(c) Total number of employee turnover by employee category				
• Senior Management	Number	0	1	0
• Management	Number	1	0	0
• Executive	Number	2	1	1
• Non-Executive	Number	1	0	2
Bursa C6(d) Number of substantiated complaints concerning human rights violation	Number	0	0	0
Diversity and Inclusion				
Bursa C3(a) Percentage of employees by gender and age group, for each employee category				
Gender group by employee category				
• Senior Management (Men)	%	100	100	100
• Senior Management (Women)	%	0	0	0
• Management (Men)	%	67	67	60
• Management (Women)	%	33	33	40
• Executive (Men)	%	60	54	55
• Executive (Women)	%	40	46	45
• Non-Executive (Men)	%	29	34	25
• Non-Executive (Women)	%	71	66	75
Age group by employee category				
• Senior Management (<30)	%	0	0	0
• Senior Management (30-50)	%	0	0	0
• Senior Management (>50)	%	100	100	100
• Management (<30)	%	0	0	0
• Management (30-50)	%	67	67	70
• Management (>50)	%	33	33	30
• Executive (<30)	%	50	39	11
• Executive (30-50)	%	50	61	89
• Executive (>50)	%	0	0	0
• Non-Executive (<30)	%	15	0	0
• Non-Executive (30-50)	%	57	67	100

PERFORMANCE DATA TABLE

Indicator	Unit	FY2021	FY2022	FY2023
• Non-Executive (>50)	%	28	33	0
Bursa C3(b) Percentage of directors by gender and age				
• Men	%	100	89	86
• Women	%	0	11	14
• <30	%	0	0	0
• 30-50	%	0	0	0
• >50	%	100	100	100
Community Enrichment				
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	RM	1,293,851.48	85,000	267,500
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	68	1,860	3,191

Environmental Stewardship

Indicator	Unit	FY2021	FY2022	FY2023
Energy, Emissions, and Climate Change				
Bursa C4(a) Total energy consumption	GJ	10,241,306	15,378,313	23,283,693
Bursa C11(a) Scope 1 emissions in tonnes of CO_2e	tCO_2e	3.16	11.50	19.84
Bursa C11(b) Scope 2 emissions in tonnes of CO_2e	tCO_2e	20.60	19.80	23.93
Bursa C11(c) Scope 3 emissions in tonnes of CO_2e (business travel and employee commuting)	tCO_2e	8,006.41	12,016.08	18,230.82
Waste Management				
Bursa C10(a) Total waste generated	Metric tonnes	N/A	N/A	N/A
Bursa C10(a)(i) Total waste diverted from disposal	Metric tonnes	N/A	N/A	N/A
Bursa C10(a)(ii) Total waste directed to disposal	Metric tonnes	N/A	N/A	N/A
Water Consumption				
Bursa C9(a) Total volume of water used	L	121,989	141,106	166,437

CONTENT INDEX

GRI CONTENT INDEX

Statement of use	Al-Salām REIT has reported the information cited in this GRI content index for the period 1 January 2023 to 31 December 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION (PAGE)
GRI 2: General Disclosures 2021	2-1 Organisational details	52
	2-2 Entities included in the organisation's sustainability reporting	52
	2-3 Reporting period, frequency and contact point	53
	2-5 External assurance	54
	2-6 Activities, value chain and other business relationships	52
	2-7 Employees	80-85
	2-8 Workers who are not employees	80
	2-9 Governance structure and composition	61
	2-10 Nomination and selection of the highest governance body	61
	2-11 Chair of the highest governance body	61
	2-12 Role of the highest governance body in overseeing the management of impacts	61
	2-13 Delegation of responsibility for managing impacts	61
	2-14 Role of the highest governance body in sustainability reporting	61
	2-16 Communication of critical concerns	71-72
	2-25 Processes to remediate negative impacts	71-72
	2-26 Mechanisms for seeking advice and raising concerns	71-72
	2-27 Compliance with laws and regulations	72-73
	2-29 Approach to stakeholder engagement	62-63
GRI 3: Material Topics 2021	3-1 Process to determine material topics	64
	3-2 List of material topics	65
	3-3 Management of material topics	*Throughout*
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	68-69
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	76
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	72
	205-2 Communication and training about anti-corruption policies and procedures	71-72
	205-3 Confirmed incidents of corruption and actions taken	72
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	88
	302-4 Reduction of energy consumption	88
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	91
	303-5 Water consumption	91

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GRI STANDARD	DISCLOSURE	LOCATION (PAGE)
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	90
	305-2 Energy indirect (Scope 2) GHG emissions	90
	305-3 Other indirect (Scope 3) GHG emissions	90
	305-5 Reduction of GHG emissions	90
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	92
	306-2 Management of significant waste-related impacts	92
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	82
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	79
	403-2 Hazard identification, risk assessment, and incident investigation	79
	403-3 Occupational health services	79
	403-4 Worker participation, consultation, and communication on occupational health and safety	79
	403-5 Worker training on occupational health and safety	79
	403-9 Work-related injuries	79
	403-10 Work-related ill health	79
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	81
	404-2 Programmes for upgrading employee skills and transition assistance programs	82
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	83-85
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	82
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programmes	86
41GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	73

TCFD CONTENT INDEX

TCFD Recommendation	References/ Location
Governance	Sustainability Statement FY2023, Page 68
Strategy	Sustainability Statement FY2023, Pages 68-69
Risk Management	Sustainability Statement FY2023, Page 69
Metrics and Targets	Sustainability Statement FY2023, Page 69

JCORP
MENARA
KOMTAR

SECTION 04

CORPORATE GOVERNANCE

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146 Board Sustainability Committee Report

149 Statement on Risk Management and Internal Control

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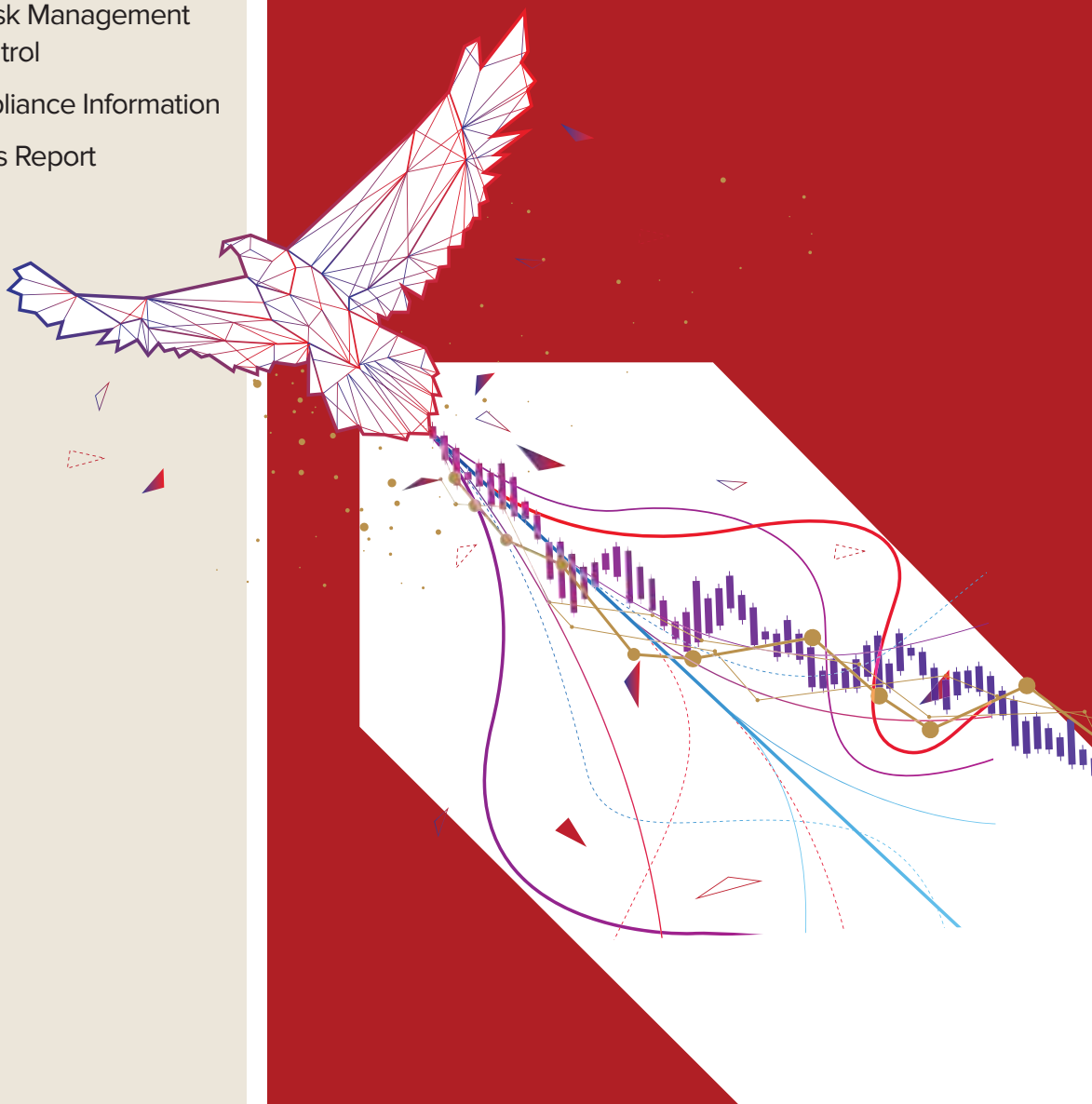


Holiday Inn
McDonald's
McCafé
McDonald's
KOMTAR
J B C C

As the property market continues to improve, the performance of our business units are being revitalized. Thanks to the positive market trend, we are gearing up for more impressive growth.

RE: VITALISE

THE BOARD OF DIRECTORS

Chairman ● Member ○

	Board of Directors	Board Audit and Risk Committee	Board Investment Committee	Board Nomination and Remuneration Committee	Board Sustainability Committee
1. Dato' Haji Mohd Redza Shah bin Abdul Wahid	●				
2. Abdullah bin Abu Samah	○	●	○	○	
3. Datuk Hashim bin Wahir	○		○	●	○
4. Lailatul Azma binti Abdullah	○	○			●
5. Datuk Sr. Akmal bin Ahmad	○	○			
6. Shamsul Anuar bin Abdul Majid	○		●	○	
7. Ng Yan Chuan	○		○		○

COMPANY SECRETARIES

Nuraliza binti Abd Rahman (MAICSA 7067934)

Rohaya binti Jaafar (LS0008376)

Notes: - None of the Board of Directors have:

- Any family relationship with any Director of Manager and/or major unitholder of Al-Salām REIT;
- Any conflict of interest with Al-Salām REIT;
- Any conviction of interest within the past 5 years (other than traffic offences); and
- Any public sanctions or penalties imposed by the relevant regulated bodies during the financial year ended 31 December 2023

THE BOARD OF DIRECTORS

DATO' HAJI MOHD REDZA SHAH BIN ABDUL WAHID
Chairman
Independent Non-Executive Director

Age:

61

Gender:

Male

Nationality:

Malaysian

Number of Meetings Attended:

9/9

Committee Member

Nil

Appointment Date

14 February 2020

Academic and Professional Qualifications

1. **Bachelor of Science in Economics (Industry and Trade)**
   London School of Economics and Political Science, University of London, United Kingdom
2. **Master of Science in Economics (International Banking and Finance)**
   University of Wales, Cardiff, United Kingdom
3. **Member**
   Institute of Chartered Accountants in England and Wales (ICAEW)
4. **Chartered Bankers**
   Asian Institute of Chartered Bankers

Working Experience

Present Appointment
Nil

Past Experiences
1. Chief Executive Officer,
   Bank Muamalat Malaysia Berhad (2019)
2. Group Chief Operating Officer,
   DRB-Hicom Berhad (2006)
3. Group Chief Executive Officer,
   Tradewinds Corporation Berhad (2005)
4. Chief Financial Officer,
   Silterra Malaysia Berhad (2001)

Other Directorship

Listed Issuer
- Al-`Aqar Healthcare REIT
- E.A. Technique (M) Berhad
- KPJ Healthcare Berhad

Public Companies
- Waqaf An-Nur Corporation Berhad

Course Attended

1. JCorp Corporate Stewardship Forum
2. Mandatory Accreditation Programme Part II: Leading for Impact (LIP)

THE BOARD OF DIRECTORS

ABDULLAH BIN ABU SAMAH
Independent Non-Executive Director

Age:

59

Gender:

Male

Nationality:

Malaysian

Number of Meetings Attended:

9/9

Committee Member

1. Chairman, Board Audit and Risk Committee
2. Member, Board Investment Committee
3. Member, Board Nomination and Remuneration Committee

Appointment Date

10 March 2021

Academic and Professional Qualifications

1. **Bachelor of Science in Business Administration**
   University of the Pacific
2. **Master of Business Administration**
   University of Washington
3. **Member**
   Malaysian Institute of Accountants
   Malaysian Institute of Certified Public Accountants

Working Experience

Present Appointment
Nil

Past Experiences
1. Licensed Partner for Audit of Financial Statements of Companies Listed and Non-Listed,
   KPMG Malaysia Partner (Audit) (1997)
2. Managing the Audit and the Financial Statements of Companies,
   KPMG Malaysia Audit Manager (1993)
3. Fieldwork of Audit of Financial Statements,
   KPMG Malaysia Audit Staff (1983)

Other Directorship

Listed Issuer
- Al-`Aqar Healthcare REIT
- Media Prima Berhad

Public Companies
- Johor Plantations Group Berhad

Course Attended

1. MIA International Accountants Conference 2023
2. JCorp Corporate Stewardship Forum
3. A Delicate Balance - Board & Management Relationship

THE BOARD OF DIRECTORS

DATUK HASHIM BIN WAHIR
Independent Non-Executive Director

Age:

67

Gender:

Male

Nationality:

Malaysian

Number of Meetings Attended:

8/9

Committee Member

1. Chairman, Board Nomination and Remuneration Committee
2. Member, Board Investment Committee
3. Member, Board Sustainability Committee

Appointment Date

24 January 2022

Academic and Professional Qualifications

1. **Bachelor of Engineering (Honours) in Mechanical Engineering,** Universiti Teknologi Malaysia
2. **Executive Development Program,** Ashridge Management College, United Kingdom
3. **Executive Development Program,** Johnson School of Management, Cornell University, USA
4. **Capital Markets Services Representative's License Holder**

Working Experience

Present Appointment
Nil

Past Experiences
1. Director, PETRONAS Hartabina Sdn Bhd (2013)
2. Chief Executive Officer, KLCC REIT Management Sdn Bhd - Manager of KLCCP Stapled Group (2013)
3. Group Chief Executive Officer/Executive Director, KLCC(Holdings) Sdn Bhd /KLCC Property Holdings Berhad (2007)
4. Country Chairman, Petronas Sudan Operations, Khartoum (2004)
5. General Manager, Planning and Resource Allocation - PETRONAS, Kuala Lumpur (2000)
6. General Manager of Chad/Cameroon JV Project, Petronas Carigali Sdn Bhd (1999)
7. Senior Manager, Petroleum Engineering Department, Petronas Carigali Sdn Bhd (1993)
8. Head of Production Technology, Baram Delta Operations, Miri, Sarawak (1983)
9. Engineer, Petronas Carigali Sdn Bhd (1981)

Other Directorship

Listed Issuer
- Al-`Aqar Healthcare REIT

Public Companies
Nil

Course Attended

1. Mandatory Accreditation Programme Part II: Leading for Impact (LIP)
2. Cybersecurity & Data Privacy
3. JCorp Corporate Stewardship Forum

THE BOARD OF DIRECTORS

LAILATUL AZMA BINTI ABDULLAH
Independent Non-Executive Director

Age:

51

Gender:

Female

Nationality:

Malaysian

Number of Meetings Attended:

9/9

Committee Member

1. Chairman, Board Sustainability Committee
2. Member, Board Audit and Risk Committee

Appointment Date

16 December 2022

Academic and Professional Qualifications

1. **Bachelor of Science (First Class Honours) Quantity Surveying**
   University of Reading, United Kingdom
2. **Master of Science (Distinction) - IT Management in Construction**
   University of Salford, United Kingdom
3. **Master of Laws (LLM), Corporate Governance**
   The University of Law, United Kingdom

Working Experience

Present Appointment
Nil

Past Experiences
1. Head of Partnership,
   Specialized Sports Services Sdn Bhd (2022)
2. Head of Branding and Advertising,
   Destination, Resorts and Hotels Sdn Bhd (Subsidiary of Khazanah) (2014)
3. Director, Asset Management & Investment Committee for CIMB Trust-Capital Sdn Bhd, CIMB Group Berhad (2011)
4. Senior Manager (Asset Management),
   CIMB Group Berhad (2010)
5. Head of Property Development and Management,
   CIMB Group Berhad (2007)
6. Head of Business Development,
   X-Txt Asia Sdn Bhd (2006)
7. Chief of Operations,
   GCS Sdn Bhd (2004)
8. Contracts Manager,
   GCS Sdn Bhd (1997)
9. Quantity Surveyor - Project Executive,
   Davis, Langdon & Seah Malaysia (JUBM Sdn Bhd) (1995)

Other Directorship

Listed Issuer
- Al-`Aqar Healthcare REIT

Public Companies
Nil

Course Attended

1. Mandatory Accreditation Programme Part II: Leading for Impact (LIP)
2. JCorp Corporate Stewardship Forum

THE BOARD OF DIRECTORS

DATUK Sr. AKMAL BIN AHMAD
Non-Independent
Non-Executive Director

Age:

58

Gender:

Male

Nationality:

Malaysian

Number of Meetings Attended:

7/9

Committee Member

1. Member, Board Audit and Risk Committee

Appointment Date

21 January 2021

Academic and Professional Qualifications

1. **Diploma in Quantity Surveying**
   Universiti Teknologi MARA
2. **Bachelor of Science in Quantity Surveying**
   Universiti Teknologi MARA

Working Experience

Present Appointment

1. Director, Real Estate and Infrastructure Division, Johor Corporation
2. Group Executive Chairman, Damansara Holdings Berhad

Past Experiences

1. Executive Director, JLand Group Sdn Bhd (2022)
2. Group Managing Director, Johor Land Berhad (2020)
3. Chief Operating Officer, Iskandar Investment Berhad (2020)
4. Chief Executive Officer, Iskandar Development Management Services Sdn Bhd (IIB subsidiary) (2018)
5. Chief Development Officer, Iskandar Investment Berhad (2016)
6. Director of Operations, Iskandar Development Management Services Sdn Bhd (2013)
7. General Manager, Nusajaya Development Sdn Bhd (UEM Land Berhad subsidiary) (2007)
8. Project Manager 1, (Prince Court Medical Centre Project) KLCC Projeks Sdn Bhd (2007)
9. Project Manager, (University Technology of Petronas Development) KLCC Projeks Sdn Bhd (2003)
10. Project Manager, (Petronas Twin Towers Fit-Out) KLCC Projeks Sdn Bhd (1999)
11. Contract Management Executive, KLCC Projeks Sdn Bhd (1993)

Other Directorship

Listed Issuer

- Al-`Aqar Healthcare REIT

Public Companies

- Damansara Holdings Berhad

Course Attended

1. JCorp Corporate Stewardship Forum

THE BOARD OF DIRECTORS

SHAMSUL ANUAR BIN ABDUL MAJID
Non-Independent
Non-Executive Director

Age:

53

Gender:

Male

Nationality:

Malaysian

Number of Meetings Attended:

9/9

Committee Member

1. Chairman, Board Investment Committee
2. Member, Board Nomination and Remuneration Committee

Appointment Date

24 August 2020

Academic and Professional Qualifications

1. **Bachelor of Science (Honours), Chemistry**
   Imperial College London, United Kingdom
2. **Master of Business Administration (MBA) Islamic Finance**
   International Islamic University Malaysia
3. **Member, Chartered Financial Analyst (CFA)**
   CFA Institute, Charlottesville, Virginia, USA

Working Experience

Present Appointment

1. Chief Investment Officer,
   Johor Corporation

Past Experiences

1. General Manager,
   Johor Corporation (2019)
2. Director and Principal Partner,
   Fikiran Sepakat Sdn Bhd (2017)
3. Special Officer to the Managing Director,
   Iskandar Waterfront Holdings (2014)
4. Executive Vice President, Strategy & Feasibility,
   Iskandar Investment Berhad (2011)
5. Vice President, Finance and Special Projects,
   Greenland Malaysia (2007)
6. Energy Sector Specialist,
   The Boston Consulting Group (2001)
7. Planning Analyst, Downstream Economics Planning Department,
   Shell Malaysia (1999)

Other Directorship

Listed Issuer

- Al-`Aqar Healthcare REIT
- KPJ Healthcare Berhad

Public Companies

- QSR Brands (M) Holdings Berhad
- Kulim (M) Berhad
- Johor Plantations Group Berhad

Course Attended

1. JCorp Corporate Stewardship Forum
2. Driving Strategic innovation: Leading Complex Initiatives for Impact from The Wharton School, University of Pennsylvania
3. Johor Conversations: A Sustainable Johor Rooted in Resilience
4. Affin Conference Series 2023 - Malaysia 2023: A New Investment Chapter
5. Johor Conversations: A Sustainable Johor Rooted in Resilience
6. Johor Conversations: Onwards to a Citizen-Centric, Sustainable and Inclusive Johor
7. PwC New Partner Experience: Voice of the Client
8. Asia-Pacific Climate Week 2023
9. Affin Hwang State Of The Nation & Spotlight On Johor Conference

THE BOARD OF DIRECTORS

NG YAN CHUAN
Non-Independent
Non-Executive Director

Age:

60

Gender:

Male

Nationality:

Malaysian

Number of Meetings Attended:

9/9

Committee Member

1. Member, Board Investment Committee
2. Member, Board Sustainability Committee

Appointment Date

16 December 2022

Academic and Professional Qualifications

1. **Bachelor of Building**
   University of New South Wales, Australia
2. **Master of Applied Science**
   Macquarie University, New South Wales, Australia

Working Experience

Present Appointment

1. Chief Commercial Officer,
   JLand Group Sdn Bhd
2. Deputy Director,
   Real Estate & Infrastructure Division, Johor Corporation

Past Experiences

1. CEO, Southern Region
   Distinctive Group (2021)
2. Executive Director, Business Development
   Gamuda Land Sdn Bhd (2020)
3. Executive Director of Iskandar Coast
   Iskandar Investment Berhad (2019)
4. Executive Vice President, Strategic Marketing
   Iskandar Investment Berhad (2018)
5. Senior Vice President, Marketing
   Iskandar Investment Berhad (2010)
6. Senior Vice President, Residential Development
   Iskandar Investment Berhad (2009)

Other Directorship

Listed Issuer

- Al-`Aqar Healthcare REIT

Public Companies

- Johor Land Berhad

Course Attended

1. JCorp Corporate Stewardship Forum

Notes - None of the Directors have:

- any family relationship with any Director of the Manager and/or major unitholder of Al-Salām REIT;
- any conflict of interest with Al-Salām REIT;
- any conviction of interest within the past 5 years (other than traffic offences); and
- any public sanctions or penalties imposed by the relevant regulated bodies during the financial year ended 31 December 2023.

THE SHARIAH COMMITTEE

DATO' DR. HAJI NOOH BIN GADOT
Chairman, Shariah Committee

Age:

78

Gender:

Male

Nationality:

Malaysian

Appointment Date

22 June 2006

Academic and Professional Qualifications

1. **Bachelor Islamic Law and Syariah Islamiah**
   Al-Azhar University, Egypt
2. **Master of Arts**
   Asia e University
3. **Doctor of Philosophy (Human Development)**
   Universiti Tun Hussein Onn Malaysia

Working Experience

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

He was appointed as Federal Supreme Committee of Islamic Affairs Strengthening Management on 9 August 2018. His vast experience in Islamic practise and jurisprudence, juristic methodology, hadith and its sciences and spirituality were gained throughout his services as Acting Kadi, Syarie Lawyer Islamic Affair Officer Religious Department (Prime Minister Department), Acting Assistant Examination and Registrar Religious School of Johor State and Religious Teacher of Johor State.

Present Appointment

1. Chairman, Shariah Committee, Al-`Aqar Healthcare REIT
2. Chairman of Yayasan Infaq Angkasa
3. Shariah Adviser Member, Permodalan Nasional Berhad
4. Director, Universiti Tun Hussein Onn Malaysia
5. Director, Yayasan Wakaf Anak Yatim Malaysia
6. Committee Member, Johor Islamic Council including Zakat, Wakaf, Baitulmal, Teaching Certification and Education
7. Committee Member of various companies within the JCorp Group
8. Committee Member of various councils including the Johor Royal Congregational Council, Johor Islamic Council's Finance and Investment, Planning and Development units

THE SHARIAH COMMITTEE

PROFESOR MADYA DR. ABDUL HALIM BIN MUHAMMAD
Member, Shariah Committee

Age:

79

Gender:

Male

Nationality:

Malaysian

Appointment Date

22 June 2006

Academic and Professional Qualifications

1. **Bachelor in Shariah**
   Al-Azhar University, Egypt
2. **Doctor of Philosophy (PhD) in Shariah**
   University of St Andrews, Scotland

Working Experience

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

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

Present Appointment

1. Shariah Committee, Al-`Aqar Healthcare REIT
2. Committee, Jamaah Ulama Majlis Istiadat Agama Islam dan Adat Istiadat Melayu Kelantan

THE SHARIAH COMMITTEE

ABOUT IBFIM

IBFIM is a registered Shariah adviser under the Capital Market Services Act 2007 and has been providing a wide range of Shariah advisory and consultancy services for Islamic financial services industry since 2001. IBFIM is also a lifelong learning institution that specialises in technical certifications for Islamic financial services industry. As Shariah Adviser to Al- `Aqar, IBFIM is providing necessary advice to ensure that Al-Salām REIT business is Shariah compliant. IBFIM was appointed as the Shariah Adviser for Al-Salām REIT effective 2 July 2020.

Profile of Designated Person responsible for Shariah matters relating to Al-Salām REIT

In relation to Shariah matters, the IBFIM's designated persons responsible for the fund investment activities under Al-Salām REIT are Mohamad Salihin bin Deris and Irma Namira binti Missnan.

Mohamad Salihin bin Deris is the Director, Shariah Business Advisory of IBFIM. He brings with him approximately 23 years of combined experience in Islamic finance and Shariah advisory in central banking, commercial finance and development finance. At IBFIM, he leads the Shariah advisory and consultancy team in helping the clients to achieve a comprehensive and optimal Shariah compliance solution.

Mohamad Salihin started his career with Bank Negara Malaysia's Islamic Banking & Takaful Department. He then served CIMB Islamic Bank, Hong Leong Islamic Bank and Association of Islamic Banking Institutions Malaysia. Before joining IBFIM, he served Bank Pembangunan Malaysia Berhad as the Group Head, Shariah Management. He had gained experience in Shariah advisory, research, secretariat and review functions, developed and implemented the overall Shariah governance framework as well as involved in Islamic conversion initiative.

Mohamad Salihin holds double-degree in LLB(Hons) and LLB(Shariah)(Hons) from International Islamic University Malaysia. He also holds Intermediate Qualification in Islamic Finance (IQIF) from IBFIM and Certified Shariah Advisor qualification from Association of Shariah Advisors in Islamic Finance ("ASAS"). He is a Member of ASAS and had previously served as its exco. He is a certified HRDCorp trainer and had contributed as reviewer of Shariah training modules. Occasionally, he speaks on Shariah governance topics in Islamic finance. Currently he is the Chairman of AmMetLife Takaful's Shariah Committee and a Member of Affin Islamic Bank's Shariah Committee. He is a registered Shariah adviser with the Securities Commission of Malaysia for IBFIM in relation to the Islamic capital market product and services.

Irma Namira binti Missnan is currently a Manager, Shariah Business Advisory of IBFIM. She brings with her approximately 11 years of experience in Islamic finance and Shariah advisory. At IBFIM, she is responsible to lead and provide relevant inputs for the Shariah advisory, consultancy and research functions with regard to Islamic banking, takaful, Islamic capital market, Islamic REITs and Islamic unit trust funds.

Irma Namira had started her career as a Shariah executive in RHB Islamic Bank Berhad since 2012. Specialising in Shariah advisory, governance and management portfolios, she was then entrusted as a Section Head of the Shariah Secretariat of RHB Islamic Bank from May 2015 until March 2020 before joining IBFIM. She is experienced in the Shariah application in Islamic products and services which includes retail banking, non-retail banking and Islamic capital markets.

Irma Namira graduated with Bachelor of Syariah and Laws (Hons) from Universiti Sains Islam Malaysia and obtained Certificate in Islamic Law of Banking & Finance from International Islamic University Malaysia. She is a member of ASAS and a registered Shariah adviser with the Securities Commission of Malaysia for IBFIM in relation to the Islamic capital market-related product and services.

Notes - None of the Shariah Committee members have:

- any family relationship with any Director of the Manager and/or major unitholder of Al-Salām REIT;
- any conflict of interest with Al-Salām REIT;
- any conviction of interest within the past 5 years (other than traffic offences); and
- any public sanctions or penalties imposed by the relevant regulated bodies during the financial year ended 31 December 2023.

THE MANAGEMENT TEAM

YM RAJA NAZIRIN SHAH BIN RAJA MOHAMAD

Chief Executive Officer

Nationality: **Malaysian**	Gender: **Male**	Age: **60**

Appointment Date

11 January 2023

Qualifications

- **Diploma in Estate Management**
  Universiti Teknologi MARA
- **Bachelor of Estate Management (Hons)**
  Universiti Teknologi MARA
- **Post Graduate Research in Business Administration**
  Kagawa University, Japan
- **Master of Business Administration, Finance**
  Management and Science University
- **Registered Property Manager – PM0415**
  Board of Valuers, Appraisers & Estate Agents
- **Registered Valuer – V0415**
  Board of Valuers, Appraisers & Estate Agents
- **Registered Real Estate Agent - E1247**
  Board of Valuers, Appraisers & Estate Agents
- **Capital Markets Services Representative's License Holder**

Directorship

Nil

Working Experience

- Chief Executive Officer, AmREIT (2022)
- Vice President and Head of Commercial, PNB Merdeka Ventures Sdn Bhd (2019)
- Chief Operating Officer, PNB Commercial Sdn Bhd (2017)
- General Manager, Sales, Marketing & Asset Management, Malaysian Resources Corporation Berhad (2011)

Responsibilities

- Developing and executing a strategic plan for the Fund to achieve its investment goals and maximise returns for its shareholders.
- Overseeing the acquisition, development, and management of the Fund overall portfolio.
- Working with the management team to implement effective property management and leasing strategies.
- Communicating with the Board of directors, shareholders, and other stakeholders to provide regular updates on the company's financial performance and growth prospects.
- Fostering relationships with key industry players, including lenders, brokers, and property managers, to support the growth of the Fund portfolio.

THE MANAGEMENT TEAM

SHAHRIL ZAIRIS BIN RAMLI

General Manager

Nationality: **Malaysian**	Gender: **Male**	Age: **54**

Appointment Date

1 July 2012

Qualifications

- **Diploma in Investment Analysis,**
  Universiti Teknologi Mara
- **Bachelor Banking and Finance,**
  Bangor University, Wales, United Kingdom
- **Capital Markets Services Representative's Licence Holder**

Directorship

Nil

Working Experience

- Senior Manager, Johor Corporation (2012)
- Manager, Damansara Realty Berhad (2006)
- Officer, BSN Merchant Bank (1999)

Responsibilities

- Develop investment strategies and investment portfolio through strategic acquisitions
- Responsible to overall day to day management and operations of Al-Salām REIT

ROZIAH BINTI ABU BAKAR

Head of Compliance and Risk Management

Nationality: **Malaysian**	Gender: **Female**	Age: **56**

Appointment Date

1 March 2016

Qualifications

- **Bachelor of Arts, International Relations**
  The University of British Columbia, Vancouver, Canada
- **Master of Business Administration,**
  Henley Business School, University of Reading
- **Enterprise Risk Advisor,**
  Institute of Enterprise Risk Practitioners

Directorship

Nil

Working Experience

- Senior Manager, KFCH International College (2016)
- Manager, Akademi Johor Corporation (2013)
- Deputy Manager, Chief Operating Officer Office, Johor Corporation (2010)

Responsibilities

- Ensure compliance with internal control policies and procedures, securities laws, regulations, and relevant guidelines
- Detect and prevent breaches of securities laws, regulations and relevant guidelines and provide regular reports on the effectiveness of a business's compliance measure
- Review, monitors and oversees risk profiles (strategic & business, operational, finance, compliance, and integrity risks) and their related mitigation programmes
- Plan, implements and oversees risk-related programmes
- Review internal audit reports and monitors the performance on internal auditors
- Ensure the development and implementation of the Business Continuity Management Plan
- Oversee the implementation of Sustainability programme

THE MANAGEMENT TEAM

SUHAIMI BIN SAAD

Head of Operations

Nationality: **Malaysian**	Gender: **Male**	Age: **54**

Appointment Date

1 July 2006

Qualifications

- **Bachelor of Arts (Hons) in Urban Studies and Planning**
  University of Malaya
- **Capital Markets Services Representatives License Holder**
- **Registered Property Manager**
  The Board of Valuers, Appraisers, Estate Agents and Property Managers

Directorship

Nil

Working Experience

- Property Executive, Harta Consult Sdn Bhd (2006)
- Marketing Executive, Damansara-Harta Management Sdn Bhd (2001)
- Marketing Admin Coordinator, Dewina Trading Sdn Bhd (2001)
- Admin Assistant, Dewina Food Industries Sdn Bhd (2000)
- Project Admin Executive, Akitek Akiprima Sdn Bhd (1997)

Responsibilities

- Formulate strategies and business plans to ensure continuous asset enhancement initiatives are carried out to enhance property income and values in the long run
- Manage and supervise the services of relation to the Al-Salām REIT's assets

HAMIM BIN MOHAMAD

Head of Corporate Services

Nationality: **Malaysian**	Gender: **Male**	Age: **47**

Appointment Date

16 July 2014

Qualifications

- **Bachelor of Engineering**
  Universiti Kebangsaaan Malaysia

Directorship

Nil

Working Experience

- Head of Legal, Damansara Realty Berhad (2014)

Responsibilities

- Attend and manage all legal matters in relation to any issues and transactions involving Al-Salām REIT and its assets
- Responsible for all matters in relation to human resources of the Manager
- Responsible for day-to-day administration, IT, and support services of the Manager
- Attend and liaise with the company secretaries on any secretarial and company-related matters

THE MANAGEMENT TEAM

MUHAMMAD IKHWAN BIN MUHAMMAD HANAPI

Head of Finance

Nationality: **Malaysian**	Gender: **Male**	Age: **38**

Appointment Date

10 October 2011

Qualifications

- **Member,**
  Malaysian Institute of Accountant
- **Member,**
  Association of Chartered Certified Accountants
- **Capital Markets Services Representative's License Holder**

Directorship

Nil

Working Experience

- Assistant Manager, KPMG Desa Megat & Co (2011)
- Audit Assistant, KPMG Desa Megat & Co (2008)

Responsibilities

- Responsible for the management of financial functions including monitoring of cash flow, monitoring and reporting financial performance as well as preparing relevant statutory report for the statutory requirement
- Overseeing implementation of Al-Salām REIT short and medium business plans, cash and funding managements activities and financial condition
- Responsible in applying appropriate capital management strategy including tax and treasury matters, as well as finance and accounting matters

SAHRIN BIN MUNIR

Head of Business Development and Investor Relations

Nationality: **Malaysian**	Gender: **Male**	Age: **42**

Appointment Date

2 May 2013

Qualifications

- **Bachelor of Management (Technology)**
  Universiti Teknologi Malaysia
- **Capital Markets Services Representative's License Holder**

Directorship

Nil

Working Experience

- Investment Officer, Felda (2013)
- Investment Executive, Pembangunan Ekuiti Sdn Bhd (2011)
- Executive, Damansara Realty Berhad (2008)

Responsibilities

- Develop investment strategies and the grow of the Fund's portfolio through strategic acquisitions
- Implement effective communication strategies with all stakeholders and maintaining continuous engagement with the investment community

Notes - None of the Management and Key Personnel have:

- any family relationship with any Director of the Manager and/or major unitholder of Al-Salām REIT;
- any conflict of interest with Al-Salām REIT;
- any convictions for offences within the past 5 years (other than traffic offences); and
- any public sanctions or penalties imposed by the relevant regulated bodies during the financial year ended 31 December 2023.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE GOVERNANCE OVERVIEW STATEMENT 2023

In its deliberation and review of the CG Overview Statement, the Board is satisfied that the practices set out in the Malaysian Code on Corporate Governance ("MCCG") as defined in the MCCG, in all material respects, have been applied to achieve the intended outcomes for the financial year under review.

Introduction

This Corporate Governance Overview Statement ("CG Statement") sets out the principal features of the Group's corporate governance approach, a summary of corporate governance practices during the year under review as well as key focus areas and future priorities concerning corporate governance.

The Board is committed to ensuring that a strong governance framework operates throughout the Group, recognising that good corporate governance is a vital component to support management in their delivery of the Group's strategic objectives and to operate a sustainable business for the benefit of all stakeholders. The process of identifying, developing, and maintaining high standards of corporate governance is ongoing and dynamic, to reflect changes in the Group and its business, the composition of the Board, and developments in corporate governance.

The Board has been guided by the MCCG in its implementation of CG practices while ensuring compliance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, the Guidelines for Listed REITs, Bursa Malaysia Corporate Governance Guide 28 April 2021, and Companies Act 2016.

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

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

To ensure compliance with the most recent applicable Corporate Governance and regulatory obligations, the Board regularly reviews its governance procedures and processes. Throughout the year in review, all the provisions of the MCCG 2021 save for Practices 8.1 (detailed disclosure on a named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits-in-kind and other emoluments) and 8.2 (disclosure of senior management's remuneration).

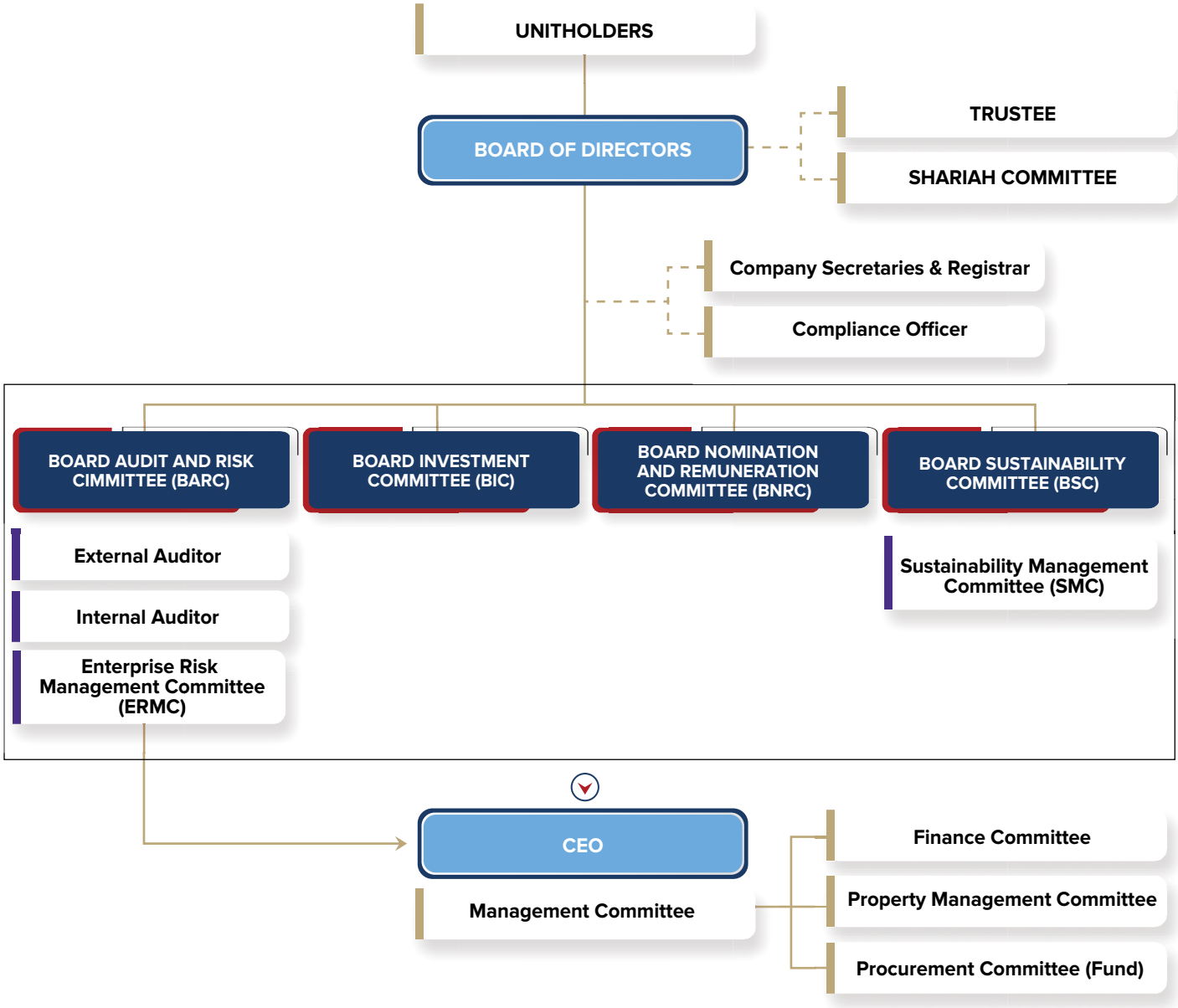
The Corporate Governance Report is available on the Group's website at www.alsalamreit.com.my as well as via an announcement on the website of Bursa Malaysia. This Corporate Governance Overview Statement should also be read in tandem with the other statements in the Sustainability Statement namely, the Statement on Risk Management and Internal Control, Audit and Risk Committee Report, and Sustainability Statement.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE GOVERNANCE STRUCTURE

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

Governance Structure



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The main purpose of a governance structure is to address the central issues revolving the four components of the governance operating model summarised below:

COMPONENTS	SUBCOMPONENTS	DESCRIPTION
STRUCTURE	• Committee structure and charters • Organisational design and reporting lines • Control and support function roles	• Outlines board and management committee structures, mandates, membership and charters • Establishes design of governance framework • Delineates organisational structure, reporting lines and relationships • Highlights roles and independence of control and support functions from business owners
OVERSIGHT RESPONSIBILITIES	• Committee (s) authorities and responsibilities • Management accountability and authority • Board oversight and responsibilities • Reporting, escalation, and veto rights	• Outlines the type of committees (board and management) and associated responsibilities • Specifies functional accountabilities for day-to-day management of business practices across the enterprise • Delineates board and management approved policies supporting delegation of authority (decision rights) including reporting, escalation and veto rights
TALENT & CULTURE	• Business and operating principles • Core belief and risk culture • Leadership development and talent programmes performance • Management and incentives	• Aligns governance with operating and business principles • Articulates core beliefs and foundation for culture • Highlights characteristics of risk culture • Outlines leadership succession, assessment, and development responsibilities • Aligns performance management, approach, measures and responsibilities to compensation and incentive plans
INFRASTRUCTURE	• Policies and Procedures	• Establishes design and content of policy manual and associated procedures • Outlines type and frequency of internal reporting and communications • Define scorecards, measures, and metrics to track performance • Aligns technology and governance requirements

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS

Board Leadership and Management

The Board is led by an Independent Non-Executive Director and comprised of four other Independent Non-Executive Directors and four Non- Independent Non-Executive Directors. The Directors have a balance and depth of skills, experience, independence and knowledge of the Real Estate/ Property industry and the REIT business model, which enables them to discharge their respective duties and responsibilities effectively. Each Director and Senior Management were assessed for compliance with the Policy on Fit & Proper Criteria, their performance, and effectiveness. Should any of them are found no longer fit and proper or is underperforming, the BNRC will take corrective measures to manage such event accordingly.

The board is collectively responsible for the long-term success of a company and the delivery of sustainable value to its stakeholders. In discharging its fiduciary duties and leadership functions, it is imperative for the board to govern and set the strategic direction of the company while exercising oversight on management. It also plays a critical role in setting the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the company. The Board is also responsible for the governance and management of the company. To ensure the effective discharge of its functions, the Board undertakes the following responsibilities:

1. To review, challenge and approve the annual corporate plan, which includes the overall corporate strategy, marketing plan, human resources plan, information technology plan, financial plan, budget, regulations plan and risk management.
2. To oversee the conduct of the businesses and to determine whether the businesses are being properly managed.
3. To review and identify new areas of improvements that promote high standards of corporate governance and compliance culture within the Company.
4. To identify principal risks and ensuring the implementation of appropriate internal controls and mitigation risks to effectively monitor and manage these risks.
5. To review and realign key policies adopted in keeping abreast of new opportunities and potential challenges affecting the sustainability of the Company.
6. To implement succession planning of the Chairmanship of the Board and key management positions that involve appointing, training, fixing the remuneration of, and where appropriate.
7. To oversee the development and implementation of an investor relations and communications policy of the Company.
8. To review the adequacy and the integrity of our management information and internal controls systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines.
9. Together with management takes responsibility to review the ESG strategies, management processes, initiatives, target and performance of the Funds with regards to ESG risks and opportunities.

The Directors are also able to take independent professional advice in the furtherance of their duties as necessary.

Number of Meetings and Board Attendance in 2023

During the year, a total of 9 Board of Directors meetings were with 100% eligible attendance. The number of meetings held during the year, and the attendance of each Director can be found on pages 104-110 (Director's Profile) as well as at the Board Audit and Risk Committee, Board Investment Committee, Board Nomination and Remuneration Committee and Board Sustainability Committee Reports on pages 133,140,143 and 147, respectively.

Similarly all highlights of matters reviewed, deliberated and approved by the Board Committees during FY2023 can be found on the same sections mentioned above.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Separation of Duties between the Chairman and the Chief Executive Officer ("CEO")

The primary responsibility of the Chairman is to lead and guide the Board so that it can discharge its duties effectively. The Chairman is responsible for promoting best practice in corporate governance and for overseeing the development, adoption, delivery and communication of an effective corporate governance model for the Company. The Board collectively develops and determines the Group's purpose, strategy and overall commercial objectives whilst ensuring adoption of policies and procedures that it considers appropriate having regard to its size and activities.

The CEO holds the principal responsibilities of reporting, clarifying, communicating, implementing and recommending key strategic and operational matters and proposals to the Board for approval as well as implementation policies and strategies and managing the business at an operational level, aimed at promoting a long-term value for the unitholders and stakeholders alike.

The respective roles of the Chairman and CEO are clearly defined and documented in the Board Charter to promote accountability and facilitate division of responsibilities between them and to further ensure a balance of power and authority, with no one individual having unfettered powers of decision.

Company Secretary

The Company Secretary, advises the Board and reports directly to the Chairman on corporate governance matters, supports the Chairman in the effective functioning of the Board and its Committees and facilitates the receipt by the Board of high-quality information in a timely manner. She also advises the Board on compliance and governance matters, helping to make sure that Board procedures and applicable rules and regulations are observed.

Annual evaluation of the Group Secretaries based on the above roles will be carried out by the Board.

The Board Committees

The Committees for Audit and Risk, Remuneration and Nominations, Investment and Sustainability initiatives were established with delegated and clearly defined powers. The terms of reference for the Committees are reviewed annually.

The Chairman is not a member of any Board Committees.

During the year, the terms of reference for all the Committees were reviewed and the Board was satisfied they remain fit for purpose. Each Committee's terms of reference can be found at www.alsalamreit.com.my.

Board Evaluation

The Board conducts an annual Board Effectiveness Evaluation ("BEE") on individual Directors's performance and the senior management team. This is to reinforce the Board's commitment towards the highest level of performance by their directors when fulfilling their responsibilities to stakeholders, and the continuous strive for excellence in governance. The BEE Report was tabled at the BNRC meeting on 22 November 2023. Summary of the report can be found on pages 144-145.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Competencies and Skill Set

Members of the Board and the Senior Management are expected to possess the relevant knowledge, skills, competencies, functional and management experience, characteristics and mind-set to contribute effectively to the Board, as specified in the Fit and Proper Policy of the Company. Guidelines for the skill set of the Directors is summarised as below:

AREAS	COMPETENCIES
Knowledge and Understanding of the Business/ Industrial Strategies	• Experience in planning and developing corporate strategies for growth, assessing business performance, investment and financial decisions • Operates or has relevant industry experience in operating businesses • Competent and skillful in financial aspects of running a business including the ability to read, analyse and interpret financial statements
Corporate Governance, Risk Management and Internal Controls	• Working knowledge on duties and responsibilities of the Board, Board Committees and Directors • Hands-on experience in the fields of governance, risks and controls • Ability to understand, interpret and effectively apply legislative and regulatory changes • Knowledge on legal, regulatory and business requirements in other countries/ regions in which the company operates

The Fit and Proper Assessment

The Board, through the BNRC, assessed the competencies of the Directors, in accordance with the REIT Manager's Fit and Proper Policy on Key Responsible Persons as well as Declaration by Independent Directors on an annual basis.

Managing Conflict of Interest

The REIT Manager's policy requires that directors, officers and employees avoid any conflict between their own interests and the interests of the Group in dealing with suppliers, customers and other third parties, and in the conduct of their personal affairs, including transactions in securities of DRMSB, any affiliated or any non-affiliated organisation.

A member of the Board who directly or indirectly has by himself, his spouse or children, any interest in any matter under discussion by the Board shall disclose to the Board the existence of such interest and nature thereof. As such, a disclosure shall be recorded in the minutes of the Board, and after the disclosure–

(a) the member shall not take part nor be present in any deliberation or decision of the Board;
(b) the Director shall be disregarded for the purpose of constituting a quorum of the Board relating to the matter; and
(c) no act or proceedings of the Board shall be invalidated on the ground that any member of the Board has contravened the provisions of this section.

Continuing Education and Development

Directors play a critical role in guiding the strategy and operations of organisations, therefore, on-going education and development ensures that Directors are kept up-to-date on emerging trends, best practices, and regulatory requirements. Trainings and presentations attended and delivered by the Directors are specified in the Directors profiles on pages 104-110.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Remuneration

The Board acknowledges that MCCG 2021 emphasises that Directors' remuneration, which is well structured, clearly linked to the strategic objectives of a company, and rewards contribution to the long-term success of the company is important in promoting business stability and growth.

The REIT Manager has, in place policies and procedures regarding remuneration and aims to set remuneration at level that is sufficient to attract, motivate, and retain the Directors needed to achieve the Company's long-term objectives, taking into consideration all relevant factors including the complexity of the Company's business and its performance, the skills and experience of the relevant Director and his or her responsibilities, contribution and commitment to the Company.

The Board Nomination and Remuneration policy is responsible to recommend and ensure the administration of a fair and transparent procedure for setting policy on the remuneration of directors and senior management. The remuneration packages are also designed on the basis of the directors' senior management's merit, qualification, and competence while having regard to the company's operating results, individual performance, and comparable market statistics.

As such, the Board complies with the remuneration policy set by the Johor Corporation Group of Companies.

Practice 8.1 of the MCCG 2021 requires a disclosure on directors' remuneration, where "detailed disclosure on a named basis for the remuneration of individual directors and the remuneration breakdown of individual directors includes fees, salary, bonus, benefits-in-kind, and other emoluments". The REIT Manager explained that the Board's nomination, and appointment remuneration is undertaken by the REIT Manager, a private company in the Johor Corporation Group, and not by the REIT. The appointment, re-appointment, and remuneration of a director of the Company are not subject to the approval by the unitholders of the listed funds. As such in this instance, the required disclosure does not apply to the REIT.

Senior Management Remuneration

The REIT Manager also adopts the DRMSB's Employee Salary Scheme as a guiding principle to provide a competitive level of total compensation to attract and retain qualified and competent staff. It is also driven primarily based on performance as specified in its Performance Management Policy.

With regard to application of Practice 8.2 which requires disclosure "on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments", the Board is of the view that such disclosure is not applicable and mandatory because the REIT Manager is not a listed entity; and the senior management's remuneration is paid by the REIT Manager.

Nevertheless, the Board wishes to give assurance that the remuneration of Directors and Senior Management commensurate with their individual performance, taking into consideration of the REIT's performance. The remuneration packages of Senior Management are based on experience, expertise, skills and industry benchmarking.

Driving Sustainability

The Board Sustainability Committee ("BSC") together with Senior Management takes responsibility for the governance of sustainability in setting the company's sustainability strategies, priorities, and targets.

Further, the Board is cognizant of the philosophy promoted by MCCG 2021, effective board leadership and oversight also require the integration of sustainability considerations in corporate strategy, governance and decision-making. As ESG is gaining importance, the BSC has been mandated with oversight functions on ESG including climate change risk.

The REIT Manager has established the Sustainability Management Committee ("SMC") at the management level, which is led by the CEO and comprises the management team of the REIT Manager, the Property Manager, and its counterparts. The SMC is dedicated to managing sustainability strategically, including the integration of sustainability considerations in the operations.

Further, the advocating sustainability initiatives have been embedded in the performance evaluations of the Board and senior Management in line with Practice 4.4 of the MCCG 2021. The Board also ensures that they stay abreast with and understand the sustainability issues, hence all Directors are required to attend the Mandatory Sustainability Onboarding Programme for Directors of PLCs by the end of 2024.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Gender Diversity and Inclusion

The company has long understood the importance of diversity and inclusion. The commitment to diversity is embedded in our Sustainability Policy that sets out DRMSB's values. the composition and quality of the Board should be in keeping with the size and its investment portfolio, business direction, and status as the REIT Manager of two listed Funds. A diverse Board with a range of views enhances decision-making, which is beneficial to the Manager's/ Fund's long-term success in the interests of the stakeholders.

To date, the REIT Manager's Board composition comprises one female Director, Ms Lailatul Azma binti Abdullah who was appointed as Independent Non-Executive Director on 16 December 2022. In this respect, the Board has complied with Bursa Malaysia's requirement to have at least one woman director by 2023.

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

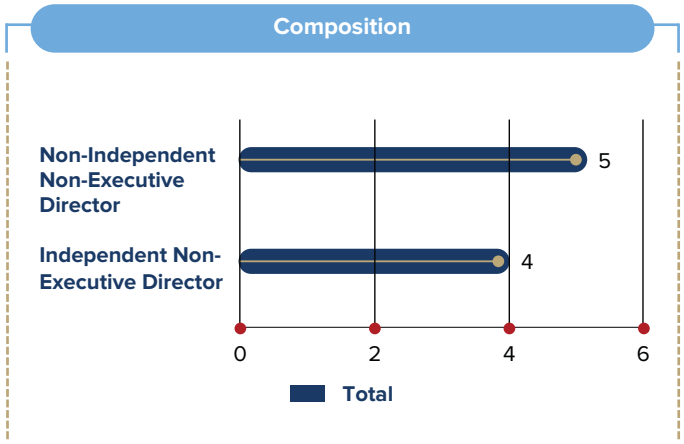
All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires to be effective. The Board Nomination and Remuneration Committee ("BNRC") reviews and assesses Board composition on behalf of the Board and recommends the appointment of new Directors. In reviewing Board composition, BNRC will consider the benefits of all aspects of diversity to maintain an appropriate range and balance of skills, experience, and background on the Board and with due regard for the benefits of diversity on the Board. It also oversees the conduct of the annual assessment of Board effectiveness. As part of the annual performance evaluation of the effectiveness of the Board, Board Committees, and individual Directors, the BNRC will consider the balance of skills, experience, independence, and knowledge on the Board and the diverse representation of the Board.

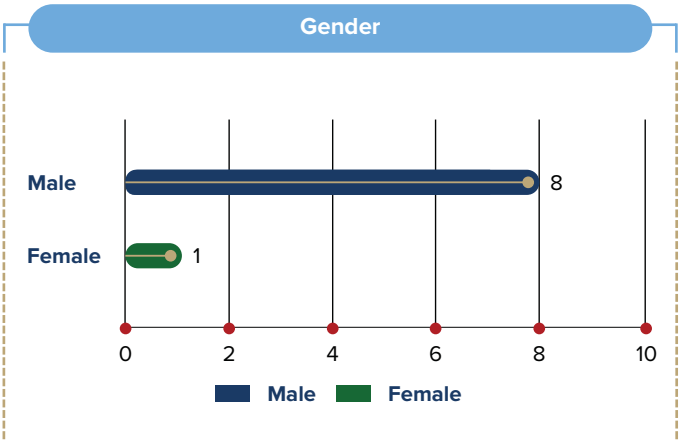
The Board takes cognizant of the Main Market Listing Requirement which requires the promotion of greater diversity and inclusivity in Board Composition; and currently, one female Director is already on Board. The Board is also aware that Clause G5.9 of the MCCG 2021 states that *"All boards should comprise at least 30% women directors"*. The BNRC has identified and shortlisted the candidates to fill in the position and is currently in the final stage of selecting and recommending the appropriate candidates to Board and the Shareholders for their ultimate approval. It is expected that the 30% target will be met by 2027.

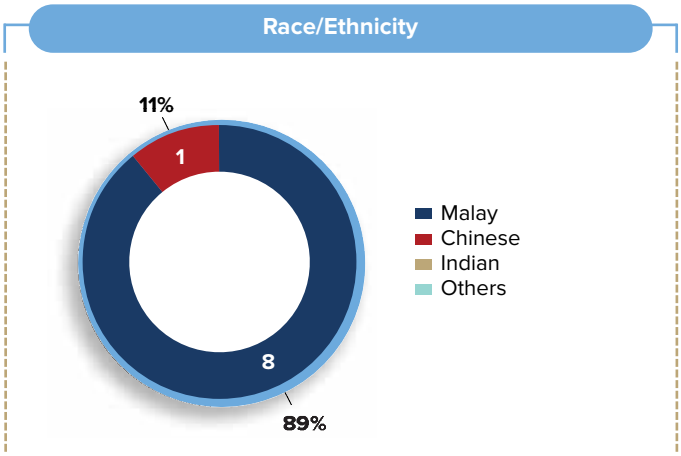
As such, with respect to Practice 5.9 of the MCCG, the REIT Manager's Departs from the Practice. The board will continue to scout for women directors to sit on board in the coming years, taking into account diverse perspectives and insights based on the candidate's integrity, independence, diversity in terms of age, gender, cultural background and experience, leadership, and ability to exercise sound judgment.

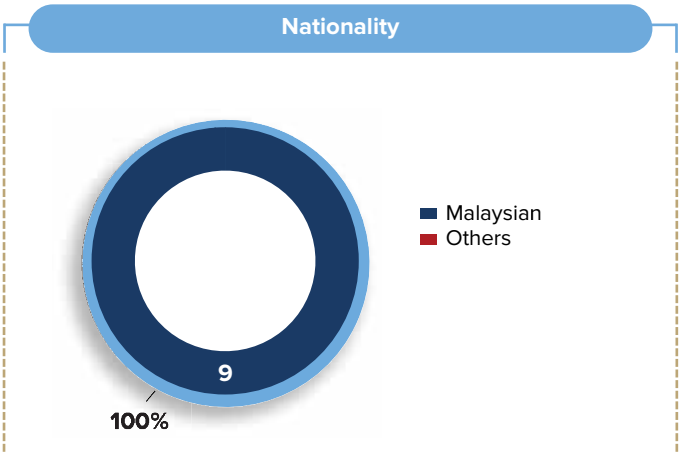
CORPORATE GOVERNANCE OVERVIEW STATEMENT

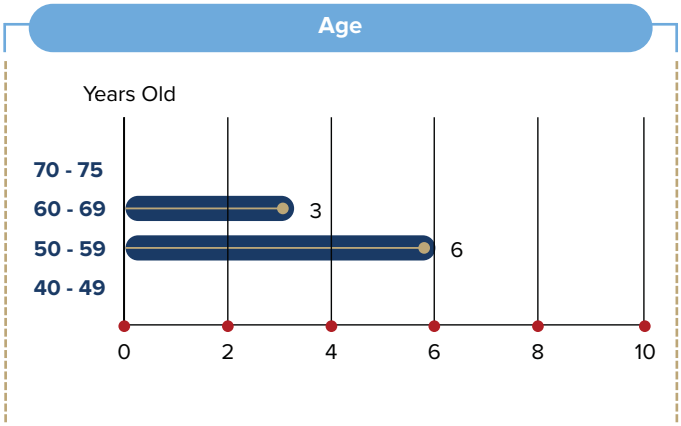
As at 31 December 2023, the Board composition and diversity is depicted below:

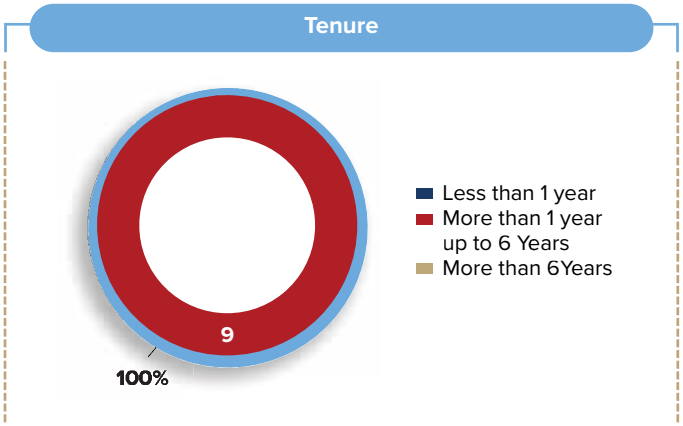












CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Independence Of External Auditors

The External Auditors play an essential role to the shareholders by enhancing the reliability of the financial statements and giving such reliability assurance to users of these financial statements. The Board Audit and Risk Committee ("BARC") manages the relationship with the External Auditors on behalf of the Board. The BARC reviews and considers the re-appointment, remuneration and annually assessed the independence and objectivity of the external auditors during the year and before any appointment of the external auditors. The evaluation process involving the track record and prior performance of the external auditor's centres around the areas below:

- The competency, audit quality, and resource capacity of the external auditor in relation to the audit;
- Quality of the audit process, scope and planning;
- Effectiveness of the audit communications;
- Auditors' independence and objectivity;
- The nature and extent of the non-audit services rendered and appropriateness of the level of fees;
- Written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement following the terms of all relevant professional and regulatory requirements.

The results of these assessments formed the basis of the BARC's appointment of External Auditors. The assessment takes into account the feedback from the Head of Finance of the REIT Manager, focusing on a range of factors that are considered relevant to audit quality. The BARC meets with the External Auditors regularly to discuss their audit plans and audit findings in relation to the financial statements. Private sessions between the BARC and the External Auditors were held without the presence of Management at least twice a year to discuss any other matters the external auditors may wish to highlight and to ensure that there were no restrictions in the scope and performance of their audit activities.

In addition, the External Auditors are invited to attend the Annual General Meeting and be available to answer unitholders' inquiries on the conduct of the statutory audit and preparation of their audit report. The External Auditors have confirmed their independence and that no circumstances and relationship create threats to their independence and that the ethical requirements have been complied with.

The BARC was satisfied with the independence of the present external auditor based on the quality of audit, performance, competency, and sufficiency of the resources that the Internal Auditor provided to the Fund.

Internal Audit Function

The REIT Manager has entered into an outsourcing arrangement with PKF Risk Management Sdn Bhd ("PKF") to carry out its internal audit function. To preserve the independence and objectivity of Internal Auditor, the PKF reports functionally to the BARC and administratively to the CEO and Compliance & Risk Department and is independent of the business activities or operations of the REIT Manager.

PKF's authority, scope, and responsibilities are governed by its Audit Charter which is approved by the BARC and aligned with the International Professional Practice Framework on Internal Auditing issued by the Institute of Internal Auditors.

PKF serves as an important source of reasonable assurance and advice for the BARC concerning areas of weaknesses or deficiencies in internal control processes to facilitate appropriate remedial improvements by the Management. PKF also carries out investigative audits where required.

The appointed internal auditor independently and objectively reviews the effectiveness of the internal control structures over the Group activities focusing on high-risk areas as determined using a risk-based approach. All high-risk activities in each auditable area are audited annually following the BARC-approved Internal Audit Plan.

The audit reports which provide the findings and results of the audit conducted are discussed with the Management and presented to the BARC for review and deliberation. Key control issues, significant risks, and recommendations are highlighted, along with Management's responses and action plans for improvement and/or rectification, where applicable.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The BARC executes its oversight function by reviewing and deliberating on the audit issues, audit recommendations as well as Management's responses to these recommendations. Where appropriate and applicable, the BARC directed the Management to take cognizance of the issues raised and established necessary steps to strengthen the system of internal control based on PKF's recommendations.

To ensure effective management and independence of BARC, the BARC is empowered by its TOR to:

(a) Convene meetings with the Internal Auditor without the attendance of any executive, whenever deemed necessary.
(b) Approve, then inform the Board of the appointment of the Internal Auditor; and
(c) Review and assess the performance of the Internal Auditor.

The BARC is satisfied that the PKF has been effective and able to discharge its duties and responsibilities.

Risk Management

Risk management remains the responsibility of the Board. The BARC has delegated responsibility to keep under review the adequacy and effectiveness of the Company's internal financial controls and the internal control and risk management system. Risk management is reviewed at the BARC and the Board meetings as part of the formal Board process. The Board has identified and evaluated the significant risks faced by the REIT in delivering its strategy. Details of the principal risks identified are set out in the MDNA on pages 43-44 of the 2023 Annual Report. The BARC meets quarterly specifically to review the effectiveness of the Group's risk management and internal control systems and to review the risks identified and the progress of actions taken to manage the risks. Following the review, progress and actions are reported to the Board.

The Enterprise Risk Management Committee ("ERMC") supports the BARC in implementing, monitoring, and assessing the mitigation actions of the identified risks.

The Board is satisfied that the BARC has demonstrated an appropriate level of vigilance and diligence towards, among others, the detection of any financial anomalies or irregularities in the financial statement. The full details of the BARC activities in 2023 are elaborated in the Annual Report on pages 132-138.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

Stakeholders Engagement

The Board seeks to engage with all stakeholders to maintain a mutual understanding of objectives between them and the Company and to manage their expectations. Relations with shareholders and potential investors are managed principally by the Executive Directors. The REIT's business model also relies on developing and maintaining strong relationships with the REIT's unitholders, the REIT Managers shareholders, employees, third party service providers, contractors, suppliers and regulatory authorities.

The Board is conscious of its responsibility towards all stakeholders and believes this is an important consideration for the long-term growth of the business. Stakeholder engagement and feedback is taken seriously throughout the company. As such the Annual General meeting functions as the main platform for all stakeholders to interact and communicate effectively with respect to financial and operation performance, strategic direction of the REIT, and long-term strategies.

The AGM notice was dispatched to shareholders not less than twenty-eight (28) days before the AGM. Shareholders were given ample time to consider the resolutions that will be discussed at Annual General.

Open communication is made with all the Group companies and employees. DRMSB places considerable value on open communication and the involvement of employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the REIT and the REIT Manager. This is achieved through formal and informal meetings, information available on the Company's website, and annual and semi-annual town halls held a fixed intervals.

The Group also engages with regulators and government agencies, for example in response to consultations or proposals and new projects ventures. Examples of the engagement initiatives are shown in the table below:

Stakeholders	Engagement and Initiatives
Investment Community (Unitholders, Analysts, Fund Managers)	• Statutory announcement • Annual General Meeting • Roadshow • Investors and analysts briefing • Corporate website • Social media
Media	• Media interview • Media release and press statements • Corporate website • Social media
Government, local authorities and regulators	• Engagement meeting • Consultation papers • Engagement through MRMA • Maintain rapport with local authorities
Tenants and lessees	• Periodic meetings • Surveys and feedbacks • Rental support programme • Marketing support and promotional activities
Suppliers and contractors	• Supplier ESG Assessments • Procurement Committee and Tender interview • Supplier evaluation and audit

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Stakeholders	Engagement and Initiatives
Employees	• Townhalls • Employee engagement dialogue • Climate Surveys • 360 degrees performance appraisal • Flexible work arrangement • Upskilling and reskilling programmes
Communities	• Customers' surveys • CSR programme

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

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

FUTURE TARGETS & PRIORITIES

Realising the increasing strategic importance of Sustainability and and developing talent toward building future leaders to ensure business continuity in the long run, the REIT Manager has set the following targets:

1. **Driving Sustainability:**

   Enhancing and implementation of ESG/Sustainability initiatives

ENVIROMENT

- Renewable Energy
- Energy Efficiency
- Sustainable Waste Management
- Clean Transportation
- Green Buildings
- Affordable Housing
- Employment Generation/SME

SOCIAL

- Occupational Safety and Health Committee
- Diversity and Equal Opportunity
- Talent Attraction and Development
- Promote Worklife Balance
- Corporate Social Responsibilities

GOVERNANCE

- High Business Ethics and Integrity
- Anti Money Laundering Counter Financing of Terrorism Framework
- Enterprise Risk Management
- Anti Bribery and Corruption Programme
- Code of Conduct
- Whistleblowing Programme

CORPORATE GOVERNANCE OVERVIEW STATEMENT

2. Succession Planning:

Develop a comprehensive succession planning for Senior Management

BOARD AUDIT AND RISK COMMITTEE REPORT

THE BOARD AUDIT AND RISK COMMITTEE REPORT

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

As a representative of the Board and main part of the corporate governance mechanism, the BARC is involved in the organisation's both internal and external audits, internal control, accounting and financial reporting, regulatory compliance, and risk management.

COMPOSITION

In line with the requirements of Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements of Bursa Securities ("MMLR"), the composition of the BARC is as follows:

The composition of the BARC is as follows:

Members

1. Abdullah bin Abu Samah
   Chairman/Independent Non-Executive Director

2. Datuk Sr. Akmal bin Ahmad
   Non-Independent Non-Executive Director

3. Lailatul Azma binti Abdullah
   Independent Non-Executive Director
   (Appointed w.e.f. 5 July 2023)

4. Dato' Wan Kamaruzaman bin Wan Ahmad
   Independent Non-Executive Director
   (Resigned w.e.f. 5 July 2023)

Secretaries

1. Nuraliza binti Abd Rahman
2. Rohaya binti Jaafar

On 5 July 2023, Dato' Wan Kamaruzaman bin Wan Ahmad resigned from being a member of the BARC.

Lailatul Azma binti Abdullah, an independent non-executive Director was appointed as a member of the BARC effective 5 July 2023.

The BARC members are appointed by the Board and consist of not less than three members, all of whom shall be non-executive Directors with a majority of them being independent Directors. The Board elects a chairman who is an independent Director and who is not the chairman of the Board. The composition of the BARC shall fulfil the requirements as prescribed in the Listing Requirements.

The Board, via the Board Remuneration and Nomination Committee ("BNRC"), annually reviews the terms of office and performance of the BARC and its members through an effectiveness evaluation exercise. The BNRC assessed the BARC's performance for the financial year ended 31 December 2023 ("FY2023") and was satisfied that the BARC and its members have discharged their functions, duties, and responsibilities in accordance with the BARC's Terms of Reference.

BOARD AUDIT AND RISK COMMITTEE REPORT

MEETINGS AND ATTENDANCE

Number of Meetings Held and Details of Attendance

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

The BARC held four regular meetings during the FY2023 which were attended by all members.

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

No	BARC Members	Date of Meetings			
		2 Feb 2023	18 May 2023	17 Aug 2023	16 Nov 2023
1	Abdullah bin Abu Samah	✓	✓	✓	✓
2	Datuk Sr. Akmal bin Ahmad	✓	✓	✓	✓
3	Lailatul Azma binti Abdullah			✓	✓
4	Dato' Wan Kamaruzaman bin Wan Ahmad	✓	✓		

Terms of Reference

The duties and responsibilities of the BARC are set out in its Terms of Reference which is accessible in the Corporate Governance section, on the website at www.alsalamreit.com.my

SUMMARY OF WORK CARRIED OUT DURING THE FINANCIAL YEAR

The BARC shall meet at least four times annually and the Internal Auditor, the Head of Finance and the Head of Compliance and Risk shall attend the meetings. Relevant members of Senior Management shall be invited to attend these meetings to assist to clarify matters raised at the meetings. A majority of independent director present shall form a quorum.

The BARC shall meet with the External Auditors without the executive Board members and Management being present at least twice a year.

Meeting papers were circulated to all the BARC members prior to the meetings by way of electronic means. Minutes of each BARC Meeting was recorded and tabled for confirmation and adoption at the next BARC Meeting and subsequently presented to the Board for approval and notation. The Chairman of the BARC shall report on each meeting to the Board.

The BARC carried out the following work during the FY2023 in the discharge of its functions and duties:

Overseeing Financial Reporting

(a) At the meeting held on 2 February 2023, the External Auditors presented to the BARC the results of the FY2022 audit conducted on Al-Salām REIT where significant audit matters listed below are discussed:

i. Valuation of investment properties;
ii. Expected credit losses of trade receivables; and
iii. Going concern considerations and compliance with loan covenants.

BOARD AUDIT AND RISK COMMITTEE REPORT

(b) Reviewed on 2 February 2023, the audited financial statements of Al-Salām REIT for the financial year ended 31 December 2022 ("FY2022"), which were prepared in accordance with the Trust Deed, the applicable Securities Commission Malaysia (“SC”) rules and guidelines, Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards, prior to recommending the same to the Board for approval. The audited financial statements of the REIT for FY2022 were issued and circulated to the Unitholders in line with the prescribed requirements.

(c) Reviewed at every quarterly meeting held in FY2023, the quarterly financial results for public release to ensure adherence to legal and regulatory reporting requirements before recommending the same to the Board for approval.

(d) Reviewed and discussed with Management the quarterly management accounts, taking into consideration that the necessary processes and controls are in place in the preparation of the financial reports.

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

(f) Kept abreast on the application of the new accounting standards, i.e. MFRS.

(g) The BARC was satisfied that adequate impact assessment had been carried out by Management and the accounting policies as shown below had been appropriately updated in the financial statements of the Fund for FY2023.

Description	Effective for annual period beginning on or after
MFRS 17 Insurance Contracts	1 January 2023
Amendment to MFRS 17 Insurance Contracts: Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: International Tax Reform - Pillar Two Model Rules	1 January 2023

External Audit

(a) Reviewed and discussed with External Auditors on 16 November 2023 the audit planning memorandum for FY2023 covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB, and regulating requirements applicable to the REIT; and the processes and controls in place to ensure effective and efficient financial reporting and disclosures under the financial reporting standards.

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

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

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

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

(f) Reviewed and approved the non-audit fees in respect of services rendered by the External Auditors. The non-audit fees for the FY2023 amounted to RM350,000.

(g) Met with the External Auditors without executive Board members and Management on 2 February 2023 and 16 November 2023, to discuss matters in relation to their review.

(h) Reviewed the SORMIC which provided an overview of the state of internal controls prior to the Board's approval for inclusion in the Annual Report. The SORMIC which had been reviewed by the External Auditors is set out on pages 149-161 of this Annual Report.

Internal Audit

(a) Provided input on key areas to be included as part of the annual Internal Audit Plan. Deliberated the risk-based Internal Audit Plan to ensure adequate scope and comprehensive coverage of business activities, prior to recommending to the Board for approval.

(b) Monitored the progress of the approved Internal Audit Plan, including the status of the planned reviews and approved changes to the Internal Audit Plan due to changes in business and/or risk environment.

(c) Reviewed and deliberated on internal audit reports, the audit recommendations and adequacy of Management's response to these recommendations. Significant issues were discussed at length with the presence of relevant Management team members to ensure satisfactory and timely remediation actions have been committed by Management to address identified risks.

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

(e) Discussed with the Compliance & Risk Department, to provide assurance of the soundness of internal control systems and activities of the REIT and the REIT Manager.

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

(g) Reviewed the SORMIC which provided an overview of the state of internal controls prior to the Board's approval for inclusion in the Annual Report.

The BARC was satisfied that the system of risk management and internal control as described in the Statement on Risk Management and Internal Control, was sound and effective, providing reasonable assurance that the structure and operation of controls were appropriate for the REIT's operations. The BARC also acknowledged that implementation measures were continuously taken to strengthen the system of risk management and internal control so as to safeguard the interests of stakeholders including shareholders' investments, and the REIT's assets.

BOARD AUDIT AND RISK COMMITTEE REPORT

Risk Management and Internal Control

(a) Reviewed quarterly top risk profiles which covers Strategic, Finance, Operational and Compliance Risks and ESG related risks especially with with respect to environmental risks,deliberated on the significant threats and opportunities, including status and adequacy of mitigation strategies.

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

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

(d) Ensures appropriate controls are in place in management of the Fund, that the Manager has a well-defined organisational structure with clear lines of responsibility and a comprehensive reporting system and adequate procedures in financial reporting, risk management, internal control and are in place. Further details in respect of risk management and internal controls are set out on pages 149-161 (SORMIC of this Annual Report). Details in respect of the principal risks and uncertainties are set out on pages 43-44 under Management Discussion and Analysis.

(e) Reviewed and deliberated on four frameworks relating to compliance and internal controls and recommended to the Board the implementation of the frameworks and policies put forward by the Management.

Compliance

(a) Monitored and reviewed the status and outcomes of the Quarterly Compliance Report which seek to identify gaps in compliance with regard to applicable laws, regulations, codes, standards, policies and procedures and discussed the adequacy of measures to address such gaps or non-compliance.

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

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

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

(e) Ensured that the Declaration of Directors' Interests in Securities and disclosures of conflict-of-interest situation(s) in all Board level meetings, are documented and minuted accordingly in the minutes of meeting. The Committee took note that there was no management conflict of interest situations for operational matters (including any transaction, procedure, or course of conduct) as reported by the Chief Executive Officer.

BOARD AUDIT AND RISK COMMITTEE REPORT

Review of RPT and RRPT of a Revenue or Trading Nature and Conflict of Interest Situations

(a) Reviewed related party transactions entered into by the REIT and ensured that the transactions undertaken were in the best interest of the REIT/ unitholders, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the minority shareholders and recommended the same for approval of the Board.

(b) Reviewed the annual Shareholders' Mandate in relation to recurrent related party transactions of a revenue or trading nature for Shareholders' approval to undertake transactions that are recurrent, of a revenue or trading nature and which are necessary for the day-to-day operations of the REIT with related parties ("RRPTs").

(c) Ensured that the review procedures were sufficient to ensure that the RRPTs were not more favourable to the related parties than those generally available to the public and were not to the detriment of the minority shareholders and that the REIT Manager had in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner, and such procedures and processes were reviewed on a yearly basis or whenever the need arose.

(d) Review of RRPT on a quarterly basis. The Management had given assurance to the BARC that RPT and mandate for RRPT were in compliance with the Listing Requirements and policies and procedures.

Other Activities

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

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

BOARD AUDIT AND RISK COMMITTEE REPORT

SUMMARY OF MEETINGS IN THE YEAR

Items discussed	2 Feb 2023	18 May 2023	17 Aug 2023	16 Nov 2023
Financial Reporting				
Full year results (2022)	●			
Interim results	●	●	●	●
Consideration of new accounting standards	●			
Internal audit				
Internal audit plan	●			
Internal audit reports	●	●	●	●
Internal audit effectiveness and independence	●			
External audit				
External audit plan				●
External audit reports (FY2022)	●			
External audit effectiveness and independence		●		
Risk				
Risk Registers	●	●	●	●
RRPT				
Quarterly Review	●	●	●	●
Annual Report				
Review of SORMIC and BARC Report (FY2022)	●			
Other Matters				
Internal Control, Regulatory, Compliance Activities / Issues	●	●	●	●
Business Continuity Management	●	●		●

BOARD INVESTMENT COMMITTEE REPORT

The Board Investment Committee ("BIC") plays a pivotal role in evaluating all investment opportunities and to make recommendations to the board with regard thereto. The responsibilities include reviewing, assessing and deciding on the escalation of proposals relating to asset investment (acquisition and disposal), asset management and fund-raising exercises to be undertaken by the REIT to the Board and Trustee for approval.

COMPOSITION

In line with the recommendation of Chapter 6 of the Guidelines on Real Estate Investment Trusts of Securities Commission Malaysia, the composition of the BIC is as follows:

Members

1. Shamsul Anuar bin Abdul Majid
   Chairman/Non-Independent Non-Executive Director
   (Appointed as Chairman w.e.f. 5 January 2024)

2. Abdullah bin Abu Samah
   Independent Non-Executive Director

4. Ng Yan Chuan
   Non-Independent Non-Executive Director
   (Appointed w.e.f. 4 September 2023)

3. Datuk Hashim bin Wahir
   Independent Non-Executive Director
   (Appointed w.e.f. 5 January 2024)

5. Dato' Wan Kamaruzaman bin Wan Ahmad
   Independent Non-Executive Director
   (Resigned w.e.f. 5 January 2024)

Secretaries

1. Nuraliza binti Abd Rahman
2. Rohaya binti Jaafar

The BIC members are appointed by the Board and consist of not less than three members, all of whom shall be non-executive directors with a majority of them being independent directors. The Board elects a chairman who is an independent director and who is not the Chairman of the Board. The composition of the BIC shall adhere to the recommendation as per the Chapter 6 of the Guideline on Real Estate Investment Trusts.

The Board, via the Board Nomination and Remuneration Committee ("BNRC"), annually reviews the terms of office and performance of the BIC and its members through an effectiveness evaluation exercise. The BNRC assessed the BIC's performance for the financial year ended 31 December 2023 and was satisfied that the BIC and its members have discharged their functions, duties, and responsibilities in accordance with the BIC's Terms of Reference.

BOARD INVESTMENT COMMITTEE REPORT

MEETINGS AND ATTENDANCE

Number of Meetings Held and Details of Attendance

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

The BIC held four regular meetings and one special BIC meetings during the financial year ended 31 December 2023 which were attended by all members.

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

No	BIC Members	Date of Meetings				
		15 Feb 2023	18 May 2023	16 Aug 2023	19 Sep 2023 (Special)	16 Nov 2023
1	Dato' Wan Kamaruzaman bin Wan Ahmad	✓	✓	✓	✓	✓
2	Shamsul Anuar bin Abdul Majid	✓	✓	✓	✓	✓
3	Abdullah bin Abu Samah	✓	✓	✓	✓	✓
4	Ng Yan Chuan				✓	✓

TERMS OF REFERENCE

The BIC is responsible for fulfilling the duties ascribed to it in the BIC Term of Reference ("BIC TOR"), including those specifically delegated to it from time to time by the Board. The duties and responsibilities of the BIC are set out in its Terms of Reference as follows:

Objectives

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

Roles and Responsibilities

Subject at all times to the provisions of the Trust Deed, and to any other regulations or resolutions that may be adopted, the BIC is responsible for:

(a) Reviewing all proposals regarding investments, dispositions, financings and other relevant transactions (strategic transactions)
(b) To make recommendations on any other matters to the Board;
(c) To review and monitor approved strategic transactions or other matters;
(d) Ensuring that the REIT is managed in accordance with:
- its investment objectives;
- its Restated Deed;
- its Prospectus;
- the SC Guidelines and other securities laws; and
- the internal investment restrictions and policies.

(e) Carrying out other duties as may be determined from time to time by the Board.

BOARD INVESTMENT COMMITTEE REPORT

MATTERS DISCUSSED BY THE BIC IN THE FY2023

The BIC has undertaken the role of reviewing, recommending and monitoring to the Board pertaining to all proposals including strategic transactions i.e., investments in ensuring that the Fund practises sound capital preservation and safety margin levels, maintains optimally measured risk-reward thresholds, adopts prudent but pragmatic management style and attain adequate earnings potential and competitive advantages as well as growth.

The following are key matters discussed by the BIC during the FY2023:

Investment (Acquisition & Disposal)

The BIC has reviewed proposals of proposed acquisitions of shariah-compliant real estate to ensure these properties have good track record and/or good prospects of future net rental income of reasonable levels which have been shown by studies to be competitive and located within good catchment areas. Properties to be acquired are expected to at least maintain or enhance the earnings of the REIT fund.

The BIC has reviewed and monitor proposal of divested of properties, namely where the investments have achieved the set targets, or have been assessed as not being able to derive any further value and or when an opportunity to maximise its value arises before the predetermined investment time horizon or other reason that may warrant divestment. The divestment plan also has taken into consideration the transformation in the respective industry.

Asset Management

The BIC has deliberated on proposals for asset enhancement initiatives of current properties that has the potential to further increase its returns and expected to generate accretive returns upon further expansion. The BIC has also reviewed proposals for repositioning of current properties within the Fund's portfolio which do not meet certain criteria set beforehand and may require to be recapitalised to achieve portfolio optimisation goals.

Capital Management

The BIC has reviewed funding proposals to ensure each investment made by the Fund shall have a funding structure appropriate to the investment profile. In general, the capital structure of REIT should be financed by a combination of equity, debt and other financing instruments.

Portfolio Monitoring

The BIC also undertook periodic monitoring on all investments including reviewing performance of the investment portfolio to ensure consistency with Fund's objectives and direction and transformation in the respective relevant industries.

SUMMARY OF MEETINGS IN THE YEAR

Items discussed	15 Feb 2023	18 May 2023	16 Aug 2023	19 Sep 2023 (Special)	16 Nov 2023
Investment	●	●	●		●
Asset Management	●	●	●	●	●
Capital Management	●	●	●	●	●
Portfolio Monitoring	●	●	●		●

BOARD NOMINATION AND REMUNERATION COMMITTEE REPORT

The establishment of the Board Nomination and Remuneration Committee ("BNRC") is mandated for listed issuers under Bursa Malaysia's Main Market Listing Requirements. The terms of reference can be found under Investor Relations section on the Company's website at www.alsalamreit.com.my.

The Malaysian Code on Corporate Governance 2021 ("MCCG 2021") indicates that the Board may establish and delegate part of its powers to one or more other committees, in order to conduct certain tasks and functions expressly delegated to such committees. The committees will examine specific topics chosen by the Board and report on them. Decision-making remains the collective responsibility of the Board and the committee may only make suggestions to the Board.

The main purpose of the BNRC is to assist the Board in carrying out its duties and responsibilities in fulfilling its responsibility for oversight with respect to board composition and performance, directors' performance and remuneration structure that drives behaviour within the company.

COMPOSITION OF THE BOARD NOMINATION AND REMUNERATION COMMITTEE

In accordance with the MCCG 2021, the Board Nomination and Remuneration Committee is composed of a minimum of three, a majority of whom must be Independent Directors. The Committee shall appoint a Chairman amongst its members who must necessarily be an Independent Director.

The composition of the BNRC is as follows:

Members

1. Datuk Hashim bin Wahir
   Chairman/Independent Non-Executive Director

2. Abdullah bin Abu Samah
   Independent Non-Executive Director

3. Shamsul Anuar bin Abdul Majid
   Non-Independent Non-Executive Director
   (Appointed w.e.f. 5 July 2023)

4. Dato' Wan Kamaruzaman bin Wan Ahmad
   Independent Non-Executive Director
   (Resigned w.e.f. 4 July 2023)

Secretaries

1. Nuraliza binti Abd Rahman
2. Rohaya binti Jaafar

MEETINGS HELD DURING FY2023

The BNRC, in accordance with its regulations, meet whenever it is convened by the Board, the Committee itself, or by its Chairman. The Committee shall meet at least two times per annum and at such other times as it sees fit.

Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the CEO, the Group Human Resources Vice President, the Head of Corporate Services (Human Resources), and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

BOARD NOMINATION AND REMUNERATION COMMITTEE REPORT

The Company Secretary keeps Minutes of all BNRC meetings, which are available to all members of the Board.

During the financial year, the meetings held are as follows:

No	BNRC Members	Date of Meetings			
		16 Jan 2023	1 Jun 2023 (Special)	23 Aug 2023	22 Nov 2023
1	Datuk Hashim bin Wahir	✓	✓	✓	✓
2	Abdullah bin Abu Samah	✓	✓	✓	✓
3	Shamsul Anuar bin Abdul Majid			✓	✓
4	Dato' Wan Kamaruzaman bin Wan Ahmad	✓	✓		

ROLES AND RESPONSIBILITIES

Notwithstanding the duties assigned to it by law and other duties which may be assigned thereto by the Board, the Board Nomination and Remuneration Committee shall have the following basic responsibilities:

- **With respect to Remuneration:**

  a) Recommend to the Board the policy for the remuneration of the Company's Directors.

  b) Determine the total individual remuneration package of the CEO/ Executive Director, including bonuses, share-based incentive awards, and other elements of their remuneration.

  c) Determine and recommend the Key Performance Indicators and/or performance scorecard for the CEO and the Company.

  d) Ensures compliance with the Remuneration package is competitive and complies with the remuneration Policy that was approved and ratified by the shareholders. The policy is available through the corporate web page of the Company.

- **With respect to Nominations**

  a) Regularly review the structure, size and composition (including the skills, experience, independence, knowledge, and diversity, including gender) of the Board and make recommendations to the Board with regard to any changes that are deemed necessary.

  b) Keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.

- **With respect to Appointments to the Board**

  a) Assess the qualifications, background knowledge, and experience necessary to sit on the Board, defining, accordingly, the duties and qualifications required of the candidates to fill each vacancy, according to the Fit and Proper Policy of the Company that is available through the corporate web page of the Company.

  b) Consider possible candidates to fill vacancies for the position of director, provided that the BNRC may as well independently search for and consider alternative candidates for such position. Such Directors are, for the avoidance of doubt, to be appointed upon a decision of the Shareholder of the REIT Manager.

  c) Examine or organise, in the manner it deems appropriate, the succession of the Chairman and CEO and, if appropriate, make proposals to the Board for such succession to take place in an orderly and well-planned manner.

  d) Ensure that due diligence is carried out on the candidate for directorship and CEO to ensure compliance with the regulatory requirements set by the Authorities.

  e) Ensure compliance with Bursa Malaysia's requirement towards 30% female presence on the Board by the year 2027.

BOARD NOMINATION AND REMUNERATION COMMITTEE REPORT

- **With Respect to Induction and Training**

  The Committee shall ensure that all new directors undertake an appropriate on-boarding Directors Programme and the Mandatory Accreditation Programme (Bursa Malaysia) to ensure that they are fully informed about strategic and commercial issues affecting the Company and the markets in which it operates as well as their duties and responsibilities as a director and consider any training requirements for the Board as a whole.

- **With Respect to conflicts of interest**

  The Committee shall:

  a) Before the appointment of a director, require the proposed appointee to disclose any other business interests that may result in a conflict of interest and to report any future business interests that could result in a conflict of interest.

  b) Consider and, if appropriate, authorise situational conflicts of interest of directors and potential directors.

- **With Respect to the Board Evaluation**

  The Committee shall:

  a) Assist the Chairman of the Board with the implementation of an annual evaluation process.

  b) Review the results of the Board performance evaluation process that relate to the composition of the Board.

MATTERS DISCUSSED BY THE BNRC IN THE FY2023

In 2023, the BNRC, in the performance of its duties in accordance with the scope of responsibilities specified in the BNRC Charter as approved by the Board, convened its 4 meetings to consider the significant matters and report the results to the Board that can be summarised as follows:

a) Establishment of Key Performance Indicators ("KPIs") of the Company as well as the CEO based on the approved strategic planning;

b) Review of the Company's organisation structure that can support the growth and target of the Fund;

c) Review of the Board/Board's Committees composition and establishment of the Board Sustainability Committee ("BSC");

d) Compliance with the requirement in relation to gender diversity (woman director) on the Board;

e) Review of the performance evaluation on the Board;

f) Succession planning of the company secretary; and

g) Review of the Company's employees' satisfaction survey.

In this regard, the BNRC has performed its duties independently in accordance with good corporate governance principles and ensuring transparency to build the confidence of shareholders and all stakeholders.

EVALUATION OF THE FUNCTIONING AND PERFORMANCE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

It is a standard practice for the Board to distribute an annual questionnaire at the end of each financial year through the Secretariat of the Board which, amongst other sections, includes a self-assessment, with a series of questions that also enable compliance with the various annual reports of the Committee and the Board.

The Board performed the annual questionnaire and the self-assessment for FY2023, in order to analyse the Board's effectiveness and composition and to identify opportunities for improvement to ensure proper compliance with the existing obligations or recommendations in this area.

BOARD NOMINATION AND REMUNERATION COMMITTEE REPORT

The questionnaire used a self-assessment approach on subjective and objective information related to the functioning of the Board and its Committees, among others:

a) Functioning of the Board, with questions related to the Board's effectiveness and internal functioning.

b) Structure and composition of the Board, comprising questions to obtain the Directors' opinion on the Board's structure and composition, and the capacities, professional profile of its members, and areas of competencies in order to perform their duties on the Board.

c) Board of Directors Committees, where the Directors are asked to evaluate the performance of the functions of the BARC, the BIC, and the BNRC.

d) Board of Director's agenda, where Directors are asked about the Board's performance in areas or matters within its scope, such as the current corporate governance model, environmental, social, and corporate policy (ESG), involvement in the design and approval of strategy in financial and investment policies, monitoring of the risk map (in all its areas), dividend policy and capital structure and their participation in decision-making in significant transactions, among other matters.

e) Chairman of the Board and CEO, where the Directors are asked for their views on the performance of these two positions and fulfilment of responsibilities.

f) Other areas, with questions relating to the Board's response to the industry crisis and improvement opportunities or aspects to be developed in the future.

The responses are generally positive and supportive, without prejudice to the Chairman and the CEO, taking into consideration going forward some of the suggestions made regarding the functioning of the Board.

CONCLUSION

During the FY2023, there have been no circumstances or situations in the areas of responsibility and competence of the Committee that required its intervention and/or report to the Board. The succession planning of the Board, senior management team as well as gender diversity are the two areas of relevance on which the Committee will continue to work throughout the FY2024.

BOARD SUSTAINABILITY COMMITTEE REPORT

The Board, set up the Board Sustainability Committee ("BSC") in August 2023 to enable greater focus and in-depth discussions at the highest level on material sustainability and climate-related matters that have been identified within the Real Estate & Infrastructure Division ("REID") of JCorp. The setting up of the BSC will enable the REIT Manager to embed sustainability elements within the REIT's core functions and to ensure coherence in making sustainability a key consideration in setting the REIT's strategic direction and making business decisions. Prior to 2023, the Board of DRMSB had direct oversight of sustainability matters.

The primary role of the BSC is to assist the Board in driving the REIT's sustainability and climate-related agenda and providing oversight of material Environmental, Social and Governance ("ESG") matters across the Group's business strategies, operations, and decision-making process.

Apart from the BSC, the BARC also deals with sustainability-related issues. The roles that they play are detailed out below:

Board Sustainability Committee	Board Audit and Risk Committee
• Oversees the development and implementation of strategies including sustainability strategies. • Also oversees the business plans and key initiatives having regard to sustainability considerations, in line with the MCCG.	• Oversee the risk management framework and policies, which includes keeping abreast with new or emerging trends, as well as reviewing, monitoring and assessing the control effectiveness of the key risks such as sustainability- and climate-related risks. • Also oversees the Compliance, Business Continuity Management ("BCM"), and Integrity and governance functions.

COMPOSITION

The Board Sustainability Committee composition is as shown below:

Members

1. Lailatul Azma binti Abdullah
   Chairman/Independent Non-Executive Director

2. Datuk Hashim bin Wahir
   Independent Non-Executive Director

3. Ng Yan Chuan
   Non-Independent Non-Executive Director

Secretaries

1. Nuraliza binti Abd Rahman
2. Rohaya binti Jaafar

All members have extensive leadership experience and a strong understanding of sustainability matters. Lailatul Azma binti Abdullah and Datuk Hashim bin Wahir have both completed the Mandatory Accreditation Programme Part II: Leading for Impact (LIP), which aims to provide directors with the foundation to address sustainability risks and opportunities effectively and exert better oversight over companies' material sustainability matters. Ng Yan Chuan is set to complete the above training in 2024.

The BSC members were appointed by the Board. The Board elected a chairman who is an independent director and who is not the Chairman of the Board.

The Board via the BNRC and the Chairman of the BSC herself, annually reviews the terms of office and performance of the BSC and its members through an effectiveness evaluation exercise. The BNRC assessed the BSC's performance for the FY2023 and was satisfied that the BSC and its members have discharged their functions, duties, and responsibilities under the BSC's Terms of Reference.

BOARD SUSTAINABILITY COMMITTEE REPORT

MEETINGS AND ATTENDANCE

Number of Meetings Held and Details of Attendance

The BSC shall meet at least four times annually or such other intervals as the Committee shall decide, of which one-third of the attendance of the committee present shall form a quorum.

The BSC held two regular meetings during the FY2023 which were attended by all members.

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

No	BSC Members	Date of Meetings	
		17 Aug 2023	15 Nov 2023
1	Lailatul Azma binti Abdullah	✓	✓
2	Datuk Hashim bin Wahir	✓	✓
3	Ng Yan Chuan	✓	✓

Terms of Reference

The duties and responsibilities of the BSC are set out in its Terms of Reference, which is accessible in the Corporate Governance section, on the website at www.alsalamreit.com.my.

SUMMARY OF WORK CARRIED OUT DURING THE FINANCIAL YEAR

Following our strategic planning cycle, the REIT conducts a comprehensive materiality analysis every three years, to identify, understand and prioritise the economic, environmental, and social matters that are significant to our business and stakeholders. The materiality assessment approach represents a core component of the sustainability management process as it helps to align business strategies, performance management, and reporting.

The BSC also carries out an annual pulse check on the material matters to ensure the issues identified reflect evolving stakeholder priorities and value/impact creation potential, as well as anticipate relevant megatrends. The latest comprehensive materiality assessment was conducted in the year under review.

In summary, the BSC has carried out the following work during the FY2023 in the discharge of its functions and duties:

1. Discussed the assessment of Common and Sector Specific Material Sustainability Matters as per requirements under the Bursa's Sustainability Reporting Guide and monitor and track the ESG initiatives under the identified categories.
2. Reviewed and evaluate ESG-related risk including climate change risks via assessment of environmental, economic, and social impact by monitoring the use of resources, waste management, and biodiversity impacts (if any) in its acquisition, AEI, expansion and upgrading of existing assets, selection of tenants and vendors, etc.
3. Monitored Health and safety including the physical and mental well-being of the employees, part-time employees, and contractors as well as the security of the Company's assets.
4. Reviewed policies including ethnic and gender diversity (as per the Company's policy on diversity and inclusion) at the workplace and Boardroom.
5. Supported a healthy working environment by promoting a work-life balance and mental health.
6. Encouraged giving-back programmes to communities including community volunteerism and charitable donations.

BOARD SUSTAINABILITY COMMITTEE REPORT

7. Ensured ethical business conduct via enforcement of policies such as Code of Business Ethics, Anti-Bribery and Corruption, Whistleblowing and No Gift & Entertainment.
8. Ensured that sustainable developments including the use of environmentally responsible materials in the Company's development projects and the incorporation of sustainable practices throughout the lifecycle of a property.
9. Monitored and track the ESG initiatives in Supply Chain Management System and processes.
10. Evaluated and endorsed proposals on ESG initiatives for the Board's approval.
11. Reviewed the Sustainability Statement, for inclusion in the Annual Report.

Summary of Matters Discussed by the BSC during the Year under Review:

ITEMS DISCUSSED	16 Aug 2023	15 Nov 2023
Review of Sustainability Policy/Framework	●	
Status Updates on Materiality Matters	●	●
Strategic Planning: ESG Roadmap and Action Plan	●	●
GBI certification of properties/buildings	●	●
Implementation of the Green Lease Programme		●
ESG Compliance with Company Policies and Statutory Requirements	●	●
ESG Training Needs and Competency Enhancements	●	●

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Highlights

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board of Directors of Listed Companies is required to include in their annual report, a statement about the state of risk management and internal control of the listed issuer.

Accordingly, the Board of Directors of the Manager is pleased to provide the following statement that has been prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers endorsed by Bursa Securities and taking into consideration the recommendations of the MCCG 2021.

This Statement was prepared in compliance with Recommendation 6.1 states that the board should establish a sound framework to manage risk, which among others, also outlines the role of the Board, the Chief Executive Officer ("CEO"), and the Chief Financial Officer ("CFO") in:

- Determining the company's level of risk tolerance and actively identifying,
- Assessment and monitoring key business risks to safeguard shareholders' investments and the company's assets;
- Demonstrating commitment towards to articulating, implementing, and reviewing the company's internal control system;
- Implementing periodic testing of the effectiveness and efficiency of the internal control procedures and
- Processes must be conducted to ensure that the system is viable and robust; and
- The board should disclose in the annual report the main features of the company's risk
- Management framework and internal control system.

The Board is satisfied that the REIT Manager:

- Has applied all processes for identifying, evaluating, and managing the significant risks faced by the company in its achievement of objectives and strategies;
- Has reviewed the risk management and internal control system and confirmed that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review;
- Has undertaken a review of the adequacy and effectiveness of the risk management and internal control system;

The board confirmed that it has received assurance from the CEO and the Head of Finance on whether the company's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the company.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

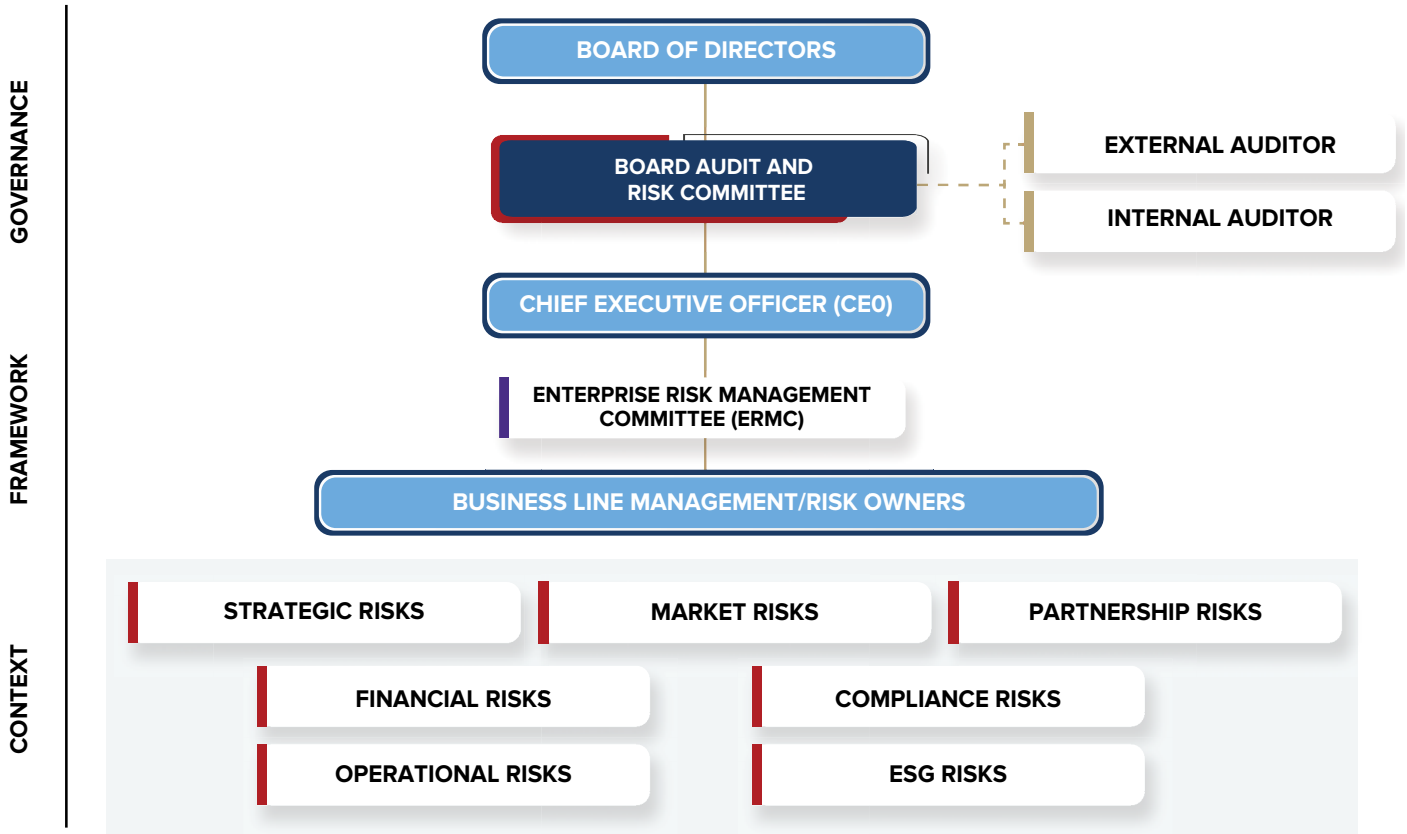
BOARD'S RESPONSIBILITIES

The board of directors and senior management practices risk management as an integral part of objective setting and optimisation of performance. To achieve a sound system of risk management and internal control, the board and management ensure that the risk management and control framework is embedded into the culture, core processes, and structures of the company. The framework is designed to be responsive to changes in the business environment, focussed on effective risk oversight and setting the tone and culture towards effective risk management and internal control.

The Board's approach towards overseeing the Group's risk management framework and internal control systems is by designing the REIT's risk appetite within the acceptable level of tolerance set by the Board and Management, rather than eliminating totally the risks of failure, in order to achieve the goals and objectives in generating potential returns to unitholders and ensuring a stellar financial performance of the REIT.

THE GOVERNANCE STRUCTURE

The Governance Structure for the Risk Management and Internal Control is depicted below:



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

The governance structure dictates the segregation of the roles and responsibilities of the Board, BARC, the ERMC and other key personnel; which are summarised as below:

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

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

ERMC/ Compliance & Risk Management Department	
Responsibilities	• Oversees the operationalisation of risk management strategies as well as frameworks and policies. • Independent reporting to the management and BARC • Advisor to Business Line Management/Risk Owners
Process	Monitors the consistent enforcement of ERM policy, reviews and endorses risk parametres, risk appetite, risk profile, and treatment options and risk action plans.

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

The Board also carries out an annual assessment of risk management and internal control on all significant aspects of risks and internal control of the REIT in its Strategic Planning report, particularly on:

- The nature and extent of significant risks, in the current and upcoming years;
- The company's ability to respond to changes in its business and the external environment;
- The work of its internal audit and risk management (where applicable) units and other assurance providers;
- The incidence of significant control failings or weaknesses that were identified at any time and their impact on the company's performance or condition (financial or otherwise);
- Any events that impacted the achievement of objectives that were not anticipated by management; and
- The adequacy and effectiveness of the risk management and internal control policies as a whole.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

RISK MANAGEMENT

The Board Audit and Risk Committee

The review of the effectiveness of risk management and internal control is carried out at least quarterly. The board delegates its role in the review process to the BARC, which is chaired by an Independent Director who is also a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. The board as a whole, is committed and responsible for the execution of the delegated role of the BARC primarily related to the outcome of the review and disclosure of key risks and internal control.

The main responsibilities of the BARC are:

- To assist the Board in ensuring a sound and robust Enterprise Risk Management framework and its implementation to enhance risk-based Corporate Governance practices. The Terms of Reference and main duties of the BARC about risk management are detailed on the website at www.alsalamreit.com.my.

- To assist the Board in assessing the effectiveness of the Group's internal control systems and overseeing the financial reporting. The BARC also reviews the adequacy and integrity of the Group's internal control systems and management information systems, including compliance with applicable laws, rules, directives, and guidelines through internal audit functions.

The BARC with the Board Investment Committee, after deliberation with the Management also sets the risk appetite parametres revolving around key risk areas: Strategic, Finance, Operations, Compliance, Market, Partnerships, and ESG (Environmental, Social, and Governance) Risks.

The Enterprise Risk Management Committee

The ERMC supports the BARC in carrying out its oversight role. The ERMC ensures implementation and compliance with the Enterprise Risk Management Frameworks, enterprise risk management programmes, and monitoring of risk mitigation performance. The ERMC also sets the strict direction for risk roles, responsibilities, and risk reporting structures within the organisation.

The ERMC meeting, is chaired by the CEO and comprise of respective head of departments and/or Risk Owners. The function of the ERMC is to drive risk management guided by the ERM Policy and Framework to ensure effective identification of emerging risks and management of identified risks through the implementation of appropriate controls and risk treatment strategies.

The discussions relating to risk management, and risk profiles are carried out through the ERMC which sits every quarter. Apart from focusing on risk management and external/internal audit matters, the ERMC also monitors Business Continuity Management Issues and Whistle-blowing channels. To ensure transparency and objectivity concerning whistle-blowing and fraud detection, all reports will be channelled directly to the Integrity Officer and the Chairman of the BARC.

The ERMC and the BARC, when reviewing the management reports, assesses the following:

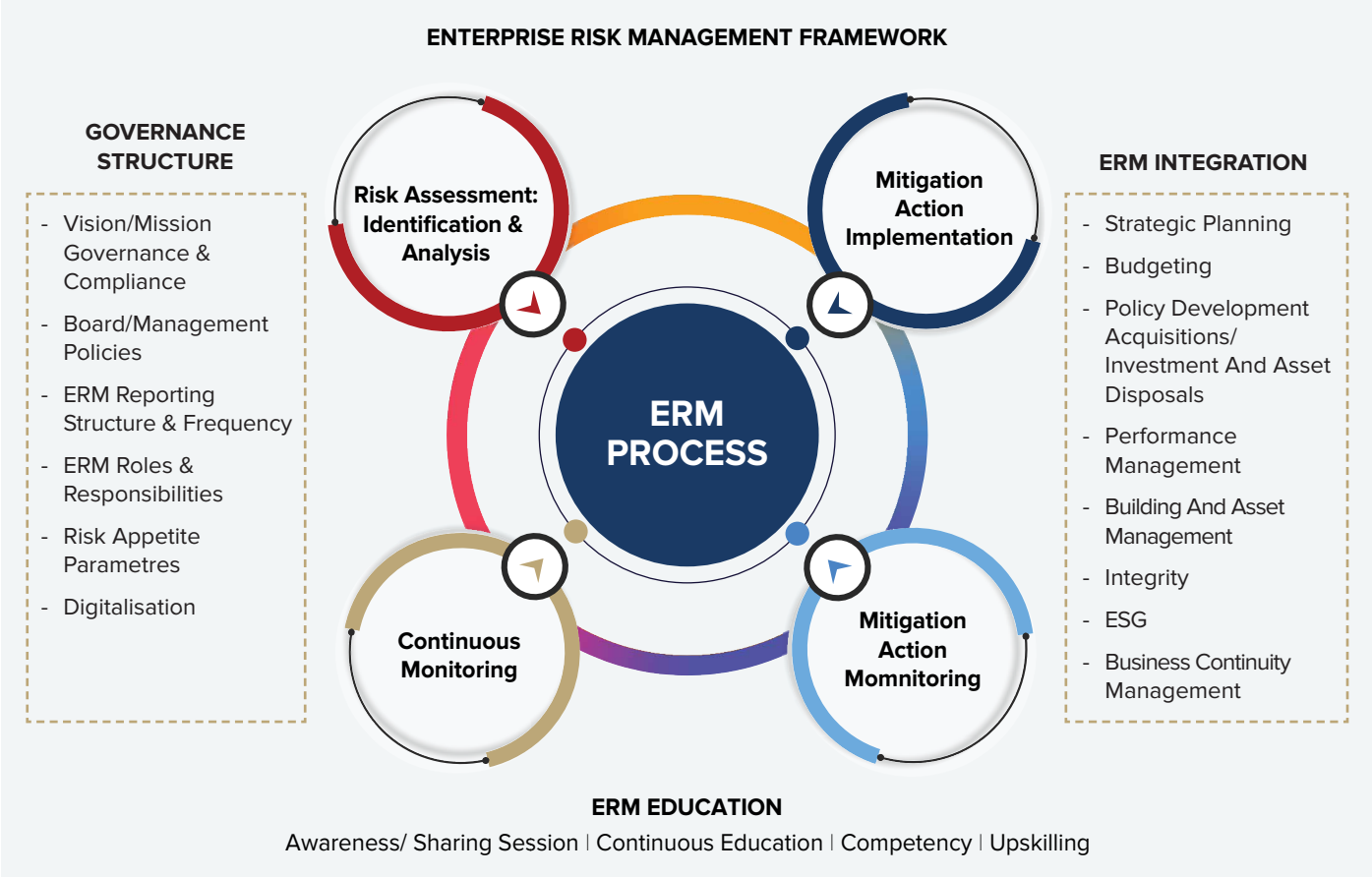
- Consider what the significant risks are and assess how they have been identified, evaluated and managed;
- Assess the effectiveness of the related system of internal control in managing the significant risks, having regard in particular to any significant failings or weaknesses in internal control that have been reported;
- Consider whether necessary actions are being taken promptly to remedy any significant failings or weaknesses;
- Consider whether early warning indicators are in place to alert management of potential risk events and whether these indicators have been effectively communicated throughout the company;
- Assess whether management's processes provide reasonable assurance that significant risks which impact the company's strategies and objectives are within levels appropriate to the company's business and approved by the board.
- Consider whether the findings indicate a need for more extensive monitoring of the system of risk management and internal control; and
- Evaluate the possibility of emerging risks likely to happen in the future and the need to put in place the appropriate controls.

The ERMC makes periodic reports to both the BARC risk management issues/ mitigation actions undertaken to keep the BARC apprised and advised of all aspects of the enterprise risk management, and significant risks and risk trends.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Enterprise Risk Management ("ERM") Framework

The framework was designed towards a sound system of risk management and internal control which are responsive to changes in the business environment, industrial trends, and the governance eco-system.



The objectives of ERM Framework are to ensure:

- A common and consistent approach for the management of risks is adopted within DRMSB
- The management of risk contributes to the quality of performance and continuous improvement of DRMSB businesses, its operations, and delivery of services and products; and
- All significant risks are identified, evaluated, managed, and reported in a timely manner.

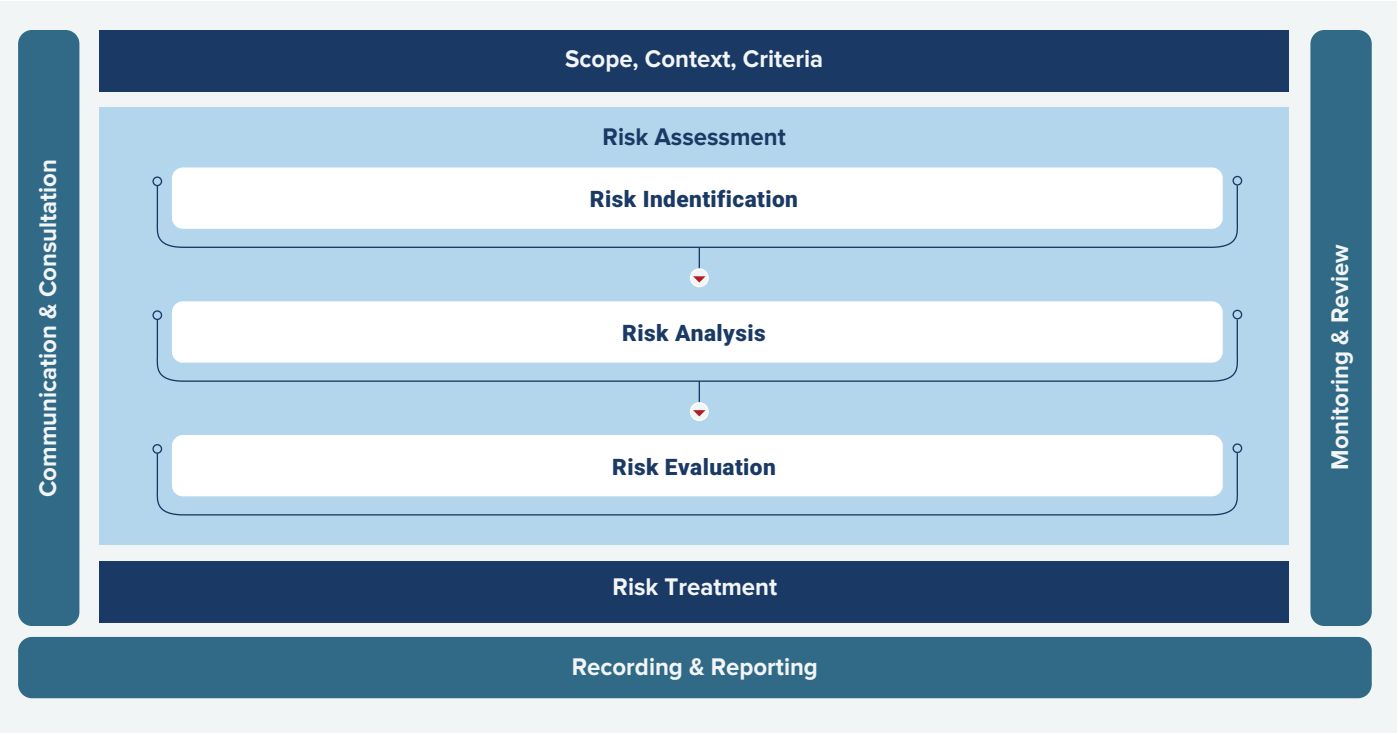
The above objectives will be achieved via:

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

The ERM Framework is communicated, integrated, and cascaded to all levels each plays its role in in managing risks concerning business processes in the areas of Strategic Planning, Budgeting, Policy Development, Acquisitions/ Investment and Asset Disposals, Performance Management, Building and Asset Management, Integrity, ESG and Business Continuity Management.

The diagramme below shows the process to be undertaken in preparing a Risk Profile:



The processes involved in the ERM are summarise below:

Risk Identification	:	Finding, recognising, and describing the risks that could affect the achievement of an organisation's objectives. During the risk identification process, it is important to identify the risks associated with not pursuing an opportunity.
Risk Analysis	:	Risk shall be analysed and assessed to determine the Risk Rating. The risk analysis should start with determining the root causes/sources of risk, assessing the likelihood and impact to produce a Gross Risk Rating (the risk rated before any preventive/ recovery measures are implemented).
Risk Evaluation	:	Risk evaluation involves the exercise of determining the existing key controls on the identified risk, defining the existing Control Effectiveness and the likelihood and impact of producing the Residual Risk Rating. All risk profiles will be rated based on two parametres: Likelihood that the risk will occur X the impact that it has on the business. Ratings of the risks will be tabulated to produce a heat map.
The Risk Action Plan/Mitigation Plan	:	The Risk Mitigation Plan identifies the parties responsible and the timeline for the plan implementation.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Monitoring Risk Mitigation Performance : Risk monitoring, review, and reporting shall be performed periodically. The frequency of reporting is summarised as per table below:

Risk Reporting Frequency

Reporting Party	Reporting To	Frequency of Reporting	Reports to Be Submitted
BARC	BOD	Quarterly	• "Very High" Risk Profile • Status of Mitigation Plan • Project Risk • Special Risk Report on need basis
ERMC	CEO, BARC	Quarterly	• Updated risk profile and Risk Registers • Risk action plan and Status Updates • Special Risk Reports (when required)
Risk Owners	ERMC	Monthly	• Updated risk profile and Risk Registers • Risk action plan and Status Updates (when required) • Special Risk Reports (when required)
Co-Owners	Risk Owners	Monthly	• Updated risk profile and Risk Registers • Risk action plan and Status Updates (when required) • Special Risk Reports (when required)

The ERM process evaluation is undertaken by the ERMC every quarterly to assess and evaluate risks that may impede the Group from achieving its strategic and operational objectives, as well as developing action plans to mitigate such risks and to monitor Mitigation Performance.

In ensuring that there is consistency in the methods used in managing risks throughout the organisation, both at the strategic and operational levels risk appetites were pre-determined to ascertain that the risk management efforts are aligned with the REIT's business objectives.

An expansion of risk appetite parameters and mitigation actions that relates to assets acquisitions/ disposals, joint ventures, business diversification and other corporate exercises deliberated and taken into consideration by the Management and the Board Investment Committee and the Board when recommending and approving the proposals.

While the Management team members are accountable for risk management in their particular portfolios, responsibility for good risk management rests with every staff member.

Risk Owners are required to identify and effectively manage risk related to their core departmental activities. This is done to achieve an appropriate balance between realising opportunities for gains while minimising losses to the REIT.

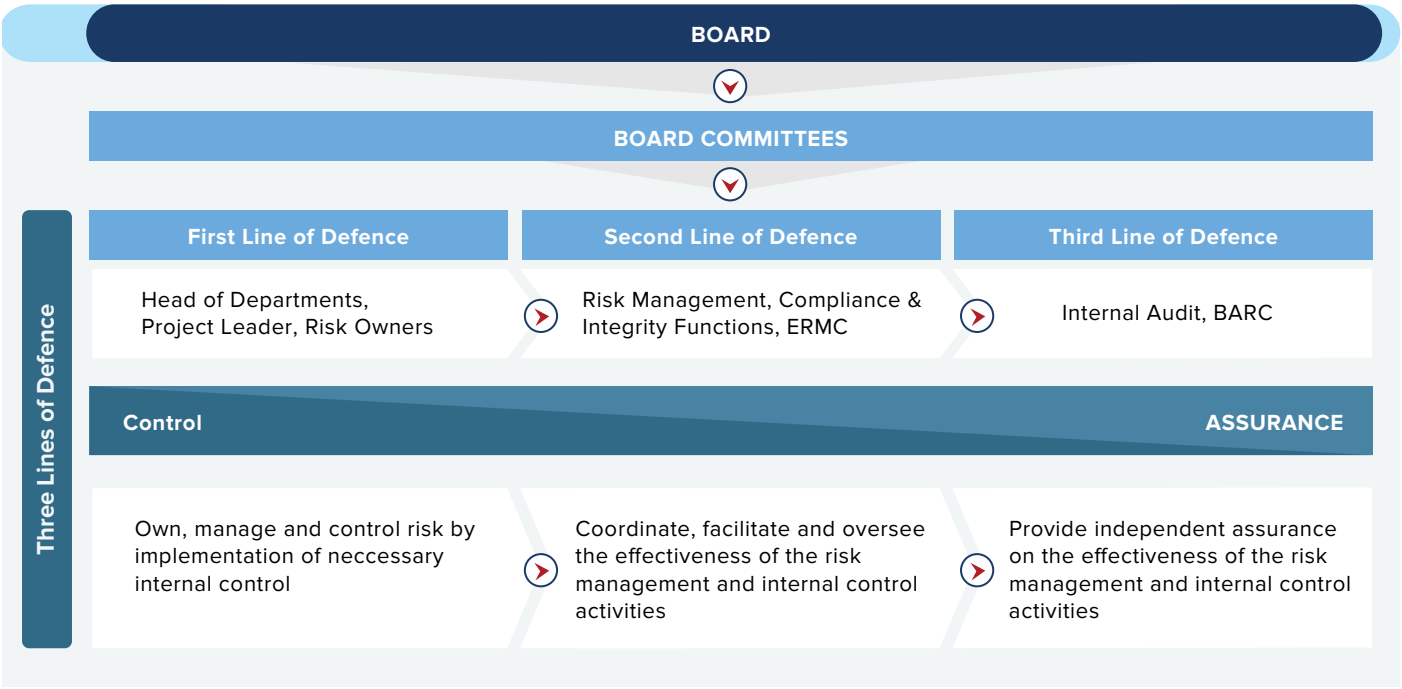
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

INTERNAL CONTROL SYSTEMS

The Board and Management are committed to maintaining an effective internal control environment by continuously enhancing the design of internal control systems to ensure that they are relevant and effective to promote operational agility while ensuring corporate governance and compliance with regulatory guidelines. The internal control policy is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

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

The REIT Managers' practice of strong internal control is guided by the model of "Three Lines of Defence" as shown below:



1st Level of Defence: Business Line Management

- The Senior Management, who are also Head of Departments and members of the ERMC forms the 1st line of defence, primarily responsible for managing processes.
- They are also responsible for controlling risks by using business control and compliance frameworks, implementing internal control processes, and adequate control.

2nd Level of Defence: Risk Management Department and ERMC

- Responsible for setting ERM Framework and setting of risk appetite/tolerance level
- Independent reporting to the CEO and ERMC
- Advisor to 1st line

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

3rd Level of Defence: Internal Audit and BARC

- Assurance about mitigation effectiveness
- Reporting to BARC
- Advisory role to improve process

Key Features of Internal Control

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

(a) Organisation Structure and Reporting Lines

The organisation structure and delegation of responsibilities are communicated across all levels, from the Board to the project/ risk owners in the organisation which set out, amongst others, authorisation levels, segregation of duties and other risk and control procedures.

The Board and Board Committees are supported operationally by the Management Committee headed by the CEO. The Management Committee meeting ("MCM") convenes on a fortnightly basis to discuss on strategic business plans, ongoing operational matters and the REIT's financial performance hence has oversight of the REIT's operations and maintenance of effective control. In addition, ad-hoc meetings to discuss the progress of high-risk corporate projects and exercises. In the absence of the CEO, the Management Committee meetings are chaired by the General Manager as an Acting Chairman.

(b) Internal Audit

To ensure an independent and objective assurance of the adequacy and effectiveness of the internal control system, the REIT Manager outsources the internal audit function of the REIT to an independent professional consulting firm, Messrs. PKF Risk Management Sdn Bhd ("PKF"). PKF adopts the International Professional Practices Framework ("IPPF") in carrying out internal audit assignments by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal controls, and governance processes.

The team from PKF is led by Dr. Wong Ka Fee, the Director of Risk and Governance Advisory. He possessed doctoral degree in Behavioural Finance and Master of Science in Management Consultancy. Dr. Wong Ka Fee has over 15 years of experience in a wide range of governance advisory, risk and internal audit work. The Internal Audit Team ("IAT") at PKF consists of 10 permanent internal audit personnel staff who are qualified in the areas of internal audit and assurance. All the internal PKF audit personnel involved are free from any relationships or conflicts of interest, which could impair their objectivity and independence.

Audit reviews and engagements are carried out based on a risk-based annual internal audit plan approved by the BARC. PKF executes the audit engagements with regard to risk exposures, compliance with policies and procedures, relevant laws and regulations, and against best practices. PKF then provides the BARC with periodic reports, highlighting observations, recommendations and action plans to improve the organisation's internal control system. In addition, special reviews and scope extensions were also undertaken as required by the BARC and management.

(c) The Standard Operating Procedures

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

(d) Policies & Frameworks

Documented policies and procedures are also in place subject to review every now and then to ensure that it maintains their effectiveness to support the REIT's business activities.

The Manager has revised the following policies and frameworks in the year under review:

- The Limit of Authority ("LOA") Manual: The policy was reviewed by the Management and tabled & approved by the Board of Directors on 18 April 2023.

- ERM Policy & Framework: The policy was reviewed by the Management and tabled to the BARC on 17 August 2023 and approved by the Board of Directors on 1 June 2023.

- Procurement Policy: The policy was reviewed by the Management and tabled to the BARC on 16 November 2023 and approved by the Board of Directors on 30 November 2023.

- Investment Policy: The policy was reviewed by the Management and tabled to the BARC on 16 November 2023 and approved by the Board of Directors on the 1 of December 2022.

(e) Digitalisation

ICT Policy & Compliance

The REIT Manager adheres to JCorp Group policy and adopts the JCorp digitalisation and IT strategy, approach and digital maturity roadmap. The Internal ICT audit and system are monitored reviewed yearly to ensure compliance and standard operating policy and procedures.

Business Continuity Management & Disaster Recovery Plan

The annual testing on data recovery is undertaken annually, and the results are monitored and presented by the appointed outsourced service provider at the Management Committee Meeting and the BARC. Risk-related issues, if any would be escalated to the Board and the regulatory bodies immediately.

Cybersecurity & Awareness

As part of prevention activity, the JCOrp Group has conducted an overall assessment, i.e. penetration test, on the ICT systems (hardware and software) and from the results with recommendations, measures have taken place to proactively monitor, prevent, contain and recover from vulnerabilities. ICT awareness campaign was also implemented through education and announcements, to make business users cautious about hackers.

(f) Monitoring of Operational Performance and Financial Targets

Strategic Planning and Mid-year Review

The Strategic Planning and Mid-year Review are prepared by the Manager on an annual basis and tabled to a special Board meeting for approval. Analysis and reporting of variances against budget are presented to the Board and the Trustee quarterly, which form part of the monitoring mechanism and mitigation of any risk/ fallback from the financial targets.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Financial Monitoring, Reporting and Reviewing

Quarterly and annual financial statements containing key financial results as well as operational performance results of the REIT are prepared and reported to the BARC and the Board. Mandatory announcements on key corporate exercises and financial results were made on time in the year under review.

At the Management level, monthly coordination meetings on finance matters including credit collection and financial statements are diligently conducted to monitor, mitigate and carry out appropriate actions taken.

Engagement with the Stakeholders

Quarterly meetings with the Trustee are carried out to discuss the operational and financial performance of the REIT and the properties. During the year under review, two meetings with the Trustee were carried out on 30 March 2023 & 9 November 2023.

Timely company briefings with analysts are conducted to apprise the shareholders, stakeholders, and general public of the REIT's performance while promoting transparency and open discussion. During the year under review, 13 company briefings were carried out on the following dates: 16 January, 27 February, 9 March, 26 May, 22 August, 25 August, 2-3 June, 23 October, 24 October, 25 October, 27 October, 31 October 2023.

(g) Human Capital and Talent Management

Governance & Reporting Structure

The HR Department reports every quarter to the REID Group Chief Human Development Officer, who holds a strategic function in ensuring that human capital and talent management plans are aligned with the Business. The REID Group is responsible for the formulation, implementation, monitoring, and review of the overall human resources strategy. The scope covers from entire employee life cycle from Talent Acquisition, Performance Management.

Talent Development and drives Organisational change in building organisational capabilities.

Reward & Recognition

Establishing a clear system on how to measure employees' performance is key in sustaining a business model based on a "exponential growth agenda". The company uses a Key Performance Indicator ("KPI") system as part of the Performance Management System ("PMS") which starts with an Annual Planning cycle. The KPI System embeds the culture of accountability with KPIs scoring distributed across individuals / functions and organisation's achievement.

The 360 degrees performance appraisal are currently in practice to provides each employee the opportunity to give performance feedback on his or her supervisor's or manager' and peers.

Succession Planning

Leadership Development is a key priority and the company follows a strategic framework that feeds into the Succession Planning process. Succession Planning is done for key roles and it's a partnership discussion between the REID Group Human Resource, the Board Nomination and Remuneration Committee, the CEO, and the Head of Departments.

To ensure competency among the successors, a fit and proper policy is enforced as a guide for directors, director candidates, Shariah Adviser(s), CEO/ Principal Officers, and CMSRL holders as well as future leaders at the organisation.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Employee Safety & Health

The Human Resource Unit is in charge of the Safety & Health issues at the operating level to address and ensure compliance with Occupational Safety and Health policies and procedures, with a goal to facilitate the provision of a safe and healthy working environment for all employees and other related parties in compliance with the requirements of the Occupational Safety and Health Act 1994. The manager approved the document archiving in November 2023 to eliminate the hazard from overload office space. This is a continuous program to ensure workplace condition remain practical. Following the new normal brought about by the COVID-19 pandemic, the Manager has taken a prudent approach in ensuring that where employees are to Work from Home (WFH), where applicable, proper equipment, safety training and policies are provided or in place, to ensure the employee's health, safety and welfare are accordingly protected in the course of their work.

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

(h) Outsourcing Functions to Third-Party Service Providers

The REIT Manager entered into a few outsourcing arrangements that involved entrusting specific tasks, functions, or processes to external partners or third-party service providers. The objectives of these arrangements are to leverage the benefit from the partner's expertise, infrastructure, and economies of scale to improve cost efficiency to enable the organisation to focus more on core operations.

To mitigate the risks that these arrangements have on the company's performance, the REIT Manager has set up the following controls:

Fit & Proper

- Ensure that the service providers are professionally qualified to carry out the services
- Carry out due diligence exercises which include background checks on the service providers, which may include background checks on the person or entity, a document verification process, or conducting interviews with the person to be appointed to undertake the key role in providing the services.
- Undertake an ESG compliance assessment on the potential service providers to ensure that there in no environmental risks in the service providers' activities
- Require the service provider to sign a vendor Integrity Pledge to ensure compliance to policies relating to Anti-Bribery & Anti Corruption, No-Gift, No Entertainment and Whistle-blowing Policy. This is a part and parcel to combat bribery and corruption in an organisation.
- Ensure that the service providers comply with other governance requirements such as undertaking data privacy protection as part of the contract terms. This aligns with the REIT's pledge to enforce its Personal Data Protection (PDP) Policy in providing assurance to its data owners – tenants, directors, and employees that their personal data will be safeguarded and protected by the REIT. In addition, the company also requires service providers to take cognizant of the Anti-Money Laundering and Anti-Terrorism Financing Policy and all applicable laws to commensurate with the nature of the Company's businesses and activities.

Quality Assurance and Managing Performance

- Conduct an annual performance assessment on the service providers and tabling the result to the Management Committee and the Board
- In addition, the senior management team conducts regular discussions with property, maintenance, and service managers to discuss issues for improvement and to promote better understanding to facilitate cognizance in decision-making capability. During the year under review, two (2) meetings with the Maintenance Manager were carried out on 10 May, & 2 August 2023.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

BOARD COMMENTARY AND OPINION

For the financial year under review, the Board has received written assurance from the CEO, the Head of Finance that the REIT's enterprise risk management and internal control systems, in all material aspects, are operating adequately and effectively. There were no material control failures or adverse compliance events that directly resulted in any material loss to the Group.

Taking into consideration the information and assurance given by the CEO and the Head of Finance, the Board is satisfied that the enterprise risk management and internal control systems in place for the year under review and up to the date of approval of this Statement are sound and effective to safeguard the interest of all shareholders, the REIT's assets, and other stakeholders.

The following oversight mechanisms and information have been compiled for the Board's oversight processes:

- Periodic review of financial information covering financial performance and quarterly financial results;
- BARC's oversight of risk management framework, changes in risk magnitudes, and status of management implementation of risk mitigation plan;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- BARC's review and consultation with Management on the integrity of the financial results and audited financial statements;
- audit findings and reports on the review of systems of internal control provided by the internal auditors and the status of Management's implementation of the audit recommendations; and
- Management's assurance that the Group's risk management and internal control systems, including systems for compliance with applicable laws, regulations, rules directives, and guidelines have been operated adequately, effectively, and with integrity, in all material respects.

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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

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

This Statement is made in accordance with the resolution of the Board of Directors on 22 February 2024.

ADDITIONAL COMPLIANCE INFORMATION

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

Sanctions or Penalties
There was no public sanction or penalty imposed on the Manager.

Status of Utilisation Proceeds Raised from Corporate Proposal
There was no issuance of new units during the FY2023.

Audit and Non-Audit Fees
For information, please refer to pages 135 and 189.

Disclosure in Relation to the Unitholders Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

At an Annual General Meeting held on 18 April 2023, the Company obtained a mandate from its shareholders ("Shareholders' Mandate") for Recurrent Related Party Transactions ("RRPTs") of a revenue or trading nature.

In compliance with Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), such Shareholders' Mandate is subject to annual renewal and the disclosure in the Annual Report of RRPTs conducted pursuant to the mandate during the financial year ended 31 December 2023 where the aggregate value of such RRPTs is equal to or more than RM1 million or 1% of the relevant percentage ratio for such transactions, whichever is the higher.

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

Transacting Party	Nature of transaction	Nature of Relationship	Value incurred from 3 Mar 2023 (LPD) to 31 Dec 2023 (RM'000)	The aggregate value of transactions during the financial year (RM'000)
JCorp Group	Registrar and secretarial expenses	JCorp is a major unitholder of Al-Salām REIT. The Manager is also indirectly wholly-owned by JCorp. The Interested Directors (save for Dato' Haji Mohd Redza Shah bin Abdul Wahid) are deemed interested by virtue of them being the Directors of DRMSB and being part of the Board and/or senior management of JCorp Group.	208	208
	Rental income for renting of office lots and indoor entertainment park at Menara KOMTAR and KOMTAR JBCC		4,308	5,428
	Building management and maintenance related costs at Menara KOMTAR, KOMTAR JBCC and @MART KEMPAS.		1,881	2,304
	Technical advisory in relation to project management		171	171

ADDITIONAL COMPLIANCE INFORMATION

Transacting Party	Nature of transaction	Nature of Relationship	Value incurred from 3 Mar 2023 (LPD) to 31 Dec 2023 (RM'000)	The aggregate value of transactions during the financial year (RM'000)
DASB Property Management Sdn Bhd ("DASBPMSB") (formerly known as Synergy Mall Management Sdn Bhd ("SMMSB"))	Property services fee which include, inter-alia, building management and maintenance and lease and tenancy administration	DASBPMSB is a 82.67% owned subsidiary of DASB, the holding company of the Manager. DASB is a wholly-owned subsidiary of JCorp. DASB and JCorp are also the major unitholders of Al-Salām REIT. The Manager is also indirectly wholly-owned by JCorp. The Interested Directors (save for Dato' Haji Mohd Redza Shah bin Abdul Wahid) are deemed interested by virtue of them being the Directors of DRMSB and being part of the Board and/or senior management of JCorp Group. Datuk Sr. Akmal bin Ahmad is the Director of DRMSB, Director of DASB and also part of the senior management of JCorp Group.	3,101	3,689
KPJ Group	Rental income for renting of college building at Bandar Dato' Onn, Johor	JCorp has a total of 43.38% direct and indirect interest in KPJ. KPJ (through JCorp) and JCorp are also the major unitholders of Al-Salām REIT. The Manager is also indirectly wholly-owned by JCorp. The Interested Directors (save for Dato' Haji Mohd Redza Shah bin Abdul Wahid) are deemed interested by virtue of them being the Directors of DRMSB and being part of the Board and/or senior management of JCorp Group. Dato' Haji Mohd Redza Shah bin Abdul Wahid and Shamsul Anuar bin Abdul Majid are the Directors of DRMSB and also Directors of KPJ.	1,899	2,301
QSR Group	Rental income from renting of KFC and Pizza Hut outlets and non-restaurant properties	QSR is a 56.00% associate company of JCorp. The Manager is also indirectly wholly-owned by JCorp. The Interested Directors (save for Dato' Haji Mohd Redza Shah bin Abdul Wahid) are deemed interested by virtue of them being the Directors of DRMSB and being part of the Board and/or senior management of JCorp Group. Shamsul Anuar bin Abdul Majid is the Director of QSR and also Director of DRMSB.	15,802	19,141
Aggregate Value of Transactions			**27,371**	**33,242**

SHARIAH ADVISER'S REPORT

TO THE UNITHOLDERS OF AL-SALĀM REAL ESTATE INVESTMENT TRUST

We have acted as the Shariah Adviser of Al-Salām Real Estate Investment Trust (the "Fund"). Our responsibility is to ensure that the procedures and processes employed by Damansara REIT Managers Sdn Berhad (the "Manager") and that the provisions of the Trust Deed are in accordance with Shariah principles.

In our opinion, based on our review of the documents and information made available to us, the Manager has operated and managed the Fund in accordance with applicable guidelines pertaining to Shariah matters, and principles, concepts and rulings endorsed by the Shariah Advisory Council of the Securities Commission ("SACSC") for the financial year ended 31 December 2023.

In addition, we also confirm that:

1. The investment portfolio of the Fund is Shariah-compliant, which comprises:

   (a) Rental income from investment properties which complied with the Securities Commission Malaysia's Guidelines on Islamic Capital Market Products and Services. The percentage ratio of Shariah non-compliant rental for the financial year ended 31 December 2023 is 2.8734%; and

   (b) Cash placement and liquid assets, which are placed in Shariah-compliant investments and/or instruments.

2. There was no acquisition of property that is deemed to be Shariah non-compliant during the financial year.

Our review does not include Shariah confirmation on the audited financial statements of the Fund where we noted that some conventional terminologies were used in the financial statements.

For and on behalf of the Shariah Adviser
IBFIM

MOHAMAD SALIHIN DERIS
Designated Person Responsible for Shariah Advisory
Kuala Lumpur

TRUSTEE'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

To the Unit Holders of
AL-SALĀM REAL ESTATE INVESTMENT TRUST

We, AMANAHRAYA TRUSTEES BERHAD, have acted as Trustee of AL-SALĀM REAL ESTATE INVESTMENT TRUST for the financial year ended 31 December 2023. In our opinion, DAMANSARA REIT MANAGERS SDN BERHAD, the Manager, has managed AL-SALĀM REAL ESTATE INVESTMENT TRUST in accordance with the limitations imposed on the investment powers of the management company and the Trustee under the Deed, other provisions of the Deed, the applicable Guidelines on Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws during the financial year then ended.

We are of the opinion that:

(a) the procedures and processes employed by the Manager to value and/or price the units of AL-SALĀM REAL ESTATE INVESTMENT TRUST are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirement; and

(b) the distribution of returns made by AL-SALĀM REAL ESTATE INVESTMENT TRUST as declared by the Manager is in accordance with the investment objective of AL-SALĀM REAL ESTATE INVESTMENT TRUST.

Yours faithfully
AMANAHRAYA TRUSTEES BERHAD

ZAINUDDIN BIN SUHAIMI
Chief Executive Officer

Kuala Lumpur, Malaysia
28 February 2024

SECTION 05

OTHER INFORMATION

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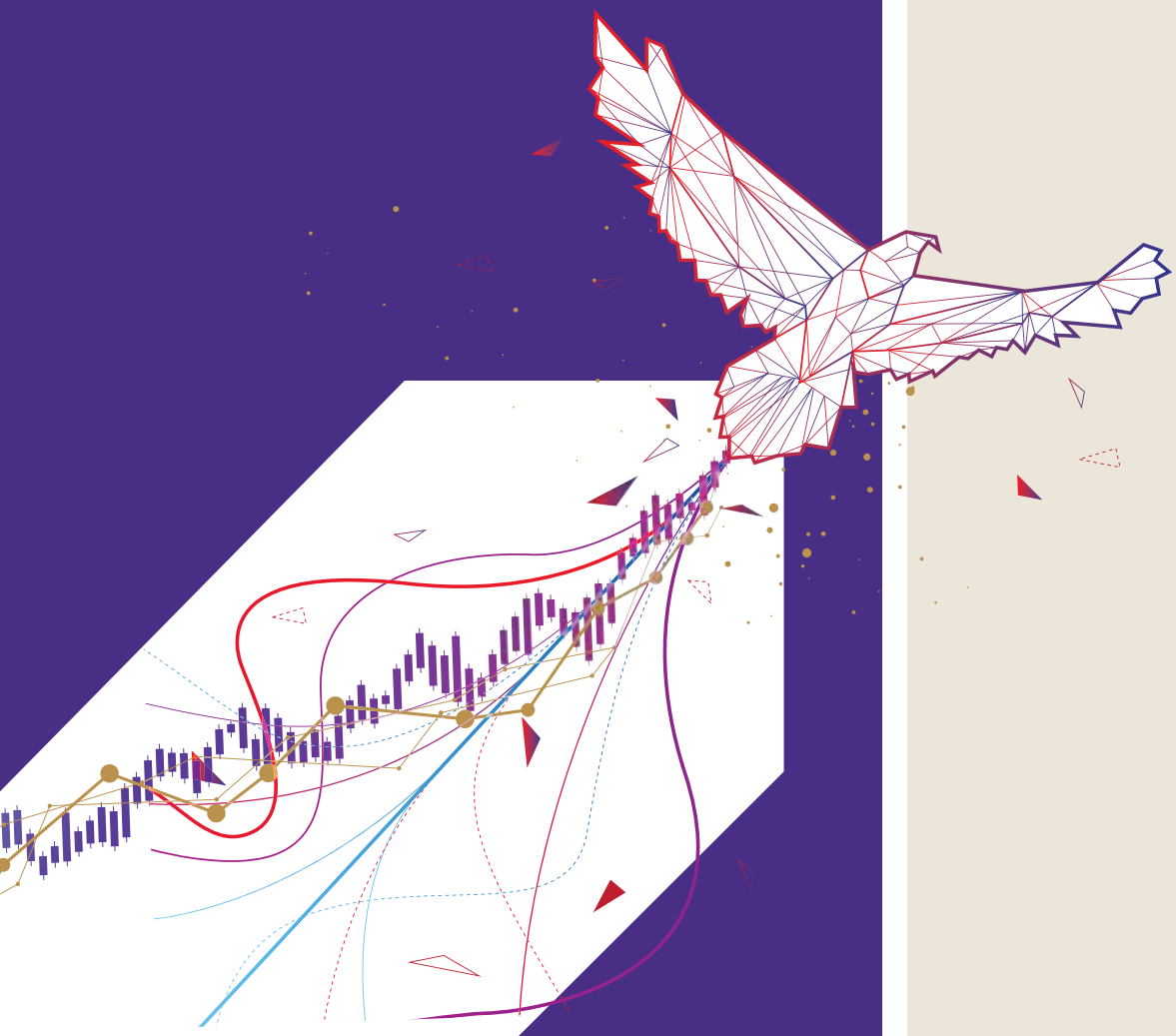
181 Analysis of Unitholdings



PORTFOLIO SUMMARY AND DETAILS

RETAIL

KOMTAR JBCC

Location	: KOMTAR JBCC, Johor Bahru City Centre, Jalan Wong Ah Fook, Johor Bahru, Johor
Description	: A 4-Level Shopping Mall
Year of Completion	: 2014
Title	: Geran No. 44587
Tenure	: Freehold
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM431,000,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 9 years

@MART KEMPAS

Location	: Premises No. 10, Jalan Persiaran Tanjung Taman Cempaka 81200 Johor Bahru, Johor
Description	: Single-Storey Hypermarket
Year of Completion	: 2010
Title	: HSD 510051
Tenure	: Leasehold - 99 years, expiring on 23 January 2106
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM78,000,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 13 years

MYDIN HYPERMART GONG BADAK

Location	: Lot 52606 (Formerly PT No. 35511), Dataran Austin, Jalan Gong Pak Damat, 21200 Kuala Terengganu, Terengganu
Description	: A double storey hypermarket, each floor with a mezzanine level
Year of Completion	: 2014
Title	: PN 10207
Tenure	: Leasehold - 99 years, expiring on 26 December 2109
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM172,000,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 9 years

UNIT NO G-104, MEGAMALL PINANG

Location	: Unit No. G-104, Megamall Pinang Shopping Complex, No. 2828, Jalan Baru, Bandar Perai Jaya, 13700 Perai, Pulau Pinang
Description	: Stratified Retail Unit
Year of Completion	: 1998
Title	: GRN 166213, Mukim1, District of Seberang Perai Tengah, Pulau Pinang
Tenure	: Freehold
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM1,130,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 25 years

PORTFOLIO SUMMARY AND DETAILS

F&B RESTAURANTS - SHOPHOUSES/OFFICE OUTLETS

Location	: Premises No. 34, Jalan Mahsuri, Bandar Baru Bayan, 11950 Bayan Lepas, Pulau Pinang
Description	: KFC Restaurant
Year of Completion	: 1993
Title	: PN 2263
Tenure	: Leasehold 99 years expiring on 15 May 2090
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM4,800,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 30 years

Location	: Premises No. 60 & 62, Jalan PJS 11/28A Bandar Sunway, 46150 Petaling Jaya, Selangor
Description	: KFC Restaurant
Year of Completion	: 1996
Title	: PN 72423, PN 72424, HSM 9319, HSM 9320
Tenure	: Leasehold 99 years expiring on 28 December 2092 and 11 March 2095
Encumbrances	: Charged to Bank Islam Malaysia Berhad
Market Value	: RM10,000,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 27 years

Location	: Premises No. 5, Bangunan Joota Brothers, Jalan Sungai Korok, 06000 Jitra, Kedah
Description	: KFC Restaurant
Year of Completion	: 1992
Title	: HSD17607
Tenure	: Freehold
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM590,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 31 years

Location	: No. 1 & 1-1, Jalan Niaga, 81900 Kota Tinggi, Johor
Description	: Pizza Hut Restaurant
Year of Completion	: 2004
Title	: PN74196
Tenure	: Leasehold 99 years expiring on 14 May 2085
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM1,000,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 19 years

PORTFOLIO SUMMARY AND DETAILS

F&B RESTAURANTS - SHOPHOUSES/OFFICE OUTLETS

Location	: No 3, Jalan Resam 13, Taman Bukit Tiram, 81800 Ulu Tiram Johor
Description	: Pizza Hut Restaurant
Year of Completion	: 2010
Title	: GRN 343903
Tenure	: Freehold
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM1,100,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 13 years

Location	: No. 1, Jalan Bandar Baru 1, Pusat Bandar Baru Ayer Hitam, 86100 Ayer Hitam, Johor
Description	: KFC Restaurant
Year of Completion	: 2011
Title	: PN69846
Tenure	: Leasehold 93 years expiring on 16 July 2101
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM2,500,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 12 years

Location	: Premises No. 1, Jalan Mahajaya, Kawasan Penambakan Laut, Bandar Port Dickson, 71000 Port Dickson, Negeri Sembilan Darul Khusus
Description	: KFC Restaurant
Year of Completion	: 1997
Title	: PN48982
Tenure	: Leasehold 74 years expiring 8 May 2085
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM2,000,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 26 years

Location	: Premises No. 9, Persiaran Putra Timur 1, 02000 Kuala Perlis, Perlis Indera Kayangan
Description	: KFC Restaurant
Year of Completion	: 1996
Title	: PM1181
Tenure	: Leasehold 99 years expiring on 25 September 2092
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM590,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 27 years

PORTFOLIO SUMMARY AND DETAILS

F&B RESTAURANTS - SHOPHOUSES/OFFICE OUTLETS

Location	: Premises Nos.18 & 20, Jalan Sulaiman, 43000, Kajang, Selangor
Description	: KFC Restaurant
Year of Completion	: 1982
Title	: GRN 45688 & GRN 45689
Tenure	: Freehold
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM11,000,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 41 years

Location	: No 12C & 12D, Metrocity Commercial Precint, Lorong Metrocity Boulevard 3A, 93500 Kuching, Sarawak.
Description	: Pizza Hut Restaurant
Year of Completion	: 2015
Title	: Lot No 14079 & 14080 Section 65, Kuching Town Land District,Sarawak
Tenure	: Leasehold 99 years expiring on 11 August 2113
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM4,300,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 8 years

Location	: Nos 20 & 21, Jalan Dato' Sheikh Ahmad, 70000 Seremban, Negeri Sembilan
Description	: KFC Restaurant
Year of Completion	: 1982
Title	: GRN 50935 & 40542, Lot No 831 & 832 situated in Bandar Seremban, Seremban, Negeri Sembilan
Tenure	: Freehold
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM4,400,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 41 years

Location	: No 65, Jalan Dato On Jaafar, 30300 Ipoh, Perak
Description	: KFC Restaurant
Year of Completion	: 2017
Title	: GRN 40351 Lot 1293 N, situated in Kinta, Ipoh, Perak
Tenure	: Freehold
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM4,000,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 6 years

PORTFOLIO SUMMARY AND DETAILS

F&B RESTAURANTS - SHOPHOUSES/OFFICE OUTLETS

Location	: No. 24 & 26, Jalan Bunga Raya 7, Pusat Perniagaan Senawang, Taman Tasik Jaya, 70400 Senawang, Negeri Sembilan
Description	: KFC Restaurant
Year of Completion	: 1997
Title	: GRN 108899 & 177945, Lot No 4126 & 4125 situated in Pekan Senawang, Seremban, Negeri Sembilan
Tenure	: Freehold
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM1,100,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 26 years

Location	: No. 1 & 1A, Jalan Resam 13, Taman Bukit Tiram, 81800 Ulu Tiram, Johor
Description	: KFC Restaurant
Year of Completion	: 2010
Title	: GRN 343902 situated at Mukim Terbrau, Johor Bahru, Johor
Tenure	: Freehold
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM2,100,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 13 years

Location	: Lot 25, Block 3 Bornion Centre, Jalan Kolam, 88300 Kota Kinabalu, Sabah
Description	: KFC Restaurant
Year of Completion	: 1990
Title	: CL 015437948, situated at Jalan Kolam, Kota Kinabalu, Sabah
Tenure	: Leasehold 999 years expiring on 15 May 2915
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM3,100,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 33 years

Location	: No. 158, Jalan Idris, 31900 Kampar, Perak
Description	: KFC Restaurant
Year of Completion	: 2005
Title	: PN 326743, Lot No 96, situated in Kampar, Perak
Tenure	: Freehold
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM1,700,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 18 years

PORTFOLIO SUMMARY AND DETAILS

F&B RESTAURANTS - SHOPHOUSES/OFFICE OUTLETS

Location	: No. 79, Jalan Dato' Lau Pak Khuan, Ipoh Garden, 31400 Ipoh, Perak
Description	: KFC Restaurant
Year of Completion	: 1971
Title	: GRN 8311 Lot No 48635, situated in Mukim Hulu Kinta, Kinta, Perak
Tenure	: Freehold
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM2,300,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 52 years

Location	: Nos 23 & 24, Jalan 54 Desa Jaya Kepong, 52100 Kepong, Kuala Lumpur
Description	: KFC Restaurant
Year of Completion	: 2017
Title	: PM 12274 & 12273, Lot 2430 & 2429, situated at Batu 8 Jalan Kepung, Gombak, Selangor
Tenure	: Leasehold 99 years expiring on 8 March 2081
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM7,300,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 6 years

Location	: No 140, Jalan Raja Laut, 50350 Kuala Lumpur
Description	: KFC Restaurant
Year of Completion	: 2014
Title	: GRN 59853, 59858 & 59862, Lot No 1417, 1419 & 1421, situated in Kuala Lumpur, Federal Territory of Kuala Lumpur
Tenure	: Freehold
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM4,800,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 9 years

Location	: No 437, Wisma Hualang, Jalan Ipoh, 51200 Kuala Lumpur
Description	: KFC Restaurant
Year of Completion	: 2014
Title	: GRN 10894,Lot No 503 Section 83, situated in Kuala Lumpur, Federal Territory of Kuala Lumpur
Tenure	: Freehold
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM10,300,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 9 years

PORTFOLIO SUMMARY AND DETAILS

F&B RESTAURANTS - SHOPHOUSES/OFFICE OUTLETS

Location	: No 9, Jalan PPM 9, Plaza Malim Business Park, 75250 Balai Panjang, Melaka
Description	: KFC Restaurant
Year of Completion	: 1997
Title	: PN 18632, Lot No 4111 situated in Mukim Balai Panjang, Melaka Tengah, Melaka
Tenure	: Leasehold 99 years expiring on 7 May 2099
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM1,200,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 26 years

Location	: No 2105 Jalan 3/1, Bandar Baru Sungai Buloh, 47000 Sungai Buloh, Selangor
Description	: KFC Restaurant
Year of Completion	: 1989
Title	: HSM 5744 Jalan 3/1, Bandar Baru Sungai Buloh, Selangor
Tenure	: Leasehold 99 years expiring on 13 March 2087
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM1,900,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 34 years

F&B RESTAURANTS - DRIVE THROUGH OUTLETS

Location	: No. 555 Plaza Melaka, Jalan Hang Tuah, 75300 Melaka
Description	: KFC Restaurant
Year of Completion	: 2015
Title	: Geran 8562, Lot 966, Kawasan Bandar VII, Daerah Melaka Tengah, Melaka
Tenure	: Freehold
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM2,400,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 8 years

Location	: No. 10 A, Lot No. 559 Seksyen 5, Jalang Masjid Negeri , 11500 Georgetown, Pulau Pinang
Description	: KFC Restaurant with drive through facility
Year of Completion	: 2017
Title	: No. GRN 23532, Bandar Georgetown, District of Timor Laut, State of Pulau Pinang.
Tenure	: Freehold
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM26,000,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 6 years

PORTFOLIO SUMMARY AND DETAILS

F&B RESTAURANTS - DRIVE THROUGH OUTLETS

Location	: No. 5, Jalan Persiaran Jaya 1, Taman Mutiara Rini, 81300 Skudai, Johor
Description	: KFC Restaurant with drive through facility
Year of Completion	: 2015
Title	: No. PN 64752, Lot 150752 Mukim of Pulai, District of Johor Bahru, State of Johor
Tenure	: 991 years leasehold expired on 4th September 2911
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM9,400,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 8 years

Location	: Lot 383044, Jalan Kuala Kangsar, Taman Tasek Mutiara, 31400 Ipoh, Perak
Description	: Pizza Hut Restaurant and KFC Restaurant with Drive Through Facility
Year of Completion	: 2011
Title	: GRN 140646, Mukim of Hulu Kinta, District of Kinta, Ipoh Perak
Tenure	: Freehold
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM9,200,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 12 years

Location	: Lot 14083, Jalan Kuchai Lama, 58200 Kuala Lumpur
Description	: Pizza Hut Restaurant and KFC Restaurant with Drive Through Facility
Year of Completion	: 2008
Title	: PN1421 Mukim of Petaling , District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Tenure	: Leasehold 99 years expiring on 8 February 2064
Encumbrances	: Charged to Bank Islam Malaysia Berhad
Market Value	: RM14,600,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 15 years

Location	: Lot 59060, Jalan Prima 1, Metro Prima, Off Jalan Kepong, 52100 Kuala Lumpur
Description	: Pizza Hut Restaurant and KFC Restaurant with Drive Through Facility
Year of Completion	: 2005
Title	: PN33135, Mukim of Batu, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Tenure	: Leasehold 96 years expiring on 28 April 2096
Encumbrances	: Charged to RHB Islamic Bank Berhad
Market Value	: RM18,300,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 18 years

PORTFOLIO SUMMARY AND DETAILS

F&B RESTAURANTS - DRIVE THROUGH OUTLETS

Location	: Lot No. PT 6878, Jalan 8/27A, Bandar Baru Wangsa Maju, 53300 Kuala Lumpur
Description	: Pizza Hut Restaurant and KFC Restaurant with Drive Through Facility
Year of Completion	: 2004
Title	: HS (D) 99750, Mukim of Setapak, District of Kuala Lumpur, Wilayah Persekutuan, Kuala Lumpur
Tenure	: Leasehold 83 years expiring on 19 April 2083
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM29,500,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 19 years

Location	: Lot 19838, Lebuh Ayer Keroh, 75450 Hang Tuah Jaya, Melaka Bandaraya Bersejarah
Description	: Pizza Hut Restaurant and KFC Restaurant with Drive Through Facility
Year of Completion	: 2012
Title	: PM 4878 situated in Mukim Bukit Katil, Daerah Melaka Tengah
Tenure	: Leasehold 99 years expiring on 13 May 2108
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM10,700,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 11 years

Location	: PTD 153154, Jalan Tampoi, Taman Damansara Aliff, 81200 Johor Bahru
Description	: Pizza Hut Restaurant and KFC Restaurant with Drive Through Facilit
Year of Completion	: 2009
Title	: HSD 491589, PTD 153154 situated in Mukim Tebrau, Daerah Johor Bahru, Johor
Tenure	: Freehold
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM13,000,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 14years

Location	: PTD 103231, Taman Impian Senai, 81400 Senai, Johor
Description	: KFC Restaurant with Drive Through Facility
Year of Completion	: 2014
Title	: HS(D) 58402 Mukim of Senai, District of Kulai, Johor
Tenure	: Freehold
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM10,600,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 9 years

PORTFOLIO SUMMARY AND DETAILS

F&B RESTAURANTS - DRIVE THROUGH OUTLETS

Location	: PTD No 171459, Jalan Persisiran Perling, Taman Perling, 81200 Johor Bahru, Johor
Description	: Pizza Hut Restaurant and KFC Restaurant with Drive Through Facility
Year of Completion	: 2009
Title	: GM 2913, Mukim of Pulai, 81200 Johor Bahru, Johor
Tenure	: Freehold
Encumbrances	: Charged to Bank Islam Malaysia Berhad
Market Value	: RM15,100,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 14 years

Location	: PT2281, Jalan Kuala Ketil, Bandar Puteri Jaya, 08000 Sungai Petani, Kedah
Description	: KFC Restaurant with drive through facility
Year of Completion	: 2012
Title	: HS (D)125211, Bandar Sri Petani, District of Kuala Muda, Kedah
Tenure	: Freehold
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM6,100,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 11 years

Location	: Lot 207318, KFC Restaurant Seri Alam DT, Jalan Suria 1, Bandar Seri Alam, 81700 Johor Bahru
Description	: KFC Restaurant with drive through facility
Year of Completion	: 2016
Title	: GRN 542913, situated at Mukim Plentong, Bandar Seri Alam, Johor Bahru
Tenure	: Freehold
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM8,900,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 7 years

Location	: Lot No 22529, Jalan Bertam, Mukim 6, Kepala Batas, Seberang Perai Utara, Pulau Penang
Description	: Pizza Hut Restaurant and KFC Restaurant with drive through facility
Year of Completion	: 2017
Title	: GRN 181184, Lot No 22529 , situated at Mukim 06, Seberang Perai Utara, Pulau Penang
Tenure	: Freehold
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM7,900,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 6 years

PORTFOLIO SUMMARY AND DETAILS

F&B RESTAURANTS - DRIVE THROUGH OUTLETS

Location	: PT No. 5665, Persiaran Taman Tasik Prima 3, Taman Tasik Prima, 47100 Puchong, Selangor Darul Ehsan
Description	: Pizza Hut Restaurant and KFC Restaurant with drive through facility
Year of Completion	: 2016
Title	: HSD 256439 Pekan Puchong Perdana, District of Petaling, Selangor
Tenure	: Leasehold 99 years expiring on 28 May 2108
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM15,300,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 7 years

Location	: Lot 33693, KFC Seremban 2 Drive Through & Pizza Hut, Central Business District, 70300 Seremban 2, Negeri Sembilan
Description	: Pizza Hut Restaurant and KFC Restaurant with Drive Through Facility
Year of Completion	: 2014
Title	: Geran 175308, Lot 33693, Bandar Seremban Utama, Daerah Seremban, Negeri Sembilan
Tenure	: Freehold
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM8,700,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 9 years

F&B RESTAURANTS - MALL OUTLETS

Location	: Premises No. PT 4294, Jalan Jasin-Merlimau, Bandar Baru Merlimau Utara, 77300 Merlimau, Melaka
Description	: KFC Restaurant with drive through facility
Year of Completion	: 2019
Title	: PM1917, Mukim of Merlimau District of Jasin, Melaka
Tenure	: Leasehold 99 years expiring on 1 April 2111
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM4,600,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 4 years

Location	: Unit No. GF-12A, Queensbay Mall, 100, Persiaran Bayan Indah, 11900 Bayan Lepas, Pulau Pinang
Description	: KFC Restaurant with drive through facility
Year of Completion	: 2008
Title	: GRN 97433/M1/1/126 Lot 15736, Mukim 12, District of Barat Daya, Pulau Pinang
Tenure	: Freehold
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM15,300,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 15 years

PORTFOLIO SUMMARY AND DETAILS

F&B RESTAURANTS - MALL OUTLETS

Location	: Unit No. 3A-G-18, Kompleks Bukit Jambul, Jalan Rumbia, 11900 Bayan Lepas, Pulau Pinang
Description	: KFC Restaurant
Year of Completion	: 1997
Title	: Parent Title no. GRN 166071,Lot 20306, Mukim 13, District of Timur Laut, Pulau Pinang
Tenure	: Freehold
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM3,500,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 26 years

Location	: Unit No. G-103, Megamall Pinang Shopping Complex, No. 2828, Jalan Baru, Bandar Perai Jaya, 13700 Perai, Pulau Pinang
Description	: KFC Restaurant
Year of Completion	: 1998
Title	: GRN 166213, Mukim1, District of Seberang Perai Tengah, Pulau Pinang
Tenure	: Freehold
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM2,550,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 25 years

INDUSTRIAL & OTHERS - INDUSTRIAL PREMISES

Location	: Premises No.6 Lorong Gerudi 1, Off Jalan Pelabuhan Utara, 42000 Pelabuhan Klang, Selangor
Description	: Factory/Warehouse
Year of Completion	: 2011
Title	: PN 8616, Bandar Port Swettenham, District of Klang, Selangor
Tenure	: Leasehold 99 years expiring on 15 March 2087
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM30,000,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 12 years

Location	: Premises No. 31, Lorong IKS Juru 3, Taman IKS Juru, 14100 Simpang Ampat, Pulau Pinang
Description	: Commissary
Year of Completion	: 1997
Title	: GRN 149808, Mukim 13, District of Seberang Perai Tengah,Pulau Pinang
Tenure	: Freehold
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM1,600,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 26 years

PORTFOLIO SUMMARY AND DETAILS

INDUSTRIAL & OTHERS - INDUSTRIAL PREMISES

Location	: No. 17,19 & 21, Jalan Pemaju U1/15, Hicom Glenmarie Industrial Park. Section U1, 40150 Shah Alam, Selangor
Description	: Factory
Year of Completion	: 1998
Title	: GRN 215115
Tenure	: Freehold
Encumbrances	: Charged to Bank Islam Malaysia Berhad
Market Value	: RM66,100,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 25 years

Location	: Lot 5, Lorong Tembaga 3, Kawasan MIEL, KKIP Selatan, Kota Kinabalu Industrial Park, Menggatal, Kota Kinabalu, Sabah
Description	: Factory/Warehouse
Year of Completion	: 1999
Title	: County Lease 015680663, District of Kota Kinabalu
Tenure	: Leasehold 99 years expiring on December 2096
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM3,000,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 24 years

Location	: No 43A, Wisma KFC Sabah, Lorong Karamunsing C, 88000 Kota Kinabalu, Sabah
Description	: KFC Warehouse
Year of Completion	: 1989
Title	: Lot No 015319892, situated in Kota Kinabalu Sabah
Tenure	: Leasehold 999 years commencing from 22 January 2901
Encumbrances	: Charged to CIMB Islamic Bank Berhad
Market Value	: RM4,800,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 34 years

Location	: Premises No.3 Lorong Gerudi 1, Off Jalan Pelabuhan Utara, 42000 Pelabuhan Klang, Selangor
Description	: Warehouse
Year of Completion	: 1996
Title	: PN 11243, Bandar Port Swettenham, District of Klang, Selangor
Tenure	: Leasehold 99 years expiring on 15 March 2087
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM51,500,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 27 years

PORTFOLIO SUMMARY AND DETAILS

INDUSTRIAL & OTHERS - KPJ INTERNATIONAL COLLEGE OF NURSING AND HEALTH SCIENCES

Location	: No 1, Jalan Dato' Onn 1, Bandar Dato' Onn, 81100 Johor Bahru, Johor
Description	: 4-Storey Institutional Builiding
Year of Completion	: 2010
Title	: HS (D) 53995, Mukim Tebrau Johor Bahru, Johor
Tenure	: Freehold
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM36,200,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 13 years

OFFICE - MENARA KOMTAR

Location	: Menara KOMTAR, Johor Bahru City Centre, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor
Description	: A 25-Storey Office Building
Year of Completion	: 1979
Title	: Grant 44587
Tenure	: Freehold
Encumbrances	: Charged to Malaysian Trustees Berhad
Market Value	: RM70,000,000
Date of Latest Valuation	: 31 December 2023
Age of Property	: 44 years

ANALYSIS OF UNITHOLDINGS

UNITHOLDINGS STATISTICS AS OF 29 DECEMBER 2023

BREAK DOWN OF UNITHOLDINGS

TOTAL NUMBER OF UNITS ISSUED : 580,000,000 UNITS

Size Of Unitholdings	Holders	%	Units	%
Less Than 100	290	3.67	11,881	-
100 – 1000	3,678	46.50	2,014,918	0.35
1,001 – 10,000	3,333	42.14	10,455,274	1.80
10,001 – 100,000	540	6.83	14,283,703	2.47
100,001 To Less Than 5% Of Issued Capital	64	0.81	120,771,506	20.82
5% And Above Of Issued Capital	4	0.05	432,462,718	74.56
Total	**7,909**	**100.00**	**580,000,000**	**100.00**

TOP THIRTY SECURITIES ACCOUNT HOLDERS

(Without Aggregating the Securities from Different Securities Accounts Belonging to the Same Depositor)

	Name	Units	%
1	Damansara Assets Sdn Bhd	243,805,626	42.03
2	Tabung Amanah Warisan Negeri Johor	96,153,900	16.58
3	Waqaf An-Nur Corporation Berhad	57,769,401	9.96
4	Maju Noms (T) Sdn Bhd - A/C Pledged Securities Accounts for Damansara Assets Sdn Bhd	34,733,791	5.99
5	Kulim (Malaysia) Berhad	27,060,600	4.67
6	Johor Corporation	24,436,600	4.21
7	Pelaburan Hartanah Berhad	20,000,000	3.45
8	Lembaga Tabung Haji	16,859,100	2.91
9	Cartaban Noms (T) Sdn Bhd - A/C Standard Chartered Saadiq Bhd Scbmb Trustee for Muamalat 1	13,293,400	2.29
10	KPJ Healthcare Berhad	2,000,000	0.34
11	Maybank Noms (T) Sdn Bhd - A/C Kong Yee Wong	1,771,200	0.31
12	Johor Land Berhad	1,499,500	0.26
13	Chu Leong Lam	800,000	0.14
14	Chong Teck Seng	657,400	0.11
15	CIMB Group Noms (T) Sdn Bhd - A/C Exempt An for CIMB Bank Bhd (Dana Johor)	604,311	0.10
16	Public Noms (T) Sdn Bhd - A/C Pledged Securities Account for Tay Chun Gee (E-Klc)	600,000	0.10
17	Tenh Hong Way	600,000	0.10
18	Abdul Rahim bin Bidin	591,500	0.10
19	Maybank Secs Noms (T) Sdn Bhd - A/C Malayan Banking Berhad for Pelaburan Johor Berhad (MBB Dana Johor)	520,501	0.09
20	Ong Ah How @ Ong Beng Hwa	490,700	0.08
21	Lim Yaw Yeu	430,800	0.07
22	Ng Kim Yuen	408,100	0.07
23	Weng Hua Machinery Hardware Sdn Bhd	350,000	0.06
24	Boon Hin Pow	341,100	0.06
25	Kwan Chee Tong	304,600	0.05
26	Citigroup Noms (A) Sdn Bhd - A/C Sbl Exempt An for UBS AG	300,000	0.05
27	Kumpulan Bertam Plantations Berhad	296,000	0.05
28	Chong Kon Ling	283,700	0.05
29	Maybank Noms (T) Sdn Bhd - A/C Pledged Securities Account for Sharulazam bin Sahlan	283,200	0.05
30	Kenanga Noms (T) Sdn Bhd - A/C Gan Wee Yong	280,000	0.05

ANALYSIS OF UNITHOLDINGS

UNITHOLDINGS STATISTICS AS OF 29 DECEMBER 2023

SUBSTANTIAL UNITHOLDERS (5% AND ABOVE)

			Direct		Indirect	
			Units	%	Units	%
1	Johor Corporation		24,436,600	4.21	309,403,205[1]	53.35
2	Damansara Assets Sdn Bhd - Damansara Assets Sdn Bhd - Maju Noms (T) Sdn Bhd - A/C Pledged Securities Accounts for Damansara Assets Sdn Bhd	 243,805,626 34,733,791	278,539,417	48.02	-	-
3	Tabung Amanah Warisan Negeri Johor		96,153,900	16.58	-	-
4	Waqaf An-Nur Corporation Berhad		57,769,401	9.96	-	-

Note: [1] Deemed interested by virtue of its interest in Damansara Assets Sdn Bhd, Kulim (Malaysia) Berhad, KPJ Healthcare Berhad, Johor Land Berhad, Kumpulan Bertam Plantation Berhad and Tenaga Utama (J) Berhad under Section 8 of the Companies Act, 2016

UNIT ANALYSIS AS OF 29 DECEMBER 2023

	TOTAL		BUMIPUTRA		NON - BUMIPUTRA		FOREIGN	
	Holders	Units	Holders	Units	Holders	Units	Holders	Units
Government Bodies	2	120,590,500	2	120,590,500	-	-	-	-
Finance	1	16,859,100	1	16,859,100	-	-	-	-
Investment Trust	2	8,140	1	740	1	7,400	-	-
Nominees	572	56,762,866	175	50,631,958	385	5,622,008	12	508,900
Private Limited Company								
- Retail Body Corporates	13	244,330,081	4	243,853,561	9	476,520	-	-
- Insti-Body Corporate	-	-	-	-	-	-	-	-
Limited Company								
- Retail Body Corporates	7	108,643,751	7	108,643,751	-	-	-	-
- Insti-Body Corporate	-	-	-	-	-	-	-	-
Clubs / Association	3	23,686	2	20,726	1	2,960	-	-
Co-Operatives	14	362,169	11	302,275	3	59,894	-	-
Others	1	9	-	-	1	9	-	-
Individual	7,294	32,419,698	1,574	6,367,143	5,689	25,578,027	31	474,528
Total	**7,909**	**580,000,000**	**1,777**	**547,269,754**	**6,089**	**31,746,818**	**43**	**983,428**
%	**100.00**	**100.00**	**22.47**	**94.36**	**76.99**	**5.47**	**0.54**	**0.17**

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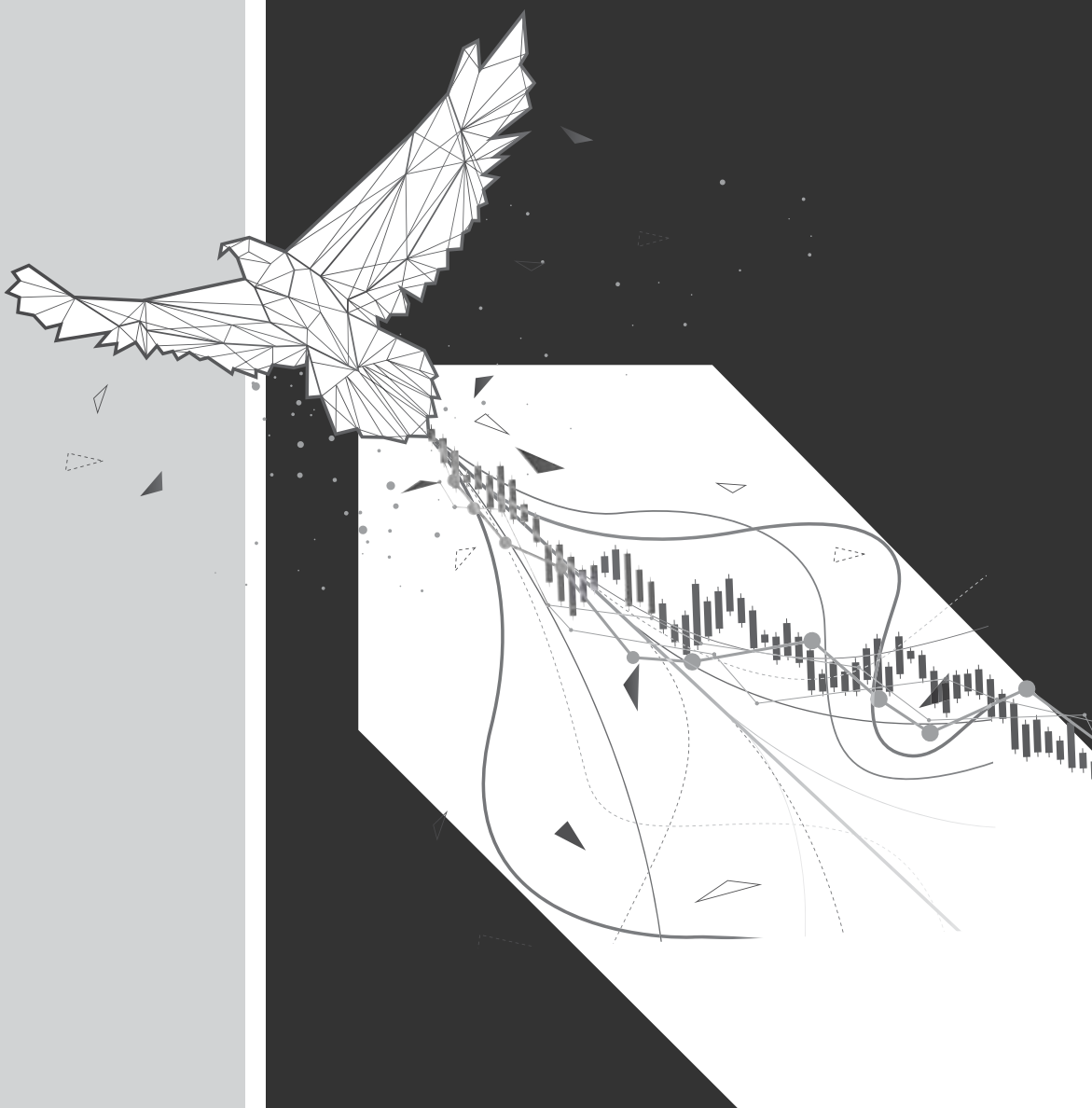
SECTION 06

FINANCIAL STATEMENTS



MANAGER'S REPORT

The Manager of Al-Salām Real Estate Investment Trust (the "Fund"), Damansara REIT Managers Sdn Berhad (the "Manager") have pleasure in presenting their report and the audited financial statements of the Group and of the Fund for the financial year ended 31 December 2023.

Results

	Group 2023 RM	Fund 2023 RM
Profit for the year	21,702,044	21,461,698

Income distributions

Since the end of the previous financial year, the amounts of dividends paid by the Fund were as follows:

	Fund 2023 RM
In respect of the financial year ended 31 December 2022 as reported in the directors' report of that year:	
Final income distribution of 1.50 sen per unit on 580,000,000 units, paid on 28 February 2023	8,699,805
In respect of the financial year ended 31 December 2023 as reported in the directors' report of current year:	
First interim income distribution of 0.40 sen per unit on 580,000,000 units, paid on 10 July 2023	2,319,988
Second interim income distribution of 0.40 sen per unit on 580,000,000 units, paid on 2 October 2023	2,319,988
Third interim income distribution of 0.30 sen per unit on 580,000,000 units, paid on 27 December 2023	1,739,976
	15,079,757

A final income distribution in respect of the financial year ended 31 December 2023, of 0.10 sen per unit on 580,000,000 units amounting to an income distribution payable of RM580,000 will be payable on 29 February 2024.

The financial statements for the current year do not reflect this final income distribution. Such income distribution will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2024.

The Fund and its investment objective

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

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

The Fund and its investment objective (cont'd)

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

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

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

The Manager and its principal activity

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

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

Manager's investment strategies and policies

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

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

(a) Active asset management strategy

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

(b) Acquisition growth strategy

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

(c) Capital and risk management strategy

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

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

(a) at least 50% of the Fund's total asset value must be invested in real estate assets at all times; and

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

MANAGER'S REPORT

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

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

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

(b) the value of the Fund's investment in securities issued by any group of companies must not exceed 10% of the Fund's total asset value; and

(c) the Fund's investment in any class of securities must not exceed 10% of the securities issued by any single issuer; or

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

Directors of the Manager

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

Dato' Haji Mohd Redza Shah bin Abdul Wahid
Shamsul Anuar bin Abdul Majid
Datuk Sr. Akmal bin Ahmad
Abdullah bin Abu Samah
Datuk Hashim bin Wahir
Ng Yan Chuan
Lailatul Azma binti Abdullah
Dato' Wan Kamaruzaman bin Wan Ahmad (Resigned on 5 January 2024)
Dato' Haji Salehuddin bin Hassan (Resigned on 9 January 2024)

Directors of the Manager's benefits

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

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

Directors of the Manager's interests

According to the Register of Directors' Unitholdings kept by the Manager under Section 59 of the Companies Act 2016, the interests of the Directors of the Manager in office at the end of the financial year in units of the Fund and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	At 1.1.2023	**Acquired**	**Sold**	**At 31.12.2023**
Al-Salām Real Estate Investment Trust				
Dato' Haji Salehuddin bin Hassan	9,125	-	-	9,125

None of the other Directors of the Manager in office at the end of the financial year had any interest in units of the Fund and of its related corporations during and at the end of the financial year.

Manager's remuneration

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

(a) A base management fee of up to 1% per annum of total asset value (excluding cash and bank balances) of the Fund calculated on a monthly accrual basis;

(b) An acquisition fee of 1% of the transaction value (being the total purchase price) of any investment property directly or indirectly acquired from time to time by the Trustee for and on behalf of the Fund pro-rated, if applicable, to the proportion of the Fund's interest and payable to the Manager upon completion of the acquisition of the investment property; and

(c) A disposal fee of 0.5% of the transaction value (being the total sales price) of any investment property directly or indirectly sold from time to time by the Trustee for and on behalf of the Fund pro-rated, if applicable, to the proportion of the Fund's interest and payable to the Manager upon completion of the disposal of the investment property.

Soft commission

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

Reserves and provision

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

Holding company and corporation

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

Other statutory information

(a) Before the statements of comprehensive and statements of financial position of the Group and the Fund were made out, the Manager took reasonable steps:

    (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

MANAGER'S REPORT

Other statutory information (cont'd.)

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

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

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

(c) At the date of this report, the Manager is not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Fund misleading or inappropriate.

(d) At the date of this report, the Manager is not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Fund which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Fund which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group and of the Fund which has arisen since the end of the financial year.

(f) In the opinion of the Manager:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Fund to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Fund for the financial year in which this report is made.

(g) As of 31 December 2023, the current liabilities of the Group and the Fund have exceeded the current assets by RM65,123,370 and RM69,877,704 respectively. In the opinion of the Manager, the Group will be able to meet their obligations and liabilities as and when they fall due on the basis that the Group will be able to repay their borrowings when it matures.

As at the reporting date, the Group has submitted a letter to request for extension of the facility tenure of borrowing of RM118,000,000 for a further 2 years. As at the date of the financial statements, the Group is confident in obtaining the approval for the extension of tenure for repayment of borrowing for a further 2 years before maturity date on 24 March 2024.

Auditors

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

Auditors' remuneration is as follows:

	Group RM	Fund RM
Audit fees		
- Current year	240,000	215,000
- Other service	350,000	350,000
	590,000	565,000

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

Signed on behalf of the Board of the Manager in accordance with a resolution of the directors of the Manager dated 22 February 2024.

Dato' Haji Mohd Redza Shah bin Abdul Wahid

Abdullah bin Abu Samah

STATEMENT BY THE DIRECTORS OF THE MANAGER

We, Dato' Haji Mohd Redza Shah bin Abdul Wahid and Abdullah bin Abu Samah, being two of the directors of Damansara REIT Managers Sdn Berhad (the "Manager"), do hereby state that, in the opinion of the Manager, the financial statements of Al-Salām Real Estate Investment Trust (the "Fund") set out on pages 195 to 242 are drawn up in accordance with applicable provisions of the Deed dated 25 November 2019, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2023 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of the Manager in accordance with a resolution of the directors of the Manager dated 22 February 2024

Dato' Haji Mohd Redza Shah bin Abdul Wahid

Abdullah bin Abu Samah

STATUTORY DECLARATION

I, Raja Nazirin Shah bin Raja Mohamad, being the officer of the Manager primarily responsible for the financial management of Al-Salām Real Estate Investment Trust, do solemnly and sincerely declare that the accompanying financial statements set out on pages 195 to 242 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Raja Nazirin Shah bin Raja Mohamad
at Kuala Lumpur in the Federal Territory on 22 February 2024

Raja Nazirin Shah bin Raja Mohamad

Before me,

Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF AL-SALĀM REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARY (INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Al-Salām Real Estate Investment Trust (the "Fund"), which comprise the statements of financial position as at 31 December 2023 of the Group and of the Fund, and statements of comprehensive income, statements of changes in net asset value and statements of cash flows of the Group and of the Fund for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 195 to 242.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2023, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

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

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

Valuation of investment properties

The Group and the Fund adopt fair value model for their investment properties. As at 31 December 2023, the carrying amount of the Group's and the Fund's investment properties is RM1,239,013,706 which represents 94% of the Group's and 95% of the Fund's total assets.

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

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

- We considered the objectivity, independence and expertise of the firms of independent valuers;
- We obtained an understanding of the methodology adopted by the independent professional valuers in estimating the fair value of the investment properties and assessed whether such methodology is consistent with those used in the industry;

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF AL-SALĀM REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARY (INCORPORATED IN MALAYSIA)

Valuation of investment properties (cont'd.)

- We had discussions with the independent professional valuers to obtain an understanding of the property related data used as input to the valuation models which included, amongst others, rental income data, yield rate and discount rate;
- We tested the accuracy of rental income data applied in the valuation by comparing them with lease agreements and challenged yield rate by comparing them with available industry data, taking into consideration comparability and market factors;
- We assessed whether the discount rate used to determine the present value of the cash flows reflects the estimated market rate of return for comparable assets with similar profile; and
- We also evaluated the Group's and the Fund's disclosures on those assumptions to which the outcome of the valuation is most sensitive. The disclosures on the valuation sensitivity and significant assumptions used are included in Note 3.2 and 10 to the financial statements.

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Manager and Trustee for the financial statements

The Manager of the Fund is responsible for the preparation of financial statements of the Group and of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determine is necessary to enable the preparation of financial statements of the Group and of the Fund that are free from material misstatement, whether due to fraud or error.

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

The Trustee is responsible for overseeing the Fund's financial reporting process.The Trustee is responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF AL-SALĀM REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARY (INCORPORATED IN MALAYSIA)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and the Fund, including the disclosures, and whether the financial statements of the Group and the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF AL-SALĀM REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARY (INCORPORATED IN MALAYSIA)

Other matters

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

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

Mimie Joanna Binti Johar
03592/09/2025 J
Chartered Accountant

Kuala Lumpur, Malaysia
22 February 2024

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 RM	Group 2022 RM	Fund 2023 RM	Fund 2022 RM
Gross rental income	**4**	69,467,053	67,901,145	69,467,053	67,901,145
Other income	**5**	6,815,766	3,898,915	6,815,766	3,898,915
Total revenue		76,282,819	71,800,060	76,282,819	71,800,060
Utilities expenses		(8,517,206)	(5,720,275)	(8,517,206)	(5,720,275)
Maintenance expenses		(4,281,527)	(3,523,145)	(4,281,527)	(3,523,145)
Quit rent and assessment		(1,952,108)	(1,744,939)	(1,952,108)	(1,744,939)
Property manager fee		(481,300)	(476,400)	(481,300)	(476,400)
Other property expenses		(10,142,258)	(8,896,680)	(10,142,258)	(8,896,680)
Total property expenses		(25,374,399)	(20,361,439)	(25,374,399)	(20,361,439)
Net property income		50,908,420	51,438,621	50,908,420	51,438,621
Investment income	**6**	935,781	511,630	935,781	511,630
Net fair value gain on investment properties	**10**	12,582,560	46,674,736	12,582,560	46,674,736
Total investment income		13,518,341	47,186,366	13,518,341	47,186,366
Net investment income		64,426,761	98,624,987	64,426,761	98,624,987
Finance costs on loan:					
- Finance costs charged by financing institution		(34,550,046)	(26,629,136)	(9,851,242)	(7,474,053)
- Finance costs from a subsidiary		-	-	(24,698,804)	(19,155,083)
- Imputed finance costs		(1,942,197)	(1,747,164)	(1,942,197)	(1,747,164)
Allowance for expected credit losses of trade receivables	**13**	(1,500,000)	(142,646)	(1,500,000)	(142,646)
Allowance for expected credit loss on amount due from a subsidiary		-	-	(269,089)	(302,800)
Manager fees		(2,589,740)	(2,461,404)	(2,589,740)	(2,461,404)
Trustee fees		(127,741)	(117,207)	(127,741)	(117,207)
Audit fees					
- Current year		(240,000)	(220,000)	(215,000)	(195,000)
- Other services		(350,000)	(50,000)	(350,000)	(50,000)
Valuation fees		(378,000)	(540,000)	(378,000)	(540,000)
Other expenses		(865,428)	(716,300)	(861,685)	(707,824)
Total fund expenses		(42,543,152)	(32,623,857)	(42,783,498)	(32,893,181)
Profit before tax		21,883,609	66,001,130	21,643,263	65,731,806
Tax expense	**7**	(181,565)	(585,081)	(181,565)	(585,081)
Profit for the year, representing total comprehensive income for the year		21,702,044	65,416,049	21,461,698	65,146,725

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 RM	Group 2022 RM	Fund 2023 RM	Fund 2022 RM
Total comprehensive income for the year					
Realised		7,571,408	15,733,218	7,600,151	15,766,694
Unrealised:		14,130,636	49,682,831	13,861,547	49,380,031
Unbilled rental income	**4**	3,229,641	3,593,176	3,229,641	3,593,176
Net fair value gain on investment properties	**10**	12,582,560	46,674,736	12,582,560	46,674,736
Tax expense	**7**	(181,565)	(585,081)	(181,565)	(585,081)
Allowance for expected credit loss on amount due from receivables		(1,500,000)	-	(1,500,000)	-
Allowance for expected credit loss on amount due from a subsidiary		-	-	(269,089)	(302,800)
		21,702,044	65,416,049	21,461,698	65,146,725
Earnings per unit	**8**				
Basic		3.74	11.28		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	Group 2023 RM	Group 2022 RM	Fund 2023 RM	Fund 2022 RM
Assets					
Non-current assets					
Investment properties	**10**	1,239,013,706	1,224,173,346	1,239,013,706	1,224,173,346
Equipment	**11**	868,564	802,663	868,564	802,663
Investment in a subsidiary	**12**	-	-	2	2
Other receivables	**13(b)**	928,267	-	928,267	-
		1,240,810,537	1,224,976,009	1,240,810,539	1,224,976,011
Current assets					
Trade receivables	**13(a)**	28,187,778	28,300,825	28,187,778	28,300,825
Other receivables and prepaid expenses	**13(b)**	6,685,143	6,406,911	6,671,171	6,381,769
Amount due from immediate holding company	**13(c)**	19,937	26,373	19,937	26,373
Amount due from related companies	**13(d)**	1,520,234	1,135,992	1,520,234	1,135,992
Amount due from related subsidiary		-	-	161,276	-
Cash and bank balances	**14**	38,837,380	44,267,627	31,078,845	38,608,715
		75,250,472	80,137,728	67,639,241	74,453,674
Total assets		1,316,061,009	1,305,113,737	1,308,449,780	1,299,429,685
Total unitholders' fund and liabilities					
Unitholders' fund					
Unitholders' capital	**18**	572,545,319	572,545,319	572,545,319	572,545,319
Undistributed income		73,862,538	67,240,251	72,430,046	66,048,105
Total unitholders' fund		646,407,857	639,785,570	644,975,365	638,593,424

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	Group 2023 RM	Group 2022 RM	Fund 2023 RM	Fund 2022 RM
Non-current liabilities					
Deferred tax liability	**15**	1,995,394	1,813,829	1,995,394	1,813,829
Other payables	**16**	5,602,842	3,346,464	5,602,842	3,343,617
Islamic financing	**17**	521,681,074	187,062,422	69,521,341	187,062,422
Amount due to a subsidiary	**16(c)**	-	-	448,837,893	-
		529,279,310	192,222,715	525,957,470	192,219,868
Current liabilities					
Other payables and accrued expenses	**16**	19,745,664	21,666,229	16,888,767	21,416,449
Amount due to related companies	**16(a)**	2,693,853	1,231,343	2,693,853	1,231,343
Amount due to a subsidiary	**16(b)**	-	-	-	445,968,601
Islamic financing	**17**	117,934,325	450,207,880	117,934,325	-
		140,373,842	473,105,452	137,516,945	468,616,393
Total liabilities		669,653,152	665,328,167	663,474,415	660,836,261
Total unitholders' fund and liabilities		1,316,061,009	1,305,113,737	1,308,449,780	1,299,429,685
Number of units in circulation	**18**	580,000,000	580,000,000	580,000,000	580,000,000
Net asset value ("NAV")					
- before income distribution		646,407,857	639,785,570	644,975,365	638,593,424
- after distribution		645,827,857	631,085,570	644,395,365	629,893,424
NAV per unit					
- before income distribution		1.11	1.10	1.11	1.10
- after income distribution		1.11	1.09	1.11	1.09

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

STATEMENTS OF CHANGES IN NET ASSET VALUE

FOR THE YEAR ENDED 31 DECEMBER 2023

	Unitholders' capital RM	Realised* RM	Unrealised RM	Total undistributed income RM	Total unitholders' fund RM
Group					
At 1 January 2022	572,545,319	17,991,593	72,524	18,064,117	590,609,436
Total comprehensive income	-	15,733,218	49,682,831	65,416,049	65,416,049
Transactions with unitholders:					
Income distributions (Note 9)	-	(16,239,915)	-	(16,239,915)	(16,239,915)
At 31 December 2022	572,545,319	17,484,896	49,755,355	67,240,251	639,785,570
At 1 January 2023	572,545,319	17,484,896	49,755,355	67,240,251	639,785,570
Total comprehensive income	-	7,571,408	14,130,636	21,702,044	21,702,044
Transactions with unitholders:					
Income distributions (Note 9)	-	(15,079,757)	-	(15,079,757)	(15,079,757)
At 31 December 2023	572,545,319	9,976,547	63,885,991	73,862,538	646,407,857
Fund					
At 1 January 2022	572,545,319	18,202,619	1,061,324	17,141,295	589,686,614
Total comprehensive income	-	15,766,694	49,380,031	65,146,725	65,146,725
Transactions with unitholders:					
Income distributions (Note 9)	-	(16,239,915)	-	(16,239,915)	(16,239,915)
At 31 December 2023	572,545,319	17,729,398	48,318,707	66,048,105	638,593,424
At 1 January 2023	572,545,319	17,729,398	48,318,707	66,048,105	638,593,424
Total comprehensive income	-	7,600,151	13,861,547	21,461,698	21,461,698
Transactions with unitholders:					
Income distributions (Note 9)	-	(15,079,757)	-	(15,079,757)	(15,079,757)
At 31 December 2023	572,545,319	10,249,792	62,180,254	72,430,046	644,975,365

*Distributable

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
Cash flows from operating activities				
Profit before tax	21,883,609	66,001,130	21,643,263	65,731,806
Adjustments for:				
Finance costs on loan:				
- Finance costs charged by financing institution	34,550,046	26,629,136	34,550,046	26,629,136
- Imputed finance costs	1,942,197	1,747,164	1,942,197	1,747,164
Depreciation of equipment	204,893	180,748	204,893	180,748
Fair value gain on investment properties	(12,582,560)	(46,674,736)	(12,582,560)	(46,674,736)
Investment income	(935,781)	(511,630)	(935,781)	(511,630)
Unbilled rental income	(3,229,641)	(3,593,176)	(3,229,641)	(3,593,176)
Allowance for expected credit losses of trade receivables	1,500,000	142,646	1,500,000	142,646
Operating profit before working capital changes	43,332,763	43,921,282	43,092,417	43,651,958
Decrease/(increase) in:				
Trade receivables	1,842,688	8,568,116	1,842,688	8,568,116
Other receivables and prepaid expenses	(1,206,499)	(1,453,803)	(1,217,669)	(1,428,925)
Amount due from immediate holding company	6,436	(26,373)	6,436	(26,373)
Amount due from related companies	(384,242)	(108,804)	(384,242)	(108,804)
(Decrease)/increase in:				
Other payables and accrued expenses	(2,476,000)	(125,363)	(2,468,153)	(98,210)
Amount due to immediate holding company	-	(54,496)	-	(54,496)
Amount due to related companies	1,462,510	381,738	1,462,510	381,738
Net cash generated from operating activities	42,577,656	51,102,297	42,333,987	50,885,004
Cash flows from investing activities				
Income received from other investments	935,781	511,630	935,781	511,630
Purchase of equipment	(270,794)	(275,101)	(270,794)	(275,101)
Additions to investment properties	(2,257,800)	(262,088)	(2,257,800)	(262,088)
Net cash used in investing activities	(1,592,813)	(25,559)	(1,592,813)	(25,559)
Cash flows from financing activities				
Increase in pledged deposits with licensed banks	(2,242,000)	(31,000)	(42,000)	(31,000)
Income distributions paid	(15,079,757)	(16,239,915)	(15,079,757)	(16,239,915)
Islamic financing costs paid	(31,738,233)	(26,591,583)	(31,741,078)	(26,592,739)
Transaction cost paid	(3,597,100)	(133,800)	(3,597,100)	(129,800)
Increase/(decrease) in amount due to a subsidiary	-	-	2,146,891	155,358
Net drawdown in Sukuk Issue 3	4,000,000		-	
Net cash used in financing activities	(48,657,090)	(42,996,298)	(48,313,044)	(42,838,096)
Net increase in cash and cash equivalents	(7,672,247)	8,080,440	(7,571,870)	8,021,349
Cash and cash equivalents at beginning of year	37,084,627	29,004,187	36,955,715	28,934,366
Cash and cash equivalents at end of year (Note 14)	29,412,380	37,084,627	29,383,845	36,955,715

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

1. Corporate information

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

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

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

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

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

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

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

The registered office of the Manager is located at Level 14, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor, Malaysia.

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

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

(a) Property manager's fees

Under a Property Management Agreement entered between the Fund, the Manager and Exastrata Solution Sdn Bhd (the "Property Manager"), the Property Manager is entitled to receive property manager's fees.

The property manager's fee for the current financial year is RM481,300 (2022: RM476,400).

(b) Manager's fees

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

(i) A base management fee of up to 1% per annum of total asset value (excluding cash and bank balances) of the Fund calculated on a monthly accrual basis. The Manager's base management fee for the current financial year is RM2,589,740 (2022: RM2,461,404).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

1. Corporate information (cont'd.)

(b) Manager's fees (cont'd.)

(ii) An acquisition fee of 1% of the transaction value (being the total purchase price) of any investment property directly or indirectly acquired from time to time by the Trustee for and on behalf of the Fund pro-rated, if applicable, to the proportion of the Fund's interest and payable to the Manager upon completion of the acquisition of the investment property. The Manager did not earn any acquisition fee for the current and previous financial year.

(iii) A disposal fee of 0.5% of the transaction value (being the total sales price) of any investment property directly or indirectly sold from time to time by the Trustees for and on behalf of the Fund pro-rated, if applicable, to the proportion of the Fund's interest and payable to the Manager upon completion of the disposal of the investment property. The Manager did not earn any disposal fee for the current and previous financial year.

(c) Trustee's fees

Pursuant to the Deed dated 25 November 2019, the Trustee is entitled to receive a fee of up to 0.02% per annum of the net asset value of the Fund, calculated based on the monthly accrual basis and payable monthly in arrears. The Trustee's fees for the current financial year is RM127,741 (2022: RM117,207).

The financial statements of the Group and of the Fund were authorised by the Board of Directors of the Manager for issuance on 22 February 2024.

2. Basis of preparation and material accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Fund have been prepared in accordance with the applicable provisions of the Restated Trust Deed dated 25 November 2019, Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

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

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

As of 31 December 2023, the current liabilities of the Group and the Fund have exceeded the current assets by RM65,123,370 and RM69,877,704 respectively. In the opinion of the Manager, the Group will be able to meet their obligations and liabilities as and when they fall due on the basis that the Group will be able to repay their borrowings when it matures.

As at the reporting date, the Group has submitted a letter to request for extension of the facility tenure of borrowing of RM118,000,000 for a further 2 years. As at the date of the financial statements, the Group is confident in obtaining the approval for the extension of tenure for repayment of borrowing for a further 2 years before maturity date on 24 March 2024.

2. Basis of preparation and material accounting policies (cont'd.)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except in the current period, the Group and the Fund adopted the following new and amended MFRS mandatory for annual financial periods beginning on or after 1 January 2023:

Description	Effective for annual period beginning on or after
MFRS 17 Insurance Contracts	1 January 2023
Amendment to MFRS 17 Insurance Contracts: Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: International Tax Reform - Pillar Two Model Rules	1 January 2023

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

2.3 Standards and interpretations issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101: Classification of Liabilities as Current or Non Current	1 January 2024
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

2.4 Material accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Fund and its subsidiaries as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

2. Basis of preparation and material accounting policies (cont'd.)

2.4 Material accounting policies (cont'd.)

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

(iii) The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) The contractual arrangement with the other vote holders of the investee;

(ii) Rights arising from other contractual arrangements; and

(iii) The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combination

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

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

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

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

2. Basis of preparation and material accounting policies (cont'd.)

2.4 Material accounting policies (cont'd.)

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

Investment in subsidiary - separate financial statements

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

(b) Revenue recognition

(i) Rental income

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

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

(a) Gross rental income

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

(b) Percentage rent

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

(ii) Other income

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

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

(i) The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; or

(ii) The entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(iii) The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for payment completed to date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

2. Basis of preparation and material accounting policies (cont'd.)

2.4 Material accounting policies (cont'd.)

(b) Revenue recognition (cont'd.)

(ii) Other income (cont'd.)

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

(a) Parking income and event and advertising income

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

(b) Investment income

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

(c) Income distribution

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

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

(d) Taxation

(i) Current income tax

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

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

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

(ii) Deferred tax

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

2. Basis of preparation and material accounting policies (cont'd.)

2.4 Material accounting policies (cont'd.)

(d) Taxation (cont'd.)

(ii) Deferred tax (cont'd.)

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

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

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

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

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

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

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

(e) Investment properties

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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2. Basis of preparation and material accounting policies (cont'd.)

2.4 Material accounting policies (cont'd.)

(e) Investment properties (cont'd.)

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

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

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

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

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

(f) Equipment

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

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

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

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

(g) Impairment of non financial assets

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

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

2. Basis of preparation and material accounting policies (cont'd.)

2.4 Material accounting policies (cont'd.)

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

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

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

(h) Leases

As a lessor

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

(i) Islamic Financing

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

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

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

(j) Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS

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2. Basis of preparation and material accounting policies (cont'd.)

2.4 Material accounting policies (cont'd.)

(k) Financial assets

Initial recognition and measurement

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

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

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

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

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

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

Subsequent measurement

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

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

Derecognition

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

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

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

2. Basis of preparation and material accounting policies (cont'd.)

2.4 Material accounting policies (cont'd.)

(k) Financial assets (cont'd.)

Derecognition (cont'd.)

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

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

(l) Impairment of financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

2. Basis of preparation and material accounting policies (cont'd.)

2.4 Material accounting policies (cont'd.)

(m) Financial liabilities

Recognition and measurement

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

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

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

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

Derecognition

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

(n) Offsetting of financial instruments

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

(o) Cash and cash equivalents

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

For the purpose of the consolidated statement of cash flows, cash and cash bank balances consist of cash and Islamic fixed deposits with licensed banks.

(p) Segment reporting

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

2. Basis of preparation and material accounting policies (cont'd.)

2.4 Material accounting policies (cont'd.)

(r) Fair value measurement

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

value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

(i) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

(ii) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

(iii) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

3. Significant accounting judgements and estimates

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

3. Significant accounting judgements and estimates (cont'd.)

3.1 Critical judgements made in applying accounting policies

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

Deferred taxation on investment properties

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

The carrying amount of deferred tax liabilities is disclosed in Note 15.

3.2 Key sources of estimation uncertainty

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

Fair value of investment properties

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

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

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

	Fair value Increase/(decrease)	
	2023 RM	**2022 RM**
Yield rate		
- 0.25%	8,320,000	9,210,000
+ 0.25%	(7,910,000)	(10,360,000)
Discount rate		
- 0.25%	41,100,000	36,330,000
+ 0.25%	(37,800,000)	(32,760,000)

4. Gross rental income

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
Rental income:				
- Base rental income	60,393,265	58,987,413	60,393,265	58,987,413
- Unbilled rental income	3,229,641	3,593,176	3,229,641	3,593,176
Percentage rent	2,566,489	2,486,517	2,566,489	2,486,517
Service charges	3,277,658	2,834,039	3,277,658	2,834,039
	69,467,053	67,901,145	69,467,053	67,901,145

5. Other income

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
Timing of revenue recognition:				
At a point in time				
Parking income	4,299,815	2,304,751	4,299,815	2,304,751
Event and advertising income	2,515,951	1,594,164	2,515,951	1,594,164
	6,815,766	3,898,915	6,815,766	3,898,915

The sales of the company are made within Malaysia.

6. Investment income

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
Income from Islamic deposit placements	935,781	511,630	935,781	511,630

7. Tax expense

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
Deferred tax relating to the origination and reversal of temporary differences (Note 15)	181,565	585,081	181,565	585,081

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

7. Tax expense (cont'd.)

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

As at the date of this financial statements, the Fund has declared more than 90% of its distributable income to unitholders for the financial year ended 31 December 2023 accordingly. No provision for income tax expense has been made for the year.

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

Reconciliation of the tax expense is as follows:

	Group		Fund	
	2023 RM	**2022 RM**	**2023 RM**	**2022 RM**
Profit before tax	21,883,609	66,001,130	21,638,263	65,731,806
Tax at the statutory tax rate of 24%	5,252,066	15,840,271	5,194,383	15,775,633
Expenses not deductible for tax purposes	903,423	334,855	903,423	429,192
Income not subject to tax	(6,155,489)	(16,175,126)	(6,097,806)	(16,204,825)
Deferred tax recognised at different tax rate	181,565	585,081	181,565	585,081
	181,565	585,081	181,565	585,081

Taxation of the unitholders

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

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

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

8. Earnings per unit

The earnings per unit, which are calculated based on the profit for the year of the Group, divided by the weighted average number of units in circulation as of 31 December 2023 and 2022, are as follows:

	Group	
	2023 RM	**2022 RM**
Earnings attributable to unitholders:		
Profit for the year	21,702,044	65,416,049
Weighted average number of units	580,000,000	580,000,000
Earnings per unit (sen)	3.74	11.28

9. Income distribution

	Group and Fund	
	2023 RM	**2022 RM**
Income distributions on ordinary shares in respect of the current financial year		
First interim income distribution of 0.50 sen per unit declared on 26 August 2022 and paid on 11 October 2022	-	2,899,986
Second interim income distribution of 0.50 sen per unit declared on 25 November 2022 and paid on 6 January 2023	-	2,900,000
First interim income distribution of 0.40 sen per unit declared on 26 May 2023 and paid on 10 July 2023	2,319,988	-
Second interim income distribution of 0.40 sen per unit declared on 25 August 2023 and paid on 2 October 2023	2,319,988	-
Third interim income distribution of 0.30 sen per unit declared on 24 November 2023 and paid on 27 December 2023	1,739,976	-
	6,379,952	5,799,986
Income distribution on ordinary shares in respect of the previous financial year		
Final income distribution of 1.80 sen per unit declared on 27 January 2022 and paid on 28 February 2022	-	10,439,929
Final income distribution of 1.50 sen per unit declared on 2 February 2023 and paid on 28 February 2023	8,699,805	-
	15,079,757	16,239,915

The Manager had declared a final income distribution of 0.10 (2022: 1.50) sen per unit totaling RM580,000 (2022: RM8,700,000) for the financial year ended 31 December 2023 on 24 January 2024 (2022: 3 February 2023).

The financial statements for the current year do not reflect this final income distribution. Such income distribution will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2024.

The total distributions (including proposed final income distribution) for the financial year ended 31 December 2023 amounting to RM6,959,952 (2022: RM14,499,791). Total income distribution is 1.20 (2022: 2.50) sen per unit.

NOTES TO THE FINANCIAL STATEMENTS

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9. Income distribution (cont'd.)

Distribution to unitholders is derived from the following sources:

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
Net property income	50,908,420	51,438,621	50,908,420	51,438,621
Investment income	935,781	511,630	935,781	511,630
Less: Unbilled rental income	(3,229,641)	(3,593,176)	(3,229,641)	(3,593,176)
	48,614,560	48,357,075	48,614,560	48,357,075
Less: Fund expenses	(41,043,152)	(32,623,857)	(41,014,409)	(32,590,381)
Realised income	7,571,408	15,733,218	7,600,151	15,766,694
Undistributed income brought forward	17,484,896	17,991,593	17,729,398	18,202,619
Less: Undistributed income	(9,976,547)	(17,484,896)	(10,249,792)	(17,729,398)
	15,079,757	16,239,915	15,079,757	16,239,915

10. Investment properties

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
At 1 January	1,224,173,346	1,177,236,522	1,224,173,346	1,177,236,522
Enhancements	2,257,800	262,088	2,257,800	262,088
Fair value adjustment	12,582,560	46,674,736	12,582,560	46,674,736
At 31 December	1,239,013,706	1,224,173,346	1,239,013,706	1,224,173,346

10. Investment properties (cont'd.)

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

The fair values of the Group's and the Fund's investment properties as of 31 December 2023 have been arrived at on the basis of valuation carried out by Cheston International Sdn Bhd, independent valuer not related to the Group and the Fund. The valuer are registered members of the Board of Valuers, Appraisers and Estate Agents, Malaysia, and they have appropriate qualifications and recent experience in the valuation of the properties in the relevant locations. The valuation of the Fund's investment properties were performed in accordance with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

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

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

The following table shows a reconciliation of Level 3 fair values:

	Group		Fund	
	2023 RM	**2022 RM**	**2023 RM**	**2022 RM**
Valuation per valuers' report	1,259,060,000	1,240,990,000	1,259,060,000	1,240,990,000
Less: Unbilled rental income	(20,046,294)	(16,816,654)	(20,046,294)	(16,816,654)
	1,239,013,706	1,224,173,346	1,239,013,706	1,224,173,346

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

Significant unobservable inputs	**Inter-relationship between significant Significant unobservable input and fair value measurement**
Term yield ranging from 5.00% - 6.75% (2022: 5.00% -6.75%)	Higher term yield rates, lower fair value
Reversionary yield ranging from 5.50% - 7.25% (2022: 5.50% - 7.25%)	Higher reversionary yield rates, lower fair value
Discount rate ranging from 5.00% to 7.25% (2022: 5.00% - 7.25%	Higher discount rates, lower fair value
Allowance for void of 3.0% - 10.00% (2022: 3.0% - 10.00%)	Higher allowance for void rates, lower fair value

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

10. Investment properties (cont'd.)

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

Description of property	Tenure of land	Term of lease Years	Remaining term of lease Years	Location	Date of valuation	2023 Fair value RM	2022 Fair value RM	Fair value hierarchy
1. KOMTAR JBCC ##	Freehold	-	-	Johor Bahru, Johor	31/12/2023	431,000,000	431,000,000	3
2. Menara KOMTAR ##	Freehold	-	-	Johor Bahru, Johor	31/12/2023	70,000,000	70,000,000	3
3. @Mart Kempas ##	Leasehold	99	84	Johor Bahru, Johor	31/12/2023	78,000,000	76,000,000	3
4. Malaysian College of Hospitality & Management (MCHM) ##	Freehold	-	-	Johor Bahru, Johor	31/12/2023	36,200,000	36,000,000	3
5. Mydin Hypermart Gong Badak ##	Leasehold	99	87	Gong Badak, Terengganu	31/12/2023	151,953,706	153,183,346	3
6. Retail unit Megamall Pinang Shopping Complex#	Freehold	-	-	Perai, Penang	31/12/2023	1,130,000	1,120,000	3
7. QSR Properties:								
Restaurant in shop lots								
a. KFC restaurant ##	Freehold	-	-	Kajang, Selangor	31/12/2023	11,000,000	11,000,000	3
b. KFC restaurant ##	Freehold	-	-	Jitra, Kedah	31/12/2023	590,000	570,000	3
c. KFC restaurant ##	Leasehold	93	82	Ayer Hitam, Johor	31/12/2023	2,500,000	2,300,000	3
d. KFC restaurant #	Leasehold	99	68	Bayan Lepas, Penang	31/12/2023	4,800,000	4,500,000	3
e. KFC restaurant ###	Leasehold	99	73	Petaling Jaya, Selangor	31/12/2023	10,000,000	10,000,000	3
f. KFC restaurant #	Leasehold	74	63	Port Dickson, Negeri Sembilan	31/12/2023	2,000,000	1,900,000	3
g. KFC restaurant ##	Leasehold	99	70	Kuala Perlis,Perlis	31/12/2023	590,000	590,000	3
h. PHD restaurant ##	Freehold	-	-	Ulu Tiram, Johor	31/12/2023	1,100,000	1,100,000	3
i. PHD restaurant ##	Leasehold	99	63	Kota Tinggi, Johor	31/12/2023	1,000,000	960,000	3
j. KFC restaurant #	Leasehold	99	59	Kepong, Kuala Lumpur	31/12/2023	7,300,000	7,300,000	3
k. KFC restaurant #	Freehold	-	-	Kampar, Perak	31/12/2023	1,700,000	1,600,000	3
l. KFC restaurant #	Freehold	-	-	Jalan Raja Laut, Kuala Lumpur	31/12/2023	4,800,000	4,700,000	3
m. KFC restaurant #	Freehold	-	-	Jalan Ipoh, Kuala Lumpur	31/12/2023	10,300,000	10,000,000	3
n. KFC restaurant #	Freehold	-	-	Ipoh, Perak	31/12/2023	2,300,000	2,200,000	3
o. KFC restaurant #	Leasehold	99	77	Balai Panjang, Melaka	31/12/2023	1,200,000	1,200,000	3
p. KFC restaurant #	Freehold	-	-	Ulu Tiram, Johor	31/12/2023	2,100,000	1,800,000	3
q. KFC restaurant #	Freehold	-	-	Jalan Dato Onn Jaafar, Perak	31/12/2023	4,000,000	4,000,000	3
r. KFC restaurant #	Freehold	-	-	Senawang, Negeri Sembilan	31/12/2023	1,100,000	1,000,000	3

10. Investment properties (cont'd.)

Description of property	Tenure of land	Term of lease Years	Remaining term of lease Years	Location	Date of valuation	2023 Fair value RM	2022 Fair value RM	Fair value hierarchy
7. QSR Properties (cont'd.):								
Restaurant in shop lots (cont'd.)								
s. KFC restaurant #	Freehold	-	-	Seremban, Negeri Sembilan	31/12/2023	4,400,000	4,400,000	3
t. KFC restaurant #	Leasehold	999	893	Kota Kinabalu, Sabah	31/12/2023	3,100,000	3,000,000	3
u. Pizza Hut restaurant #	Leasehold	99	91	Kuching, Sarawak	31/12/2023	4,300,000	4,000,000	3
v. KFC restaurant #	Leasehold	99	65	Sg Buloh, Selangor	31/12/2023	1,900,000	1,800,000	3
w. KFC restaurant #	Freehold	-	-	Jalan Hang Tuah, Melaka	31/12/2023	2,400,000	2,300,000	3
Restaurants in shopping mall								
x. KFC Restaurant in Queensbay Mall #	Freehold	-	-	Bayan Lepas, Penang	31/12/2023	15,300,000	14,800,000	3
y. KFC Restaurant Kompleks Bukit Jambul #	Freehold	-	-	Bayan Lepas, Penang	31/12/2023	3,500,000	3,400,000	3
z. KFC Restaurant in Megamall Pinang Shopping Complex #	Freehold	-	-	Perai, Penang	31/12/2023	2,550,000	2,550,000	3
Restaurants with drive-through facility								
aa. Pizza Hut and KFC ###	Leasehold	99	42	Jalan Kuchai Lama, Kuala Lumpur	31/12/2023	14,600,000	14,600,000	3
bb. Pizza Hut and KFC ##	Freehold	-	-	Sungai Petani, Kedah	31/12/2023	6,100,000	6,100,000	3
cc. Pizza Hut and KFC ##	Freehold	-	-	Senai, Johor	31/12/2023	10,600,000	9,900,000	3
dd. Pizza Hut and KFC ##	Freehold	-	-	Taman Damansara Aliff, Johor Bahru	31/12/2023	13,000,000	13,000,000	3
ee. Pizza Hut and KFC ###	Freehold	-	-	Taman Perling, Johor Bahru	31/12/2023	15,100,000	15,100,000	3
ff. Pizza Hut and KFC ##	Freehold	-	-	Ipoh, Perak	31/12/2023	9,200,000	9,100,000	3
gg. Pizza Hut and KFC ####	Leasehold	96	74	Off Jalan Kepong, Kuala Lumpur	31/12/2023	18,300,000	17,300,000	3
hh. Pizza Hut and KFC ##	Leasehold	83	61	Pusat Bandar Wangsa Maju, Kuala Lumpur	31/12/2023	29,500,000	28,000,000	3

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10. Investment properties (cont'd.)

Description of property	Tenure of land	Term of lease Years	Remaining term of lease Years	Location	Date of valuation	2023 Fair value RM	2022 Fair value RM	Fair value hierarchy
7. QSR Properties (cont'd.):								
Restaurants with drive-through facility (cont'd.)								
ii. Pizza Hut and KFC ##	Leasehold	99	86	Hang Tuah Jaya, Melaka	31/12/2023	10,700,000	10,700,000	3
jj. KFC #	Freehold	-	-	Bandar Seri Alam, Johor Bahru	31/12/2023	8,900,000	8,700,000	3
kk. KFC #	Leasehold	991	889	Skudai, Johor	31/12/2023	9,400,000	9,400,000	3
ll. KFC #	Freehold	-	-	Georgetown, Penang	31/12/2023	26,000,000	26,000,000	3
mm.Pizza Hut and KFC #	Freehold	-	-	Kepala Batas, Penang	31/12/2023	7,900,000	7,800,000	3
nn. Pizza Hut and KFC #	Leasehold	99	86	Puchong Perdana Selangor	31/12/2023	15,300,000	15,100,000	3
oo. Pizza Hut and KFC #	Freehold	-	-	Seremban Negeri Sembilan	31/12/2023	8,700,000	8,500,000	3
pp. KFC #	Leasehold	99	89	Jasin, Melaka	31/12/2023	4,600,000	4,300,000	3
8. Warehouse and factory								
qq. Warehouse ##	Freehold	-	-	Simpant Ampat Penang	31/12/2023	1,600,000	1,600,000	3
rr. Warehouse and factory #	Leasehold	99	74	Kota Kinabalu, Sabah	31/12/2023	3,000,000	3,000,000	3
ss. Warehouse ##	Leasehold	99	65	Pelabuhan Klang, Selangor	31/12/2023	51,500,000	50,000,000	3
tt. Warehouse and factory ##	Leasehold	99	65	Pelabuhan Klang, Selangor	31/12/2023	30,000,000	28,000,000	3
uu. Warehouse and factory ###	Freehold	-	-	Shah Alam, Selangor	31/12/2023	66,100,000	63,000,000	3
vv. Warehouse #	Leasehold	999	879	Kota Kinabalu, Sabah	31/12/2023	4,800,000	4,700,000	3
						1,239,013,706	1,224,173,346	

The investment properties amounting to RM168,780,000 (2022: RM165,070,000) are used to secure against Term Financing-I ("TF-i") issued by the Fund as disclosed in Note 17.

The investment properties amounting to RM946,133,706 (2022: RM938,103,346) are used to secure against Islamic Medium Term Notes ("IMTNs") issued by the subsidiary as disclosed in Note 17.

10. Investment properties (cont'd.)

The investment properties amounting to RM105,800,000 (2022: RM102,700,000) are used to secure against Business Financing-I ("BF-I") issued by the Fund as disclosed in Note 17.

Restaurant with drive-through facility: Pizza Hut and KFC Off Jalan Kepong, Kuala Lumpur, amounting of RM18,300,000 (2022: RM17,300,000) are used to secure against Commodity Murabahah Revolving Credit (“CMRC”).

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

11. Equipment

	Group		Fund	
	2023 RM	**2022 RM**	**2023 RM**	**2022 RM**
Cost				
At 1 January	1,549,014	1,273,913	1,549,014	1,273,913
Additions	270,794	275,101	270,794	275,101
At 31 December	1,819,808	1,549,014	1,819,808	1,549,014
Accumulated depreciation				
At 1 January	746,351	565,603	746,351	565,603
Charge for the year	204,893	180,748	204,893	180,748
At 31 December	951,244	746,351	951,244	746,351
Net carrying amount				
At 31 December	868,564	802,663	868,564	802,663

12. Investment in a subsidiary

	Fund	
	2023 RM	**2022 RM**
Unquoted shares, at cost	2	2

Details of the subsidiary are as follows:

Name of subsidiary	**Principal activities**	**Country of incorporation**	**Proportion of ownership interest 2023**	**2022**
			%	%
ALSREIT Capital Sdn Bhd	Special purpose company for the purpose of raising Islamic Financing for the Fund	Malaysia	100	100

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13. Trade receivables, other receivables and prepaid expenses

(a) Trade receivables

	Group and Fund	
	2023 RM	2022 RM
Current		
Third parties	7,417,538	7,841,308
Amount due from related companies	4,704,417	6,141,672
	12,121,955	13,982,980
Less: Allowance for expected credit losses	(3,980,471)	(2,498,809)
	8,141,484	11,484,171
Unbilled rental income (Note (i))	20,046,294	16,816,654
	28,187,778	28,300,825

Trade receivables comprise rental receivable from lessees. The credit period granted by the Group and the Fund on rental receivable from lessees generally ranges from 1 to 7 days (2022: 1 to 7 days).

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

	Total gross carrying amount at default RM	Allowance for expected credit losses RM	Total RM
Group and Fund			
At 31 December 2023			
1 to 30 days past due	4,047,027	(270,404)	3,776,623
31 to 60 days past due	1,081,731	(152,054)	929,677
61 to 90 days past due	43,890	(12,845)	31,045
90 to 120 days past due	487,939	(107,403)	380,536
More than 120 days pass due	6,461,368	(3,437,765)	3,023,603
	12,121,955	**(3,980,471)**	**8,141,484**
At 31 December 2022			
1 to 30 days past due	3,968,992	(696,291)	3,272,701
31 to 60 days past due	1,499,993	(269,999)	1,229,994
61 to 90 days past due	39,116	(7,041)	32,075
90 to 120 days past due	610,733	(109,932)	500,801
More than 120 days pass due	7,864,146	(1,415,546)	6,448,600
	13,982,980	**(2,498,809)**	**11,484,171**

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

(a) Trade receivables (cont'd.)

Movement in allowance for expected credit losses of trade receivables:

	Group and Fund	
	2023	**2022**
	RM	**RM**
At 1 January	2,498,809	5,169,756
Allowance for expected credit loss	1,500,000	142,646
Written off	(18,338)	(2,813,593)
At 31 December	3,980,471	2,498,809

(i) Unbilled rental income

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

(b) Other receivables and prepaid expenses

	Group		Fund	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Non-current				
Deferred lease expenses	928,267	-	928,267	-
Current				
Other receivables	6,253,407	6,260,072	6,239,435	6,234,930
Deferred lease expenses	122,400	-	122,400	-
Prepaid expenses	309,336	146,839	309,336	146,839
	6,685,143	6,406,911	6,671,171	6,381,769

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

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

(b) Other receivables and prepaid expenses (cont'd.)

	Group		Fund	
	2023 RM	**2022 RM**	**2023 RM**	**2022 RM**
Total other receivables and prepaid expenses (non-current and current)	7,613,410	6,406,911	7,599,438	6,381,769
Total trade and non-trade receivables	35,801,188	34,707,736	35,787,216	34,682,594
Less:				
Prepaid expenses	(309,336)	(146,839)	(309,336)	(146,839)
Add:				
Amount due from immediate holding company (Note(c))	19,937	26,373	19,937	26,373
Amount due from related companies (Note (d))	1,520,234	1,135,992	1,520,234	1,135,992
Cash and bank balances	38,837,380	44,267,627	31,078,845	36,608,715
Total financial assets carried at amortised cost (debt instruments)	75,869,403	79,990,889	68,096,896	74,306,835

(c) Amount due from immediate holding company

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

(d) Amount due from related companies

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

14. Cash and bank balances

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
Islamic fixed deposits with licensed banks	33,065,000	30,683,000	25,335,000	25,153,000
Cash and bank balances	5,772,380	13,584,627	5,743,845	13,455,715
	38,837,380	44,267,627	31,078,845	38,608,715
Less:				
Islamic fixed deposits with licensed banks with maturity period of more than 3 months	(9,425,000)	(7,183,000)	(1,695,000)	(1,653,000)
Cash and cash equivalents	29,412,380	37,084,627	29,383,845	36,955,715

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

	Group		Fund	
	2023	2022	2023	2022
Weighted average deposit rate (%)	3.29%	2.82%	2.47%	2.40%
Average remaining maturity period	37	36	24	32

The deposits with licensed banks of the Group and of the Fund of RM9,425,000 and RM1,695,000 (2022: RM7,183,000 and RM1,653,000) respectively are placed as reserve for repayment of finance costs on long-term Islamic financing as mentioned in Note 17 and hence, are not available for general use.

15. Deferred tax liability

	Group and Fund	
	2023 RM	2022 RM
At 1 January	1,813,829	1,228,748
Recognised in profit or loss (Note 7)	181,565	585,081
At 31 December	1,995,394	1,813,829

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

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

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16. Other payables and accrued expenses

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
Non current				
Tenant deposit payables	5,602,842	3,346,464	5,602,842	3,343,617
Current				
Tenant deposit payables	8,309,355	10,125,926	8,309,355	10,125,926
Other payables	2,785,449	3,273,986	2,785,449	3,273,986
Income distribution	16,165	2,900,000	16,165	2,900,000
Accrued expenses	4,650,295	4,193,730	4,650,295	4,188,730
Accrued financing cost (Note 17)	3,984,400	1,172,587	1,127,503	927,807
	19,745,664	21,666,229	16,888,767	21,416,449
Total payables (non-current and current)	25,348,506	25,012,693	22,491,609	24,760,066
Add:				
Islamic financing (Note 17)	639,615,399	637,270,302	187,455,666	187,062,422
Amount due to related company (Note (a))	2,693,853	1,231,343	2,693,853	1,231,343
Amount due to a subsidiary (Note (b))	-	-	448,837,893	445,968,601
Total financial liabilities carried at amortised cost	667,657,758	663,514,338	661,479,021	659,022,432

(a) Amount due to related company

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

(b) Amount due to a subsidiary

Amount due to a subsidiary represents unsecured advances received from the proceeds raised from Islamic financing by the subsidiary. The finance costs and repayment terms of the unsecured advances mirror the finance costs and repayment terms of the Islamic financing of Sukuk Ijarah raised by the said subsidiary as disclosed in Note 17.

The amount due to a subsidiary is unsecured, repayable on demand and bears returns of 5.05% to 6.25% (2022: 3.75% to 5.09%) per annum, that are presented as net amount as there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

17. Islamic financing

	Group		Fund	
	2023 RM	2022 RM	2023 RM	2022 RM
Non current				
Term Financing-i ("TF-i") (Note (a))	-	118,000,000	-	118,000,000
Business Financing-i ("FF-i") (Note (b))	70,000,000	70,000,000	70,000,000	70,000,000
Sukuk Ijarah (Note (c))	455,000,000	-	-	-
	525,000,000	188,000,000	70,000,000	188,000,000
Less: Transaction cost	(3,318,926)	(937,578)	(478,659)	(937,578)
	521,681,074	187,062,422	69,521,341	187,062,422
Current				
Sukuk Ijarah (Note (c))	-	451,000,000	-	-
Term Financing-i ("TF-i") (Note (a))	118,000,000	-	118,000,000	-
	118,000,000	451,000,000	118,000,000	-
Less: Transaction cost	(65,675)	(792,120)	(65,675)	-
	117,934,325	450,207,880	117,934,325	-
Total Islamic financing	639,615,399	637,270,302	187,455,666	187,062,422

(a) TF-i

The TF-i profit is payable over a period of 60 months from the date of first disbursement. The effective profit rate for the TF-i will be based on COF which is based on the Bank's COF + 1.45% per annum for the duration of the TF-i.

The average effective profit rate for the TF-i is 5.07% (2022: 4.04%) per annum. The principal amount is to be expected to be paid in March 2024.

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

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

The financing is secured by the investment properties amounting to RM168,780,000 (2022: RM165,070,000) as per disclosed in Note 10.

(b) BF-i

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

The average effective profit rate for the BF-i is 5.53% (2022: 3.69%) per annum. The principal amount is to be expected to be paid in September 2026.

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17. Islamic financing (cont'd.)

(b) BF-i (cont'd.)

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

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

The financing is secured by the investment properties amounting to RM105,800,000 (2022: RM102,700,000) as per disclosed in Note 10.

(c) Sukuk Ijarah

The company established a Sukuk Ijarah Programme comprising IMTN of up to RM1,500,000,000 in nominal value.

On 24 August 2020, the Company issued RM520,000,000 in nominal value of IMTNs ("Issue 2") which bear profit rate of 4.83% to 5.60% (2022: 3.75% to 5.09%) per annum. The Company redeemed RM69,000,000 and RM451,000,000 in nominal value of IMTNs ("Issue 2") on 24 September 2021 and 24 August 2023 respectively.

On 24 August 2023, the Company issued RM455,000,000 in nominal value of IMTNs ("Issue 3") which bears profit rate of 6.03% to 6.25% per annum. The principal amount is to be expected to be paid in 24 August 2026.

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

(i) Finance Service Cover Ratio ("FSCR") at Issuer level of not less than 1.5 times;
(ii) FSCR at Al-Salām REIT level of not less than 1.5 times;
(iii) Minimum Security Cover Ratio of at least 2.0; and
(iv) such other financial covenant(s) as may be determined by the Rating Agency and to be mutually agreed to by ALSREIT Capital Sdn Bhd.

The financing is secured by the investment properties amounting to RM946,133,706 (2022: RM939,103,346) as per disclosed in Note 10.

Revolving credit:

As of 31 December 2023, the Fund unutilised revolving credit facilities amounting to RM10,000,000 (2022: RM10,000,000) which is granted from a financial institution. The said facility of is secured by investment properties of the subsidiary amounting to RM18,300,000 (2022: RM17,300,000) as mentioned in Note 10.

17. Islamic financing (cont'd.)

Changes in liabilities arising from financing activities:

	Non-current RM	Current RM	Total RM
Group			
At 1 January 2023	187,062,422	450,207,880	637,270,302
Cash flows	402,900	-	402,900
Reclassification	333,131,350	(333,131,350)	-
Charged to profit or loss	1,084,402	857,795	1,942,197
At 31 December 2023	521,681,074	117,934,325	639,615,399
At 1 January 2022	635,656,938	-	635,656,938
Cash flows	(133,800)	-	(133,800)
Reclassification	(450,207,880)	450,207,880	-
Charged to profit or loss	1,747,164	-	1,747,164
At 31 December 2022	187,062,422	450,207,880	637,270,302
Fund			
At 1 January 2023	187,062,422	-	187,062,422
Reclassification	(117,868,650)	117,868,650	-
Charged to profit or loss	327,569	65,675	394,244
At 31 December 2023	69,521,341	117,934,325	187,455,666
At 1 January 2022	186,669,178	-	186,669,178
Charged to profit or loss	393,244	-	393,244
At 31 December 2022	187,062,422	-	187,062,422

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18. Unitholders' capital

	No. of units 2023	2022	2023 RM	2022 RM
Group and Fund				
Unitholders' capital	580,000,000	580,000,000	572,545,319	572,545,319

The Fund issued 580,000,000 units of RM1 each in conjunction with the Fund's Initial Public Offering ("IPO") on the Main Market of Bursa Malaysia on 29 September 2015 of which 327,640,000 units of RM1 each were issued to vendors of the Fund's investment properties to partially finance the acquisition of the said investment properties. The remaining 252,360,000 units of RM1 each were issued as part of the IPO to institutional investors and the Malaysian public.

Details of units held by the related companies of the Manager which comprise companies related to Johor Corporation, a body corporate established under the Johor Corporation Enactment No. 4, 1968 (as amended by the Enactment No. 5, 1995), and substantial unitholders of the Fund, and their market value as of 31 December 2023 based on the Record of Depositors are as follows:

	No. of units 2023	2022	2023 RM	2022 RM
Group and Fund				
Related companies:				
Johor Corporation	24,436,600	24,436,600	11,729,568	9,041,542
Damansara Assets Sdn Bhd	278,539,417	278,539,417	133,698,920	103,059,584
Kulim (Malaysia) Berhad	27,060,600	27,060,600	12,989,088	10,012,422
Waqaf An-Nur Corporation Berhad	57,769,401	57,769,401	27,729,312	21,374,678
Johor Land Berhad	1,499,500	1,499,500	719,760	554,815
KPJ Healthcare Berhad	2,000,000	2,000,000	960,000	740,000
Kumpulan Bertam Plantations Berhad	296,000	296,000	142,080	109,520
Tenaga Utama (Johor) Berhad	7,688	7,688	3,690	2,845

Market value for purposes of disclosure above is based on the closing price of the Fund as shown on the board of the Main Market of Bursa Malaysia, which was RM0.48 per unit as at 31 December 2023 (2022: RM0.37 per unit).

19. Management Expense Ratio ('MER')

	Group/Fund	
	2023	2022
	%	%
MER	0.72	0.69

The calculation of MER is based on the total fees of the Fund incurred for the year, including the Manager's fees, Trustee's fees, audit fee, tax agent's fee and administrative expenses, to the average net asset value of the Fund during the year calculated on a monthly basis. Since the average net asset value is calculated on a monthly basis, comparison of the MER of the Fund with other Real Estate Investment Trusts ("REIT") which use a different basis of calculation may not be an accurate comparison.

20. Significant related party transactions

For the purposes of these have financial statements, related companies are considered to be related to the Group and the Fund if the Group and the Fund have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Fund and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Significant related party transactions other than those separately disclosed elsewhere in the financial statements are as follows:

	Group		Fund	
	2023	2022	2023	2022
	RM	RM	RM	RM
Rental income received/receivable from related companies	34,671,053	37,123,527	34,671,053	37,123,527
Other property management fees charged by related companies of the Manager (included in other operating expenses)	6,118,294	5,669,715	6,118,294	5,669,715
Finance cost paid/ payable to a subsidiary	-	-	24,698,804	19,505,069

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

NOTES TO THE FINANCIAL STATEMENTS

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21. Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The carrying amount of the various financial assets and financial liabilities reflected in the statements of financial position approximate their fair values other than as disclosed below:

	Carrying amount RM	Fair value RM
Group		
At 31 December 2023		
Financial liability at amortised cost		
Islamic financing - non-current	521,681,074	453,864,788
Islamic financing - current	117,934,325	116,685,992
	639,615,399	570,550,780
At 31 December 2022		
Financial liability at amortised cost		
Islamic financing - non-current	187,062,422	170,918,728
Islamic financing - current	450,207,880	436,752,578
	637,270,302	607,671,306
Fund		
At 31 December 2023		
Financial liability at amortised cost		
Islamic financing - non-current	69,521,341	57,494,125
Islamic financing - current	117,934,325	116,685,992
Amount due to a subsidiary - non-current	448,837,893	396,370,663
	636,293,559	570,550,780
At 31 December 2022		
Financial liability at amortised cost		
Islamic financing - non-current	187,062,422	170,918,728
Amount due to a subsidiary - current	445,968,601	436,752,578
	633,031,023	607,671,306

The fair value of the non-current Islamic financing was estimated using discounted cash flow analysis based on market equivalent profit rate of 5.54% (2022: 3.53%) per annum for similar type of instruments of similar risk and cash flow profiles. The disclosure of the fair value of the non-current Islamic financing is considered a Level 2 fair value hierarchy disclosure.

22. Financial risk management objectives and policies

The Group's and the Fund's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's and Fund's portfolios whilst managing their credit risks, liquidity risks and financing rate risks. The Group and the Fund have taken measures to minimise their exposure to the risks associated with its financing, investing and operating activities and operates within clearly defined guidelines as set out in the SC Guidelines and the Fund's Trust Deed.

The following sections provide details regarding the Group's and the Fund's exposure to the above-mentioned financial risks and the objectives, policies and procedures for the management of these risks:

(a) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligation resulting in financial loss to the Group and the Fund. Credit risk with respect to trade and other receivables is managed through the application of credit approvals, credit limits and monitoring procedures. Credit is extended to the customers based upon careful evaluation of the customers' financial condition and credit history.

At the end of the reporting period, the Group's and the Fund's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade receivables, other receivables and amount due from related companies is disclosed in Note 13.

Credit risk concentration profile

The Group and the Fund determine concentrations of credit risk by monitoring individual profile of their trade receivables on an ongoing basis. At the end of the reporting period, approximately 61% (2022: 56%) of the Group's and Fund's trade receivables was due from third party. The risk of default arising from non-performance by this party is low.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Fund may encounter difficulty in meeting financial obligations on time due to shortage of funds. The Group's and the Fund's exposure to liquidity risk arises from mismatches of the maturities of financial assets and liabilities. The Group's and the Fund's approach are to maintain a balance between continuity of funding and flexibility through the use of their credit and financing facilities.

The Group and the Fund manage liquidity risk by maintaining adequate reserves, banking facilities and financing facilities, by continuously monitoring forecast and actual cash flow from their portfolios, and by matching the maturity profiles of financial assets and liabilities.

As of 31 December 2023, the current liabilities of the Group and the Fund have exceeded the current assets by RM65,123,370 and RM69,877,704 respectively. In the opinion of the Manager, the Group will be able to meet their obligations and liabilities as and when they fall due on the basis that the Group will be able to repay their borrowings when it matures.

As at the reporting date, the Group has submitted a letter to request for extension of the facility tenure of borrowing of RM118,000,000 for a further 2 years. As at the date of the financial statement, the Group is confident in obtaining the approval for the extension of tenure for repayment of borrowing for a further 2 years before maturity date on 24 March 2024.

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

(b) Liquidity risk (cont'd.)

Maturity analysis

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

	Weighted average effective profit rate %	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	Within 2 to 5 years RM
Group					
31 December 2023					
Non-profit bearing financial liabilities:					
Other payables and accrued expenses	-	25,348,506	25,348,506	19,745,664	5,602,842
Profit bearing financial liabilities:					
Variable profit rate instruments - Islamic financing	5.61	639,615,399	747,843,300	124,265,800	623,577,500
Fund					
31 December 2023					
Non-profit bearing financial liabilities:					
Other payables and accrued expenses	-	22,491,609	22,491,609	16,888,767	5,602,842
Profit bearing financial liabilities:					
Variable profit rate instruments - Islamic financing	5.37	187,455,666	333,483,600	124,265,800	209,217,800
Amount owing to a subsidiary	6.11	448,837,893	538,401,500	-	538,401,500
Group					
31 December 2022					
Non-profit bearing financial liabilities:					
Other payables and accrued expenses	-	25,012,693	25,012,693	21,666,229	3,346,464
Profit bearing financial liabilities:					
Variable profit rate instruments - Islamic financing	4.07	637,270,302	688,695,200	470,302,800	218,392,400
Fund					
31 December 2022					
Non-profit bearing financial liabilities:					
Other payables and accrued expenses	-	24,760,066	24,760,066	21,416,449	3,343,617
Profit bearing financial liabilities:					
Variable profit rate instruments - Islamic financing	3.97	187,062,422	214,374,400	-	214,374,400
Amount owing to a subsidiary	4.28	445,968,601	470,302,800	470,302,800	

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Fund's financial instruments will fluctuate because of changes in the market interest rates.

The Group and the Fund manage their interest rate exposure by maintaining matching their cash flows from rental income and fixed rate profit bearing deposits with the Group's and the Fund's variable rate profit bearing Islamic financing. The Group and the Fund place cash deposits on a short-term basis and therefore allows the Group and the Fund to respond to significant changes of interest rate promptly.

Sensitivity analysis for interest rate risk

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

	Group Increase/(Decrease)		Fund Increase/(Decrease)	
	Effect on profit before tax 2023 RM	Effect on profit before tax 2022 RM	Effect on profit before tax 2023 RM	Effect on profit before tax 2022 RM
Interest rate decreased by 25 basis points	1,223,858	1,514,813	105,683	417,945
Interest rate increased by 25 basis points	(1,223,858)	(1,514,813)	(105,683)	(401,138)

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

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

23. Segment reporting

Segment information is presented in respect of the Group's and the Fund's business segments based on the nature of the industry of the Group's and Fund's investment properties, which reflect the Group's and the Fund's internal reporting structure that are regularly reviewed by the Group's and the Fund's chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

For management purposes, the Group and the Fund are organised into the following operating divisions:

- Retail outlets
- Office buildings
- Food and beverage ('F&B') properties comprising restaurant
- Industrial and others
- Other comprising fund level operations

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

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

23. Segment reporting (cont'd.)

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

	Retail outlets RM	Office buildings RM	F&B restaurants RM	Industrial & Others RM	Other - Fund level operations RM	Total RM
Group						
For the year ended 31 December 2023						
Total revenue	39,493,339	8,140,289	17,400,126	11,249,065	-	76,282,819
Total property expenses	(19,650,705)	(4,829,612)	(32,137)	(380,645)	(481,300)	(25,374,399)
Net property income	19,842,634	3,310,677	17,367,989	10,868,420	(481,300)	50,908,420
Fair value gain on investment properties	(163,440)	(1,324,000)	7,170,000	6,900,000	-	12,582,560
Investment income	132,935	-	-	-	802,846	935,781
Total income	19,812,129	1,986,677	24,537,989	17,768,420	321,546	64,426,761
Total fund expenditure	(1,500,000)	-	-	-	(6,493,106)	(7,993,106)
Operating profit/(loss)	18,312,129	1,986,677	24,537,989	17,768,420	(6,171,560)	56,433,655
Islamic financing costs	-	-	-	-	(34,550,046)	(34,550,046)
Income tax expense	-	-	-	-	(181,565)	(181,565)
Profit/(loss) for the year	18,312,129	1,986,677	24,537,989	17,768,420	(40,903,171)	21,702,044
Total assets	707,598,591	62,214,834	310,949,327	190,061,821	45,236,436	1,316,061,009
Total liabilities	17,080,376	3,193,317	592,595	99,002	648,687,862	669,653,152

23. Segment reporting (cont'd.)

Fund	Retail outlets RM	Office buildings RM	F&B restaurants RM	Industrial & Others RM	Other - Fund level operations RM	Total RM
For the year ended 31 December 2023						
Total revenue	39,493,339	8,140,289	17,400,126	11,249,065	-	76,282,819
Total property expenses	(19,650,705)	(4,829,612)	(32,137)	(380,645)	(481,300)	(25,374,399)
Net property income	19,842,634	3,310,677	17,367,989	10,868,420	(481,300)	50,908,420
Fair value gain on investment properties	(163,440)	(1,324,000)	7,170,000	6,900,000	-	12,582,560
Investment income	132,935		-	-	802,846	935,781
Total income	19,812,129	1,986,677	24,537,989	17,768,420	321,546	64,426,761
Total fund expenditure	(1,500,000)	-	-	-	(6,733,452)	(8,233,452)
Operating profit/(loss)	18,312,129	1,986,677	24,537,989	17,768,420	(6,411,906)	56,193,309
Islamic financing costs	-	-	-	-	(34,550,046)	(34,550,046)
Income tax expense	-	-	-	-	(181,565)	(181,565)
Profit/(loss) for the year	18,312,129	1,986,677	24,537,989	17,768,420	(41,143,517)	21,461,698
Total assets	703,503,618	61,854,788	309,149,819	188,961,906	44,979,649	1,308,449,780
Total liabilities	16,922,758	3,163,849	586,213	99,002	642,702,594	663,474,415

23. Segment reporting (cont'd.)

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

	Retail outlets RM	Office buildings RM	F&B restaurants RM	Industrial & Others RM	Other - Fund level operations RM	Total RM
Group						
For the year ended 31 December 2022						
Total revenue	34,098,108	8,708,342	17,833,716	11,159,894	-	71,800,060
Total property expenses	(15,603,667)	(3,951,132)	(32,719)	(297,521)	(476,400)	(20,361,439)
Net property income/(loss)	18,494,441	4,757,210	17,800,997	10,862,373	(476,400)	51,438,621
Fair value loss on investment properties	22,502,429	5,407,184	11,343,690	7,421,433	-	46,674,736
Investment income	108,361	-	-	-	403,269	511,630
Total (loss)/income	41,105,231	10,164,394	29,144,687	18,283,806	(73,131)	98,624,987
Total fund expenditure	(142,646)				(5,852,075)	(5,994,721)
Operating profit/(loss)	40,962,585	10,164,394	29,144,687	18,283,806	(5,925,206)	92,630,266
Islamic financing costs	-	-	-	-	(26,629,136)	(26,629,136)
Income tax expense	-	-	-	-	(585,081)	(585,081)
Profit/(Loss) for the year	40,962,585	10,164,394	29,144,687	18,283,806	(33,139,423)	65,416,049
Total assets	701,712,637	61,697,318	308,362,785	188,480,847	44,860,150	1,305,113,737
Total liabilities	16,970,040	3,172,689	-	687,129	644,498,309	665,328,167

23. Segment reporting (cont'd.)

	Retail outlets RM	Office buildings RM	F&B restaurants RM	Industrial & Others RM	Other - Fund level operations RM	Total RM
Fund						
For the year ended 31 December 2022						
Total revenue	34,098,108	8,708,342	17,833,716	11,159,894	-	71,800,060
Total property expenses	(15,603,667)	(3,951,132)	(32,719)	(297,521)	(476,400)	(20,361,439)
Net property income/(loss)	18,494,441	4,757,210	17,800,997	10,862,373	(476,400)	51,438,621
Fair value loss on investment properties	6,623,153	7,921,583	21,230,000	10,900,000	-	46,674,736
Investment income	108,361	-	-	-	403,269	511,630
Total income/(loss)	25,225,955	12,678,793	39,030,997	21,762,373	(73,131)	98,624,987
Total fund expenditure	(142,646)	-	-	-	(6,121,399)	(6,264,045)
Operating profit/(loss)	25,083,309	12,678,793	39,030,997	21,762,373	(6,194,530)	92,360,942
Islamic financing costs	-	-	-	-	(26,629,136)	(26,629,136)
Income tax expense	-	-	-	-	(585,081)	(585,081)
Profit/(Loss) for the year	25,083,309	12,678,793	39,030,997	21,762,373	(33,408,747)	65,146,725
Total assets	701,712,637	61,697,318	308,362,785	188,480,846	39,176,099	1,299,429,685
Total liabilities	16,970,040	3,172,689	-	687,127	640,006,405	660,836,261

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24. Capital management

The Group and the Fund manage their capital to ensure that the Group and the Fund will be able to continue as going concern while maximising the return to unitholders through the optimisation of the debt and equity balance. The Group's and the Fund's overall strategy remain unchanged from 2018.

The capital structure of the Group and the Fund consist of net debt (Islamic financing as detailed in Note 17) offset by cash and bank balances in Note 14 and unitholders' capital of the Fund (Note 18) (comprising unitholders' capital and undistributed income).

The Group and the Fund are not subject to any externally imposed capital requirements. However, the Group and the Fund are required to comply with the SC Guidelines on borrowings.

The SC Guidelines requires that the total borrowings of the Group and the Fund (including Islamic financing through issuance of debt securities) should not exceed 50% of the total asset value of the Group and the Fund at the time the borrowings are incurred. Notwithstanding, the Group's and the Fund's total borrowings may exceed this limit with the sanction of the unitholders by way of an ordinary resolution.

The Manager's risk management committee reviews the capital structure of the Group and of the Fund on a regular basis to ensure that the SC Guidelines are complied with.

Gearing ratios

The Group's and the Fund's gearing ratios are calculated based on the proportion of total Islamic financing to the total asset value. The gearing ratios at the end of the reporting period is as follows:

	Group		Fund	
	2023 RM	**2022 RM**	**2023 RM**	**2022 RM**
Islamic financial (Note 17)	639,615,399	637,270,302	187,455,666	187,062,422
Amount due to a subsidiary	-	-	448,837,893	445,968,601
	639,615,399	637,270,302	636,293,559	633,031,023
Total assets value as per statements of financial position	1,316,061,009	1,305,113,737	1,308,449,780	1,299,429,685
Total Islamic financing total assets value ratio	48.6%	48.8%	48.6%	48.7%

25. Commitments

The Group and the Fund lease out their investment properties under operating leases. The future minimum lease payments to be received under non-cancellable leases are as follows:

	Group		Fund	
	2023 RM	**2022 RM**	**2023 RM**	**2022 RM**
Less than one year	36,986,062	36,747,530	36,986,062	36,747,530
Between one and five years	190,369,405	188,559,606	190,369,405	188,559,606
More than five years	335,594,250	374,390,110	335,594,250	374,390,110
	562,949,717	599,697,247	562,949,717	599,697,247

www.alsalamreit.com.my

DAMANSARA REIT MANAGERS SDN BERHAD
(200501035558)
Unit 1-19-02, Level 19, Block 1
V SQUARE, Jalan Utara
46200 Bandar Petaling Jaya
Petaling Jaya, Selangor