



2016 AL-SALĀM REIT

Annual Report



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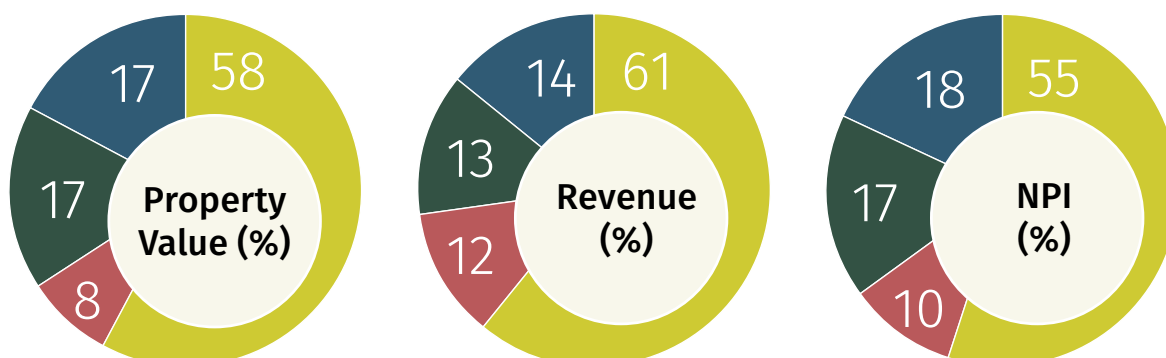


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Corporate Overview

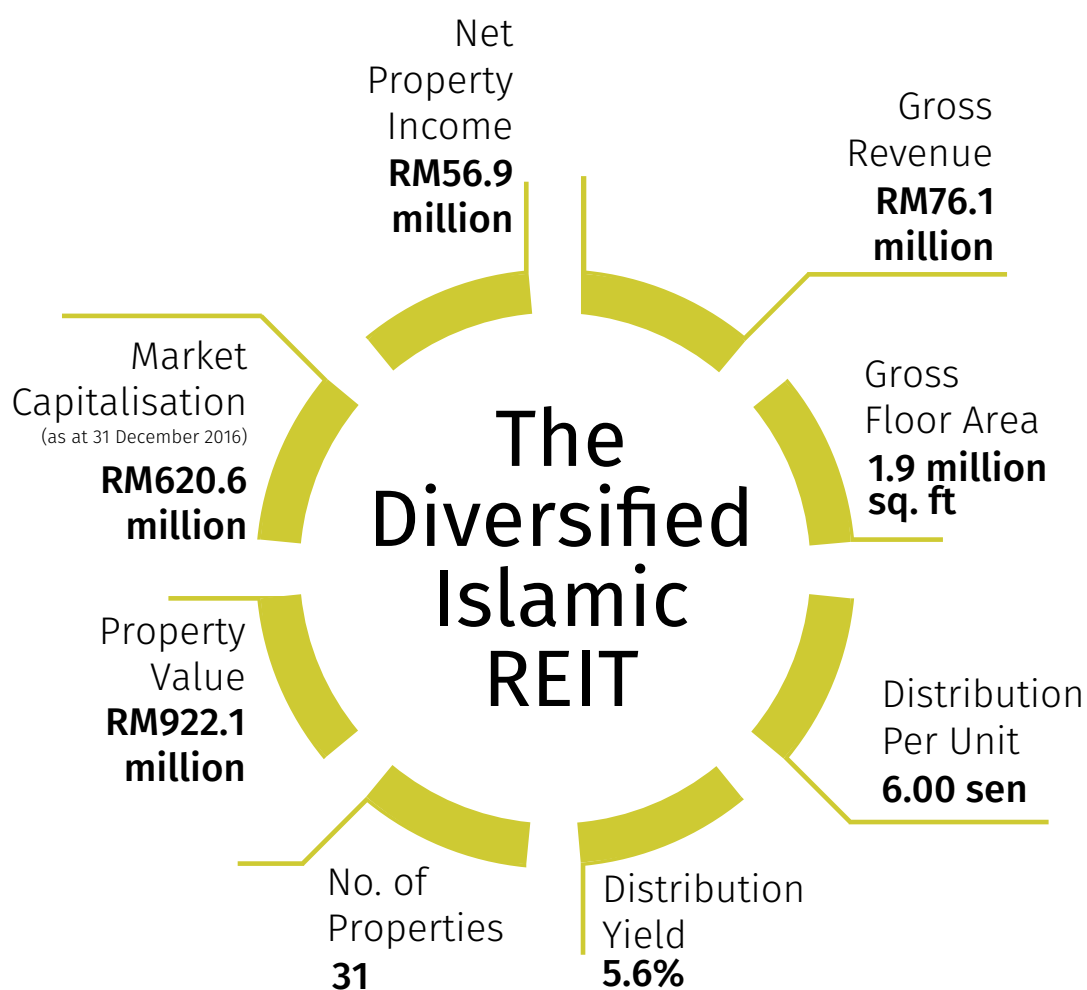
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At a *Glance*



Legend

■ Retail
 ■ Office
 ■ F&B Restaurant
 ■ F&B Non-Restaurant



Investment Policy, *Objective & Strategies*

INVESTMENT 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.

INVESTMENT 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.

KEY INVESTMENT STRATEGIES

1. **Active Asset Management Strategy**

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

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; and

3. **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.



Corporate *Profile*

AL-SALĀM REAL ESTATE INVESTMENT TRUST is a Malaysia-based real estate investment trust (REIT). It is a diversified Islamic REIT in Malaysia with assets strategically located in Johor Bahru as well as in major towns throughout Malaysia. Al-Salām REIT was listed on the Main Market of Bursa Malaysia on 29 September 2015.

As at 31 December 2016, the REIT asset size stood at RM978.2 million with a market capitalisation of RM620.6 million.

The principal activity of the trust is to invest in Shariah-compliant properties. The Fund's segments include Retail, Office, Food and Beverage (F&B), which consist of restaurant and non-restaurant outlets.

The Fund's property portfolio includes KOMTAR JBCC, Menara KOMTAR, @Mart Kempas, 22 KFC and Pizza Hut Restaurant outlets, 5 non-restaurant properties and a College building.

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

Corporate *Information*

MANAGER

DAMANSARA REIT MANAGERS SDN BERHAD (717704-V)

Registered Office

Level 11, Menara KOMTAR,
Johor Bahru City Centre,
80000 Johor Bahru,
Johor Darul Takzim.

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 Bandar Petaling Jaya,
Petaling Jaya,
Selangor Darul Ehsan.

Tel : (+603) 7932 1692/
7932 3692

Fax : (+603) 7932 0692

TRUSTEE

AMANAHRAYA TRUSTEES BERHAD
(766894-T)

Tingkat 2, Wisma AmanahRaya II,
No. 21, Jalan Melaka,
50100 Kuala Lumpur.

Tel : (+603) 2036 5000/
2036 5129

Fax : (+603) 2072 0320

Email : art@arb.com.my

Website : www.artrustees.com.my

SHARIAH COMMITTEE MEMBER

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

PROPERTY MANAGER

EXASTRATA SOLUTIONS SDN. BHD.
(926251-A)

E-5-4, 4th Floor, East Wing,
Subang Square, Jalan SS 15/4G,
47500 Subang Jaya

Tel : (+603) 5632 7686

Fax : (+603) 5613 1686

Email : admin@exastrata.net

Website : www. exastrata.net

SERVICE PROVIDER

SYNERGY MALL MANAGEMENT SDN BHD (905962-U)

Level 5, Menara KOMTAR, Johor
Bahru City Centre,
80000 Johor Bahru, Johor.

Tel : (+607) 267 9900

Fax : (+607) 267 9926

AUDITOR

DELOITTE PLT (LLP0010145-LCA)

Level 16, Menara LGB,
1 Jalan Wan Kadir, Taman Tun Dr.
Ismail, 60000 Kuala Lumpur.

Tel : (+603) 7610 8888

Fax : (+603) 7726 8986

Website : www.deloitte.com/my

REGISTRAR

PRO CORPORATE MANAGEMENT
SERVICES SDN BHD (349501-M)

Level 11, Menara KOMTAR, Johor
Bahru City Centre,
80000 Johor Bahru,
Johor Darul Tazkim.

Tel : (+607) 226 7692/226 7476

Fax : (+607) 222 3044

Email : infoprocorporate@jcorp.com.my

SOLICITOR

ABDUL RAMAN SAAD & ASSOCIATES

Advocates & Solicitors
Level 8, Bangunan KWSP,
No. 3, Changkat Raja Chulan,
Off Jalan Raja Chulan,
50200 Kuala Lumpur.

Tel : (+603) 2032 2323

Fax : (+603) 2032 5775

Email : arsakl@arsa.com.my

Website : www.arsa.com.my

INDEPENDENT PROPERTY VALUER

CHESTON INTERNATIONAL (KL) SDN BHD (647245-W)

Suite 2A, 2nd Floor, Plaza Flamingo,
No. 2, Tasik Ampang, Jalan Hulu
Kelang, 68000 Ampang,
Selangor Darul Ehsan.

Tel : (+603) 4251 2599

Fax : (+603) 4251 6599/
4253 1393

Email : cikl@chestonint.com

Website : www.chestonint.com

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

Stock Name: ALSREIT

Stock Code: 5269

WEBSITE

www.alsalamreit.com.my

Letter to *Stakeholders*



***DATO' KAMARUZZAMAN
BIN ABU KASSIM***

Al-Salām REIT's diversification strategy is a key factor in the REIT's success, providing stability and protection from risks associated with changes in economic conditions of a particular market or industry.

Dear Valued Stakeholders,

On behalf of the Board of Directors of the Manager, I am honoured to present Al-Salām REIT's (the Fund) Annual Report and audited financial statements for the financial year ended 31 December 2016.

In 2016, Al-Salām REIT entered into its first full financial year following the launching of the fund on 29 September 2015. It was indeed the start of our journey into uncharted waters by venturing into a diversified, commercial and retail based fund. We place our trust in DRMSB's capability to grow and drive Al-Salām REIT towards new heights.

With these objectives and goals in mind, we launched Al-Salām REIT with an initial fund size of RM580 million units with a total property value of RM911.4 million representing 31 properties in the retail, office and food and beverage sectors. As at 31 December 2016, our property value has increased to RM 922.1 million, which represents a modest increase in percentage of 1.2% from that of 2015.

In 2016 we have worked hard towards strengthening our assets performance balance sheet, made improvements to many key financial metrics, and, as a result, our overall portfolio continued to show improved performance.

We are pleased to announce that Al-Salām REIT has distributed 6.00 sen per unit for the year 2016. This translates into a distribution yield of 5.6% based on unit price of Al-Salām REIT as at 31 December 2016. The total payout of RM 34.8 million represents 96.6 % of Al-Salām REIT's distributable net income for the year. The Fund is dedicated and committed to ensure that this minimum return is achievable in the upcoming years.

Al-Salām REIT's diversification strategy is a key factor in the REIT's success, providing stability and protection

from risks associated with changes in economic conditions of a particular market or industry. To further improve the growth potential and quality of our portfolio, the Fund will seek to identify more high-potential and high-yield assets that will add value to the stable of assets.

My sincerest gratitude goes to our stakeholders for their steadfast support in our endeavours. The success of our maiden journey and accomplishments would not have been possible without the support and encouragement of our valued stakeholders. We want to thank you for your confidence in us. We value that confidence, and we will reward you for your faith in our strategy.

I would also like to acknowledge the hard work of the Board of Directors for its unrelenting pursuit of excellence to ensure success of the Fund, the support of our most esteemed Shariah Committee members and commitment of employees who have been with us in our quest to grow Al-Salām REIT.

On behalf of the Board, I would like to express my heartfelt gratitude to Tan Sri Datin Paduka Siti Sadiyah Sheikh Bakir for her commitment as a member of the Board since its inception until 1 April 2016. My heartiest welcome to Encik Wan Azman bin Ismail as the new Non-Independent Non-Executive Director of the Manager effective from 15 February 2017.

With the lining of a new experienced and dedicated team, a portfolio that is aligned with our strategy, and a strong balance sheet, we are confident that Al-Salām REIT is well-positioned to deliver another year of continuous improvement in 2017.

Salient *Features*

NAME OF FUND

Al-Salām REIT

TYPE OF FUND
Income and Growth



CATEGORY OF FUND
Diversified Real Estate
Investment Trust

STOCK NAME AND CODE
ALSREIT (5269)



LISTING DATE
29 September 2015



FUND SIZE
580,000,000 units



LISTING
Main Market of Bursa
Malaysia Securities
Berhad



PROPERTY VALUE
RM922.1 million



FINANCIAL YEAR END
31 December



DISTRIBUTION POLICY
At least 90%



2015

Key *Milestones*

30 March 2015

The Establishment of Al- Salām REIT with the registration of the Trust Deed with the SC.



4 September 2015

Launching of IPO Prospectus of Al-Salām REIT.



28 April 2015

Signing of the Memorandum of Understanding to set up Al- Salām REIT between Johor Corporation and AmanahRaya Trustees Berhad (ART).

29 September 2015

Listing of Al-Salām REIT on the Main Market of Bursa Malaysia.



2016

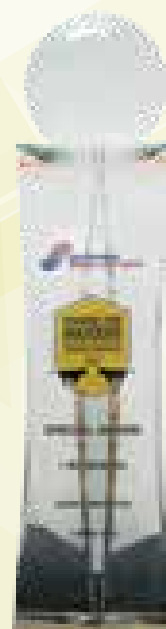
2 February 2016

Al-Salām REIT received “Best Islamic Deal of the Year in Southeast Asia” at the 9th Annual Southeast Asia Deal & Solution Awards 2015, in connection with its initial public offering of RM252 million



1 April 2016

Al-Salām REIT received Special Award - *i-REIT Issuer* 2015 at Bursa Malaysia Annual Broker Award 2015





Financial *Highlights*

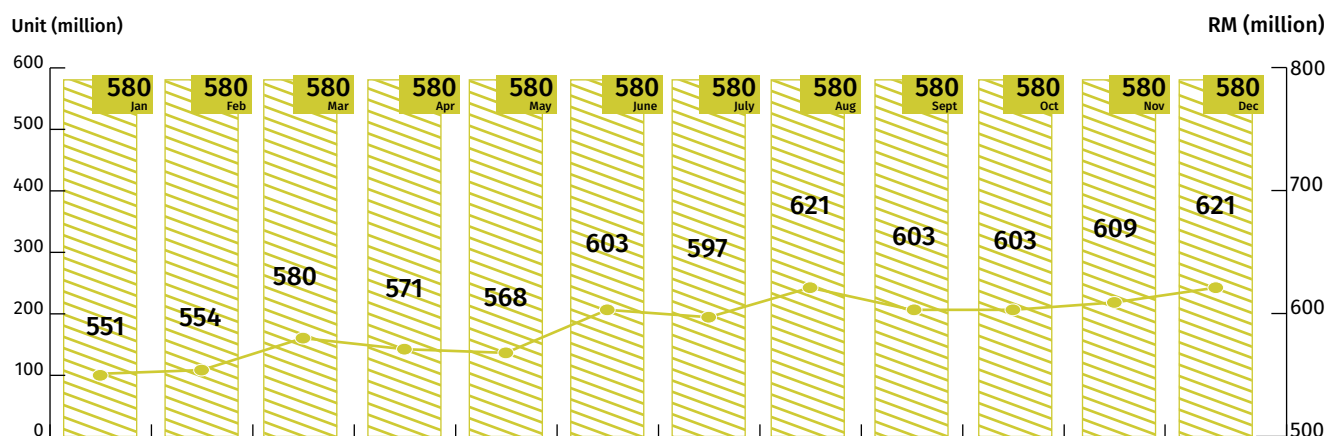
	2016	2015*
Gross revenue (RM'000)	76,135	20,665
Net property income (RM'000)	56,913	15,707
Income before tax (RM'000)	46,667	14,767
Net income after tax (RM'000)	46,667	14,767
Earnings per unit (sen)	8.05	2.55
Investment properties (RM'000)	922,090	911,460
Total asset value (RM'000)	978,182	949,686
Net asset value (RM'000)	611,940	587,312
NAV per unit-before distribution (RM)	1.0551	1.0126
NAV per unit- after distribution (RM)	1.0211	1.0006
Market capitalisation (RM'000)	620,600	539,400
Distribution per unit (sen)	6.00	1.20
Annual distribution yield (%)	5.61	5.00

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

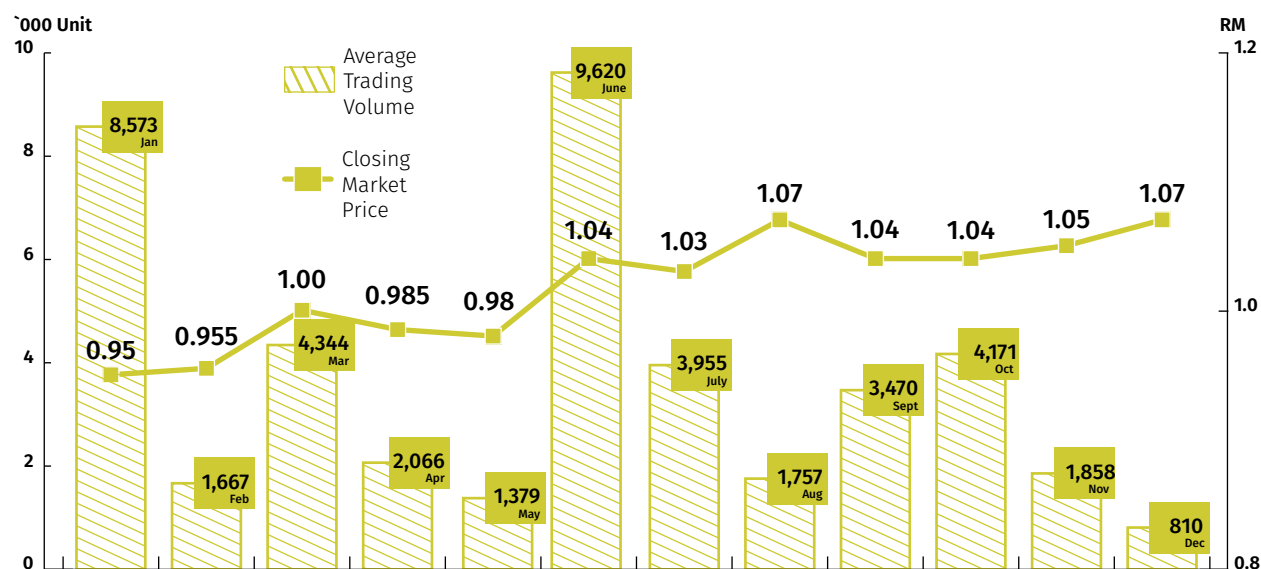
Trading *Performance*

Month	Lowest Traded Price (RM per unit)	Highest Traded Price (RM per unit)	Closing Market Price (RM per unit)	Average Trading Volume (‘000 units)	Market Capitalisation (‘000 units)
January	0.90	0.98	0.95	8,573	551,000
February	0.96	1.01	0.955	1,667	553,900
March	0.96	1.00	1.00	4,344	580,000
April	0.97	1.01	0.985	2,066	571,300
May	0.97	0.99	0.98	1,379	568,400
June	0.98	1.04	1.04	9,620	603,200
July	1.03	1.06	1.03	3,955	597,400
August	1.03	1.07	1.07	1,757	620,600
September	1.04	1.07	1.04	3,470	603,200
October	1.03	1.07	1.04	4,171	603,200
November	1.03	1.07	1.05	1,858	609,000
December	1.03	1.07	1.07	810	620,600

Market Capitalisation and Units In Circulation 2016



Monthly Trading Performance



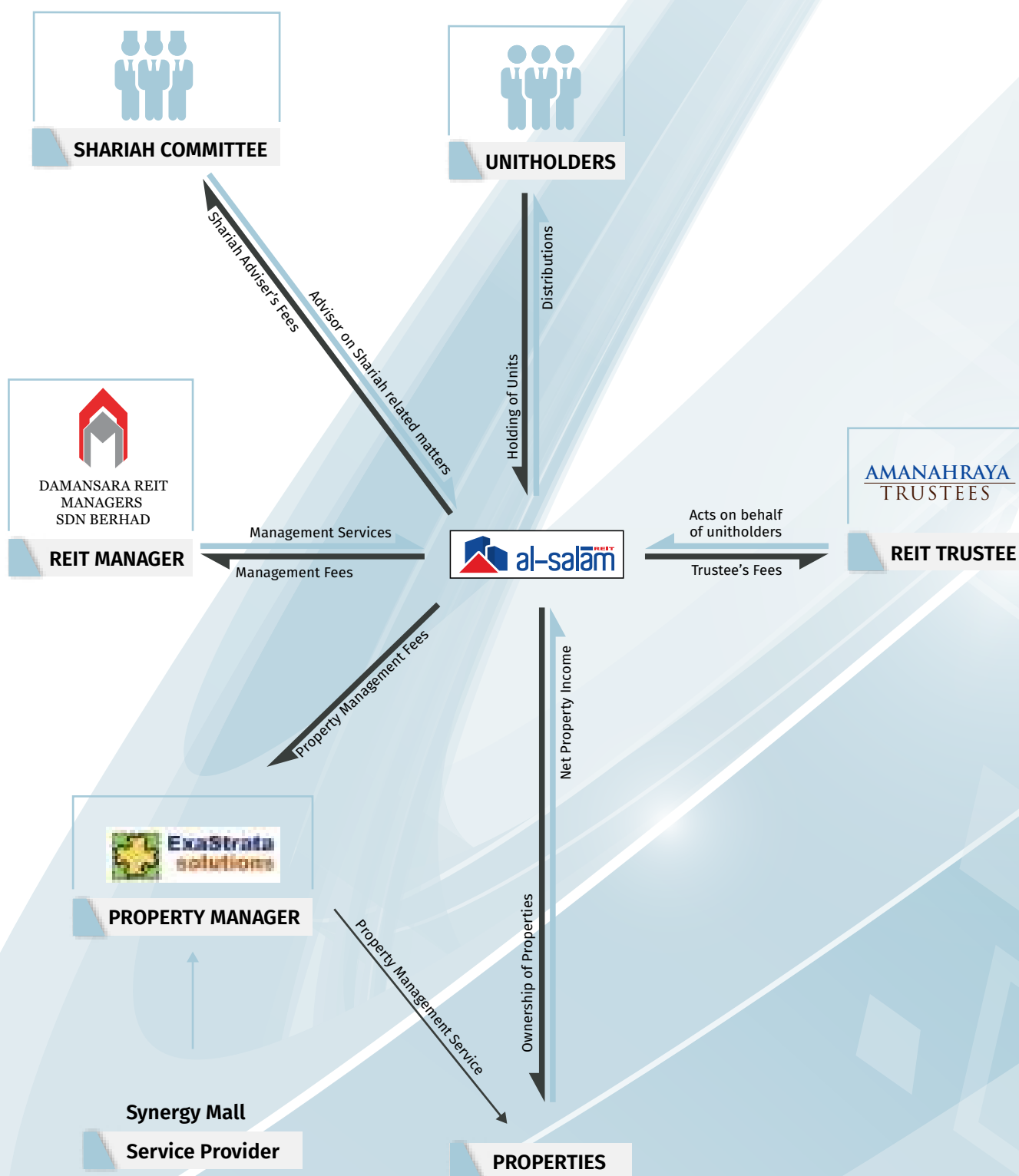


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Key Drivers

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Trust Structure



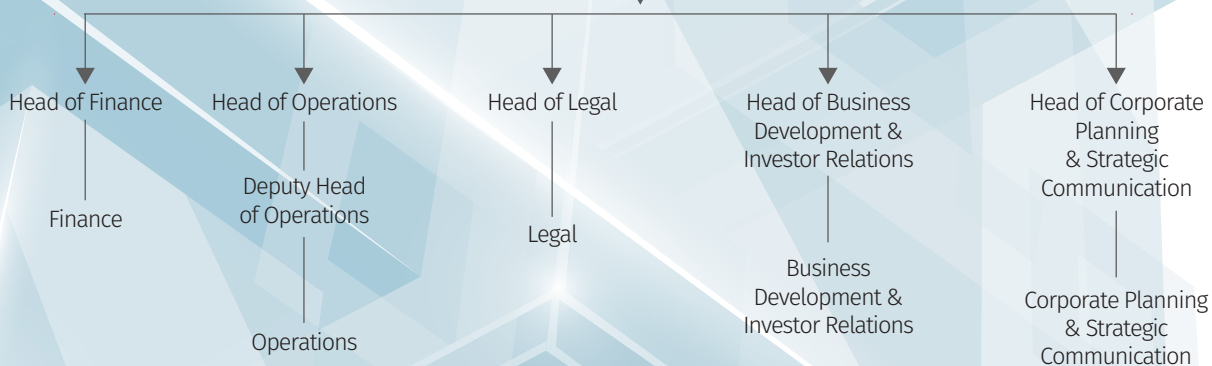
Organisation *Chart*

BOARD OF DIRECTORS



Chief Executive Officer

Deputy General Manager



Board of *Directors*



**Dato' Kamaruzzaman
bin Abu Kassim**

Non-Independent Non-
Executive Chairman



Yusaini bin Hj. Sidek

Managing Director & Non-
Independent Director

Audit Committee

1. Zainah binti Mustafa - Chairman
2. Lukman bin Hj. Abu Bakar
3. Dr. Mohd Hafetz bin Ahmad

Executive Committee

1. Lukman bin Hj. Abu Bakar - Chairman
2. Zainah binti Mustafa
3. Dr. Mohd Hafetz bin Ahmad

Nomination & Remuneration Committee

1. Dato' Kamaruzzaman bin Abu Kassim - Chairman
2. Zainah binti Mustafa
3. Dr. Mohd Hafetz bin Ahmad

Company *Secretaries*



Rohaya binti Jaafar
(LS 0008376)

**Hana binti Ab
Rahim @ Ali**
(MAICSA 70643336)



From left: Zainah binti Mustafa (*Independent Non-Executive Director*), **Dr. Mohd Hafetz bin Ahmad** (*Independent Non-Executive Director*), **Dato' Mani a/l Usilappan** (*Independent Non-Executive Director*).



From left: Lukman bin Hj. Abu Bakar (*Non-Independent Non-Executive Director*), **Dato' Amiruddin bin Abdul Satar** (*Non-Independent Non-Executive Director*), **Mohd Yusof bin Ahmad** (*Non-Independent Non-Executive Director*), **Wan Azman Ismail** (*Non-Independent Non-Executive Director*) (Appointed with effect from 15 February 2017)

Board of Directors *Profile*

Dato' Kamaruzzaman bin Abu Kassim, is the Chairman and Non-Independent Non-Executive Director of the Manager. He was appointed to the Board as a Director on 12 January 2007 and as the Chairman on 12 January 2011. He is currently the President & Chief Executive of JCorp with effect from 1 December 2010.

Dato' Kamaruzzaman graduated with a Bachelor of Commerce (Accountancy) from University of Wollongong, New South Wales, Australia in 1987.

Dato' Kamaruzzaman is also the Chairman of KPJ Healthcare Berhad. He is also the Chairman and/or Director of several companies within the JCorp Group which includes, amongst others, Kulim (Malaysia) Berhad, Johor Land (JLand), QSR Brands Berhad and Waqaf An-Nur Corporation Berhad, an Islamic endowment institution which spearheads JCorp's corporate social responsibility programmes.

Dato' Kamaruzzaman embarked his career as an Audit Assistant with Messrs K.E Chan & Associates in May 1988 and later joined Messrs Pricewaterhouse Coopers (formerly known as Messrs Coopers & Lybrand) in 1989. In December 1992, he joined Perbadanan Kemajuan Ekonomi Negeri Johor (currently known as Johor Corporation) as a Deputy Manager in the Corporate Finance Department and was later promoted to General Manager in 1999. He then served as the Chief Operating Officer of JCorp beginning 1 August 2006 and was later appointed as the Senior Vice President, Corporate Services & Finance of JCorp beginning 1 January 2009 and Acting President & Chief Executive of JCorp beginning 29 July 2010.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholder of the Fund. He has no personal interest in any business arrangement involving Al-Salām REIT. He has not been convicted for any offences other than traffic offences (if any), within the past 10 years. He attended all 4 Board Meetings held during the financial year ended 31 December 2016.

Yusaini bin Hj. Sidek, is the Managing Director of the Manager. He was appointed to the Board as an Executive Director in 2009 and subsequently assumed his current role on 1 February 2013. Prior thereto, he had served as the Chief Executive Officer of the Manager since 2006. He is also presently the Executive Director of Damansara Assets Sdn Bhd (DASB) having been appointed on 1 December 2012 and the Vice President, Commercial Property, Property Division of JCorp since May 2015.

DATO' KAMARUZZAMAN BIN ABU KASSIM

**Malaysian, Male, Aged 53
Non-Independent Non-
Executive Chairman**

YUSAINI BIN HJ. SIDEK

**Malaysian, Male, Aged 49
Managing Director & Non
Independent Director**

Yusaini graduated with a Master of Business Administration, with specialisation in International Business from University of Southern Queensland, Australia in 2010. He also holds a Bachelor of Business Administration degree from Universiti Kebangsaan Malaysia in 1999 and a Diploma in Valuation from Universiti Teknologi Malaysia in 1989.

Yusaini has approximately 25 years of experience in the Malaysian property industry, particularly in property management and valuations. He gained professional experience via attachment with numerous property-related companies and/or entities in Malaysia, namely, Colliers, Jordan Lee & Jaafar Sdn Bhd, the Valuation and Property Services Department of the Ministry of Finance, Bank Industri Malaysia Berhad, FIMA Corporation Berhad, CSM Corporation Berhad and Empire Tower (M) Sdn Bhd, wholly-owned subsidiary of Low Yatt Group of Companies. During his tenure with the aforementioned companies, amongst the buildings under his supervision are Bank Industri Building, Airtel Complex, Plaza Damansara, Jaya Shopping Centre, Menara CSM, Empire Tower and City Square Complex. He has vast experience in building management, primarily in the areas of tenancy management, marketing as well as promotion, preparation of business plan for buildings and maintenance management. In 2001, he joined Harta Consult Sdn Bhd, a wholly owned subsidiary of Johor Corporation as a Senior Manager until 2005 managing the properties under Damansara Asset Sdn. Bhd. (DASB) in Kuala Lumpur prior to his appointment at DRMSB. Yusaini has obtained a Capital Markets Services Representatives' Licence for REIT as a Licensed Director to carry on regulated activities specified under the CMSA. In January 2015, he was appointed as the Vice Chairman of the Malaysian REIT Managers Association (MRMA), an organisation that act as a platform for the Malaysian REIT managers to engage with the regulatory bodies in proposing changes to the industry to promote its growth.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholder of the Fund. He has no personal interest in any business arrangement involving Al-Salām REIT. He has not been convicted for any offences other than traffic offences (if any), within the past 10 years. He attended all 4 Board Meetings held during the financial year ended 31 December 2016.

ZAINAH BINTI MUSTAFA

Malaysian, Female, Aged 62
Independent Non-Executive
Director

Zainah binti Mustafa, is the Independent Non-Executive Director of the Manager. She was appointed to the Board and as the Chairman of the Manager's Audit Committee on 16 February 2007.

Zainah graduated from Institut Teknologi MARA (presently Universiti Teknologi MARA) in 1977. She obtained her Association of Chartered Certified Accountants (ACCA) United Kingdom in 1976. She is now a Fellow of ACCA.

In 1977, she started her career as an Assistant Senior Auditor in Perbadanan Nasional Berhad. She joined JCorp in October 1978 and rose through the ranks to the Group Chief Financial Officer before retiring on 31 October 2002.

Zainah is also presently the Independent Non-Executive Director of KPJ and Damansara Realty Berhad and sits on the Board of various companies within the JCorp Group.

Other than as disclosed, she does not have any family relationship with any director and/or major unitholder of the Fund. She has no personal interest in any business arrangement involving Al-Salām REIT. She has not been convicted for any offences other than traffic offences (if any), within the past 10 years. She attended all 4 Board Meetings held during the financial year ended 31 December 2016.

Dr. Mohd Hafetz bin Ahmad, is the Independent Non-Executive Director of the Manager. He was appointed to the Board on 22 June 2006.

Dr. Mohd Hafetz obtained his Medical Degree from University Malaya in 1975. He did his housemanship in Hospital Sultanah Aminah, Johor Bahru, Johor and continued as Medical Officer in the same hospital. In 1978, he did his specialist training in Obstetrics and Gynaecology at the University Hospital, Kuala Lumpur. Thereafter, he served as a Trainee Lecturer and then as a Lecturer at the Department of Obstetrics and Gynaecology, University Malaya.

Dr. Mohd Hafetz joined Johor Specialist Hospital (JSH) in 1983 as a Consultant Obstetrician and Gynaecologist. Besides his clinical practice, he has been involved in various aspects of hospital management and clinical governance in his capacity as Chairman, JSH Consultant's Advisory Committee (1990-1994) and Medical Director (1994–2014).

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

Dr. Mohd Hafetz presently sits on the Board of Directors of Kluang Utama Specialist Hospital and is a member of KPJ Group Medical Advisory Committee. Previously, he was an Independent Non-Executive Director of Johor Land Berhad, Sindora Berhad, Waqaf An-Nur Corporation and was a Director of KPJ Johor Specialist Hospital, KPJ Puteri Specialist Hospital and KPJ University College.

Dr. Mohd Hafetz has no directorships in other public companies in Malaysia.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholder of the Fund. He has no personal interest in any business arrangement involving Al-Salām REIT. He has not been convicted for any offences other than traffic offences (if any), within the past 10 years. He attended 3 Board Meetings held during the financial year ended 31 December 2016.

Dato' Mani a/l Usilappan, is the Independent Non-Executive Director of the Manager. He was appointed to the Board on 1 November 2010.

Dato' Mani is a Chartered Surveyor of 38 years, having passed the final examination of the Royal Institution of Chartered Surveyors ("RICS") in 1976. He holds a Masters in Property Development from Southbank University London with Distinction in 1992.

Dato' Mani served 9 years as Deputy Director General and subsequently retired as Director General of the Valuation and Property Services Department, Ministry of Finance, Government of Malaysia in 2006. He was a past president of the Royal Institution of Surveyors Malaysia and also a council member of Persatuan Penilai Swasta. He was a former President of the Board of Valuers, Appraisers and Estate Agents. He is currently Managing Director of VPC Alliance Kajang and act as a property consultant.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholder of the Fund. He has no personal interest in any business arrangement involving Al-Salām REIT. He has not been convicted for any offences other than traffic offences (if any), within the past 10 years. He attended all 4 Board Meetings held during the financial year ended 31 December 2016.

**DR. MOHD HAFETZ
BIN AHMAD**

**Malaysian, Male, Aged 67
Independent Non-
Executive Director**

**DATO' MANI A/L
USILAPPAN**

**Malaysian, Male, Aged 67
Independent Non-Executive
Director**

LUKMAN BIN HJ. ABU BAKAR

Malaysian, Male, Aged 58
Non Independent Non-Executive Director

Lukman bin Hj. Abu Bakar, is the Non-Independent Non-Executive Director of the Manager. He was appointed to the Board on 12 January 2007 and as a member of the audit committee on 18 August 2010.

Lukman graduated with a Bachelor of Urban and Regional Planning (Hons) from the University Teknologi Malaysia in 1982. He also holds a Post Graduate Diploma (Housing, Building and Planning) from Institute for Housing Studies, Rotterdam, Holland in 1985.

Upon graduation, he joined JCorp as a Town Planning Officer. He had held various positions in the JCorp Group before he was promoted as the Deputy Manager of JCorp in 1989. In 1992, he was appointed as the Manager cum Deputy Secretary of Pasir Gudang Local Authority (now known as Pasir Gudang Municipal Council). In 1993, he joined Sindora Berhad as the Deputy General Manager and was promoted as the General Manager in 1995. On 1 January 2006, he was appointed as the Senior General Manager of JCorp. On 1 July 2008, the Pasir Gudang Local Authority was upgraded as a full-fledged Municipal Council. Concurrently, he was appointed as its first President and served until 31 August 2009 when the Council was handed over to the administration of the State Government of Johor. Thereafter, he was promoted as a Senior Vice President in JCorp on 1 September 2009.

Lukman presently is the Managing Director of Johor Land Berhad since 1 January 2010 and the Senior Vice President / Chief Executive of Property Division of JCorp since 1 January 2011. He is also Chairman and director of a few other companies within the JCorp Group.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholder of the Fund. He has no personal interest in any business arrangement involving Al-Salām REIT. He has not been convicted for any offences other than traffic offences (if any), within the past 10 years. He attended 2 Board Meetings held during the financial year ended 31 December 2016.

DATO' AMIRUDDIN BIN ABDUL SATAR

Malaysian, Male, Aged 53
Non Independent Non-Executive Director

Dato' Amiruddin bin Abdul Satar, is the Non-Independent Non-Executive Director of the DRMSB. He was appointed to the Board on 21 January 2016.

Dato' Amiruddin Abdul Satar is the President & Managing Director of KPJ Healthcare Berhad since 1 January 2013.

An alumnus of the Henley Business School, University of Reading, United Kingdom where he obtained his Masters in Business Administration (MBA) in 2010, Dato' Amiruddin is also a member of the Association of Chartered Certified Accountants (ACCA).

Dato' Amiruddin gained significant experience in finance and management through his capacity as the Accountant and Finance Manager of several large and reputable organisations in the country.

He contributes actively in the development of the Malaysian healthcare sector through his involvement with the Association of Private Hospitals of Malaysia (APHM), where he is currently its Vice President.

Dato' Amiruddin also holds directorships in several large and reputable organisations in the country.

Other than as disclosed, he does not have any family relationship with any

director and/or major unitholder of the Fund. He has no personal interest in any business arrangement involving Al-Salām REIT. He has not been convicted for any offences other than traffic offences (if any), within the past 10 years. He attended all 4 Board Meetings held during the financial year ended 31 December 2016.

Mohd Yusof bin Ahmad, is the Non-Independent Non-Executive Director of the Manager. He was appointed to the Board on 4 February 2014.

Mohd Yusof graduated with a Bachelor of Science Surveying (Property Management) from Universiti Teknologi Malaysia in 1992.

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

Since 2000, he has served several departments in JLand which includes Property Management, Marketing Department, Corporate Office and Planning Department. He is currently General Manager of Special Project (JB Urban Redelopment) of JLand since his appointment on 1 June 2015. He is also the General Manager, Special Projects (Property Division) of JCorp since 1 May 2015.

Mohd Yusof presently sits on the board of various companies within the JCorp Group.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholder of the Fund. He has no personal interest in any business arrangement involving Al-Salām REIT. He has not been convicted for any offences other than traffic offences (if any), within the past 10 years. He attended all 4 Board Meetings held during the financial year ended 31 December 2016.

MOHD YUSOF BIN AHMAD

**Malaysian, Male, Aged 49,
Non Independent Non-
Executive Director**

Wan Azman bin Ismail, is the Non-Independent Executive Director of the Manager. He graduated with a BA (Hons) in Accounting and Financial Analysis, University of Newcastle upon Tyne, United Kingdom in 1988. He started his career under the Corporate Finance Division of Perwira Affin Merchant Bank Berhad from September 1990 to March 1996. He later joined the Corporate Finance Division of BSN Merchant Bank Berhad in March 1999 to July 1999. He joined JCorp Group in September 1999 to December 2000 and later joined Damansara Realty Berhad in January 2001.

He was the Managing Director of Damansara Realty Berhad (DBhd) until his redesignation on 6 June 2014. Later, in June 2014, he joined JCorp as Vice President. He is currently Non-Independent Non-Executive Director of DRMSB effective 15 February 2017.

Other than as disclosed, he does not have any family relationship with any director and/or major unitholder of the Fund, nor any conflict of interest with the Company. He has not been convicted for any offences other than traffic offences (if any), within the past 10 years.

WAN AZMAN BIN ISMAIL

**Malaysian, Male, Aged 53
Non-Independent Non-
Executive Director
(Appointed with effect from 15
February 2017)**



Shariah *Committee*



Dato' (Dr) Haji Nooh bin Gadot (Chairman)

Prof. Madya Dr. Ab. Halim bin Muhammad

Prof. Dr. Mohamad @ Md. Som bin Sujimon

Shariah Committee *Profile*

Dato' (Dr) Haji Nooh bin Gadot, was appointed as the Chairman and Member of Shariah Committee of Al-Salām REIT since 9 July 2015. Currently, Dato' (Dr) Haji Nooh is the Islamic Advisor to DYMM Sultan Johor and Advisor to Johor State Islamic Council. He is a member of the Johor Royal Council and Islamic Religious Council (Johor).

Dato' (Dr) Haji Nooh graduated from the Al-Azhar University in Egypt with a Bachelor in Islamic Law and Shariah Islamiah. He obtained his tertiary Islamic education from Maahad Institution in Johor majoring in As-Syahadah Al-Thanawiyah, Arabic Secondary School, Segamat Madrasah Al-Khairiyah Al-Arabiyyah – AsSyahadah Al-Ibtidaiyyah, Segamat and Islamic Primary School State of Johor Special Class. On 22 April 2012, he obtained the Ijazah Kehormat Sarjana Sastera (Master of Art) from Asia e University.

In addition to his official studies, Dato' (Dr) Haji Nooh attended a course on Managing Fatwa Darul Iffa in Ministry of Justice of Egypt under the supervision of State Mufti of Egypt, Al-Ustaz Al-Kabeer Dr. Syed Muhammad Tantawi and courses on Management and Administration of Wakaf organised by Egypt Wakaf Authority.

Before his appointment as Mufti of Johor from year 1999, Dato' (Dr) Haji Nooh was appointed as Vice Mufti of Johor and Chief Assistant Director, Department of Administration of Shariah Law (Chief Kadi). His vast experience in Islamic practise and jurisprudence, juristic methodology, hadith and its sciences and spirituality was gained throughout his services as Acting Kadi, Syarie Lawyer,

DATO' (DR) HAJI NOOH BIN GADOT

Malaysian, Male, Aged 71 (Chairman)

Islamic Affair Officer Religious Department (Prime Minister Department), Acting Assistant Examination and Registrar Religious School of Johor State and Religious Teacher of Johor State. He compulsorily 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). Currently, he holds various positions which includes amongst others, the Board Member of Waqaf An-Nur Corporation Berhad, Board Member of Kolej Pengajian Islam Johor (MARSAH), Vice Chairman of Pengawalan dan Perlesenan Pencetakan Teks Al-Qur'an Kementerian Dalam Negeri, Board Member of Yayasan Dakwah Islamiah Malaysia, Shariah Committee of QSR Brands and KFC Holdings, Shariah Committee of Jabatan Kemajuan Islam Malaysia (JAKIM), Shariah Committee of Permodalan Nasional Berhad (PNB), Board Member of Infaq Lil-Waqaf Angkatan Koperasi Kebangsaan Malaysia Berhad (ANGKASA), Shariah Committee of NCB Holdings Bhd, Joint Chairman of Institut Ahli Sunnah WalJamaah Johor (IASWJ), Primary Consultant of Shariah Advisory Panel of Koperasi Permodalan Melayu Negeri Johor (KPMNJ), Board Member of Maij Urus Sdn. Bhd., Shariah Advisor of Fly Johore Sdn. Bhd., Committee Member of Selection and Service of Yayasan Dakwah Islamiah Malaysia (YADIM), Panel Pemikir Fatwa Jabatan Kemajuan Islam Malaysia (JAKIM), Advisory Member of Word Halal Summit (Shapers M'sia Sdn. Bhd.), Board of Trustee Member of Yayasan Wakaf Anak Yatim Malaysia (YAWATIM), Advisory Panel of Pameran Kenali & Cintai Rasulullah (PKCR) and Advisory Committee Hajj Member of Tabung Haji Malaysia.

Since year 2001 until now, Dato' (Dr) Haji Nooh is active in presenting his proposals and working papers in various issues related to religion that brings into effect the social and spiritual life of the communities. He was conferred the prestigious award Ma'al Hijrah from the State of Johor in year 2009, award Tokoh Dakwah Sempena Sambutan Jubli Emas dan Sempena Anugerah Kecemerlangan Maahad Johor and prestigious award of Maulidur Rasul National Award for the year 1434H/2013M as well as Pingat Bakti Setia (Anugerah Menteri Dalam Negeri) in conjunction with the celebration of 224th Prison Day. Apart from that, Dato' (Dr) Haji Nooh also awarded with Pingat Sultan Ibrahim Pangkat Kedua (P.S.I II), Honorary Doctorate Award (Human Development) from Universiti Tun Hussien Onn (UTHM) and Senior Citizens' Special Award in conjunction with the celebration of 2015 National Senior Citizens and Children's Day from Ministry of Social Welfare. He is also a recipient of Tokoh Agama PERKIM.

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

Professor Madya Dr. Ab. Halim bin Muhammad, was appointed on 9 July 2015 as a Shariah Committee Member of Al-Salām REIT.

He obtained his Bachelor in Shariah from Al-Azhar University in Egypt in 1972 and subsequently obtained his PhD in Shariah from St. Andrews, University of Scotland in 1977.

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

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

At present, he is the Shariah committee member of Bank Muamalat Malaysia Berhad, ANGKASA and Terengganu Trust Fund.

**PROF. MADYA DR. AB.
HALIM BIN MUHAMMAD**
Malaysian, Male, Aged 72

Professor Dr. Mohamad @ Md. Som bin Sujimon, was appointed on 9 July 2015 as a Shariah Committee Member of Al-Salām REIT.

He graduated from University of Al-Azhar, Egypt with a Bachelor of Honours from the Faculty of Islamic Jurisprudence and Law in 1979. He obtained his Master of Arts in Teaching from Mississippi State University, United States of America in 1982 and completed PhD in Islamic and Middle Eastern Studies at the Faculty of Arts in University of Edinburgh, Scotland, United Kingdom in 1997.

He began his career as a Lecturer at the Faculty of Arts and Social Science, Universiti Malaya from 1983-1986 and later migrated to Brunei Darussalam whereby he was part of the team which founded 3 institutions, namely Universiti Brunei Darussalam (UBD), Universiti Islam Sultan Syarif Ali (UNISSA) and Kolej Universiti Perguruan Ugama Seri Begawan.

In Brunei Darussalam, he was an Associate Professor at the Faculty of Shariah and Law, UNISSA as well as at the UBD and Institute of Islamic Studies Sultan Haji Omar Ali Saifuddin. He was also an Associate Professor at the International Islamic University Malaysia from 1999 to 2005.

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

**PROF. DR. MOHAMAD @
MD. SOM BIN SUJIMON**
Malaysian, Male, Aged 63

Management *Profile*

YUSAINI BIN HJ. SIDEK

Malaysian, Male,
Aged 47

Yusaini bin Hj. Sidek, is currently the Managing Director of the Manager. His profile is detailed in The Board of Directors' profile on page 22.

SHAHIRIL ZAIRIS BIN RAMLI

Malaysian, Male,
Aged 47

Shahril Zairis bin Ramli, is currently the Deputy General Manager of the Manager. He joined the Manager in July 2012. He started his career with BSN Merchant Bank Berhad in 1997. In 1999, he joined Damansara Realty Berhad and subsequently, in 2008 he joined JCorp and was later assigned to a few companies within the JCorp Group. He is the holder of Capital Markets Services Representatives' Licence for REIT from the SC as a Licensed Representative. He has a Bachelor of Arts in Banking and Finance from Bangor University and a Diploma in Investment Analysis from Universiti Teknologi Mara. He does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major unitholders of Al-Salām REIT nor does he have any conflict of interests with Al-Salām REIT. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

SR ROSLAN BIN MANAP

Malaysian, Male,
Aged 49

Sr Roslan bin Manap, is currently the Head of Operations of the Manager. He joined the Manager in February 2016. He graduated with a Master of Land Administration and Development from Universiti Teknologi Malaysia. He also holds a Bachelor's Degree in Property Management from Universiti Teknologi MARA. Prior to joining the Manager, he was with UEM Edgenta Berhad (formerly known as Faber Group Berhad) as Head of Land Administration and Property Management. He has over 25 years' experience in real estate. His experience include Property Management / Valuation, Property Development and Land Law in the Private and Public Sectors. He is also a member of Royal Institution of Surveyors Malaysia (RISM) and Malaysian Association of Professional Property Managers. He does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major unitholders of Al-Salām REIT nor does he have any conflict of interests with Al-Salām REIT. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years

ROZIAH BINTI ABU BAKAR

Malaysian,
Female, Aged 49

Roziyah binti Abu Bakar, is currently Head of Corporate Planning and Strategic Communication at Damansara REIT Managers Sdn Bhd. She completed her Masters in Business Administration, Henley Business School, University of Reading in 2008 and has a Degree in International Relations, Faculty of Political Science from The University of British Columbia, Canada. She started her career at JCorp in 1995 and has various experience in the areas of corporate planning, business development and education. She does not hold directorships in other public companies in Malaysia. She does not have any family relationship with any Directors and/or major unitholders of Al-Salām REIT nor does she have any conflict of interests with Al-Salām REIT. She has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

SUHAIMI BIN SAAD

Malaysian, Male,
Aged 47

Suhaimi bin Saad, is currently the Deputy Head of Operations of the Manager. He joined the Manager in June 2006. He graduated with a Bachelor of Arts (Hons) in Urban Studies and Planning from University of Malaya in 1996. He has numerous experience in property management and planning and has been working in the property management sector since 1997. In 2001, he joined Damansara Harta Management Sdn Bhd as Property Executive and subsequently, in 2004, he joined Damansara Town Centre Sdn Bhd, which is involved in the management of Pusat Bandar Damansara, Kuala Lumpur. He then joined the Manager in June 2006 primarily to oversee asset management, leasing activities and the implementation of organic growth strategies to enhance the performance of Al-Salām REIT's portfolio. He has obtained a Capital Markets Services Representatives' Licence for REIT from the SC as a Licensed Representative. He does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major unitholders of Al-Salām REIT nor does he have any conflict of interests with Al-Salām REIT. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

Hamim bin Mohamad, is currently the Head of Compliance and Legal of the Manager. He joined the Manager in July 2014. He graduated with a Bachelor's Degree in Engineering from Universiti Kebangsaan Malaysia in 1999. He started his career with Maybank Securities Sdn Bhd in 2000 before joining DBhd in 2002. During his 12 years employment with DBhd, he has been exposed to and gained experience in various legal function including litigation management, conveyance, risk management as well as corporate legal. He is primarily in charge of all legal matters of the Manager and ensures the business and activities of the Manager are in compliance with the relevant laws and guidelines. He obtained approval from the SC as the Compliance Officer of the Manager in September 2014. He does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major unitholders of Al-Salām REIT nor does he have any conflict of interests with Al-Salām REIT. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

**HAMIM BIN
MOHAMAD**

Malaysian, Male,
Aged 40

Sahrin bin Munir, is currently the Head of Business Development and Investor Relations of the Manager. He joined the Manager in May 2013. He graduated with a Bachelor of Management (Technology) from Universiti Teknologi Malaysia in 2004. He started his career with DBhd in 2006. In 2008, he joined a venture capital management company, Pembangunan Ekuiti Sdn Bhd as Investment Analyst overseeing small and medium enterprises from various industries involved in, amongst others, oil and gas, manufacturing, services and trading. He then joined FELDA as Investment Officer in 2011. He is primarily in charge to develop investment strategies and grow the Fund's portfolio through strategic acquisitions. He is also responsible to implement effective communication strategies with all stakeholders and maintaining continuous engagement with the investment community. He does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major unitholders of Al-Salām REIT nor does he have any conflict of interests with Al-Salām REIT. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

**SAHRIN BIN
MUNIR**

Malaysian, Male,
Aged 35

Muhammad Ikhwan bin Muhammad Hanapi, is currently the Head of Finance of the Manager. He is primarily in charge of the accounting and financial matters of the Manager. He started his career as an Audit Assistant with KPMG Desa Megat & Co. in February 2008 and advanced to Assistant Manager position within 3 years with the Firm. He has audit experience from various industries which includes oil & gas trading, railway transportation, plantations, manufacturing, services and trading. He joined the Manager in October 2011 as an Accountant and was promoted to Senior Accountant on 1 January 2016. He is currently a member of the Malaysian Institute of Accountant (MIA) and a Fellow member of the Association of Chartered Certified Accountants (ACCA). He does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/ or major unitholders of Al-Salām REIT nor does he have any conflict of interests with Al-Salām REIT. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

**MUHAMMAD
IKHWAN BIN
MUHAMMAD
HANAPI**

Malaysian, Male,
Aged 30



3

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Management Discussion & Analysis

Overview of Al-Salām REIT

Al-Salām REIT is a medium-sized diversified Malaysian REIT with a total portfolio asset value of RM922.1 million. Its investment properties' gross floor area totals 1.9 million sq ft with 1.5 million sq ft of total net lettable area. Its properties are well diversified into retail, office, and industrial segments.

FINANCIAL REVIEW

The Fund commenced its business operation on 6 May 2015 and was listed on the Main Market of Bursa Malaysia on 29 September 2015. This is the first full year of financial review of Al-Salām REIT.

Table 1: Key Financial Highlights

	(A) Audited FY2016 RM '000	(B) Forecast FY2016 ¹ RM '000	Audited FY 2015 ² RM '000	(A-B/B) Variance (%)
Gross revenue	76,135	79,430	20,665	(4.1)
Net Property Income	56,913	58,696	15,707	(3.0)
Net income (realised)	36,037	37,229	7,055	(3.2)
Income available for distribution (realised)	36,037	37,229	7,055	(3.2)
EPU (sen)	6.21	6.41	1.21	(3.1)
DPU (sen)	6.00	6.41	1.20	(6.4)

Notes:

- 1) Based on the profit forecast for the financial year ended 31 December 2016 ("Forecast Year 2016") as per Al-Salām REIT prospectus dated 4 September 2015.
- 2) Al-Salām REIT was established on 30 March 2015 and the acquisition of the properties was completed on 6 May 2015, 29 September 2015 and 30 September 2015, respectively. The financial result reported refers to the period from 30 March 2015 to 31 December 2015 (FP2015).

Commentaries (Actual vs Forecast)

1. Despite the challenges due to the softening of the retail market, Al-Salām REIT still managed to register a gross revenue of RM76.1 million for the financial year ended 31 December 2016, approximately RM3.3 million or 4.1% below the forecast of RM79.4 million. Net property income was RM56.9 million against the forecast of RM58.7 million, a difference of 3.0% or RM1.8 million.
2. The Fund registered a slightly lower realised EPU in FY2016 as a result of the above. In addition, the Fund only distributed 96.6% of the realised EPU as compared to the 99.9% assumed in the forecast.

Business Review

Table 2: Revenue Contribution by Segment

	FY2016 RM'000	%	FY2015 RM'000	%
Retail	46,696	61	9,912	48
Office	9,033	12	2,284	11
F&B Restaurants	9,803	13	4,354	21
F&B Non-Restaurant	10,603	14	4,115	20
Total	76,135	100	20,665	100

Table 3: NPI Contribution by Segment

	FY2016 RM'000	%	FY2015 RM'000	%
Retail	31,239	55	6,148	39
Office	5,839	10	1,265	8
F&B Restaurants	9,787	17	4,349	28
F&B Non-Restaurant	10,318	18	4,046	26
Property Manager Fee	(270)	-	(101)	(1)
Total	56,913	100	15,707	100

Table 4: Segmental Gross Revenue and NPI 2015-2016

	Gross Revenue			Net Property Income		
	FY2016 RM'000	FY2015 RM'000	Change %	FY2016 RM'000	FY2015 RM'000	Change %
KOMTAR JBCC	39,915	8,159	389.2	27,467	5,114	437.1
@Mart Kempas	6,781	1,753	286.8	3,772	1,034	264.8
Total Retail Segment	46,696	9,912	371.1	31,239	6,148	408.1
Menara KOMTAR	9,033	2,284	295.5	5,839	1,265	361.6
Total Office Segment	9,033	2,284	295.5	5,839	1,265	361.6
22 KFC and / or Pizza Hut Outlets	9,803	4,354	125.1	9,787	4,349	125.0
Total F&B Restaurants	9,803	4,354	125.1	9,787	4,349	125.0
Industrial Premises	8,263	3,521	134.7	8,237	3,515	134.3
KFCH International College	2,340	594	293.9	2,081	531	291.9
Total F&B Non-Restaurants	10,603	4,115	157.7	10,318	4,046	155.0
Property Manager Fee	-	-	-	(270)	(101)	167.3
Total Portfolio	76,135	20,665	268.4	56,913	15,707	262.3

FY2015 only reflects mainly 3 months income contribution from the properties since the listing of Al-Salām REIT took place on 29 September 2015.

From table 4, total gross revenue and NPI shot up by an increase of 268.4% and 262.3% respectively from those recorded in 2015. This is due to the full contribution from the properties as the properties were mainly acquired in conjunction with the listing of Al-Salām REIT on 29 September 2015.

Retail segment is the key contributor to the gross revenue and NPI respectively. The retail segment's revenue increased by 371% to RM46.7 million from RM9.9 million in FY2015. The significant increase is mainly attributable to the full year contribution from retail properties. The retail properties which comprise KOMTAR JBCC and @ Mart, Kempas were acquired on 29 and 30 September 2015 respectively.

During the financial year, Menara KOMTAR maintained its occupancy rate at 93%. Being utilised as the main head office of JCorp will allow Menara KOMTAR to enjoy stable rental income in the long run.

The food and beverage segment witnessed a lower contribution of revenue and NPI as compared to those from previous year. This is due to the fact that the acquisitions of the F&B properties were completed in 2 phases last year. The 1st phase was completed on 6 May 2015 which involved 13 F&B properties amounting to RM126.04 million. The 2nd phase acquisition which involved 14 F&B properties and KFCH College was completed on 29 September 2015.

Profit for The Year

Profit for the year was RM46.7 million (FY2015: RM14.8 million) comprising realised profit of RM36.0 million (FY2015: RM7.1 million) and unrealised profit of RM10.7 million (FY2015: RM7.7 million).

Significant increase in realised profit was registered as compared to those of the previous year since Al-Salām REIT financial results in 2015 was for quarter year 2015.

The unrealised profit of RM10.7 million relates to gain in fair value of investment properties mainly attributable to KOMTAR JBCC, Menara KOMTAR and certain QSR properties.

Distribution Per Unit (DPU)

Total income available for distribution for FY2016 was RM36.0 million (FY2015: RM7.1 million). The Fund had distributed an interim income distribution of 2.60 sen per unit amounting approximately RM15.1 million on 13 October 2016.

On 27 January 2017, the Manager, declared a final income distribution of 3.40 sen per unit totaling RM19.7 million. The said distribution was paid on 28 February 2017 and has not been included as a liability in the financial statements as of 31 December 2016.

Total income distribution for FY2016 is 6.00 sen per unit totaling RM34.8 million, which represents 96.6% of the income available for distribution.

Statement of Financial Position

Al-Salām REIT's total asset value stood at RM978.2 million as at 31 December 2016 compared to RM950 million in the previous year. The increase of RM28.5 million was derived from gain in fair value of investment properties of RM10.7 million, increase in cash and bank balances (including fixed deposit) of RM22.0 million and decrease in other assets of RM4.2 million.

Performance Benchmark

Performance Benchmark	FY 2016	FY 2015	Commentary
i. Distribution Yield (%)	5.6%	5.0% ¹	Distribution yield has increased marginally from 5.0% to 5.6% due to full year operation of the Fund despite higher closing price of RM1.07 compared to RM0.93 in FY2015.
ii. Total Returns (%)	20.6%	(2%)	Total return for the financial year was 20.6% (FY2015: -2%) contributed by capital gain of 15% (FY2015: capital loss of 7%) plus distribution yield of 5.6% (FY2015: 5.0%).
iii. NAV per unit (after income distribution) (RM)	1.0211	1.0006	NAV per unit increased by 2% mainly arising from gain on fair value of properties.

¹ Annualised from listing date

Notes:

- Based on DPU of 6.00 sen (FY2015: 1.20 sen) divided by its closing price as at 31 December 2016 of RM1.07 (FY2015: RM0.93).
- Total return represents the change in unit price during the year plus distribution yield for the year.
- Net asset value per unit is determined by deducting the value of all Al-Salām REIT's liabilities from the total asset value, divided by total issued units.

Fair Value of Investment Properties

As at 31 December 2016, the value of Al-Salām REIT's properties was RM 922.1 million compared to RM 911.4 million as at 31 December 2015. The net fair value gain was RM 10.7 million.

The portfolio property yield for FY2016 improved from 5.4% to 6.2% due to the full year contribution from KOMTAR JBCC and Menara KOMTAR.

Properties	Fair Value @31 Dec 2015 RM '000	Fair Value ¹ @ 31 Dec 2016 RM '000	Fair Value Gain RM '000	Property Yield 2016 %	Property Yield 2015 ² %
Retail					
KOMTAR JBCC	462,000	465,000	3,000	5.91	4.34
@Mart Kempas	65,000	65,000	-	5.80	6.18
Office					
Menara KOMTAR	70,000	72,000	2,000	8.11	7.09
Food & beverage restaurant					
22 KFC & Pizza Hut Outlets	155,320	158,590	3,270	6.17	6.26
Food & beverage non restaurant					
5 F&B non restaurant/ Industrial Premises	130,940	133,100	2,160	6.19	6.25
KFCH College International	28,200	28,400	200	7.32	7.31
TOTAL	911,460	922,090	10,630	6.17	5.35

¹Appraised value based on valuation carried out by an independent professional valuer, Cheston International (KL) Sdn Bhd. on 31 December 2016.

²Annualised property yield computed based on NPI from completion date of acquisitions to 31 December 2015.

OPERATIONAL REVIEW

RETAIL SEGMENT

KOMTAR JBCC

Overview of Property

KOMTAR JBCC is the jewel in Al-Salām REIT's crown and it is part of an integrated development comprising a 7 storey shopping mall cum car park complex together with rooftop and basement parking area, an existing 25-storey purpose built office known as Menara KOMTAR, an office tower (currently under construction) to be known as Menara Johor Land and a proposed hotel.

The mall's geographic position is in the heart of Johor Bahru, adjacent to CIQ and allows it to draw on a wide range of local, day-trippers from Singapore (both Singaporean and international tourists) and other longer-stay international tourists. In addition, the direct linkage of the mall to the transport hub of JB Sentral, allows it to further capitalise on potential visitors from outside its identified catchment.

The tenant mix of KOMTAR JBCC is reflective of its position as a prime regional shopping mall in Johor Bahru. KOMTAR JBCC features an array of outlets of famous international brands and some of the retailers are having their first opening in Johor Bahru which include international brands like Swarovski, Fossil, Chanel, Tumi, Estee Lauder, Kiehl's, Victoria Secret, Pandora, Mark & Spencer, Jelly Bunny and Tony Roma's amongst others. The anchor tenants are Metrojaya Department Store and the Angry Birds Activity Park which is the first indoor park in South East Asia.

The table below sets out a summary on KOMTAR JBCC as at 31 December 2016.

Existing Use	4 level shopping mall
GFA (sq. ft.)	623,374
NLA (sq. ft.)	397,266
Number of Car Park Bays	1,187
Market Value	RM465,000,000
Number of Tenancies	129
Occupancy Rate	93%
Average Rental Rates	RM7.70

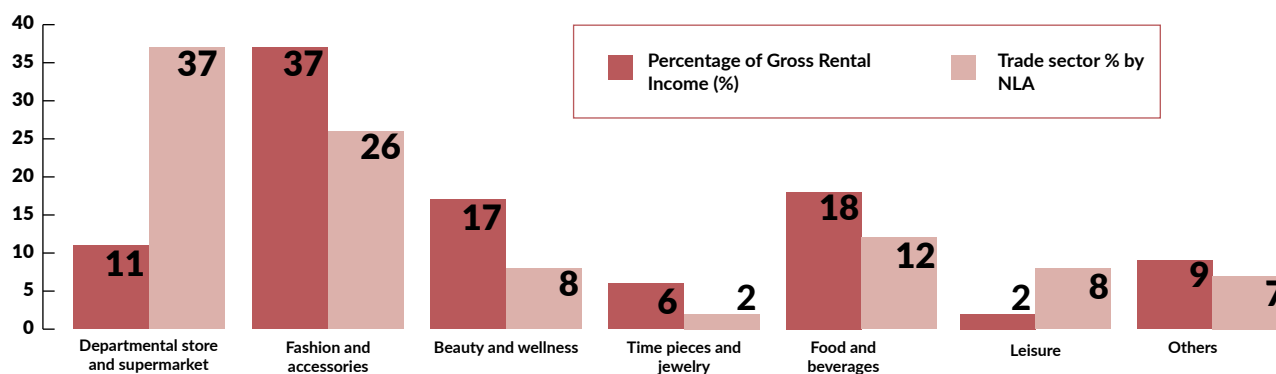
Tenant Profile of KOMTAR JBCC

(i) Top Ten Tenant

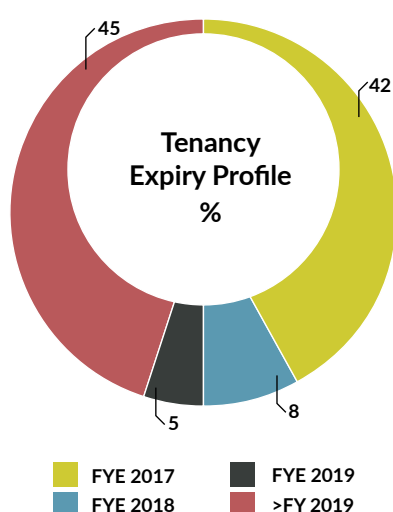
The major tenants contributed for approximately 27% of total income.

Tenant	% of total income
Metrojaya	11
Padini Concept Store	4
Brands Outlet	2
Swiss Watch Gallery	1
Mark & Spencer	3
Sephora	1
Tony Roma's	1
Caring Pharmacy	1
Angry Bird	2
Chanel	1
Total	27

(ii) Trade Sector Analysis (Gross Rental Income)



(iii) Tenancy Expiry Profile



- iii. To increase Singaporean visitation to KOMTAR JBCC by raising awareness at the Immigration Entry point from the Causeway to Johor Bahru.
- iv. To work with anchor tenants e.g. Metrojaya, The Angry Birds Activity Park and Marks & Spencer to ensure their success and the flow on effect to other specialty stores at KOMTAR JBCC.
- v. To leverage on social media connectivity as an effective and interactive tool of campaigns, promotional highlights and events.
- vi. To develop mall-wide campaigns aimed at increasing customer spending through rewards or redemptions with the support from retailers or mall management promotional campaign activities.

Challenges and Prospects

The retail competition in Johor Bahru is set to intensify with supply of retail malls continue to grow albeit with slow progression of new malls opening due to the economic slowdown.

The Fund expects that KOMTAR JBCC as the biggest contributor to the retail segment which will be continue to benefit from its strategic location and the preferred premium destination for shopping in Johor Bahru. The competitive strength of KOMTAR JBCC is the key driver to attract new retailers and retaining existing retailers that are due for lease renewals. The ongoing rapid development in Johor Bahru City Centre like redevelopment of Sungai Seget and proposed Ibrahim International Business District (IIBD) is expected to enhance the prospect of KOMTAR JBCC.

Major Asset Enhancement Initiative

KOMTAR JBCC is a new development which was completed in July 2014 and as such there is no anticipated major expansion and renovation.

Strategies

- i. The fund will continue to focus on the ongoing strength of KOMTAR JBCC with its position as a medium to upmarket mall in Johor Bahru and has the edge over competitors by continuing to have a substantial number of unique and highly desirable tenants.
- ii. To continue to focus on the "first time" retailers to Johor Bahru e.g. Marks & Spencer, Sephora, Chanel, Tony Roma's and The Angry Birds Activity Park in the marketing and advertising campaign as a key point of difference over other malls in Johor Bahru.

@Mart Kempas

Overview of Property

@Mart Kempas is a single-storey purpose-built hypermarket servicing the local residents within Kempas. @Mart Kempas targets the lower and medium market and offers shoppers an affordable “one-stop convenience supermarket”.

@Mart Kempas is a modern concept of the normal traditional wet market of the olden days and offers cleaner and a more convenient shopping experience compared to the traditional wet market. @Mart Kempas also serves to provide the small local traders to be “under one roof” to carry out their normal business with the opportunity to participate in the competitive retail business amidst the entry of foreign retail players.

The table below sets out a summary of @Mart Kempas as at 31 December 2016.

Existing Use	Community Hypermarket
GFA (sq. ft.)	164,460
NLA (sq. ft.)	98,724
Number of Car Park Bays	478
Market Value	RM65,000,000
Number of Tenancies	148
Occupancy Rate	90%
Average Rental Rates	5.65 p.s.f

Tenant Profile

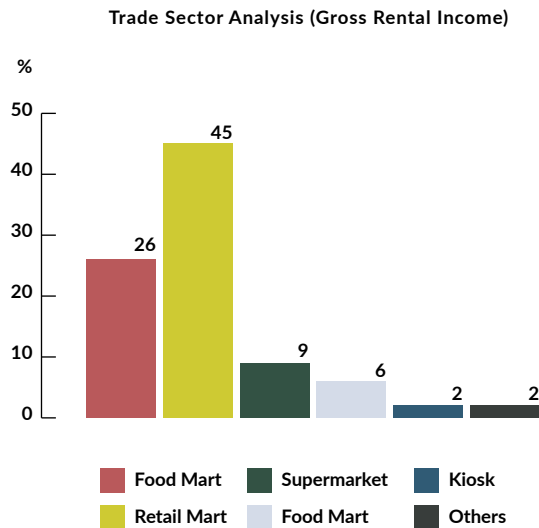
(i) Top Ten Tenant

The major tenants contributed for approximately 25% of total income

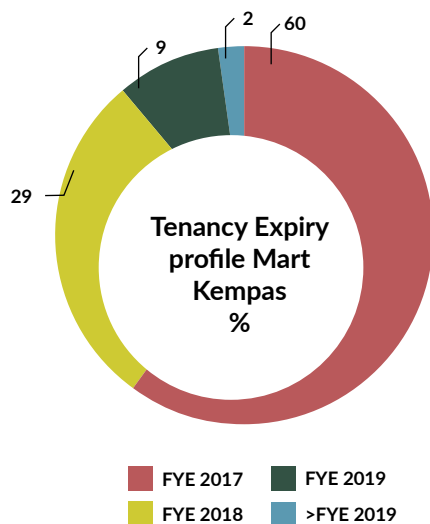
Tenant	% of total income
Unified Vision Sdn Bhd	10
Linkme Trading	3
Kedai Kasut You	2
PasarayaKu Trading Sdn Bhd	3
Triumph Consult Sdn Bhd	1
Hup Heng Trading Sdn Bhd	1
Season Optical	2
Skyway Enterprise	1
Ringstar Teleshop	1
B&Q Teleshop	1
Total	25

(ii) Trade Sector Analysis (Gross Rental Income)

The table below provides a breakdown of the different trade sectors represented in @Mart Kempas as at 31 December 2016.



(iii) Tenancy Expiry profile



Major Asset Enhancement Initiative

The Manager did not plan for any major asset enhancement initiative for year 2017.

Challenges and Prospects

The general sentiment in consumer retail market has softened due to uncertainty in the economy and has led consumers to be cautious in their spending habit. However, @Mart Kempas being a community mart which offers shoppers a good range of necessary household products, will remain resilient in this economic situation.

As such, the property manager will continue to take the following steps:

- Re-position the trade mix to meet shoppers requirement as well as to achieve higher rental rate.
- Explore other income such as renting advertising space, creating new tenanted areas and promotion areas.
- Work with tenants to attract more visitors to shop by doing promotional activities and also offer quality products at affordable prices.

OFFICE SEGMENT**Menara KOMTAR**Overview of Property

Menara KOMTAR is a 25 storey office building located in Johor Bahru City Centre, Johor Bahru.

Menara KOMTAR has undertaken major refurbishment works since July 2013 with the internal works and the external works on the façade fully completed in the end of November 2015.

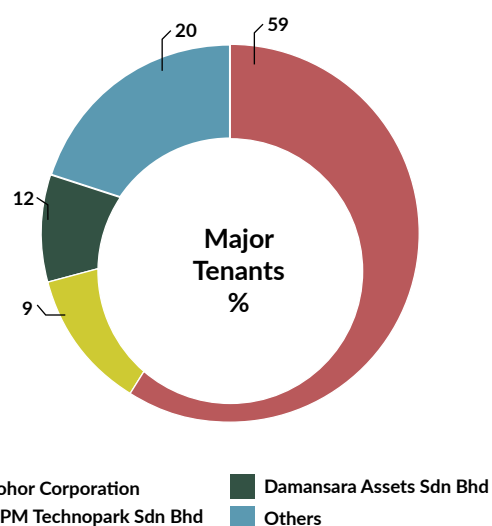
Similar to KOMTAR JBCC, Menara KOMTAR is located within the integrated development of Johor Bahru City Centre which forms part of the revitalisation and redevelopment programme in Flagship A of Iskandar Malaysia.

The table below sets out a summary of Menara KOMTAR JBCC as at 31 December 2016.

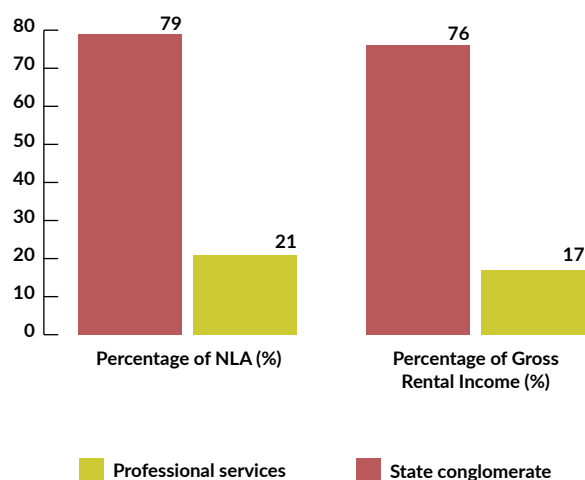
Existing Use	Office building
Age of Subject Property	36 years as Certificate of Fitness was obtained on 8 March 1979
GFA (sq. ft.)	242,195
NLA (sq. ft.)	160,592
Number of Car Park Bays	145
Market Value	RM72,000,000
Occupancy Rate	93%
Average Rental Rates	RM4.60 p.s.f

Tenant Profile of Menara KOMTAR

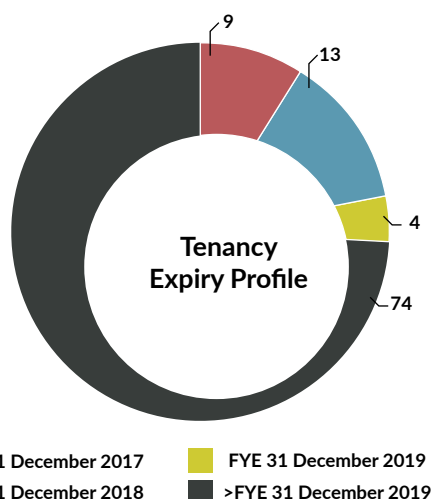
(i) Major Tenants



(i) Trade Sector Analysis

Trade Sector Analysis

(iii) Tenancy Expiry Profile

Major Asset Enhancement Initiative

There was no major asset enhancement initiative for Menara KOMTAR since the property has undergone major refurbishment which was completed at the end of November 2015.

Challenges and Prospects

In general, the occupancy of office building especially in Klang Valley remains sluggish as a result of oversupply in the past few years. However, the situation in Johor Bahru is still under control.

Meanwhile, providing continuous strong income to the Fund is Menara KOMTAR. This property owes its stability of revenue to it being a part of KOMTAR JBCC, which is in a strategic location and undergoing redevelopment for better customer experience.

The Manager will continue to engage with the tenants by further developing relationship to enhance the level of service and experience of tenants in Menara KOMTAR. This is done by maintaining a high level of tenants' satisfaction by responding to tenants' request, undertaking preventive maintenance and where appropriate, servicing the expansion needs of the existing tenants.

FOOD & BEVERAGE RESTAURANT SEGMENTOverview of Property

The Food & Beverage Restaurant segment comprises 22 restaurant properties located across Malaysia. The restaurant properties support the food and beverage operations of QSR, specifically in relation to the operations of fast food brands namely KFC and Pizza Hut. Al-Salam REIT is leasing all of the QSR Properties, the restaurant and non-restaurant properties to QSR Group of Companies.

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

Description	No. of properties	Market Value (RM)
Restaurant properties		
- Restaurant located at shop houses/offices	9	27,640,000
- Single storey restaurants building with drive-through outlets	9	111,500,000
- Restaurants at mall outlets	4	19,900,000
Total	22	158,590,000

Lease Expiry

As stipulated in the master lease agreements, the Properties are leased based on a Triple Net Lease for a term of 3 years and the lease is renewable every 3 years up to a maximum of 15 years (Lease Term) with an option to renew for a further period of 15 years (Extended Lease Terms).

The lease expiry is as below:

F&B Properties (outlet)	Lease Expiry
11	6 May 2015 - 5 May 2018
11	29 Sept 2015 - 28 Sept 2018

Major Asset Enhancement Initiative

At the moment, there is no plan for any major asset enhancement initiative for QSR Properties.

The Fund will continue to enhance the relationship with the tenants and proactively attend to tenants' need and requirements.

FOOD & BEVERAGE NON RESTAURANT SEGMENT

Overview of Property

The Food & Beverage Non Restaurant Segment comprises 5 industrial properties and college building. The industrial properties support the food and beverage operations of QSR, specifically in relation to the operations of fast food brands of KFC and Pizza Hut. Al-Salam REIT is leasing all of the QSR Properties, the restaurant and non-restaurant properties to QSR Group of Companies.

The non-restaurant properties together with their market values are set out below:

Description	No. of properties	Market Value (RM)
Industrial premises	5	133,100,000

Lease Expiry

As stipulated in the master lease agreements, QSR Properties are leased based on a Triple Net Lease for a term of 3 years and the lease is renewable every 3 years up to a maximum of 15 years (Lease Term) with an option to renew for a further period of 15 years (Extended Lease Terms).

The lease expire is as below:

F&B Properties (outlet)	Lease Expiry
2	6 May 2015 - 5 May 2018
3	29 Sept 2015 - 28 Sept 2018

Major Asset Enhancement Initiative

At the moment, there is no plan for any major asset enhancement initiative for QSR Properties.

The Fund will continue to enhance the relationship with the tenant and proactively attend to tenants's needs and requirements.

KFCH INTERNATIONAL COLLEGE BUILDING

Overview of Property

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

The table below sets out a summary on KFCH College as at 31 December 2016.

Existing Use	Office building
GFA (sq. ft.)	92,157
NLA (sq. ft.)	87,178
Number of car park bays	131
Market Value	RM28,400,000
Occupancy rate	100%
Average rental rates	RM2.20 p.s.f

Lease expiry

The lease for KFCH College shall be for a term of 3 years commencing on 8 October 2010 and expiring on 7 October 2013. The lease is subject to a compulsory renewal for 2 terms of 3 years each, of which the third term shall expire on 7 October 2019. There was a rental renewal on 8 October 2016.

Major Asset Enhancement Initiative

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

Challenges and Prospects

The tenancy of the property will only expire in end 2019 and the Fund does not expect any change in respect of the renewal or occupancy of the property since it is located strategically in the fast growing well-planned residential township of Bandar Dato' Onn.

CAPITAL MANAGEMENT

	FY2016	FY2015
Total Borrowings (RM Mil)	346.8	345.9
Average Cost Of Debts (%)	5.11	5.11
Fixed/Floating Ratio	100% Floating	100% Floating
Average Maturity Period (years)	3	4
Financing Service Cover ratio (times)	2.96	3.75
Gearing ratio (%)	35.5	36.4

The Manager aims to optimise Al-Salām REIT's capital structure and cost of capital within the financing limits set out in the REIT Guidelines. In addition, the Manager intends to use a combination of debt and equity financing to fund future acquisitions and capital expenditure, determined based on the strategies described below.

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

The Manager intends to implement this strategy by;

- diversifying sources of debt funding
- maintaining a reasonable level of loan service capability
- securing the most favourable terms of funding
- managing its financial obligations
- where appropriate, managing the exposures arising from adverse market financing rates and foreign exchange exposures through appropriate hedging strategies
- actively manage the range of maturities to reduce refinancing risk and optimize the cost of capital

Al-Salām REIT's current financing is the Commodity Murabahah Term Financing-i (CMTF-i) amounting to RM 350 million which was secured at the IPO stage. The financing facility was issued via the First Tranche of RM136 million on 6 May 2015 and the second Tranche of RM214 million on 29 September 2015.

The CMTF-i profit is payable over a period of 60 months from the date of first disbursement with full repayment of principal sum on the 60th month. The effective financing rate for the CMTF-i is based on cost of funds + 1.35% per annum for the first 2 years and COF + 1.50% per annum from the third year onwards with profit period of 1 month or 3 month at the option of customer.

Given that the CMTF-i is on a floating financing basis, the Manager is considering few options to mitigate the financing risk which include establishing fixed rate financing via Sukuk program or profit rate swap. This capital management initiative will enable Al-Salām REIT to enjoy a lower blended yield with fixed financing rate on longer tenure.

The gearing of Al-Salām REIT as at 31 December 2016 is 35.5 %, leaving a debt headroom of approximately RM100 million to fund its capex plans and future acquisitions before reaching the statutory limit of 50%.

RISK MANAGEMENT

The Manager acknowledged that managing risk is a fundamental concern and the ability to identify risk as well as to adapt to the ever-changing fast paced business environment are among the critical success factors for organisations. The Manager places importance on and is committed to maintaining effective risk management practices as an integral process in achieving Al-Salām REIT's business objectives.

The Manager, with the assistance of Crowe Horwath has adopted an Enterprise Risk Management (ERM) practices that enables it to continuously identify, assess, treat and manage risks that affect Al-Salām REIT in achieving its objectives within defined risk parameters in a timely and effective manner. All identified risks are recorded in a risk register to facilitate systematic review and monitoring. The ERM practices are embedded into key activities and business processes, enabling proper risk management at the operation level of each property as well as the fund level. Risks identified shall be systematically evaluated with proper mitigating action plans developed to manage the risks to an acceptable level and monitored on a continuous basis.

Key Risks Factors

Risk	Explanation	Mitigation Plan
Acquisition & Investment Risk	Risk that assets to be acquired are not yield-accretive and mixed with problems which may affect the commercial potential.	The Manager will ensure proper and reasonable care is in place for any acquisition of assets, which include undertaking thorough due financial, legal as well as building due diligence in ascertaining the viability of the assets to be acquired.
Competition Risk	The properties under the portfolio may face increased competition from other existing properties as well as upcoming properties in the surrounding area	The Manager will undertake active asset management strategies by working together with the Property Manager, which include, amongst others, to maximise occupancy rate, rental rates and net lettable area.
Tenancy Risk	Risk that tenants might not be able to fulfil its rental obligation as well as non-renewal of expiring tenancies.	The Manager together with the Property Manager will ensure that the rental collection is in order and to negotiate early with the tenants of expiring tenancies.

Risk	Explanation	Mitigation Plan
Financing Risk	Currently, the financing is on a floating basis and as such, Al-Salām REIT will be affected by any significant adverse movement in the interest rate in the market.	The Manager closely monitors the movement of general interest rate in the market. The Manager plans to embark on a sukuk programme and to have a fixed financing or a combination of fixed and floating financing.
Liquidity Risk	Risk that funds are inadequate to meet obligations.	The Manager does not foresee that Al-Salām REIT will succumb into liquidity risk as the underlying tenants are able to provide long term stable income to the fund.
Business / Market Risk	Risk that the properties face decline in revenue due to poor market condition, competition and geographical concentration.	The Manager is confident that given the strategic location of the asset under the portfolio primarily Komtar JBCC, the business and market risk is minimal. In addition, QSR Group being the major tenant of its assets is a leading player quick and service in the restaurant in Malaysia and operating in an economic resilient type of business.
Tenant Concentration Risk	Risk that revenue of Al-Salām REIT is dependent on anchor tenants. Termination or non-renewal of tenancy by the anchor tenants will negatively impact the performance of the properties.	The major tenant of Al-Salām REIT properties is QSR Group. The Manager does not foresee any non-renewal of tenancies for QSR Group as the properties were owned and occupied by them prior to injection into Al-Salām REIT.
Currency Risk	Risk that Al-Salām REIT is exposed to foreign currency and exchange rate fluctuations.	Al-Salām REIT does not own any property abroad and as such is not subject to any fluctuation of exchange rate.
Compliance Risk	Risk that Al-Salām REIT fails to comply with applicable laws and regulations.	The Manager has a designated compliance officer who is responsible for ensuring that all relevant laws and regulations are duly complied.

Investor & *Public Relations*

At Al-Salām REIT, investor relations activities are focused on increasing awareness in the investment community via an open dialogue with all stakeholders, namely unitholders, analysts, media, potential investors and the general public. Our aim is to enable market participants to form a realistic opinion of the company's profitability, strategic positioning and the associated opportunities and risks.



1st Annual General Meeting

The Manager convened the inaugural Annual General Meeting (AGM) of Al-Salām REIT on 31 March 2016 to seek the unitholders' approval, amongst others, for the following resolutions:

- Proposed to Allot and Issue New Units
- Proposed Increase in the Existing Approved Fund Size

At the Annual General Meeting, the Chairman presented the progress and performance of the business and encouraged Unitholders to participate in the Q & A session.

Analysts & Investors Briefings

The Manager is always engaged with local and foreign analysts as well as investors and potential investors to keep them abreast of the latest development of Al-Salām REIT. The briefings were organised periodically either through one-on-one meetings, conference calls or roadshow. Properties tour was also organised based on request for better appreciation of the quality of our assets.

Date	Audience	Mode of communication
7 March 2016	Group of analysts and fund managers	Group Presentation
25 July 2016	Group of analysts and fund managers	Group Presentation
9 August 2016	RHB Research Institute	One-on-one meeting

Products@Bursa Workshop 2016

The Managing Director/CEO of the Manager has participated as speaker at the Products @ Bursa Workshop 2016, a CPE Accredited product-centric educational programme initiated by Bursa Malaysia. The objective is to educate and equip Dealer's Representatives with in-depth trading strategies and portfolio management skills in Bursa Malaysia's alternative investment products as well as sharing of knowledge to fellow industry practitioners, investing community and the public.

Date	Conference/ Workshop	Topic
6 August 2016	Products@Bursa Workshop 2016 (Johor Bahru)	A Defensive Investment In Volatile Times



Media Relations



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

Exhibitions

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

Event	Date	Venue
Johor Corporation Day & MOU Signing Between Johor Corporation & UiTM Selangor	7 & 8 March 2016	Dewan Berlian, UiTM Puncak Alam, Selangor
Karnival JCorp - Kembara Mahkota Johor	14 – 17 May 2016	Dataran Bandaraya Johor Bahru
CHIEF 2016 – Career, Halal, Entrepreneurship Festival	27 – 29 September 2016	Dewan Berlian, UiTM Puncak Alam, Selangor
UM – JCorp Carnival	2 – 3 November 2016	Dewan Tunku Canselor, Universiti Malaya



Malaysian REIT Managers Association (MRMA)

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



Analyst Research

March 14, 2016

Al-Salam REIT (SALAM MK)

Progressing well

Growth is on track; Maintain BUY

From recent meeting with management, we understand that all assets are on track to meet management's FY16 targets. FY16 net yield of 5.4% is decent, backed by the earnings mix which has growth and recurring forecasts and DCF-based TP of MYR1.07 (WACC: 7.2%) are unchanged. Maintain BUY.

Improved occupancy in KOMTAR JBCC

Occupancy of the KOMTAR JBCC mall (54% of improved to 90% from 81% in Jun 2015. Management

REITs

November 30, 2016

Al-Salam REIT (SALAM MK)

3Q16: Above expectations

Maintain BUY

3Q16 results surprised on the upside whereby higher percentage rent contribution while occupancy sustained. We increase FY16-18 net profit forecast up our DDM-based TP by 2sen to MYR1.15 (cost of

Driven by KOMTAR JBCC

3Q16 net profit was MYR9.8m (+22% QoQ), taking MYR25.1m and accounting for 79% of our FY16 earnings. QoQ earnings were largely attributed to KOMTAR JBCC which has gradually improved rent structure since 2Q16 which has contributed growth (+7.9% QoQ). KOMTAR JBCC also sustained (3Q16: 93%; unchanged QoQ) and rental rates. E occupancy rates were also largely stable i.e. Meru Kempas at 93% and 94% respectively (2Q16: 95% and

Revising earnings forecasts

We increase our FY16-18 net profit forecasts by our KOMTAR JBCC assumptions i.e. tenant sales rent. We estimate KOMTAR JBCC to contribute ALSREIT's FY16-18 revenue.

Still a stable Islamic REIT

We remain positive on ALSREIT's outlook which growth catalysts from KOMTAR JBCC mall, and income from KFCH College and QSR Properties (triple net lease respectively). We also understand currently assessing a mixed asset for acquisition property value beyond MYR1bn (end-3Q16: MYR912m).

FYE Dec (MYR m)	FY15A	FY16E	FY17E
Revenue	21	77	82
Net property income	16	56	60
Core net profit	7	35	39
Core EPU (sen)	1.2	6.0	6.7
Core EPU growth (%)	na	392.6	18.1
Net DPU (sen)	1.1	5.4	5.7
Net DPU growth (%)	na	398.8	2.9
P/NAV (x)	1.1	1.1	0.9
Net DPU yield (%)	1.0	5.0	5.8
ROAE (%)	na	5.9	3.7
Debt/Assets (x)	0.36	0.36	0.36

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THIS REPORT HAS BEEN PREPARED BY MAYBANK INVESTMENT
SEE PAGE 6 FOR IMPORTANT DISCLOSURES

August 23, 2016

Al-Salam REIT (SALAM MK)

2Q16 on track

BUY

Share Price MYR 1.03
12m Price Target MYR 1.13 (+10%)
Previous Price Target MYR 1.13



Malaysia Initiating Coverage

30 September 2016

Property | REITS

Al-Salam REIT

Truly Diversified Shariah-Compliant REIT

Possessing the crown jewel of Johor Bahru, Komtar JBCC in its stable, Al-Salam REIT is a well-diversified shariah-compliant REIT that is set to reap the benefits of the massive redevelopments in Johor Bahru and the surrounding area. Managed by the highly experienced Damansara REIT Managers SB, the portfolio is also well-defended by the long-term leases of its QSR properties, KFCH College and Menara Komtar, which provides long-term stability. We initiate coverage with a BUY, attaching a DDM-based target price of MYR1.18 (12.7% upside).

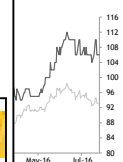
Initiate coverage with a BUY call. We initiate coverage on Al-Salam REIT with a BUY recommendation, with a target price of MYR1.18, based on the dividend

Share Data	
Avg Daily Turnover (MYR/USD)	0.17m/0.04m
52-wk Price low/high (MYR)	0.90 - 1.07
Free Float (%)	22
Shares outstanding (m)	580
Estimated Return	13%
Shareholders (%)	
Damansara Assets Sdn Bhd	48.1
Tabung Amanah Warisan Negeri Johor	17.2

and manages a real
estate portfolio of office, retail and

Yes
na/na
0.1
9.9
580
MYR597.4M
USD148M

51.9%
17.2%
10.0%



1M	-3M	-12M
0	6	na
(2)	2	na

May 23, 2016

Al-Salam REIT (SALAM MK)

Minor shortfall from KOMTAR JBCC

Maintain BUY

1Q16 earnings were below our expectations mainly due to lower-than-expected occupancy rates and percentage rent income at KOMTAR JBCC mall. We lower FY16 earnings by -6% after adjusting KOMTAR JBCC's key assumptions. Our DCF-based TP of MYR1.07 is unchanged (WACC: 7.2%, terminal yield: 7%).

Some hurdles at the mall

1Q16 core net profit grew +7.5% QoQ to MYR7.3m, accounting for 21% of our previous FY16 estimate. QoQ earnings were largely driven by an improved occupancy rate at KOMTAR JBCC mall while supported by steady revenue from KFCH College and QSR Properties (with long-term and triple net leases respectively). 1Q16's earnings, however, missed our estimates due to KOMTAR JBCC's: (1) lower-than-expected occupancy rate which was at 91% (end-1Q16) vs. our average FY16 estimate of 93%, and (2) delay in percentage rent collection (as a temporary benefit to tenants). We understand that KOMTAR JBCC will commence its percentage rent structure soon.

Tweaking FY16 forecast

We reduce our FY16 net profit forecast by -6% after imputing a lower average occupancy rate of 91.5% at KOMTAR JBCC mall (from 93%) and lower percentage rent income (half year earnings impact). Our FY17-18 estimates are intact. KOMTAR JBCC contributes a sizeable 52% to our FY16 revenue forecast.

Still a balanced Islamic REIT

We remain positive on ALSREIT, premised on its favourable portfolio mix which has earnings growth catalysts from KOMTAR JBCC mall and stable, recurring income from KFCH College and QSR Properties. Meanwhile, we understand that ALSREIT is currently assessing a mixed asset (commercial + retail) for acquisition which could lift its total investment properties value above the MYR1bn mark (end-1Q16: MYR912m).

FYE na (MYR m)	FYna	FY15A	FY16E	FY17E	FY18E
Revenue	na	21	74	81	82
Net property income	na	16	53	59	60
Core net profit	na	7	32	38	39
Core EPU (sen)	na	1.2	5.5	6.5	6.7
Core EPU growth (%)	na	na	350.7	18.1	2.9
Net DPU (sen)	na	1.1	4.9	5.5	5.7
Net DPU growth (%)	na	na	356.4	12.3	2.9
P/NAV (x)	na	1.0	1.0	1.0	0.9
Net DPU yield (%)	na	1.1	5.1	5.7	5.8

BUY

Share Price MYR 0.98
12m Price Target MYR 1.07 (+10%)
Previous Price Target MYR 1.07

Company Description

Al-Salam REIT primarily invests and manages a real estate portfolio which consists of office, retail and F&B assets.

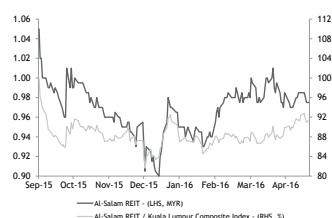
Statistics

Shariah status	Yes
52w high/low (MYR)	na/na
3m avg turnover (USDm)	0.0
Free float (%)	10.9
Issued shares (m)	580
Market capitalisation	MYR565.5M USD139M

Major shareholders:

Johor Corp.	54.8%
Tabung Amanah Warisan Negeri Johor	17.2%
Kulim (Malaysia) Bhd.	7.7%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(2)	5	na
Relative to index (%)	3	8	na

Source: FactSet

PP16832/01/2013 (031128)

Market Summary

Report

ECONOMIC OVERVIEW

The global economy continued to grow at a moderate pace. Economic activity in major advanced economies has improved but remains moderate. In Asia, growth has been supported by domestic demand amid persistent weakness in the external sector. Looking ahead, the baseline estimate is for global growth to improve slightly in 2017. The prospect of a shift towards progressive use of fiscal policy in the developed economies could lead to a more balanced policy environment that would support growth going forward.

The domestic economy continued to expand in the third quarter of 2016, driven mainly by private sector activity with some support from net exports. Going forward, private sector activity will remain the key driver of growth. Private consumption is expected to be sustained by continued wage and employment growth, with additional support from Government measures to increase disposable income. Investment activity, although moderating, will be supported by on-going infrastructure investments and capital expenditure in the manufacturing and services sectors. Overall, the domestic economy remains on track to expand as projected in 2016 and 2017.

The ringgit, along with most emerging market currencies, has experienced sharp adjustments and significant volatility due to continuing uncertainties in global economic and policy environment, and geopolitical developments. These factors could result in periods of volatility in the regional financial and foreign exchange markets. In this regard, Bank Negara Malaysia will continue to provide liquidity to ensure the orderly functioning of the domestic foreign exchange market. At the current level of the OPR, the degree of monetary accommodativeness is consistent with the policy stance to ensure that the domestic economy continues on a steady growth path amid stable inflation, supported by continued healthy financial intermediation in the economy.

(Source: Extracted from Official website of Bank Negara Malaysia, Monetary Policy Statement 23 November 2016)

MALAYSIAN REIT

The 10-year MGS yield has ranged 3.47%-4.22% from Jan to Nov 2016, due to lessfavourable macroeconomic factors such as weakening of the MYR (-4% YTD) and suppressed crude oil prices (remaining below USD60/bbl). The 10-year MGS yield then spiked up in mid-Nov 2016 post the US elections on expectation of reflationary fiscal policies pressuring US Fed rate hikes. It subsequently settled at 4.12% on 14 Dec, which was 65bps above 2016's low of 3.47% on 16 Aug. Consequently, yield spread between the 10-year MGS yield vs. M-REIT's 1-year forward net DPU yield narrowed by 29bps to 104bps on 14 Dec 2016, from 133bps end-2015, and also averaged 133bps in 2016 YTD. This is amid a 1%-15% rise in unit prices of M-REITs for the YTD. It is believed that M-REITs' unit price outperformance was supported by their solid fundamentals and resilient earnings and dividend distributions.

Across the sector, it is forecasted an average 2017 core EPU growth of 4.7% YoY (2016E: +4.4% YoY) driven by sustained positive rental reversions and occupancy rates. Maybank Fixed Income Research team forecasts tapering of the 10-year MGS yields to 4.00% and 3.90% by end-1Q17 and end-2Q17 respectively, which would mean yield spreads expanding again to 115bps and 125bps (based on sector's 1-year forward net yield of 5.2%). It is expected attributes of M-REITs to remain favourable in 2017 with positive rental reversions to drive income growth amid sustained occupancy rates. This, together with strong domestic liquidity seeking absolute yields (M-REITs' average net yield of 5.2% for 2017 is still above the government bond yields), and a continuous cautious tone in investing amid the external headwinds, will continue to drive M-REITs' outperformance.

(Source: Extracted from Research report 2017: Outlook & lookouts by Maybank IB Research, 19 Dec 2016)

COMMERCIAL PROPERTY MARKET

Based on data from NAPIC, 1h2016 recorded 20,680 transactions across all sectors in the state of Johor for a total value of RM10.87 billion. This represents a drop of 15% in total transactions and a 1.4% drop in total value of transactions when compared to 1h2015.

All sectors experienced a fall in number of transactions with the industrial sector experiencing a 47.6% shortfall when compared to the previous year. This is followed by commercial (-33.6%), agricultural (-14.4%), development land (-14.3%) and residential (-10.9%) for the same period.

Commercial, agricultural, and development land managed to register increases in total value of transactions (6.4%, 11.6% and 10.3% respectively) with residential and industrial sectors bucking the trend with -6% and -28.1% when compared with 1h2015.

RETAIL

The total retail space in Johor Bahru currently stands at about 11.85 million sq ft with an incoming supply of circa 3.40 million sq ft. overall occupancy rate. Improved from 74.8% in 1h2016 to 75.9% in 2h2016 while take-up / absorption grew by 258,064 sq ft.

The first Malaysian IKEA outlet to be located outside Klang Valley is currently under construction. The store with a net floor area of circa 502,814 sq ft at Jalan Desa Tebrau, near Mount Austin, is expected to open by the end of 2017. Southkey Megamall Sdn Bhd has reportedly raised about RM1.0 billion to fund the construction of the Mid-Valley Megamall in Southkey, Johor Bahru. The shopping mall is a part of the integrated development of Southkey with an estimated GDV of about RM6.0 billion.

The shopping mall will consist of six levels of retail space, two levels of basement car parks and eight levels of elevated parking bays. Upon completion the mall is expected to have a NLA of 1,506,047 sq ft.

UDA Holdings Bhd plans to build Plaza Angsana 2, adjacent to the current Angsana Mall. The building will be erected on the adjoining 5-hectare vacant land and is expected to take three to five years to complete. The project also includes the Ancasa hotel, a convention centre and commercial lots.

FIGURE 3
Retail Supply and Occupancy Trend in Johor Bahru (2006 - 1H2016)



Source: Knight Frank Research / NAPIC

OFFICE

As at 1h2016, the total supply of purpose built office space in Johor Bahru stands at about 8.9 million sq ft with an overall occupancy rate of about 79.1%.

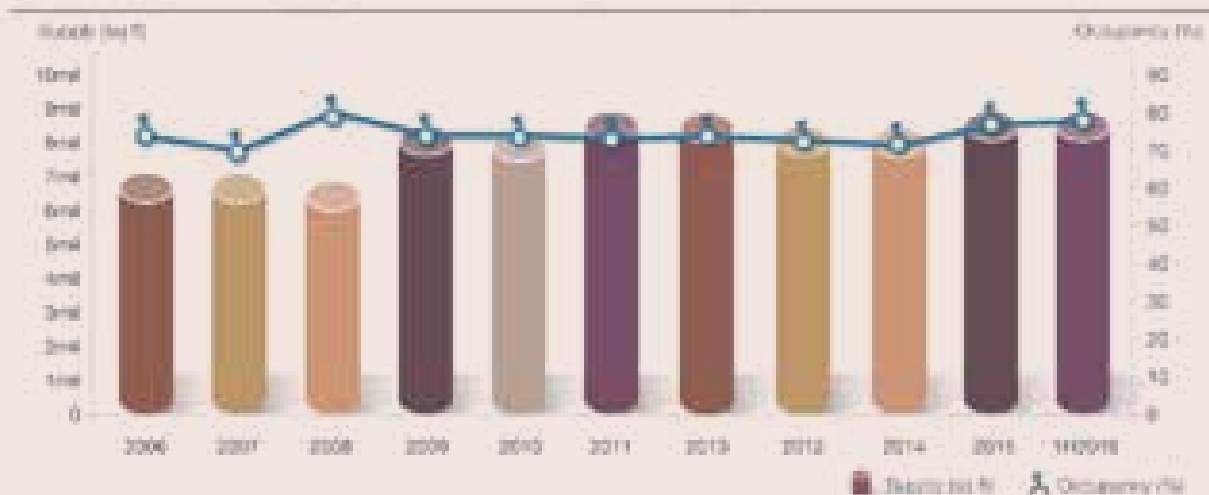
Asking gross rentals of prime and nonprime CBD office space remain stable, ranging from rm2.50 per sq ft to rm3.50per sq ft per month.

Astaka padu Sdn bhd has entered into an agreement with Johor Bahru City Council (MBJB) to design and construct a 15-storey grade a office tower with 445,848

sq ft of space to be known as MJB Tower for an agreed sum of RM308 million. To be located within the Astaka development in Bukit Senyum, the tower is slated for completion by 2019.

Menara JLand, a purpose built grade A office tower at Jalan Wong Ah Fook, will add some 262,592 sq ft of space to the current office stock when completed next year.

Fig. 22.4
Office Supply and Occupancy Trend in Johor Bahru (2006 – 1H2016)



OUTLOOK

The slowdown in market activity in Johor looks set to continue into 2017. With many developments, particularly high rise residential projects, set to be completed next year, the large impending supply will present tenants with a wide range of choices. This will depress potential rental returns to landlords.

New offerings of landed residential have performed well throughout 2016 and with more phases to be released in 2017, this trend looks set to carry on next year. properties priced between RM350,000 and RM600,000 have proven to be popular in Zone D of Iskandar Malaysia.

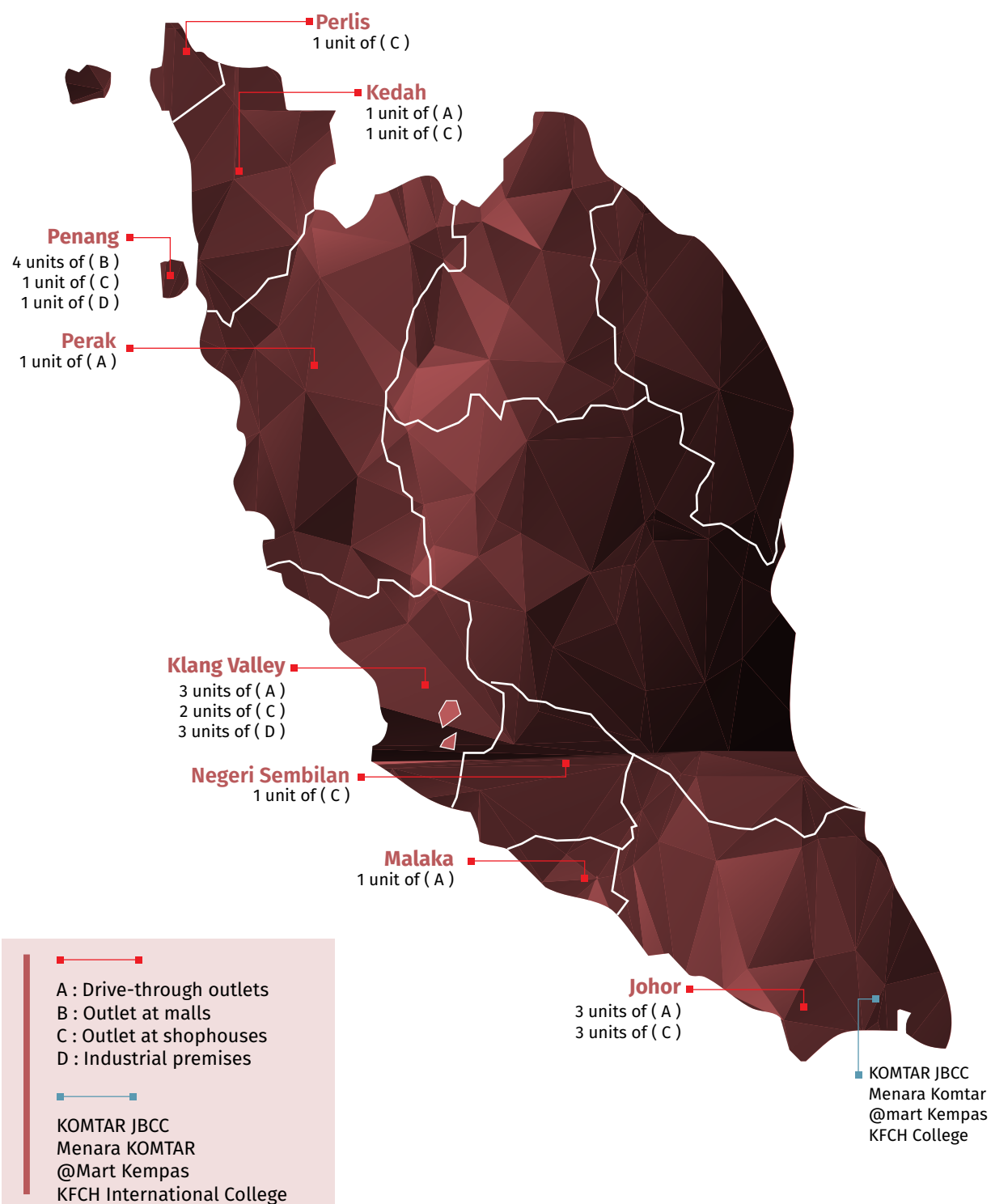
Similarly for retail, new space will be added throughout 2017. With over 3 million sq ft of retail space opening

up, this will generate greater pressure on rental rates. With the consumer market being affected by global and domestic economic trends, the retail sector will need to be resilient in the year to come.

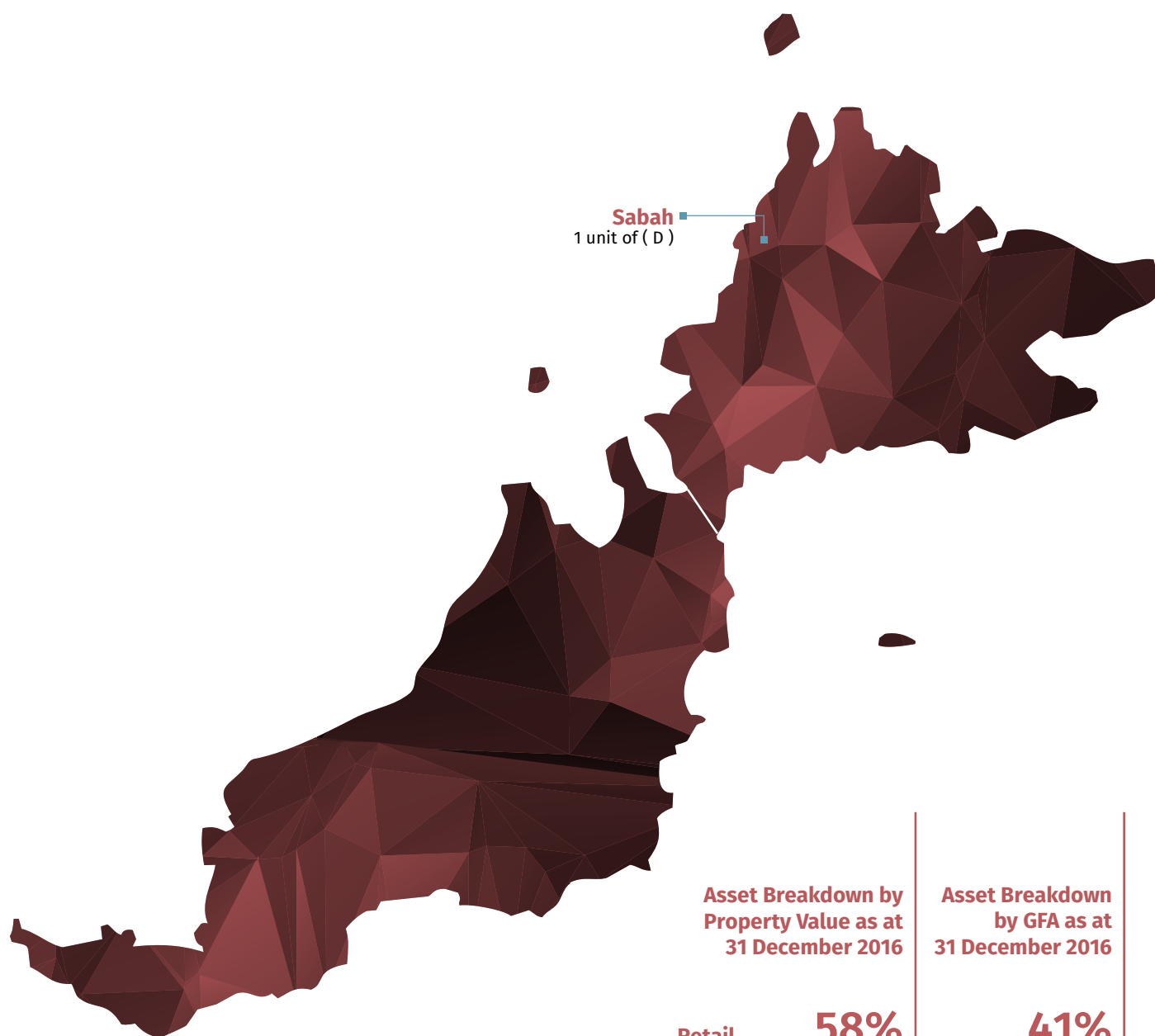
New announcements on the development of the High Speed Rail (HSR) connecting Kuala Lumpur and Singapore will see investors jockey for positions close to the proposed station locations. additionally, the extension of the Southern link connecting the Coastal highway to the Second link will be a strong catalyst as traffic will be directed through the Medini/ Iskandar Puteri areas. This extension is set to open by 1Q2017.

(Source: Extracted from Research Report Knight Frank: Real Estate Highlights 2nd Half 2016)





Summary of *Investment Portfolio*



	Asset Breakdown by Property Value as at 31 December 2016	Asset Breakdown by GFA as at 31 December 2016
Retail	58%	41%
Office	8%	13%
F&B Restaurant	17%	10%
F&B Non-restaurant	17%	36%

Portfolio *Details*

RETAIL

KOMTAR JBCC



Location	KOMTAR JBCC, Johor Bahru City Centre, Jalan Wong Ah Fook, Johor Bahru, Johor Darul Takzim
Description	A 4-Level Shopping Mall
Year of Completion	2014
Title	Lot 14530, Title Grant No. 44587 situated in Town and District of Johor Bahru, Johor
Tenure	Freehold
Encumbrances	Charged to RHB Islamic Berhad
Market Value	RM 465,000,000
Date of Latest Valuation	31 December 2016

Marketing Activities

January



Chinese New Year Campaign
16 January - 2 February 2016



Kementerian Pembangunan Wanita
24-27 January 2016



Biro Pengaduan Awam Awareness
31 January 2016

February

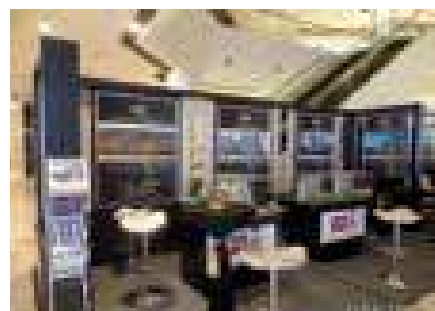


Chingay Celebration
28 February 2016

March



Auto Fair
3-7 March 2016



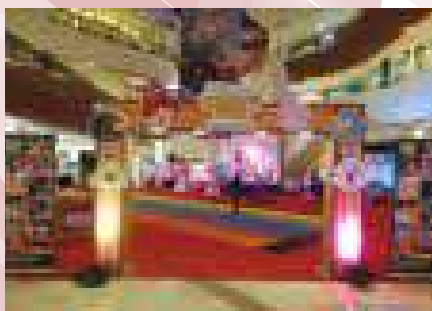
Property Fair
10-14 March 2016

April



KOMTAR JBCC FUN RIDE (Upmall Challenge/ Bunny Hop/ Kids Challenge)
9 April 2016

May



Angry Birds Activity Park MayGa Carnival
5 - 15 May 2016

June



Raya Apparel Fashion Show
19 & 25 June 2016

July



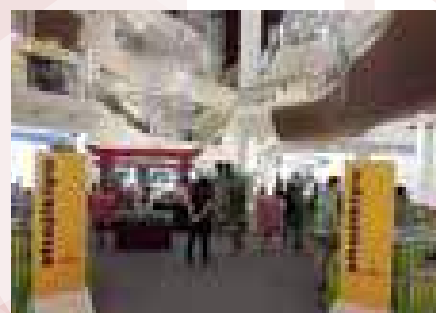
Kashmir Furniture
18 - 31 July 2016

August



JD Sport/ New Balance - Shoe Carnival Sale
5 - 14 August 2016

September



Japanese Food Fair by Shojikiya
5 - 18 September 2016

October



Johor Mahir Roadshow by EDC
7-8 October 2016

November



DFO Promotion by Good 2 U
1-30 November 2016

December



Marlborough College Christmas Carolling
11 December 2016

@ Mart Kempas



Location	Premises No.10, Jalan Persiaran Tanjung, Taman Cempaka 81200 Johor Bahru, Johor Darul Takzim
Description	A Single-Storey Hypermarket
Year of Completion	2010
Title	PTD No. 165998, Title No. HS(D) 510051 situated in Mukim of Tebrau, Daerah Johor Bahru, Johor
Tenure	Leasehold – 99 years, expiring on 23 January 2016
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM 65,000,000
Date of Latest Valuation	31 December 2016

Marketing Activities

January



Car Boot Sale
29 & 30 January 2016

February



Agensi Anti Dadah Kebangsaan
11 February 2016

March



Ujibakat Filem Nadim
25 March 2016

April



Busana Muslimah
1-3 April 2016

May



Forum Perdana
5 May 2016

June



Pemberian Bubur Lambuk Percuma
30 June 2016

June



Bazar Raya
6 June – 5 July 2016

July



Pertandingan Anyam Ketupat
2 July 2016



Perasmian Penubuhan & Penyampaian Watikah Perlantikan Jawatankuasa Permuafakatan
23 July 2016

August



Saringan Kesihatan Jantung Percuma IJN
13 August 2016

September



Fire Drill
4 September 2016

October



Khidmat Guaman Percuma
15 October 2016

November



Johor Future Run
27 November 2016



Promosi Kembali Ke Sekolah
25 November 2016 – 8 January 2017

December



Pertandingan Pakaian Beragam Menyeramkan
27 December 2016

OFFICE

Menara KOMTAR



Location	Menara Komtar, Johor Bahru City Centre, Jalan Wong Ah Fook, Johor Bahru, Johor Darul Takzim
Description	A 25-Storey Office Building
Year of completion	1979
Title	Lot 14530, Title Grant No. 44587 situated in Town and District of Johor Bahru, Johor
Tenure	Freehold
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM 72,000,000
Date of Latest Valuation	31 December 2016

FOOD AND BEVERAGE RESTAURANT

Food and beverage segment, comprising 22 KFC and Pizza restaurants. They are largely situated in proximity to middle and high income established commercial

and residential areas provides immediate catchment that more established and matured neighbourhoods in Penang, Johor and Klang Valley.

Selangor



Location	Premises Nos.18 & 20, Jalan Sulaiman, 43000, Kajang, Selangor
Description	KFC Restaurant
Year of completion	1982
Title	GN 45688 & 45689, Lot No. 62 & 63 Seksyen 7 situated in Bandar Kajang, Daerah Ulu Langat, Selangor
Tenure	Freehold
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM9,200,000
Date of Latest Valuation	31 December 2016



Location	Premises Nos. 60 & 62, Jalan PJS 11/28A, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan
Description	KFC Restaurant
Year of completion	1996
Title	PN 72423, PN 72424 Lot No. 46464 and 46465 situated in Bandar Sunway, Daerah Petaling, Negeri Selangor HS(M) 9319, HS (M) 9320, Lot No. PT 17192 and PT 17193 situated in Mukim Damansara, Daerah Petaling, Negeri Selangor
Tenure	Leasehold 99 years expiring on 28 December 2092 and 11 March 2095
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM8,400,000
Date of Latest Valuation	31 December 2016

Kuala Lumpur



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	PN (WP) 1421, Lot 14083 situated in Mukim Petaling, Kuala Lumpur, Federal Territory Kuala Lumpur
Tenure	Leasehold 99 years expiring on 8 February 2064
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM14,000,000
Date of Latest Valuation	31 December 2016



Location	PT No. 6878, Jalan 8/27A, Pusat Bandar Wangsa Maju, 53300 Kuala Lumpur
Description	Pizza Hut Restaurant and KFC Restaurant with Drive Through Facility
Year of completion	2004
Title	Mukim Setapak, Daerah Kuala Lumpur, Federal Territory Kuala Lumpur
Tenure	Leasehold 83 years expiring on 19 April 2083
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM26,000,000
Date of Latest Valuation	31 December 2016



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	PN (WP) 33135, Lot 59060 situated in Mukim Batu, Kuala Lumpur, Federal Territory Kuala Lumpur
Tenure	Leasehold 96 years expiring on 28 April 2096
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM15,300,000
Date of Latest Valuation	31 December 2016

Kedah



Location	Premise No. 5, Bangunan Joota Brothers, Jalan Sungai Korok, 06000 Jitra, Kedah
Description	KFC Restaurant
Year of completion	1992
Title	HS(D) 17607, PT No. 740 situated in Bandar Jitra, Daerah Kubang Pasu, Kedah
Tenure	Freehold
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM500,000
Date of Latest Valuation	31 December 2016



Location	PT2281, Jalan Kuala Ketil, Bandar Puteri Jaya, 08000 Sungai Petani, Kedah
Description	Pizza Hut Restaurant and KFC Restaurant with Drive Through Facility
Year of completion	2012
Title	HS(D) 125211, PT No. 2281 situated in Bandar Sungai Petani, Daerah Kuala Muda, Kedah
Tenure	Freehold
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM 5,200,000
Date of Latest Valuation	31 December 2016



Location	No. 1 & 1-1, Jalan Niaga, Pusat Perniagaan Jalan Mawai, 81900 Kota Tinggi, Johor
Description	Pizza Hut Restaurant , and KFC Restaurant with Drive Through Facility
Year of completion	2004
Title	HS(D) 19846, PTB 3315 situated in Bandar & Daerah Kota Tinggi, State of Johor
Tenure	Leasehold 99 years expiring on 14 May 2085
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM820,000
Date of Latest Valuation	31 December 2016



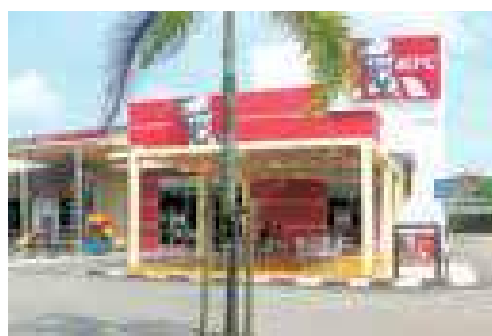
Location	No. 1, Jalan Bandar Baru 1, Pusat Bandar Baru Ayer Hitam, 86100 Ayer Hitam, Johor
Description	KFC Restaurant
Year of completion	2011
Title	HSD 57587, PTD 19773 situated in Mukim of Sri Gading, Daerah Batu Pahat, Johor
Tenure	Leasehold 93 years expiring on 16 July 2101
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM1,960,000
Date of Latest Valuation	31 December 2016



Location	No. 3, 3A & 3B, Jalan Resam 13, Taman Bukit Tiram, 81800 Ulu Tiram, Johor
Description	PHD Restaurant
Year of completion	2010
Title	GRN 343903, Lot 107789 situated in Mukim of Tebrau, Daerah Johor Bahru, Johor
Tenure	Freehold
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM850,000
Date of Latest Valuation	31 December 2016



Location	PTD 103231, Taman Impian Senai, 81400 Senai, Johor
Description	Pizza Hut Restaurant and KFC Restaurant with Drive Through Facility
Year of completion	2014
Title	HS(D) 58402, PTD 103231 situated in Mukim Senai, Daerah Kulaijaya, Johor
Tenure	Freehold
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM8,400,000
Date of Latest Valuation	31 December 2016



Location	PTD 153154, Jalan Tampoi, Taman Damansara Aliff, 81200 Johor Bahru
Description	Pizza Hut Restaurant , and KFC Restaurant with Drive Through Facility
Year of completion	2009
Title	HSD 491589, PTD 153154 situated in Mukim Tebrau, Daerah Johor Bahru, Johor
Tenure	Freehold
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM12,000,000
Date of Latest Valuation	31 December 2016



Location	PTD No. 171459, Jalan Persisiran Perling, Taman Perling, 81200 Johor Bahru, Johor
Description	Pizza Hut Restaurant , and KFC Restaurant with Drive Through Facility
Year of completion	2012
Title	HS(M) 2181, PTD 171459 situated in Mukim Pulau, Daerah Johor Bahru, Johor
Tenure	Freehold
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM13,270,000
Date of Latest Valuation	31 December 2016

Perak



Location	PT 217643, Jalan Kuala Kangsar, Daerah Kinta, Ipoh, Perak
Description	Pizza Hut Restaurant and KFC Restaurant with Drive Through Facility
Year of Completion	2011
Title	Geran 140646, Lot 383044 situated in Mukim Hulu Kinta, Daerah Kinta, Perak
Tenure	Freehold
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Appraised Value	RM8,600,000
Date of Latest Valuation	31 December 2016

Pulau Pinang



Location	Premises No. 34, Jalan Mahsuri, Bandar Bayan Baru, 11950 Bayan Lepas, Pulau Pinang
Description	KFC Restaurant
Year of completion	1993
Title	PN 2263, Lot No 9538 situated in Mukim 12, Daerah Barat Daya, Pulau Pinang
Tenure	Leasehold 99 years expiring on 15 May 2090
Encumbrances	Private caveat by RHB Islamic Bank Berhad TNB lease
Market Value	RM 3,800,000
Date of Latest Valuation	31 December 2016



Location	Unit No. GF-12A, Queensbay Mall, 100, Persiaran Bayan Indah, 11900 Bayan Lepas, Pulau Pinang
Description	KFC Restaurant
Year of completion	2008
Title	GRN 97433/M1/1/126, Strata Lot No. 15736 situated in Mukim 12, Daerah of Barat Daya, Pulau Pinang
Tenure	Freehold
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM12,500,000
Date of Latest Valuation	31 December 2016



Location	Unit No. 3A-G-18, Kompleks Bukit Jambul, Jalan Rumbia, 11900 Bayan Lepas, Pulau Pinang
Description	KFC Restaurant
Year of completion	2008
Title	Parent Title no.GRN 61275, Parent Lot No 9954 situated in Mukim 13, Daerah Timor Laut, Pulau Pinang
Tenure	Freehold
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM2,740,000
Date of Latest Valuation	31 December 2016



Location	Unit No. G-103, Megamall Pinang Shopping Complex, No. 2828, Jalan Baru, Bandar Perai Jaya, 13700 Perai, Pulau Pinang
Description	KFC Restaurant
Year of completion	1998
Title	Parent Title no.PN 2352, Parent Lot No 5659 situated in Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang
Tenure	Leasehold 99 years expiring 4 July 2094
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM2,700,000
Date of Latest Valuation	31 December 2016



Location	Unit No. G-104, Megamall Pinang Shopping Complex, No. 2828, Jalan Baru, Bandar Perai Jaya, 13700 Perai, Pulau Pinang
Description	KFC Restaurant
Year of completion	1998
Title	Parent Title no.PN 2352, Parent Lot No 5659 situated in Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang
Tenure	Leasehold 99 years expiring on 4 July 2094
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM1,960,000
Date of Latest Valuation	31 December 2016

Negeri Sembilan



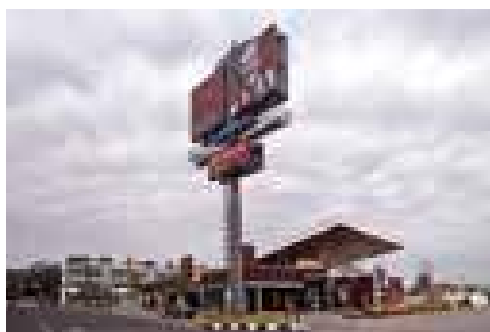
Location	Premises No. 1, Jalan Mahajaya, Kawasan Penambakan Laut, Bandar Port Dickson, Negeri Sembilan Darul Khusus
Description	KFC Restaurant
Year of completion	1997
Title	HS(D) 35190, PT NO.654 situated in Bandar & Daerah Port Dickson, Negeri Sembilan
Tenure	Leasehold 74 years expiring 8 May 2085
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM1,650,000
Date of Latest Valuation	31 December 2016

Perlis



Location	Premises No. 9, Persiaran Putra Timur 1, 02000 Kuala Perlis, Perlis Indera Kayangan
Description	KFC Restaurant
Year of Completion	1996
Title	Pajakan Mukim 1181, Lot 2105 situated in Mukim Kuala Perlis, Daerah Perlis, Perlis
Tenure	Leasehold 99 years expiring on 25 September 2092
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM460,000
Date of Latest Valuation	31 December 2016

Melaka



Location	No. PT No. 19503, Lebuhraya Ayer Keroh, 75450 Hang Tuah Jaya, Melaka
Description	Pizza Hut Restaurant , and KFC Restaurant with Drive Through Facility
Year of completion	2012
Title	Pajakan Mukim No. 4878, lot 19838 situated in Mukim Bukit Katil, Daerah Melaka Tengah, Melaka
Tenure	Leasehold 99 years expiring on 13 May 2108
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM8,280,000
Date of Latest Valuation	31 December 2016

FOOD & BEVERAGE NON-RESTAURANT

5 industrial premises located in Penang, Klang Valley and Sabah are properties that support the operations of QSR in Malaysia, specifically in relation to the operations of fast food brand of KFC and Pizza Hut. The

industrial premises consist of factories, warehouses with total gross floor area of 589,435 sq.ft. These industrial premises encompass sauce manufacturing, bakery and commissary operations.

Industrial Premises

Selangor



Location	Premises No. 3, Lorong Gerudi 1, Off Jalan Pelabuhan Utara, 42000 Pelabuhan Klang, Selangor Darul Ehsan
Description	Warehouse
Year of Completion	1996
Title	PN 11243, Lot 9 section 21 situated in Bandar Port Swettenham, Daerah Klang, Selangor
Tenure	Leasehold 99 years expiring on 15 March 2087
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM 47,000,000
Date of Latest Valuation	31 December 2016



Location	Premises No. 6, Jalan Gerudi, Off Jalan Pelabuhan Utara, 42000 Pelabuhan Klang, Selangor Darul Ehsan
Description	Factory/Warehouse
Year of completion	2004
Title	PN 8616, lot 59560 Section 21 situated in Bandar Port Swettenham, Daerah Klang, Selangor
Tenure	Leasehold 99 years expiring on 15 March 2087
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM 27,000,000
Date of Latest Valuation	31 December 2016



Location	No 17, 19 & 21, Jalan Pemaju U1/15, Seksyen U1, Hicom Glenmarie Industrial Park, 40000 Shah Alam, Selangor
Description	Warehouse / Bakery / Commissary
Year of completion	1998
Title	GRN 215115, Lot 61718 situated in Bandar Glenmarie, Daerah Petaling, Selangor
Tenure	Freehold
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM55,300,000
Date of Latest Valuation	31 December 2016

Penang



Location	Premise No. 31, Lorong IKS, Jalan IKS Juru 3, Taman IKS Juru 14100 Simpang Empat, Pulau Pinang
Description	Commissary
Year of completion	1997
Title	GRN 149808, Lot No 3499 situated in Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang
Tenure	Freehold
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM1,300,000
Date of Latest Valuation	31 December 2016

Sabah



Location	Lot 5, Lorong Tembaga 3, Kawasan MIEL, KKIP Selatan, Kota Kinabalu Industrial Park, Menggatal, 88450 Kota Kinabalu, Sabah
Description	Factory
Year of completion	1999
Title	Parent Title no. Country Lease 015580097, Parent Lot 20 situated in Developer's Lot No. 5, Lorong Tembaga Tiga, Kawasan MIEL, KKIP Selatan (Formerly known as Kota Kinabalu Export Oriented Industrial Zone, K.K.I P Sepangar Bay
Tenure	Leasehold 99 years expiring on December 2096
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM2,500,000
Date of Latest Valuation	31 December 2016

KFCH International College



Location	No.1, Jalan Dato' Onn 1, Bandar Dato' Onn 81100 Johor Bahru, Johor Darul Takzim
Description	A 4-Storey College Building
Year of completion	2010
Title	Lot No: PTD 180682, Title No.: H.S (D) 539995 situated in Mukim of Tebrau, Daerah Johor
Tenure	Freehold
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM28,400,000
Date of Latest Valuation	31 December 2016



4

Foundation of Corporate Governance

- 68 | Board Charter
- 76 | Corporate Governance Report
- 85 | Audit Committee Report
- 87 | Statement on Risk Management and Internal Report

Board*Charter*

1. INTRODUCTION

The Board of Directors of the Managers (“the Board”) regards corporate governance as vitally important to the success of Al-Salām Real Estate Investment Trust’s (“Al-Salām REIT”) business and is unreservedly committed to applying the principles necessary to ensure that the following principles of good governance are practised in all of its business dealings in respect of its unitholders and relevant stakeholders:

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

2. OBJECTIVES

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

In pursuit of the ideals in this Board Charter, the intention is to exceed “minimum legal requirements” with due consideration to recognised standards of best practices locally and internationally.

3. THE BOARD

3.1 Role

The key roles of the Board are to:

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

3.2 Composition and Board Balance

The composition of the Board of Directors is as follows:

- 1) 1 Non-Independent Non-Executive Chairman
- 2) 4 Non-Independent Non-Executive Directors
- 3) 3 Independent Non-Executive Directors
- 4) 1 Managing Director / Non-Independent Director

Recommendation 3.5 of the MCCG 2012 states that where the Chairman of the Board is not an Independent Director, the Board must comprise of a majority of Independent Directors. Although the Manager is yet to be in line with Recommendation 3.5, the Board believes that the interests of Unitholders would be better served by a Chairman and a team of Board members who act collectively in the best overall interests of Unitholders. As the Chairman is representing JCorp which ultimately has substantial interest in the Fund, he is well placed to act on behalf of Unitholders and in their best interests.

3.3 Appointments

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

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

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

3.4 Directors' Training

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

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

3.5 Board Meetings and Supply of Information

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

Notices and agenda of meetings duly endorsed by the Chairman together with the relevant board papers are normally given at least one (1) week prior to the meetings for the Board to study and evaluate the matters to be discussed.

The board papers provided include inter alia, the financial results, business plan and budget, progress report on the properties' developments, regulatory/statutory updates and other operational and financial issues for the Board's information and/or approval.

4. CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)

4.1 Chairman

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

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

4.2 Chief Executive Officer (CEO)

4.2.1 The CEO is the conduit between the Board and the Management in ensuring the success of the governance and management functions of Al-Salām REIT.

4.2.2 The CEO has the executive responsibility for the day-to-day operation of business, and the execution of the agreed business policies and directions set by the Board and of all operational decisions in managing Al-Salām REIT.

4.2.3 All Board authorities conferred on the Management are delegated through the CEO and this will be considered as the CEO's authority and accountability as far as the Board is concerned.

5. COMMITTEES

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

5.1 Audit Committee

A. Membership

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

B. Purposes

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

C. Duties and Responsibilities

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

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

D. Meetings

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

5.2 Executive Committee

The Committee meets on a scheduled basis at least 4 times a year. The minutes of the Executive Committee meetings are tabled to the Board for noting and for action by the Board, where necessary.

This committee oversees the activities of the Manager which includes:

- Making recommendations to the Board on all acquisitions, investments and disposals;
- Making recommendations to the Board on any financing offers, capital management proposals and additional banking facilities;
- Reporting and recommending to the Board any corporate exercise, including the issuance of new Axis-REIT units;

- Making recommendations to the Board on financial budgets; and
- Forwarding summary reports on activities undertaken by the Manager and minutes of Executive Committee meetings to all Audit Committee and/or Board members, where applicable.

5.3 Nomination and Remuneration Committee

The main responsibilities for the Nomination function is to ensure that the Board comprises Directors with appropriate skills, knowledge, expertise and experience, as well as to ensure a proper balance Executive Directors and Independent Non-Executive Directors whilst the main responsibilities for the Remuneration function is establishing, reviewing and recommending to the Board, the remuneration packages of Chief Executive Officer/Managing Director and reviewing his performance against the goals and objectives set.

6. REMUNERATION POLICIES

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

7. FINANCIAL REPORTING

7.1 Compliance Officer

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

7.2 External Auditors

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

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

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

8. RISKS MANAGEMENT

8.1 Internal Control

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

8.2 Conflict of Interest

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

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

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

8.3 Related Party Transactions

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

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

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

8.4 Internal Audit

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

9. **ANNUAL GENERAL MEETING ("AGM")**

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

10. COMMUNICATION AND INVESTOR RELATIONS

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

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

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

With the majority of units in Al-Salām REIT held by institutional investors, the Manager considers meetings with local and foreign fund managers an integral part of investor relations. These meetings and roadshows with investors enables the Manager to update potential and current unitholders on Al-Salām REIT's significant developments and its medium to long term strategies. Al-Salām REIT also participates in various local and overseas conferences as part of its efforts to build interest in the Malaysia's real estate investment trust market.

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

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

11. COMPANY SECRETARY

- The Board has appointed the Company Secretary, who plays an important advisory role to the board.
- The Company Secretary is accountable to the Board on all governance matters.
- The Company Secretary must keep abreast of, and inform the Board of current governance practices.
- The Board members have unlimited access to the professional advice and services of the Company Secretary.



Corporate Governance *Statement*

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

The Manager has been guided by the measures set out in the Guidelines on Real Estate Investment Trust issued by the Securities Commission (REIT Guidelines), the Listing Requirements of Bursa Malaysia (Listing Requirements) and the principles and recommendations of the Malaysian Code on Corporate Governance 2012.

THE MANAGER'S ROLE

In accordance with the Deed, the Manager is appointed to manage the assets and administer the funds of Al-Salām REIT. Its primary objective is to provide the unitholders with regular and stable distributions, sustainable long term Unit price and distributable income as well as capital growth of Al-Salām REIT.

The Manager has been issued a Capital Markets Services License (CMSL) by the Securities Commission (SC) on 27 June 2013 as required under the new requirement in Capital Markets Services Act (CMSA) for REIT Managers which took effect from 28 December 2012. Its 3 licensed representatives, namely Yusaini Hj. Sidek, Shahril Zairis Ramli and Suhaimi Saad have respectively been issued with a Capital Markets Services Representatives License (CMSRL).

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

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

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

- Investment Strategy
Formulate and implement Al-Salām REIT's investment strategy.
- Acquisition and Divestment
Make recommendations and coordinate with the Trustee and implement the acquisition of new assets and divestment of Al-Salām REIT's existing investments.
- Asset Management
Supervise and oversee the management of Al-Salām REIT's properties including procurement of service providers to carry out specified activities, including but not limited to onsite property management, property maintenance, rent collection and arrear control. The Manager is also responsible for developing a business plan in the short, medium and long term with a view to maximise the income of Al-Salām REIT.
- Risk Management
Identify principal risks of Al-Salām REIT and ensuring the implementation of appropriate systems to mitigate and manage these risks.

- Financing
Formulate plans for equity and debt financing for Al-Salām REIT's funding requirements with the objective of optimising the capital structure and cost of capital.
- Accounting Records
Keep books and prepare or cause to be prepared accounts and annual reports, including annual budget for Al-Salām REIT
- Investor Relations
Develop and maintain investor relations including information coordination and distribution as well as customer service to investors.
- Compliance Management
Supervise all regulatory filings on behalf of Al-Salām REIT, and ensure that Al-Salām REIT is in compliance with the applicable provisions of the Securities Commission Act, SC REIT Guidelines, Bursa Securities Listing Requirements, Trust Deed and all relevant contracts.

PRINCIPLES OF THE CORPORATE GOVERNANCE CODE

1. ESTABLISH CLEAR ROLES & RESPONSIBILITIES AND STRENGTHENING COMPOSITION

Board Structure, Composition and Balance

The composition of the Board of Directors is as follows:

- 1 Non-Independent Non-Executive Chairman
- 4 Non-Independent Non-Executive Directors
- 3 Independent Non-Executive Directors
- 1 Managing Director / Non-Independent Director

Recommendation 3.5 of the MCGG 2012 states that where the Chairman of the Board is not an Independent Director, the Board must comprise of a majority of Independent Directors. Although the Manager is yet to be in line with Recommendation 3.5, the Board believes that the interests of Unitholders would be better served by a Chairman and a team of Board members who act collectively in the best overall interests of Unitholders. As the Chairman is representing JCorp which ultimately has substantial interest in the Fund, he is well placed to act on behalf of Unitholders and in their best interests.

Board Duties and Responsibilities

In discharging their duties and responsibilities, the Board ensures that all decisions made are in the best interests of the Fund and stakeholders. As prescribed by the MCGG 2012, the Board assumes the following responsibilities:

- Reviewing and adopting a strategic plan for the Fund
The strategic and business plan must be discussed and approved by the Board at its meeting on 17 November 2016. The Board will assess whether strategic consideration being proposed at Board meetings during the year are in line with the objectives and broad outline of the adopted strategic plans.

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

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

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

The Risk Management Report will be tabled on a periodic basis in the Board meeting to review the Fund's risks.

- Succession planning

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

- Overseeing the development and implementation of a Unitholder communications policy for the Fund

The Manager has introduced many activities with regards to engagement and communication with investors to ensure that they are well informed on the Fund affairs and developments.

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

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

Committees

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

- Audit Committee

The Audit Committee is chaired by Zainah Mustafa and comprises of 2 other members, Lukman Hj. Abu Bakar and Dr. Hafetz Ahmad. The Committee meets on a scheduled basis at least 4 times a year. The composition of the Audit Committee, its terms of reference, attendance of meetings and duties and responsibilities are set out on page 85 of the Annual Report. The minutes of the Audit Committee meetings are tabled to the Board for noting and for action by the Board, where necessary.

- Executive Committee

The Committee meets on a scheduled basis at least 4 times a year. The minutes of the Executive Committee meetings are tabled to the Board for noting and for action by the Board, where necessary.

- Nomination and Remuneration Committee

The main responsibilities for the Nomination function is to ensure that the Board comprises Directors with appropriate skills, knowledge, expertise and experience, as well as to ensure a proper balance Executive Directors and Independent Non-Executive Directors whilst the main responsibilities for the Remuneration function is establishing, reviewing and recommending to the Board, the remuneration packages of Chief Executive Officer/Managing Director and reviewing his performance against the goals and objectives set.

Access to Information and Advice

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

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

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

Company Secretary

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

Compliance Officer

The Manager has a designated compliance officer working towards ensuring the compliance with the Trust Deed and all legislation, rules and guidelines particularly the SC REIT Guidelines and Bursa Malaysia Listing Requirements which are applicable to Al-Salām REIT.

2. REINFORCING INDEPENDENCE

The Manager is led and overseen by experienced Board of Directors with a wide and varied range of expertise. This broad spectrum of skills and experience gives added strength to the leadership, thus ensuring the Manager is under the guidance of an accountable and competent Board. The Board currently has 9 Directors comprising of 3 independent members, 5 non-independent members and 1 Managing Director. This is in compliance with the requirements of Para 3.06 of REIT Guidelines which states that at least one-third of the Board to be independent.

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

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

3. FOSTERING COMMITMENT

Meeting and Supply of Information

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

Notices and agenda of meetings duly endorsed by the Chairman together with the relevant board papers are normally given at least one (1) week prior to the meetings for the Board to study and evaluate the matters to be discussed.

The board papers provided include inter alia, the financial results, business plan and budget, progress report on the properties’ developments, regulatory/statutory updates and other operational and financial issues for the Board’s information and/or approval.

Directors Training

In addition to the Mandatory Accreditation Programme (“MAP”) as required by Bursa Malaysia, Board members are also encouraged to attend seminars and training programmes organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in laws, regulations and the business environment. The Board will assess the training needs of the Directors and disclose in the Annual Report the trainings attended by the Directors.

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

During the year ended 31 December 2016, the Board convened four meetings and all Directors have complied with the minimum 50 % attendances as required by Para 15.05 of the Listing Requirement. The members of the Board and their attendances at Board meetings in 2016 are sets out below :

	39 th BOD Meeting (31 March 2016)	40 th BOD Meeting (10 May 2016)	41 st BOD Meeting (16 August 2016)	42 nd BOD Meeting (17 November 2016)
Dato' Kamaruzzaman Abu Kassim	x	x	x	x
Dato' Mani a/l Usilappan	x	x	x	x
Zainah Mustafa	x	x	x	x
Dr Hafetz Ahmad	-	x	x	x
Lukman Abu Bakar	x	-	x	-
Mohd Yusof Ahmad	x	x	x	x
Dato'Amiruddin Abdul Satar	x	x	x	x
Yusaini Hj. Sidek	x	x	x	x

4. UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with Applicable Financial Reporting Standards

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

The Directors have taken the necessary steps to ensure that Al-Salām REIT has complied with all applicable Financial Reporting Standards, provisions of the respective countries in which the subsidiaries operate, and that the policies are supported by reasonable and prudent judgement and estimates.

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

Relationship with the External Auditors

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

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

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

5. RECOGNISE AND MANAGE RISKS

Internal Control

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

Conflict of Interest

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

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

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

Related Party Transactions

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

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

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

Material Contracts

There were no material contracts entered by Al-Salām REIT that involved the Directors of the Manager or substantial Unitholders of Al-Salām REIT during the financial year under review.

Internal Audit

The Internal Audit function is outsourced and undertaken by the Manager's holding company's Internal Audit Department. The primary obligation, accountability and responsibility with regards to the scope of internal audit services shall remain with the Board and the Manager at all times.

6. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

Al-Salām REIT has in place procedures for compliance with the Listing Requirements of Bursa Securities and ensures that all material information must be announced immediately to Bursa Securities.

Leverage on Information Technology

A website: <http://www.alsalamreit.com.my> is maintained to create greater awareness of Al-Salām REIT activities, performance and other relevant information among the stakeholders and general public. The website has all information with reference to material information of quarterly and annual result announcements, changes to shareholding and press releases are published concurrently with Bursa Malaysia website.

7. STRENGTHEN RELATIONSHIP WITH THE UNITHOLDERS

Communication and Investors Relations

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

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

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

With the majority of units in Al-Salām REIT held by institutional investors, the Manager considers meetings with local and foreign fund managers an integral part of investor relations. These meetings and roadshows with investors enabled the Manager to update potential and current unitholders on Al-Salām REIT's significant developments and its medium to long term strategies. Al-Salām REIT also participates in various local and overseas conferences as part of its efforts to build interest in the Malaysia's real estate investment trust market.

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

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

Annual General Meeting (AGM)

The Board regards the AGM as an important event in the corporate calendar of which all Directors and key personnel should attend. The Board regards the AGM as the principal forum for dialogue with unitholders and aims to ensure that the AGM provides an important opportunity for effective communication with, and constructive feedback from the unitholders.

The Chairman encourages active participation by the unitholders during the AGM. The Chairman and where appropriate, the Chief Executive Officer responds to unitholders' queries during the AGM.

DIRECTORS' RESPONSIBILITY STATEMENT ON AUDITED FINANCIAL STATEMENTS

The Board is responsible in the preparation of the Audited Financial Statements to give a true and fair view of the state of affairs, results and cash flows of the Manager and Al-Salām REIT at the end of each financial year. In preparing the financial statements, the Board will ensure that suitable accounting policies have been applied consistently, and that reasonable and prudent judgments and estimates have been made. All applicable approved accounting standards and relevant provisions of laws and regulations have been complied with. The Board is also responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy, the financial position of the Manager and Al-Salām REIT and to ensure that the financial statements comply with the relevant statutory requirements. The Board has the overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of Al-Salām REIT to prevent and detect fraud and other irregularities.

Audit Committee *Report*

1. COMPOSITION AND ATTENDANCE

For the financial year ended 31 December 2016, the Audit Committee comprised of 3 Directors, all of whom are also members of the Board of the Manager.

The composition of the Audit Committee is as follows:

Members/Directorship	No. of meetings attended
Zainah binti Mustafa Chairman/ Independent Non-Executive Director	4 out of 4
Lukman bin Hj. Abu Bakar Member/ Non-Independent Non-Executive Director	3 out of 4
Dr. Hafetz bin Ahmad Member/ Independent Non-Executive Director (appointed with effect from 25 April 2016)	3 out of 3
Tan Sri Datin Paduka Siti Sa'diah binti Sheikh Bakir Member/ Independent Non-Executive Director (resigned with effect from 1 April 2016)	1 out of 1

DISCHARGING OF FUNCTIONS & DUTIES

During the financial year ended 31 December 2016, the Audit Committee met its responsibilities in discharging its functions and duties in accordance with its terms of reference as follows :-

1. Overseeing Financial Reporting

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

2. Assessing Risks and Control Environment

- (a) The Committee reviewed the adequacy and effectiveness of the risk management framework and the appropriateness of Management's responses to key risk areas and proposed recommendations for improvements to be implemented.
- (b) The Management reported to the Committee on a quarterly basis, all identified risks that were recorded in a risk management register which had facilitated systematic review and monitoring of the risk areas.

- (c) The Committee also reviewed and deliberated on matters relating to internal control highlighted by the External Auditors in the course of their statutory audit of the financial statements.

3. Evaluate the Audit Process

(i) Internal Audit

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

(ii) External Audit

On 8 November 2016, the Audit Committee had reviewed and discussed with the Management and the External Auditors, Deloitte PLT, the Audit Planning Memorandum for 2016. At the aforesaid meeting, the External Auditors explained their audit approach and system of evaluation inclusive of the areas of audit emphasis and scope for the year and their audit strategies as well as the audit procedures prior to the commencement of annual audit.

4. Reviewing Related Party Transaction & Conflict of Interest Situations

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

Statement on Risk Management & *Internal Control*

The Board is committed to nurture and preserve a sound system of risk management and internal controls and good corporate governance practices as set out in the Board's Statement on Risk Management and Internal Control made in compliance with Chapter 15, Paragraph 15.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and guided by the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

BOARD'S RESPONSIBILITY

The Board acknowledges its responsibility for maintaining a sound system of risk management and internal control to safeguard the unitholders' interests and the Fund's assets, as well as to discharge its responsibility in identifying principal risks and ensuring the implementation of an appropriate risk management and internal control system to manage those risks in accordance with Principle 6 of the Malaysian Code on Corporate Governance. The Board continually reviews the adequacy and effectiveness of the Manager's risk management and internal control system which has been embedded in all aspects of the Manager's activities and reviews the processes, responsibilities and assesses for reasonable assurance that risks have been managed within the Manager's risk appetite. It is to be noted that the Manager's risk management system by its nature can only reduce rather than eliminate the risk of failure to achieve the business objectives. As such, the systems can only provide a reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board has received assurance from the Chief Executive Officer that the Manager's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control framework of the Manager.

THE MANAGER'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

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

RISK MANAGEMENT FRAMEWORK

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

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

INTERNAL CONTROL

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

- The Board has in place its own management reporting mechanisms which enable the Board to review the performance of the Manager and the Fund.
- The Board approved annual budgets and business plans prepared by each property.
- Investment strategies and criteria which are formulated by the management and agreed by the Executive Committee and/or recommendation on any acquisition or divestment would be presented to the Board for approval before forwarding to the Trustee for final approval.
- Comprehensive policies and procedures manual that provide guidelines on, and authority limits over various operating, financial and human resources matters.
- Regular management meetings involving the review of the operations and financial performance of each property.
- The Audit Committee with formal terms of reference clearly outlining its functions and duties delegated by the Board.
- The internal audit carried out by the outsourced internal auditor approved by the Audit Committee.
- A systematic performance appraisal system for all levels of staff.
- Relevant training provided to staff across all functions to maintain a high level of competency and capability.



5

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MANAGER'S REPORT

The Directors of **DAMANSARA REIT MANAGERS SDN BERHAD** (the “Manager”), the Manager of **AL-SALĀM REAL ESTATE INVESTMENT TRUST** (the “Fund”), have pleasure in submitting their report and the audited financial statements of the Fund for the financial year ended 31 December 2016.

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 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.

The Manager'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.

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.

On 28 January 2016, the Manager, after consultation with the Trustee, had declared a final income distribution of 1.20 sen per unit totalling RM6.96 million for the financial period 30 March 2015 (date of establishment) to 31 December 2015. The said distribution was paid on 29 February 2016.

On 23 August 2016, the Manager, after consultation with the Trustee, had declared an interim income distribution of 2.60 sen per unit totalling RM15.08 million for the financial year ended 31 December 2016. The said distribution was paid on 13 October 2016.

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 entity of the Manager. Johor Corporation is a public enterprise and a statutory body established via Johor Enactment No. 4, 1968 (as amended under 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 REPORT (cont'd)

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 Securities Commission Malaysia or as otherwise permitted by 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 endeavor to employ an appropriate mix of debt and equity in financing acquisitions, seek to manage financing and refinancing risk and to adopt an active financing rate management strategy to manage the risks associated with changes in financing rates.

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

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

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

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

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

MANAGER REPORT (cont'd)**DIRECTORS OF THE MANAGER**

The Directors who served on the Board of the Manager since the date of the last report are:

Dato' Kamaruzzaman bin Abu Kassim

Yusaini bin Sidek

Zainah binti Mustafa

Dr Mohd Hafetz bin Ahmad

Lukman bin Abu Bakar

Dato' Mani a/l Usilappan

Mohd Yusof bin Ahmad

Dato' Amiruddin bin Abdul Satar

Tan Sri Datin Paduka Siti Sa'diah binti Sheikh Bakir (resigned on 1.4.2016)

DIRECTORS' BENEFITS

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.

Since the date of the previous financial period, 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.

DIRECTORS' INTERESTS

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

	Number of Units in the Fund			
	As of 01.1.2016	Acquired	Sold	As of 31.12.2016
The Manager's Directors and shareholders				
Dato' Kamaruzzaman bin Abu Kassim	6,150	120,000	-	126,150
Lukman bin Abu Bakar	2,960	-	-	2,960

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

MANAGER REPORT (cont'd)**MANAGER'S REMUNERATION**

Pursuant to the Trust Deed dated 26 March 2015, the Manager is entitled to receive from the Fund:

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

SOFT COMMISSION

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

RESERVES AND PROVISIONS

There was no material transfer to and from reserves or provisions during the financial year.

OTHER INFORMATION

- (a) Before the statement of profit or loss and other comprehensive income and the statement of financial position of the Fund were made out, the Manager took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there are no known bad debts to be written off and that no allowance for doubtful debts is necessary; and
 - (ii) to ensure that any current assets which were unlikely to realise their values 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 REPORT (cont'd)

OTHER INFORMATION (cont'd)

- (b) At the date of this report, the Manager is not aware of any circumstances which would render:
 - (i) it necessary to write off any bad debts or to make any allowance for doubtful debts in respect of the statement of financial position of the Fund; and
 - (ii) the values attributed to the current assets in the financial statements 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 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 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 Fund which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the 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 Fund to meet its 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 Fund for the financial year in which this report is made.

MANAGER REPORT (cont'd)

AUDITORS

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

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



DATO' KAMARUZZAMAN BIN ABU KASSIM



YUSAINI BIN SIDEK

Kuala Lumpur,
26 January 2017

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-SALĀM REAL ESTATE INVESTMENT TRUST

Report on the Financial Statements

Opinion

We have audited the financial statements of **AL-SALĀM REAL ESTATE INVESTMENT TRUST** ("the Fund"), which comprise the statement of financial position of the Fund as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 101 to 147.

In our opinion, the accompanying financial statements of the Fund give a true and fair view of the financial position of the Fund as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-SALĀM REAL ESTATE INVESTMENT TRUST (cont'd)

Report on the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Key audit matters	Our audit performed and responses thereon
<p><u>Valuation of investment properties</u></p> <p>Investment properties of the Fund amounting to RM922.1 million as at 31 December 2016 (2015: RM911.5 million) are the most quantitatively material account balance in the financial statements. Further, the investment properties are measured at fair value which inherently is subject to significant valuation estimates.</p> <p>The fair values of the Fund's investment properties, as determined by a firm of independent valuers, are primarily based on the capitalisation of net income method with comparison and cost methodologies used as a secondary check.</p> <p>The accounting policy and key sources of estimation uncertainty for valuation of investment properties are set out in Note 3 and Note 4.2(a) to the Financial Statements, respectively, and the details of the investment properties of the Fund have been disclosed in Note 11 to the Financial Statements.</p>	<p>We assessed the appropriateness of the independent valuers' scope of work and evaluated whether the independent valuers had sufficient expertise and resources to competently perform the said valuation of the Fund's investment properties.</p> <p>We obtained the source information provided by the Manager of the Fund to the independent valuers to evaluate the accuracy of the inputs to the valuation model. We further challenged the significant estimates included by the independent valuers in their valuation models, namely the capitalisation rate and estimated net market rent of the Fund's investment properties.</p> <p>Based on our procedures, we believe that the fair value position taken by the Fund is appropriate.</p> <p>We have also assessed the adequacy and appropriateness of the disclosures made in the Financial Statements.</p>
<p><u>Revenue recognition - percentage rent</u></p> <p>Certain tenancy agreements between the Fund and its tenants contain clauses on percentage rent whereby rent received and/or receivable is the higher of base rent and a percentage of sales earned by the tenant during the financial year.</p> <p>A reliable estimate of percentage rent is necessarily reliant on availability of tenants' audited financial statements and historical sales trend. Percentage rent is only recognised by the Fund when it can be reliably measured.</p> <p>The accounting policy and critical judgement in applying the policy for rental revenue are set out in Note 3 and Note 4.1(a) to the Financial Statements, respectively, and the different revenue streams of the Fund have been disclosed in Note 5 to the Financial Statements.</p>	<p>We have read the tenancy agreements between the Fund and a sample of its tenants.</p> <p>We have obtained the reconciliations prepared by the Manager of the Fund pertaining to the calculation of percentage rent and assessed the appropriateness of percentage rent revenue recognition against the accounting policies of the Fund. Our evaluation of revenue recognition includes an assessment of availability of the tenants' audited financial statements and historical sales trends of the tenants as reported to the property manager of the Fund.</p> <p>Based on our procedures, the percentage rent revenue recognised by the Fund, to the extent it is recognised, is reasonable.</p> <p>We have also assessed the adequacy and appropriateness of the disclosures made in the Financial Statements.</p>

Information Other than the Financial Statements and Auditors' Report Thereon

The Manager of the Fund is responsible for the other information. The other information comprises information included in the 2016 Annual Report of the Fund but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements 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 Fund, our responsibility is to read the 2016 Annual Report of the Fund and, in doing so, consider whether the 2016 Annual Report of the Fund is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-SALĀM REAL ESTATE INVESTMENT TRUST (cont'd)

Responsibilities of the Manager and Trustee for the Financial Statements

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

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

The Manager of the Fund's responsibilities include overseeing the Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-SALĀM REAL ESTATE INVESTMENT TRUST (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of management'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Other Reporting Responsibilities

The supplementary information set out in Note 27 on page 147 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Manager of the Fund is responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF AL-SALĀM REAL ESTATE
INVESTMENT TRUST (cont'd)**

Other Matters

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

Deloitte PLT

DELOITTE PLT (LLP0010145-LCA)

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26 January 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(With comparative figures from the period 30 March 2015 (date of establishment) to 31 December 2015)

	Note	2016 (12 months) RM	2015 (9 months) RM
Gross rental income	5	70,881,590	19,322,096
Other income	6	5,253,083	1,342,789
Total revenue		76,134,673	20,664,885
Utilities expenses		(6,459,000)	(1,929,553)
Maintenance expenses		(2,426,171)	(521,044)
Quit rent and assessment		(600,689)	(187,438)
Property manager fee		(270,000)	(101,371)
Other property expenses		(9,466,257)	(2,218,626)
Total property expenses		(19,222,117)	(4,958,032)
Net property income		56,912,556	15,706,853
Investment income	7	943,064	167,312
Gain on fair value of investment properties	11	10,630,000	7,712,505
Total investment income		11,573,064	7,879,817
Net investment income		68,485,620	23,586,670
Islamic financing costs:			
Finance costs		(17,923,685)	(7,480,110)
Imputed finance costs		(894,012)	(381,003)
Manager's fees		(1,837,996)	(708,273)
Trustee's fees		(119,252)	(80,000)
Audit fees		(90,000)	(50,000)
Valuation fees		(332,000)	-
Other expenses		(621,267)	(120,249)
Total Fund expenses		(21,818,212)	(8,819,635)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

(With comparative figures from the period 30 March 2015 (date of establishment) to 31 December 2015)

	Note	2016 (12 months) RM	2015 (9 months) RM
Profit before tax		46,667,408	14,767,035
Income tax expense	8	-	-
Profit for the financial year and total comprehensive income for the financial year/period		<u>46,667,408</u>	<u>14,767,035</u>
Total comprehensive income for the financial year/period is made up as follows:			
Realised		36,037,408	7,054,530
Unrealised		<u>10,630,000</u>	<u>7,712,505</u>
		<u>46,667,408</u>	<u>14,767,035</u>
Earnings per unit (sen):	9		
Gross		8.05	2.55
Net		<u>8.05</u>	<u>2.55</u>
Net income distribution	10	<u>22,039,901</u>	<u>-</u>
Income distribution per unit (sen):	10		
Gross		3.80	-
Net		<u>3.80</u>	<u>-</u>

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	2016 RM	2015 RM
ASSETS			
Non-Current Assets			
Investment properties	11	922,090,000	911,460,000
Equipment	12	143,984	-
Total Non-Current Assets		922,233,984	911,460,000
Current Assets			
Trade receivables	13	3,824,210	1,014,861
Other receivables and prepaid expenses	13	3,116,344	9,957,610
Amount owing by related parties	19	1,566,792	1,813,823
Fixed deposits with licensed banks	14	41,085,000	9,242,000
Cash and bank balances	14	6,355,659	16,197,642
Total Current Assets		55,948,005	38,225,936
Total Assets		978,181,989	949,685,936
LIABILITIES			
Current Liabilities			
Other payables and accrued expenses	15	6,473,346	4,250,836
Amount owing to related parties	19	-	535,630
Total Current Liabilities		6,473,346	4,786,466
Non-Current Liabilities			
Other payables	15	12,963,827	11,676,173
Islamic financing	16	346,804,955	345,910,943
Total Non-Current Liabilities		359,768,782	357,587,116
Total Liabilities		366,242,128	362,373,582
Net Asset Value		611,939,861	587,312,354

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (cont'd.)

	Note	2016 RM	2015 RM
UNITHOLDERS' FUND			
Unitholders' capital	17	572,545,319	572,545,319
Undistributed income		39,394,542	14,767,035
Total Unitholders' Fund		611,939,861	587,312,354
Number of units in circulation		580,000,000	580,000,000
Net Asset Value per unit (ex-distribution)		1.0551	1.0126

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

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Unitholders' capital RM	Undistributed income		Total RM
		RM	Realised RM	Unrealised RM	RM
Balance as at 30 March 2015 (date of establishment)		-	-	-	-
Unitholders' transactions:					
Issuance of units	17	580,000,000	-	-	580,000,000
Listing expenses charged to unitholders	17	(7,454,681)	-	-	(7,454,681)
Total unitholders' transactions		572,545,319	-	-	572,545,319
Total comprehensive income for the period		-	7,054,530	7,712,505	14,767,035
Balance as at 31 December 2015		572,545,319	7,054,530	7,712,505	587,312,354
Balance as at 1 January 2016		572,545,319	7,054,530	7,712,505	587,312,354
Unitholders' transactions:					
Distributions to unitholders	10	-	(22,039,901)	-	(22,039,901)
Total unitholders' transactions		-	(22,039,901)	-	(22,039,901)
Total comprehensive income for the year		-	36,037,408	10,630,000	46,667,408
Balance as at 31 December 2016		572,545,319	21,052,037	18,342,505	611,939,861

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

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(With comparative figures from the period 30 March 2015 (date of establishment) to 31 December 2015)

	Note	2016 (12 months) RM	2015 (9 months) RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit before tax		46,667,408	14,767,035
Adjustments for:			
Islamic financing costs:			
Finance costs		17,923,685	7,480,110
Imputed finance costs		894,012	381,003
Depreciation of equipment		8,306	-
Gain on fair value of investment properties		(10,630,000)	(7,712,505)
Investment income		(943,064)	(167,312)
Operating Profit Before Working Capital Changes		53,920,347	14,748,331
(Increase)/Decrease in:			
Trade receivables		(2,809,349)	(1,014,861)
Other receivables and prepaid expenses		(1,396,200)	(1,687,295)
Amount owing by related parties		247,031	(1,813,823)
Increase/(Decrease) in:			
Other payables and accrued expenses		3,435,987	15,353,935
Amount owing to related parties		(535,630)	535,630
Net Cash From Operating Activities		52,862,186	26,121,917
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Increase in goods and services tax recoverable	13	8,270,315	(8,270,315)
Income received from other investments		910,215	227,877
Increase in pledged deposits with licensed banks	14	(343,000)	(9,242,000)
Purchase of equipment		(152,290)	-
Acquisition of investment properties (Note)	11	-	(576,107,495)
Net Cash From/(Used In) Investing Activities		8,685,240	(593,391,933)

**STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd.)**(With comparative figures from the period 30 March 2015 (date of establishment)
to 31 December 2015)

	Note	2016 (12 months) RM	2015 (9 months) RM
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Income distributions paid	10	(22,039,901)	-
Islamic financing costs paid		(17,849,508)	(6,967,601)
Proceeds from issuance of units	17	-	252,360,000
Listing expenses paid	17	-	(7,454,681)
Net proceeds from Islamic financing	16	-	345,529,940
Net Cash (Used In)/From Financing Activities		(39,889,409)	583,467,658
NET INCREASE IN CASH AND CASH EQUIVALENTS		21,658,017	16,197,642
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/ DATE OF ESTABLISHMENT		16,197,642	-
CASH AND CASH EQUIVALENTS AT END OF YEAR/ PERIOD	14	37,855,659	16,197,642
Note:			
Additions to investment properties	11	-	903,747,495
Consideration satisfied through issuance of units	17	-	(327,640,000)
Cash paid for acquisition of investment properties		-	576,107,495

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 Securities Commission Malaysia (“SC Malaysia”) on 30 March 2015.

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 Trust Deed.

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

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

The registered office of the Manager is located at Level 11, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor, Malaysia.

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

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

(a) Property manager’s fees

Under a Property Management Agreement dated 6 May 2015 between the Fund, the Manager and Exastrata Solution Sdn Bhd (“the Property Manager”), the Property Manager is entitled to receive property manager’s fees. The property manager’s fee was RM7,000 (excluding GST) per month for the months of May 2015 to August 2015. The property manager’s fee was increased to a fixed fee of RM22,500 (excluding GST) per month upon the listing of the Fund on the Main Market of Bursa Malaysia and on the completion of all acquisitions of investment properties by the Fund (Note 11) in 2015.

The property manager’s fee for the current financial year is RM270,000 (2015: RM101,731).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

1. CORPORATE INFORMATION (cont'd.)

(b) Manager's fees

Pursuant to the Trust Deed dated 26 March 2015, 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 RM1,837,996 (2015: RM708,273).
- (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 earned any acquisition fee for the current financial year and previous financial period.
- (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 earned any disposal fee for the current financial year and previous financial period.

(c) Trustee's fees

Pursuant to the Trust Deed dated 26 March 2015, the Trustee is entitled to receive a fee of up to 0.02% per annum of the net asset value of the Fund, calculated based on the monthly accrual basis and payable monthly in arrears. The Trustee's fees for the current financial year is RM119,252 (2015: RM80,000) and is determined based on 0.02% of the monthly net asset value of the Fund.

The financial statements of the Fund have been authorised by the Board of Directors of the Manager for issuance on 26 January 2017.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Fund have been prepared in accordance with the provisions of the Trust Deed dated 26 March 2015, Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the SC Guidelines.

2.1 Adoption of New and Revised Malaysian Financial Reporting Standards

In the current financial year, the Fund had adopted all the revised Standards and Amendments issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2016 as follows:

Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRSs	Annual Improvements to MFRSs 2012-2014 Cycle

The adoption of these revised Standards and Amendments has not affected the amounts reported in the financial statements of the Fund for the current financial year and previous financial period.

2.2 Standards and Amendments in issue but not yet effective

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

MFRS 9	Financial Instruments ²
MFRS 15	Revenue from Contract Customers (and the related Clarifications) ²
MFRS 16	Leases ³
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to MFRS 107	Disclosure Initiative ¹
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses ¹
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration ²
Amendments to MFRSs	Annual Improvements to MFRSs 2014-2016 Cycle ^{1 or 2}

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

4 Effective date deferred to a date to be determined and announced by MASB.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd.)

2.2 Standards and Amendments in issue but not yet effective (cont'd.)

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

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

Key requirements of MFRS 9:

- all recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at fair values at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of equity instruments (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.
- in relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd.)

2.2 Standards and Amendments in issue but not yet effective (cont'd.)

Key requirements of MFRS 9: (cont'd)

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Manager is currently assessing the impact on adoption of MFRS 9 on the amounts reported and disclosures in the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Fund completes a detailed review.

MFRS 15 Revenue from Contracts with Customers

In May 2014, MFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contract with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd.)****2.2 Standards and Amendments in issue but not yet effective (cont'd.)****MFRS 15 Revenue from Contracts with Customers (cont'd)**

The Manager is currently assessing the impact on adoption of MFRS 15 on the amounts reported and disclosures in the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 15 until the Fund completes a detailed review.

MFRS 16 Leases

MFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. MFRS 16 will supersede the current lease guidance including MFRS 117 *Leases* and the related interpretations when it becomes effective.

MFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinction of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measure at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under the MFRS 16 model, the lease payments will be split into a principal and an interest portion which we be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by MFRS 16.

The Manager is currently assessing the impact on adoption of MFRS 16 on the amounts reported and disclosures in the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 16 until the Fund completes a detailed review.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd.)

2.2 Standards and Amendments in issue but not yet effective (cont'd.)

Amendments to MFRS 107 Disclosure Initiative

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from both cash flows and non-cash changes.

The amendments should be applied prospectively and comparative information is not required for earlier periods presented. Except for providing the requisite disclosures, the Manager does not anticipate that the application of the amendments will have a material impact on the Fund's financial statements.

Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments to MFRS 112 provide clarification on the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value. In addition, the amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences.

The amendments should be applied retrospectively with specific transitional relief. The Manager does not anticipate that the application of the amendments will have a material impact on the Fund's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for any share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)****Basis of Accounting (cont'd.)**

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

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

Foreign Currency

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Gross rental income

Revenue from rental of investment properties, including service charges, are recognised on a straight line basis in accordance with terms and conditions of the tenancy agreement between the Fund 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 Fund.

(c) Investment revenue

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

(d) Parking income and events and advertising income

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

Income Taxes

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

(a) Current Tax

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Income Taxes (cont'd)

(b) Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets, if any, is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Fund expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the investment property over time, rather than through sale. The Manager reviewed the Fund's investment property portfolios and concluded that none of the Fund's investment properties are held under a business model whose objective is to consume substantially all the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the Manager has determined that the "sale" presumption set out in the amendments to MFRS 112 is not rebutted. As a result, the Fund has not recognised any deferred taxes on changes in fair value of the investment properties as the Fund is not subject to any income taxes on the fair value change of investment properties on disposal.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)****Income Taxes (cont'd)****(c) Current and Deferred Tax for the Year/Period**

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

Investment Properties

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

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

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

Equipment

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)****Impairment of Non-Financial Assets**

At the end of each reporting period, the Fund reviews the carrying amounts of its 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 Fund estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Leasing**(a) As lessee**

Finance leases, which transfer to the Fund substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of financing return on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Fund will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)****Leasing (cont'd.)****(a) As lessee (cont'd.)**

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

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

Borrowings

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

Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

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

Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Provisions (cont'd.)

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

Financial Instruments

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added or deducted from the fair value of the financial assets or financial liabilities, as appropriate on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

Financial assets are classified into the following specified categories: financial asset 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest rate ("EIR") method

The EIR method is a method of calculating the amortised cost of a financial asset and of allocating profit income over the relevant period. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the EIR method, less any impairment. Profit income is recognised by applying the EIR, except for short-term receivables when the recognition of profit would be immaterial.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Financial Assets (cont'd.)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in profit or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Fund's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original EIR.

The carrying amount of such financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Financial Assets (cont'd.)

Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liability or as equity in accordance with the substance of the contractual arrangements and the definition of a financial liability and equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Fund are recorded at the proceeds received, net of direct issue costs.

Unitholders' units are recorded at the proceeds received, net of direct attributable transactions costs and are classified as equity. Distributions on Unitholders' units are recognised in equity in the period in which they are declared.

Financial liabilities

Financial liabilities are classified as other financial liabilities.

The Fund's other financial liabilities include trade payables, other payables and accrued expenses and borrowings.

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the EIR method, with financing costs recognised on an effective yield basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)****Financial Liabilities and Equity Instruments (cont'd.)**Financial liabilities (cont'd.)

The EIR method is a method of calculating the amortised cost of a financial liability and of allocating financing costs over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Fund derecognises financial liabilities when, and only when, the Fund's obligation is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Cash and Cash Equivalents

The Fund adopts the indirect method in the preparation of the statement of cash flows.

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

Segment Reporting

For management purposes, the Fund is 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 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 22, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

4.1 Critical Judgements in Applying the Fund's Accounting Policies

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

(a) Recognition of percentage rent

In accordance with the accounting policies of the Fund, as stated in Note 3, revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. Certain tenancy agreements between the Fund and its tenants contain clauses as to percentage rent whereby rent received and/or receivable by the Fund is the higher of (i) the base rent as determined in the tenancy agreement and (ii) a percentage of sales revenue earned by the tenant during the financial year. For the financial year ended 31 December 2016, the Manager assessed the appropriateness of recognising revenue from percentage rent against the accounting policies of the Fund by considering the availability of tenants' audited financial statements and historical sales trends. The Fund only recognises percentage rent revenue to the extent financial information is available for the Manager to make a reliable estimate.

In the previous financial year, due to lack of historical trend of sales revenue information from the Fund's tenants and audited financial statements of the Fund's tenants were yet to be made available to the Manager, the Manager has determined that percentage rent cannot be reliably measured. Therefore, revenue for the previous financial year only represented the base rent and service charges, where applicable, as stipulated in the tenancy agreements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd.)

4.2 Key Sources of Estimation Uncertainty

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

(a) Fair value of investment properties

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

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

5. GROSS RENTAL INCOME

	2016 (12 months) RM	2015 (9 months) RM
Base rental income	61,065,330	18,331,353
Service charges	5,372,732	990,743
Percentage rent (Note 4.1(a))	4,443,528	-
	<u>70,881,590</u>	<u>19,322,096</u>

6. OTHER INCOME

	2016 (12 months) RM	2015 (9 months) RM
Parking income	2,565,058	883,782
Event and advertising income	2,688,025	459,007
	<u>5,253,083</u>	<u>1,342,789</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

7. INVESTMENT INCOME

	2016 (12 months) RM	2015 (9 months) RM
Income from Islamic fixed deposit placements	943,064	167,312

8. INCOME TAX

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

9. EARNINGS PER UNIT

The gross and net earnings per unit, which are calculated based on the profit before tax and profit for the financial year of the Fund, respectively, divided by the weighted average number of units in circulation as of 31 December 2016, are as follows:

	2016 (12 months) RM	2015 (9 months) RM
Earnings attributable to unitholders:		
Profit before tax and profit for the year	46,667,408	14,767,035
Number/Weighted average number of units	580,000,000	580,000,000
Gross earnings per unit (sen)	8.05	2.55
Net earnings per unit (sen)	8.05	2.55

10. NET INCOME DISTRIBUTIONS

	2016 (12 months) RM	2015 (9 months) RM
Final distribution 2015 - 1.20 sen per unit	6,959,977	-
Interim distribution 2016 - 2.60 sen per unit	15,079,924	-
	22,039,901	-

The Manager had not declared any interim distribution from the Fund for the financial period 30 March 2015 (date of establishment) to 31 December 2015.

On 28 January 2016, the Manager, after consultation with the Trustee, had declared a final income distribution of 1.20 sen per unit totalling RM6.96 million for the financial period 30 March 2015 (date of establishment) to 31 December 2015. The said distribution was paid on 29 February 2016.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

10. NET INCOME DISTRIBUTIONS (cont'd.)

On 23 August 2016, the Manager, after consultation with the Trustee, had declared an interim income distribution of 2.60 sen per unit totalling RM15.1 million for the financial year ended 31 December 2016. The said distribution was paid on 13 October 2016.

Distribution to unitholders is derived from the following sources:

	2016 (12 months) RM	2015 (9 months) RM
Net property income	56,912,556	15,706,853
Investment income	943,064	167,312
	57,855,620	15,874,165
Less: Fund expenses	(21,818,212)	(8,819,635)
Realised income for the year	36,037,408	7,054,530
Undistributed income brought forward	7,054,530	-
Less: Undistributed income	(21,052,037)	(7,054,530)
	22,039,901	-

11. INVESTMENT PROPERTIES

	2016 RM	2015 RM
At 1 January/30 March (date of establishment)	911,460,000	-
Additions	-	903,747,495
Gain on fair value of investment properties	10,630,000	7,712,505
At 31 December	922,090,000	911,460,000

The investment properties acquired by the Fund in the previous financial period of RM903,747,495 was partially funded by the issuance of units in the Fund amounting to RM327,640,000 to the vendors of the said investment properties during the Initial Public Offering ("IPO") of the Fund's units on the Main Market of Bursa Malaysia on 29 September 2015. The remaining investment properties were funded by a mixture of net cash proceeds from the IPO to institutional investors and the Malaysian public (Note 17) and net proceeds from the Islamic financing facility (Note 16).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)**11. INVESTMENT PROPERTIES (cont'd.)**Fair value measurement of the Fund's investment properties

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

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

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

The fair values 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 net income method above are the capitalisation rates of 6.5% to 7.8% (2015: 6.5% to 7.8%) based on reversionary yields on the Fund's investment properties. 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.

A significant increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

11. INVESTMENT PROPERTIES (cont'd.)

A summary of the investment properties 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	2016 Fair value RM	2015 Fair value RM	Fair value hierarchy
KOMTAR JBCC	Freehold	-	-	Johor Bahru, Johor	31.12.2016	465,000,000	462,000,000	3
Menara KOMTAR	Freehold	-	-	Johor Bahru, Johor	31.12.2016	72,000,000	70,000,000	3
@Mart Kempas	Leasehold	99	90	Johor Bahru, Johor	31.12.2016	65,000,000	65,000,000	3
KFCH International College	Freehold	-	-	Johor Bahru, Johor	31.12.2016	28,400,000	28,200,000	3
QSR Properties:								
Restaurant in shop lots								
KFC restaurant	Freehold	-	-	Kajang, Selangor	31.12.2016	9,200,000	8,300,000	3
KFC restaurant	Freehold	-	-	Jitra, Kedah	31.12.2016	500,000	500,000	3
KFC restaurant	Leasehold	93	85	Ayer Hitam, Johor	31.12.2016	1,960,000	1,960,000	3
KFC restaurant	Leasehold	99	74	Bayan Lepas, Penang	31.12.2016	3,800,000	3,800,000	3
KFC restaurant	Leasehold	99	79	Petaling Jaya, Selangor	31.12.2016	8,400,000	8,000,000	3
KFC restaurant	Leasehold	74	69	Port Dickson, Negeri Sembilan	31.12.2016	1,650,000	1,600,000	3
KFC restaurant	Leasehold	99	76	Kuala Perlis, Perlis	31.12.2016	460,000	460,000	3
PHD restaurant	Freehold	-	-	Ulu Tiram, Johor	31.12.2016	850,000	850,000	3
PHD restaurant	Freehold	-	-	Kota Tinggi, Johor	31.12.2016	820,000	820,000	3
Restaurants in shopping mall								
KFC Restaurant in Queensbay Mall	Freehold	-	-	Bayan Lepas, Penang	31.12.2016	12,500,000	12,000,000	3
KFC Restaurant Kompleks Bukit Jambul	Freehold	-	-	Bayan Lepas, Penang	31.12.2016	2,740,000	2,740,000	3
KFC Restaurant in Megamall Pinang Shopping Complex	Leasehold	99	78	Perai, Penang	31.12.2016	2,700,000	2,690,000	3
Pizza Hut Restaurant in Megamall Pinang Shopping Complex	Leasehold	99	78	Perai, Penang	31.12.2016	1,960,000	1,960,000	3

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

11. INVESTMENT PROPERTIES (cont'd.)

Description of property	Tenure of land	Term of lease Years	Remaining term of lease Years	Location	Date of valuation	2016 Fair value RM	2015 Fair value RM	Fair value hierarchy
Restaurants with drive-through facility								
Pizza Hut and KFC	Leasehold	99	69	Jln Kuchai Lama, Kuala Lumpur	31.12.2016	14,000,000	14,000,000	3
Pizza Hut and KFC	Leasehold	99	48	Sungai Petani, Kedah	31.12.2016	5,200,000	5,190,000	3
Pizza Hut and KFC	Freehold	-	-	Senai, Johor	31.12.2016	8,400,000	8,400,000	3
Pizza Hut and KFC	Freehold	-	-	Tmn Damansara Aliff, Johor Bahru	31.12.2016	12,000,000	12,000,000	3
Pizza Hut and KFC	Freehold	-	-	Taman Perling, Johor Bahru	31.12.2016	13,270,000	13,270,000	3
Pizza Hut and KFC	Freehold	-	-	Ipoh, Perak	31.12.2016	8,600,000	8,400,000	3
Pizza Hut and KFC	Leasehold	96	80	Off Jln Kepong, Kuala Lumpur	31.12.2016	15,300,000	15,300,000	3
Pizza Hut and KFC	Leasehold	83	67	Pusat Bandar Wangsa Maju, Kuala Lumpur	31.12.2016	26,000,000	24,800,000	3
Pizza Hut and KFC	Leasehold	99	92	Hang Tuah Jaya, Melaka	31.12.2016	8,280,000	8,280,000	3
Warehouse and factory								
Warehouse	Freehold	-	-	Simpang Ampat, Penang	31.12.2016	1,300,000	1,170,000	3
Warehouse and factory	Leasehold	99	80	Kota Kinabalu, Sabah	31.12.2016	2,500,000	2,370,000	3
Warehouse	Leasehold	99	71	Pelabuhan Klang, Selangor	31.12.2016	47,000,000	46,000,000	3
Warehouse and factory	Leasehold	99	71	Pelabuhan Klang, Selangor	31.12.2016	27,000,000	26,100,000	3
Warehouse and factory	Freehold	-	-	Shah Alam, Selangor	31.12.2016	55,300,000	55,300,000	3

Investment properties of the Fund amounting to RM712,970,000 (2015: RM707,770,000) are used to secure the Islamic financing granted by domestic financial institutions to the Fund as mentioned in Note 16.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

12. Equipment

	2016 RM	2015 RM
Cost		
At 1 January/30 March (date of establishment)	-	-
Additions	152,290	-
At 31 December	152,290	-
Accumulated Depreciation		
At 1 January/30 March (date of establishment)	-	-
Charge for the year/ period	(8,306)	-
At 31 December	(8,306)	-
Net Book Value		
At 31 December	143,984	-

13. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

	2016 RM	2015 RM
Trade receivables	1,180,421	1,014,861
Accrued percentage rent	2,643,789	-
	3,824,210	1,014,861

Trade receivables comprise rental receivable from lessees. The credit period granted by the Fund on rental receivable from lessees ranges from 30 to 60 days (2015: 30 to 60 days).

The aging analysis of the Fund's trade receivables is as follows:

	2016 RM	2015 RM
0 - 30 days	3,470,384	810,271
31 - 60 days	148,365	152,850
61 - 90 days	13,297	14,282
91 - 120 days	192,164	37,458
	3,824,210	1,014,861

The Fund have not recognised any allowance for doubtful debts as the Fund holds tenant deposits as credit enhancement and the amounts are considered recoverable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)**13. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES (cont'd)**

Other receivables and prepaid expenses consist of:

	2016 RM	2015 RM
Other receivables	2,377,154	942,572
Prepaid expenses	739,190	744,723
Goods and services tax recoverable	-	8,270,315
Other receivables and prepaid expenses	3,116,344	9,957,610
Less prepaid expenses	(739,190)	(744,723)
Add:		
Trade receivables	3,824,210	1,014,861
Amounts owing by related parties	1,566,792	1,813,823
Fixed deposits with licensed banks	41,085,000	9,242,000
Cash and bank balances	6,355,659	16,197,642
Total loans and receivables	55,208,815	37,481,213

14. CASH AND CASH EQUIVALENTS

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

	2016 RM	2015 RM
Cash and bank balances	6,355,659	16,197,642
Fixed deposits with licensed banks	41,085,000	9,242,000
	47,440,659	25,439,642
Less: Pledged deposits with licensed banks	(9,585,000)	(9,242,000)
	37,855,659	16,197,642

Fixed deposits with licensed banks earn profit at rates ranging from 2.95% to 4.10% (2015: 3.55% to 3.75%) per annum and have maturity periods of between 1 to 3 months (2015: 1 to 3 months). The fixed deposits with licensed banks are placed as reserve for repayment of finance costs on long-term Islamic financing and hence, are not available for general use.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

15. OTHER PAYABLES AND ACCRUED EXPENSES

	2016 RM	2015 RM
Non-current:		
Other payables - tenant deposits received	12,963,827	11,676,173
Current:		
Other payables	1,156,968	740,020
Accrued expenses	5,316,378	3,510,816
	6,473,346	4,250,836
Add :		
Islamic financing (Note 16)	346,804,955	345,910,943
Amount owing to related parties	-	535,630
Total financial liabilities carried at amortised cost	366,242,128	362,373,582

16. ISLAMIC FINANCING

	2016 RM	2015 RM
Non-current:		
Commodity Murabahah Term Financing-i	350,000,000	350,000,000
Transaction costs	(3,195,045)	(4,089,057)
	346,804,955	345,910,943

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

The CMTF-i profit is payable over a period of 60 months from the date of first disbursement with full repayment of principal sum on the 60th month. The effective profit rate for the CMTF-i will be based on Cost of Funds (“COF”) + 1.35% per annum for the first 24 months and COF + 1.50% per annum for the remaining duration of the CMTF-i. The COF is based on each respective Banks’ COF. The average effective profit rate for the CMTF-i is 5.11% (2015: 5.11%).

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

The Islamic financing facility is secured against investment properties totaling RM712,970,000 (2015: RM707,770,000) as mentioned in Note 11.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

17. UNITHOLDERS' CAPITAL

	No. of units		2016 RM	2015 RM
	2016	2015		
At 1 January/30 March (date of establishment)	580,000,000	-	572,545,319	-
Issuance of units	-	580,000,000	-	580,000,000
Listing expenses charged to Unitholders	-	-	-	(7,454,681)
At 31 December	580,000,000	580,000,000	572,545,319	572,545,319

The Fund issued 580,000,000 units of RM1 each in conjunction with the Fund's IPO on the Main Market of Bursa Malaysia on 29 September 2015 of which 327,640,000 units of RM1 each were issued to vendors of the Fund's investment properties (Note 11) 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 parties of the Manager which comprise companies related to Johor Corporation (a public enterprise and a statutory body established via Johor Enactment No. 4, 1968 (as amended under Enactment No. 5, 1995)), and substantial unitholders of the Fund, and their market value as of 31 December 2016 based on the Record of Depositors are as follows:

	No. of units		2016 RM	2015 RM
	2016	2015		
Related parties:				
Johor Corporation	23,543,400	21,757,500	25,191,438	20,234,475
Damansara Assets Sdn Bhd	279,075,417	302,240,104	298,610,696	281,083,297
Kulim (Malaysia) Berhad	22,688,100	44,521,600	24,276,267	41,405,088
Waqaf An-Nur Corporation Berhad	57,859,401	10,014,801	61,909,559	9,313,765
Johor Land Berhad	1,100,000	324,300	1,177,000	301,599
KPJ Healthcare Berhad	2,000,000	-	2,140,000	-
Kumpulan Bertam Plantations Berhad	296,000	-	316,720	-

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 RM1.07 per unit as at 31 December 2016 (2015: RM0.93).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

18. MANAGEMENT EXPENSE RATIO ("MER")

	2016 %	2015 %
MER	0.51	0.17

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.

19. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Fund if the Fund has 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 Fund and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The investment properties acquired during the current financial year as disclosed in Note 11 were acquired from related parties of the Manager.

Significant related party transactions other than those separately disclosed elsewhere in the financial statements are as follows:

	2016 RM	2015 RM
Rental income received/receivable from related parties	29,588,047	10,652,548
Other property management fees charged by related parties of the Manager (including in other operating expenses)	4,117,620	1,131,329

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 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

20. COMMITMENTS

The Fund leases out its investment properties under operating leases. The future minimum lease payments to be received under non-cancellable leases are as follows:

	2016 RM	2015 RM
Less than one year	66,604,586	65,848,648
Between one and five years	196,673,027	242,075,842
More than five years	221,489,942	242,691,713
	<u>484,767,555</u>	<u>550,616,203</u>

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 statement of financial position approximate their fair values other than as disclosed below:

	Carrying amount RM	Fair value RM
2016		
Financial liability at amortised cost		
Islamic financing - non-current	<u>346,804,955</u>	<u>340,786,000</u>
2015		
Financial liability at amortised cost		
Islamic financing - non-current	<u>345,910,943</u>	<u>341,167,000</u>

The fair value of the non-current Islamic financing was estimated using discounted cash flow analysis based on market equivalent profit rate of 5.11% (2015: 5.22%) per annum for similar type of instruments of similar risk and cash flow profiles. The disclosure of the fair value of the non-current Islamic financing is considered a Level 2 fair value hierarchy disclosure.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)**22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Fund's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Fund's portfolios whilst managing its credit risks, liquidity risks and financing rate risks. The Fund has taken measures to minimise its 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 Fund's exposure to the above-mentioned financial risks and the objectives, policies and procedures for the management of these risks:

(a) Credit Risk Management

Credit risk refers to the risk that a counter party will default on its contractual obligation resulting in financial loss to the 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.

Exposure to credit risk

At the reporting date, the Fund's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 13.

Credit risk concentration profile

The Fund determines concentrations of credit risk by monitoring individual profile of its trade receivables on an ongoing basis. At the reporting date, the Fund does not have any significant exposure to any individual customer or counterparty nor do they have any major concentration of credit risk related to any financial instrument.

Financial instruments that are neither past due nor impaired

Information regarding receivables that are neither past due nor impaired is disclosed in Note 13. Deposits with banks and other financial institutions are placed with reputable financial institutions with good credit ratings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd.)

(b) Liquidity Risk Management

Liquidity risk is the risk that the Fund may encounter difficulty in meeting financial obligations on time due to shortage of funds. The Fund's exposure to liquidity risk arises from mismatches of the maturities of financial assets and liabilities. The Fund's approach is to maintain a balance between continuity of funding and flexibility through the use of its credit and financing facilities.

The Fund manages liquidity risk by maintaining adequate reserves, banking facilities and financing facilities, by continuously monitoring forecast and actual cash flow from its portfolios, and by matching the maturity profiles of financial assets and liabilities.

Financial assets

The following table details the Fund's expected contractual maturity for its non-derivative financial assets:

31 December 2016	Weighted average effective profit rate	Carrying amount	Contractual cash flows	On demand or within 1 year
	%	RM	RM	RM
Non-profit bearing financial assets:				
Trade receivables	-	3,824,210	3,824,210	3,824,210
Other receivables (Note 13)	-	2,377,154	2,377,154	2,377,154
Amount owing by related parties	-	1,566,792	1,566,792	1,566,792
Profit bearing financial asset:				
Fixed profit rate instruments - deposits financial institutions	3.24	41,085,000	41,258,683	41,258,683
Cash and bank balances	-	6,355,659	6,355,659	6,355,659
		55,208,815	55,382,498	55,382,498

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd.)

(b) Liquidity Risk Management (cont'd.)

Financial assets (cont'd.)

31 December 2015	Weighted average effective profit rate %	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM
Non-profit bearing financial assets:				
Trade receivables	-	1,014,861	1,014,861	1,014,861
Other receivables (Note 13)	-	942,572	942,572	942,572
Goods and services tax recoverable (Note 13)	-	8,270,315	8,270,315	8,270,315
Amount owing by related parties	-	1,813,823	1,813,823	1,813,823
Profit bearing financial asset:				
Fixed profit rate instruments - deposits financial institutions	3.75	9,242,000	9,328,672	9,328,672
Cash and bank balances	-	16,197,642	16,197,642	16,197,642
		<u>37,481,213</u>	<u>37,567,885</u>	<u>37,567,885</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER
2016 (cont'd.)

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd.)

(b) Liquidity Risk Management (cont'd.)

Financial liabilities

The following table details the Fund's expected contractual maturity for its non-derivative financial liabilities:

31 December 2016	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
Non-profit bearing financial liabilities:					
Other payables and accrued expenses	-	19,437,173	19,437,173	6,473,346	12,963,827
Profit bearing financial liabilities:					
Variable profit rate instruments - Islamic financing	5.11	346,804,955	410,306,443	17,750,841	392,555,602
		366,242,128	429,743,616	24,224,187	405,519,429

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER
2016 (cont'd.)

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd.)

(b) Liquidity Risk Management (cont'd.)

Financial liabilities (cont'd.)

31 December 2015	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
Non-profit bearing financial liabilities:					
Other payables and accrued expenses	-	15,927,009	15,927,009	4,250,836	11,676,173
Amount owing to related parties	-	535,630	535,630	535,630	-
Profit bearing financial liabilities:					
Variable profit rate instruments - Islamic financing	5.11	345,910,943	429,944,107	18,329,669	411,614,438
		362,373,582	446,406,746	23,116,135	423,290,611

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd.)

(c) Financing Rate Risk Management

Financing rate risk is the risk that the fair value or future cash flows of the Fund's financial instruments will fluctuate because of changes in the market financing rates.

The Fund manage its financing rate exposure by maintaining matching its cash flows from rental income and fixed rate profit bearing deposits with the Fund's variable rate profit bearing borrowings. The Fund places cash deposits on short-term basis and therefore allows the Fund to respond to significant changes of financing rate promptly.

Financing rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to financing rates on the Fund's variable rate profit bearing borrowings. The analysis is prepared assuming the amount of variable rate profit bearing borrowings outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease is used for the analysis and this represents management's assessment of reasonable possible change in financing rate.

If financing rates had been 25 basis point higher/lower and all other variables were held constant, the Fund's net profit/total comprehensive income for the year would decrease/increase by RM875,000 (2015: RM875,000). The assumed movement in basis points for financing rate sensitivity analysis is based on the currently observable market environment.

23. SEGMENT REPORTING

Segment information is presented in respect of the Fund's business segments based on the nature of the industry of the Fund's investment properties, which reflect the Fund's internal reporting structure that are regularly reviewed by the Fund's chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

For management purposes, the Fund is organised into the following operating divisions:

- Retail outlets
- Office buildings
- Food and beverage ("F&B") properties comprising restaurant and non-restaurant outlets
- Others comprising Fund level operations

No information on geographical areas is presented as the Group operates solely in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

23. SEGMENT REPORTING (cont'd.)

The accounting policies of the reportable segments below are the same as the Fund's accounting policies described in Note 3.

2016	Retail outlets RM	Office buildings RM	F&B Restaurants RM	F&B Non-restaurants RM	Other - Fund level operations RM	Total RM
Total revenue	46,695,922	9,032,794	9,802,650	10,603,307	-	76,134,673
Total property expenses	(15,457,220)	(3,193,240)	(16,048)	(285,609)	(270,000)	(19,222,117)
Net property income	31,238,702	5,839,554	9,786,602	10,317,698	(270,000)	56,912,556
Gain on fair value of investment properties	3,000,000	2,000,000	3,270,000	2,360,000	-	10,630,000
Investment income	-	-	-	-	943,064	943,064
Total income	34,238,702	7,839,554	13,056,602	12,677,698	673,064	68,485,620
Total Fund expenditure	-	-	-	-	(3,000,515)	(3,000,515)
Operating profit	34,238,702	7,839,554	13,056,602	12,677,698	(2,327,451)	65,485,105
Islamic financing costs	-	-	-	-	(18,817,697)	(18,817,697)
Profit before tax	34,238,702	7,839,554	13,056,602	12,677,698	(21,145,148)	46,667,408
Income tax expense	-	-	-	-	-	-
Profit for the financial year	34,238,702	7,839,554	13,056,602	12,677,698	(21,145,148)	46,667,408
Total assets	584,351,136	82,206,079	158,590,000	164,951,656	(11,916,882)	978,181,989
Total liabilities	16,963,973	3,101,298	-	84,069	345,336,158	366,242,128

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

23. SEGMENT REPORTING (cont'd.)

2015	Retail outlets RM	Office buildings RM	F&B Restaurants RM	F&B Non-restaurants RM	Other - Fund level operations RM	Total RM
Total revenue	9,912,081	2,284,174	4,353,552	4,115,078	-	20,664,885
Total property expenses	(3,763,621)	(1,018,947)	(4,278)	(69,815)	(101,371)	(4,958,032)
Net property income	6,148,460	1,265,227	4,349,274	4,045,263	(101,371)	15,706,853
Gain on fair value of investment properties	(131,220)	(197,525)	3,743,470	4,297,780	-	7,712,505
Investment income	-	-	-	-	167,312	167,312
Total income	6,017,240	1,067,702	8,092,744	8,343,043	65,941	23,586,670
Total Fund expenditure	-	-	-	-	(958,522)	(958,522)
Operating profit	6,017,240	1,067,702	8,092,744	8,343,043	(892,581)	22,628,148
Islamic financing costs	-	-	-	-	(7,861,113)	(7,861,113)
Profit before tax	6,017,240	1,067,702	8,092,744	8,343,043	(8,753,694)	14,767,035
Income tax expense	-	-	-	-	-	-
Profit for the financial year	6,017,240	1,067,702	8,092,744	8,343,043	(8,753,694)	14,767,035
Total assets	530,312,718	70,084,158	155,320,000	159,735,887	34,233,173	949,685,936
Total liabilities	11,870,713	3,315,945	-	674,613	346,512,311	362,373,582

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

24. CAPITAL MANAGEMENT

The Fund manages its capital to ensure that 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 Fund's overall strategy remain unchanged from 2015.

The capital structure of the Fund consists of net debt (borrowings as detailed in Note 16) offset by cash and cash equivalents (Note 14) and Unitholders' fund of the Fund (Note 17) (comprising Unitholders' capital and undistributed income).

The Fund is not subject to any externally imposed capital requirements. However, the Fund is required to comply with the SC Guidelines on borrowings.

The SC Guidelines requires that the total borrowings of the Fund (including borrowings through issuance of debt securities) should not exceed 50% of the total asset value of the Fund at the time the borrowings are incurred. Notwithstanding, 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 Fund on a regular basis to ensure that the SC Guidelines are complied with.

Gearing ratios

The Fund's gearing ratios are calculated based on the proportion of total borrowings to the total asset value in accordance with the SC Guidelines. The gearing ratios at the end of the reporting period is as follows.

	2016 RM	2015 RM
Total borrowings (Note 16)	346,804,955	345,910,943
Total assets value as per statement of financial position	978,181,989	949,685,936
Total borrowings to total assets value ratio	35.5%	36.4%

25. PORTFOLIO TURNOVER RATIO ("PTR")

	2016 %	2015 %
PTR (times)	-	-

The calculation of PTR is based on the average of total acquisitions and total disposals of investments in the Fund for the year to the average net asset value during the year calculated on a monthly basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd.)

25. PORTFOLIO TURNOVER RATIO ("PTR") (cont'd.)

PTR is nil for the Fund as there were no new acquisitions and disposals of investments in the portfolio of the Fund since the date of establishment of 30 March 2015 except for the initial acquisition of the investment properties during the initial public offering that was completed on 29 September 2015.

26. COMPARATIVE FIGURES

The financial statements of the Fund for the previous financial period were drawn up for the financial period 30 March 2015 (date of establishment) to 31 December 2015, or for a period of 9 months.

27. SUPPLEMENTARY INFORMATION - DISCLOSURE ON REALISED AND UNREALISED PROFIT

The breakdown of the undistributed income of the Fund as at 31 December 2016 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with the Guideline on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, is as follows:

	2016 RM	2015 RM
Total undistributed income of the Fund		
Realised	21,052,037	7,054,530
Unrealised	18,342,505	7,712,505
Total undistributed income as per statement of financial position	39,394,542	14,767,035

This supplementary information has been made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia and is not made for any other purposes.

STATEMENT BY THE MANAGER

We, Dato' Kamaruzzaman bin Abu Kassim and Yusaini bin Sidek, 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") are drawn up in accordance with applicable provisions of the Trust Deed dated 26 March 2015, Malaysian Financial Reporting Standards, International Financial Reporting Standards and Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts so as to give a true and fair view of the financial position of the Fund as at 31 December 2016 and of the financial performance and the cash flows of the Fund for the year ended on the date.

The supplementary information set out in Note 27 on page 147, which is not part of the financial statements, is prepared in all material respect, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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



DATO' KAMARUZZAMAN BIN ABU KASSIM

YUSAINI BIN SIDEK

Kuala Lumpur,
26 January 2017

DECLARATION BY THE DIRECTOR OF THE MANAGER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE FUND

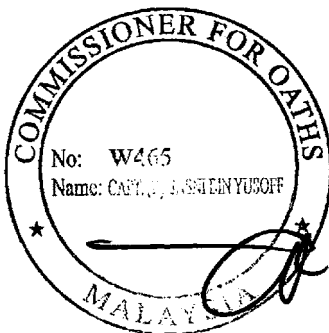
I, **YUSAINI BIN SIDEK**, the Director of **DAMANSARA REIT MANAGERS SDN BERHAD** ("the Manager") primarily responsible for the financial management of **AL-SALĀM REAL ESTATE INVESTMENT TRUST** (the "Fund"), do solemnly and sincerely declare that the accompanying financial statements, are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



YUSAINI BIN SIDEK

Subscribed and solemnly declared by the abovenamed **YUSAINI BIN SIDEK** at **KUALA LUMPUR** on 26 January 2017.

Before me,



Lot 1.08, 1st Floor,
KWSP Building, Jln Raja Laut,
50350 Kuala Lumpur.
Tel: 019-6680745

COMMISSIONER FOR OATHS

SHARIAH COMMITTEE REPORT TO THE UNITHOLDERS OF AL-SALĀM REAL ESTATE INVESTMENT TRUST

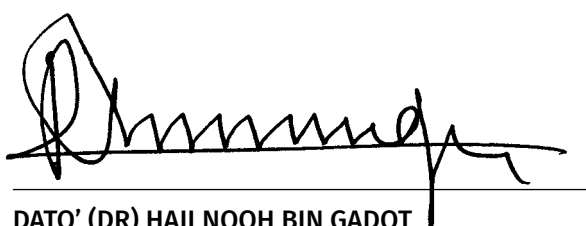
We have acted as the Shariah Adviser of **AL-SALĀM REAL ESTATE INVESTMENT TRUST** (the “Fund”). Our responsibility is to ensure that the procedures and processes employed by **DAMANSARA REIT MANAGERS SDN BERHAD** (the “Manager”) and that the provisions of the Trust Deed are in accordance with Shariah principles.

In our opinion, the Manager has managed and administered the Fund in accordance with Shariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Shariah matters for the financial year ended 31 December 2016.

In addition, we also confirm that the investment portfolio of the Fund is Shariah-compliant, which comprises:

- (a) Rental income from investment properties which complied with the Guidelines for Islamic Real Estate Investment Trust; and
- (b) Cash placement and liquid assets, which are placed in Shariah-compliant investments and/or instruments.

For the Members of Shariah Committee



DATO' (DR) HAJI NOOH BIN GADOT

CHAIRMAN, SHARIAH COMMITTEE

26 January 2017

TRUSTEE'S REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

To the Unitholders 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 2016. 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 Trust, 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;
- (b) creation of units are carried out in accordance with the Deed and other regulatory requirement; and
- (c) 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



HABSAH BINTI BAKAR

Chief Executive Officer

Kuala Lumpur, Malaysia

26 January 2017

ANALYSIS OF UNIT HOLDINGS

Unitholdings Statistics as at 30 December 2016 (As Per Record of Depositors)

Break down of Unit holdings

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
Less than 100	165	1.92	7,539	-
100 – 1000	4,138	48.16	2,342,615	0.41
1,001 – 10,000	3,820	44.46	11,428,918	1.97
10,001 – 100,000	418	4.87	9,349,140	1.61
100,001 to less than 5% of Issued Capital	48	0.56	147,436,970	25.42
5% and above of Issued Capital	3	0.03	409,434,818	70.59
TOTAL	8,592	100.00	580,000,000	100.00

Top Thirty Securities Account Holders

(Without aggregating the securities from different securities accounts belonging to the same depositor)

	Name	No. of Units	%
1	Damansara Assets Sdn. Bhd.	251,575,417	43.38
2	Tabung Amanah Warisan Negeri Johor	100,000,000	17.24
3	Waqaf An-Nur Corporation Berhad	57,859,401	9.98
4	Maju Noms (T) Sdn Bhd - A/C Damansara Assets Sdn Bhd	27,500,000	4.74
5	Johor Corporation	23,543,400	4.06
6	Kulim (Malaysia) Berhad	22,688,100	3.91
7	Pelaburan Hartanah Berhad	20,000,000	3.45
8	Lembaga Tabung Haji	13,610,100	2.35
9	Cartaban Noms (T) Sdn Bhd - A/C Standard Chartered Saadiq Bhd SCBMB Trustee for Muamalat 1	12,944,200	2.23
10	CIMB Islamic Noms (T) Sdn Bhd - A/C CIMB Islamic Trustee Berhad - Kenanga Syariah Growth Fund	2,913,900	0.50
11	Labuan Reinsurance (L) Ltd	2,406,300	0.41
12	AMSec Nominees (Tempatan) Sdn Bhd - A/C MTrustee Berhad For Pacific Pearl Fund (UT-PM-PPF)	2,168,800	0.37
13	KPJ Healthcare Berhad	2,000,000	0.34
14	Citigroup Noms (T) Sdn Bhd - A/C Kenanga Islamic Investors Bhd for Tabung Warisan Negeri Selangor (REITS)	1,713,700	0.30
15	Ahamad Bin Mohamad	1,200,020	0.21
16	Maybank Noms (T) Sdn Bhd - A/C Etiqa Takaful Berhad (Family PIF EQ)	1,150,000	0.20
17	Johor Land Berhad	1,100,000	0.19
18	HSBC Noms (T) Sdn Bhd - A/C HSBC (M) Trustee Bhd for Pacific Dana Dividen (6129-701)	1,035,700	0.18
19	Saw Huat Seong	1,000,000	0.17
20	Universal Trustee (Malaysia) Berhad - A/C Kenanga Islamic Fund	806,900	0.14
21	Maybank Noms (T) Sdn Bhd - A/C Etiqa Takaful Berhad (Group PRF EQ)	730,000	0.13
22	AMSec Nominees (Tempatan) Sdn Bhd - A/C MTrustee Berhad for Malaysia France Institute Sdn Bhd (PMF)	703,700	0.12
23	Maybank Noms (T) Sdn Bhd - A/C Exempt An for Maybank Islamic Asset Management Sdn Bhd (Resident) (475391)	647,100	0.11

ANALYSIS OF UNIT HOLDINGS

	Name	No. of Units	%
24	CIMB Group Noms (T) Sdn Bhd - A/C Exempt An for CIMB Bank Bhd (Dana Johor)	605,849	0.10
25	Citigroup Noms (T) Sdn Bhd - A/C Kumpulan Wang Persaraan (Diperbadankan) (MYBK AM SC E)	600,000	0.10
26	CIMSec Noms (T) Sdn Bhd - A/C CIMB Bank for Arshad Bin Ayub (MY1393)	600,000	0.10
27	Tenh Hong Way	600,000	0.10
28	Affin Hwang Noms (T) Sdn. Bhd. - A/C For Mohd Fauzy bin Abdullah (M09)	600,000	0.10
29	Maybank Secs Noms (T) Sdn Bhd - A/C Malayan Banking Berhad For Pelaburan Johor Berhad (MBB Dana Johor)	520,501	0.09
30	Citigroup Noms (T) Sdn Bhd - A/C Kenanga Islamic Investors Bhd for Tabung Warisan Negeri Selangor	303,100	0.05

Substantial Unitholders

Bil	Name		Direct		Indirect	
			No. of Units	%	No. of Units	%
1	Damansara Assets Sdn. Bhd.	251,575,417				
	Maju Noms (T) Sdn Bhd - A/C Damansara Assets Sdn Bhd	27,500,000	279,075,417	48.12	-	-
2	Tabung Amanah Warisan Negeri Johor		100,000,000	17.24	-	-
3	Waqaf An-Nur Corporation Berhad		57,859,401	9.98	-	-

Analysis of Unitholders

	No. of Unitholders	%	No. of Units	%
Malaysian - Bumiputra	1,924	22.39	540,487,093	93.19
- Others	6,643	77.32	39,011,474	6.72
Foreigners	25	0.29	501,433	0.09
TOTAL	8,592	100.00	580,000,000	100.00

ANALYSIS OF UNIT HOLDINGS

Unit Analysis as at 30 December 2016

	Total		Bumiputra		Non - Bumiputra		Foreign	
	No. of Holder	No. of Unit	No. of Holder	No. of Unit	No. of Holder	No. of Unit	No. of Holder	No. of Unit
Government Bodies	2	123,543,400	2	123,543,400	-	-	-	-
Finance	3	13,638,800	2	13,635,100	1	3,700	-	-
Investment Trust	1	7,400	-	-	1	7,400	-	-
Nominees	381	57,836,440	211	36,630,747	165	20,904,393	5	301,300
Companies	19	358,845,642	14	358,806,147	5	39,495	-	-
Clubs / Association	5	74,086	4	71,126	1	2,960	-	-
Co - Operatives	14	349,929	12	340,035	2	9,894	-	-
Individuals	8,167	25,704,303	1,679	7,460,538	6,468	18,043,632	20	200,133
Total	8,592	580,000,000	1,924	540,487,093	6,643	39,011,474	25	501,433
%	100.00	100.00	22.39	93.19	77.32	6.72	0.29	0.09



Managed by:
DAMANSARA REIT MANAGERS SDN BHD (717704-V)
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