

AL-SALĀM REIT ANNUAL REPORT 2017

KOMTAR JBCC
MENARA KOMTAR
@MART KEMPAS
MALAYSIAN COLLEGE OF
HOSPITALITY & MANAGEMENT
KFC RESTAURANTS
PIZZA HUT RESTAURANTS
PERLIS KEDAH PENANG PERAK
SELANGOR WIP KUALA LUMPUR
N. SEMBILAN MELAKA JOHOR
F&B INDUSTRIAL PREMISES
SELANGOR PENANG SABAH



AL-SALĀM REAL ESTATE INVESTMENT TRUST ANNUAL REPORT 2017

WWW.ALSALAMREIT.COM.MY

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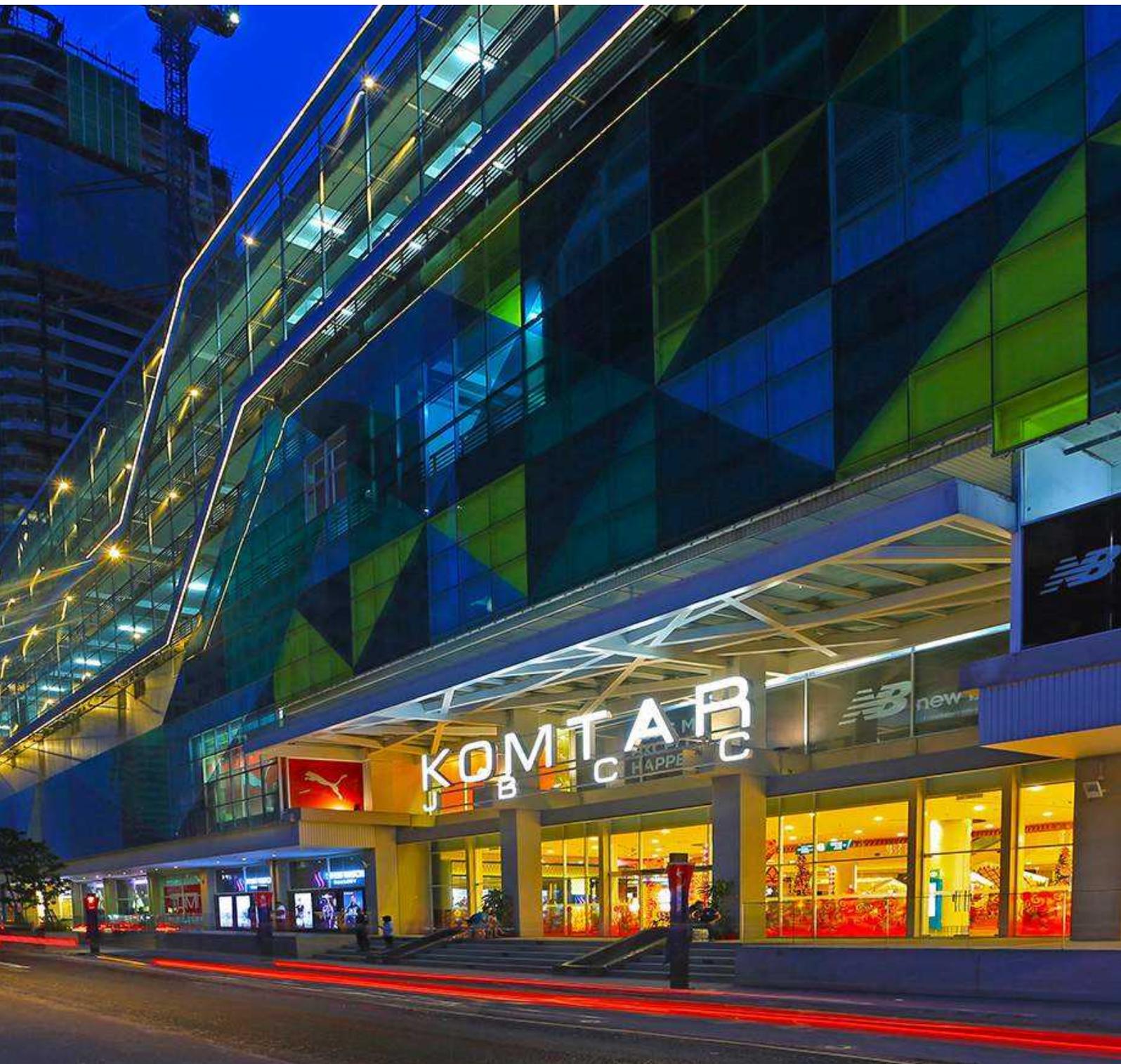
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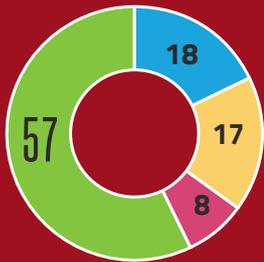


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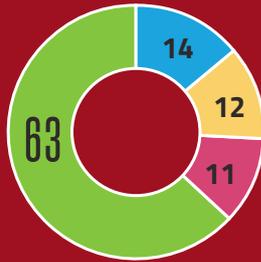
HIGHLIGHTS & INSIGHTS 2017

PROPERTY VALUE
%



● Retail

REVENUE
%

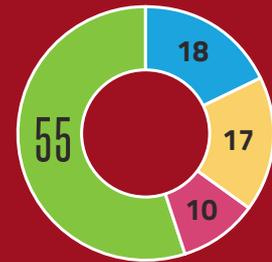


● Office

● F&B Restaurants

● F&B Non-Restaurants

NET PROPERTY INCOME
%



31
NUMBER OF PROPERTIES

RM **927.5** MILLION
PROPERTY VALUE

RM **56.9** MILLION
NET PROPERTY INCOME

RM **80.0** MILLION
GROSS REVENUE

6.00 SEN
DISTRIBUTION PER UNIT

6.0%
DISTRIBUTION YIELD

RM **580.0** MILLION
MARKET CAPITALISATION

1.9 MILLION SF
GROSS FLOOR AREA

POLICY, OBJECTIVE & STRATEGIES

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.

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.

STRATEGIES

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.

ACQUISITION GROWTH STRATEGY

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

CAPITAL AND RISK MANAGEMENT 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.

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 Berhad (DRMSB or The Manager) a wholly-owned subsidiary of Johor Corporation (JCorp).

The Manager is a Capital Markets Services License holder, authorised to carry out fund management activities in relation to REIT.

As at 31 December 2017, the REIT asset size stood at RM927.5 million with a market capitalisation of RM580.0 million.

CORPORATE INFORMATION

MANAGER

DAMANSARA REIT MANAGERS SDN BERHAD (717704-V)

Registered Office:

Level 16, 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
Selangor Darul Ehsan
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 Darul Takzim
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) 7226 8986
Website : www.deloitte.com/my

REGISTRAR

JOHOR CORPORATION

Level 16, Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru
Johor Darul Takzim
Tel : (+603) 219 5064
Fax : (+603) 223 3175

SOLICITOR

ABDUL RAMAN SAAD & ASSOCIATES

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

INDEPENDENT PROPERTY VALUER

CHESTON INTERNATIONAL (KL) SDN BHD

(647245-W)

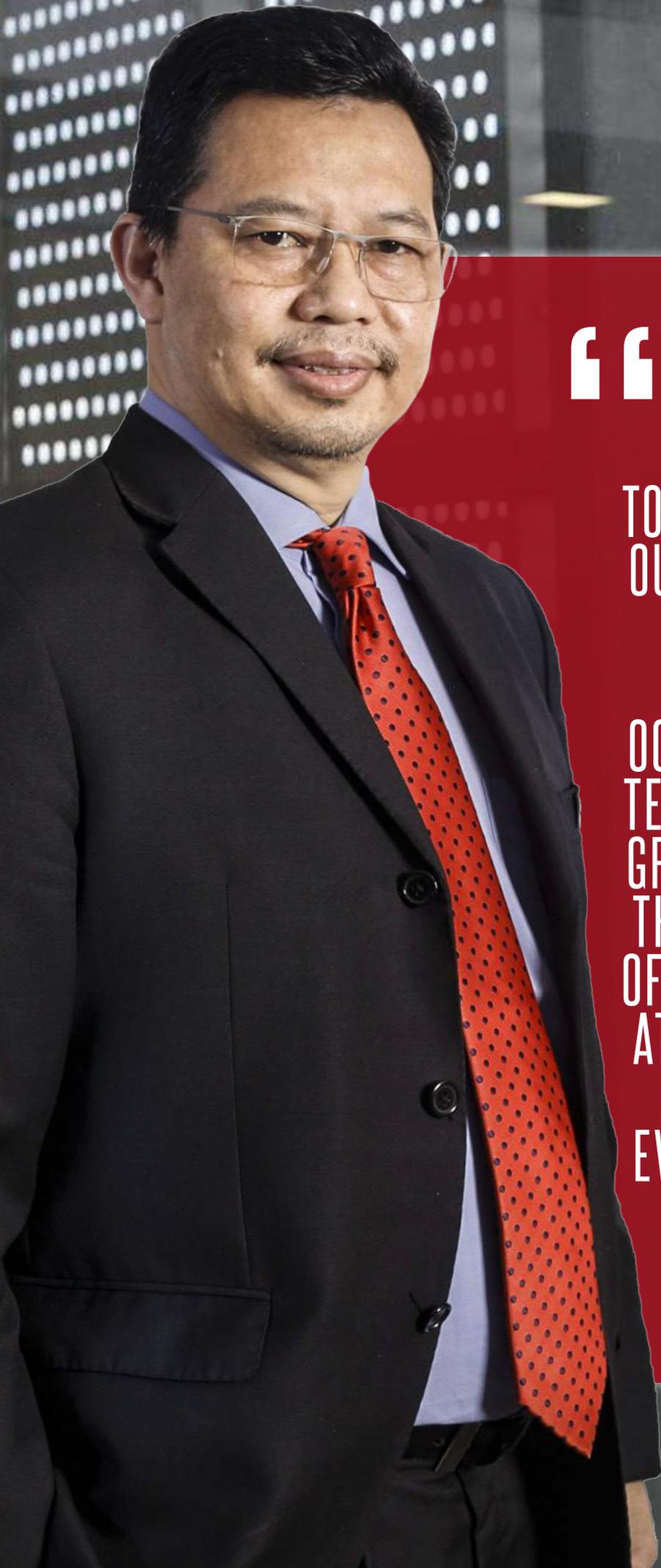
Suite 2A, 2nd Floor, Plaza Flamingo
No. 2, Tasik Ampang
Jalan Hulu Kelang
68000 Ampang
Selangor Darul Ehsan
Tel : (+603) 4251 2599
Fax : (+603) 4251 6599
Email : cikl@chestonint.com
Website : www.chestonint.com

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Name: ALSREIT
Stock Code: 5269

WEBSITE

www.alsalamreit.com.my



“

WE HAVE WORKED TOWARDS STRENGTHENING OUR UNITHOLDERS' VALUE BY FOCUSING ON THE IMPROVEMENT IN THE OCCUPANCY OF THE MULTI TENANCY ASSETS AND THE GROWTH OF ASSET VALUE. THE CURRENT ASSET SIZE OF AL-SALAM REIT STANDS AT RM927.5 MILLION AND IS EXPECTED TO GROW EVEN FURTHER IN FY2018 BY RM270 MILLION.

”

LETTER TO STAKEHOLDERS

DEAR VALUED STAKEHOLDERS,

On behalf of the Board of Directors of the Manager (the Board), it gives me great pleasure to present Al-Salām REIT's (the Fund) Annual Report and audited financial statements for the financial year ended 31 December 2017.

In the reporting year, we have worked hard towards strengthening our Unitholders' value by our focus on the following 2 main areas:

(i) Improvement in the occupancy of the existing assets – occupancy rate for the multi tenancy assets particularly KOMTAR JBCC has improved steadily from 81% during the Initial Public Offering to 95% as at 31 December 2017 whilst Menara KOMTAR and @Mart Kempas have consistently maintaining its occupancy rate at above 90%, showing the resilience of the assets in the current challenging market.

(ii) Growth of asset value - our portfolio value has increased by RM5.4 million to RM927.5 million as at 31 December 2017. The asset size of Al-Salām REIT is expected to grow even further in FY2018 by RM270 million with the proposed acquisition of Mydin Hypermarket Gong Badak and 22 properties owned by QSR Group of Companies. The Manager is currently evaluating yield-accretive assets for future injection into the Fund that will add value to the stable of assets.

We are pleased to announce that Al-Salām REIT has distributed a total Distribution per Unit (DPU) of 6.00 sen per unit for FY2017. This translates into an annual distribution yield of 6.0% based on the closing unit price of RM1.00 as at 31 December 2017. The total payout of RM34.8 million represents approximately 97.9% of Al-Salām REIT's distributable income for the year.

Year 2017 marked our commitment towards the sustainability initiatives with the inclusion of Sustainability Statement in this Annual Report. Following the adoption of the Sustainability Framework, the Sustainability Steering Committee was formed at the Manager level whilst the composition of our property managers and service providers forming the Sustainability Working Committee. With the implementation of the sustainability practices at various levels, we are committed to strike a balance between financial performance, social engagement and environmental stewardship.

On this note, I would like to extend my heartfelt gratitude to the Board members for their valuable guidance and to the Shariah Committee for their wisdom towards the success of Al-Salām REIT. Our achievement will not be attainable without the support and commitment of employees of the Manager.

During the year, Dato' Mani a/l Usilappan had resigned from the Board. On a personal note as well as on behalf of the Board, I would like to extend my appreciation to Dato' Mani for his contribution to Al-Salām REIT. The Board wishes Dato' Mani well in his future undertakings. I would also like to extend my heartiest welcome to Dato' Dr Rahah binti Ismail as the new Independent Non-Executive Director effective from 5 October 2017.

I would like to extend my appreciation to Damansara Assets Sdn Bhd and QSR Group of Companies for being the supportive business partners since the establishment of Al-Salām REIT. My sincerest gratitude also goes to our valued stakeholders – unitholders, trustee, financiers, business partners and relevant authorities for the continuous support and confidence in Al-Salām REIT.

DATO' KAMARUZZAMAN BIN ABU KASSIM
CHAIRMAN

SALIENT FEATURES

**Al-Salām
Real Estate
Investment Trust**
NAME OF FUND

**Main Market
of Bursa
Malaysia
Securities
Berhad**
LISTING

**Income
& Growth**
TYPE OF FUND

**29
September
2015**
LISTING DATE

**Diversified
Real Estate
Investment
Trust**
CATEGORY OF FUND

**At Least
90%**
DISTRIBUTION POLICY

**ALSREIT
(5269)**
STOCK NAME AND CODE

**31
December**
FINANCIAL YEAR END

FINANCIAL PERFORMANCE

	2017	2016	2015*
GROSS REVENUE RM'000	80,033	76,135	20,665
NET PROPERTY INCOME RM'000	56,887	56,913	15,707
INCOME BEFORE TAX RM'000	40,606	46,667	14,767
NET INCOME AFTER TAX RM'000	40,606	46,667	14,767
EARNINGS PER UNIT sen	7.00	8.05	2.55
INVESTMENT PROPERTIES RM'000	927,470	922,090	911,460
TOTAL ASSET VALUE RM'000	988,756	978,182	949,686
NET ASSET VALUE RM'000	616,296	611,940	587,312
NAV PER UNIT - before distribution (RM)	1.0626	1.0551	1.0126
NAV PER UNIT - after distribution (RM)	1.0311	1.0211	1.0006
MARKET CAPITALISATION RM'000	580,000	620,600	539,400
DISTRIBUTION PER UNIT sen	6.00	6.00	1.20
ANNUAL DISTRIBUTION YIELD %	6.0	5.6	5.0

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

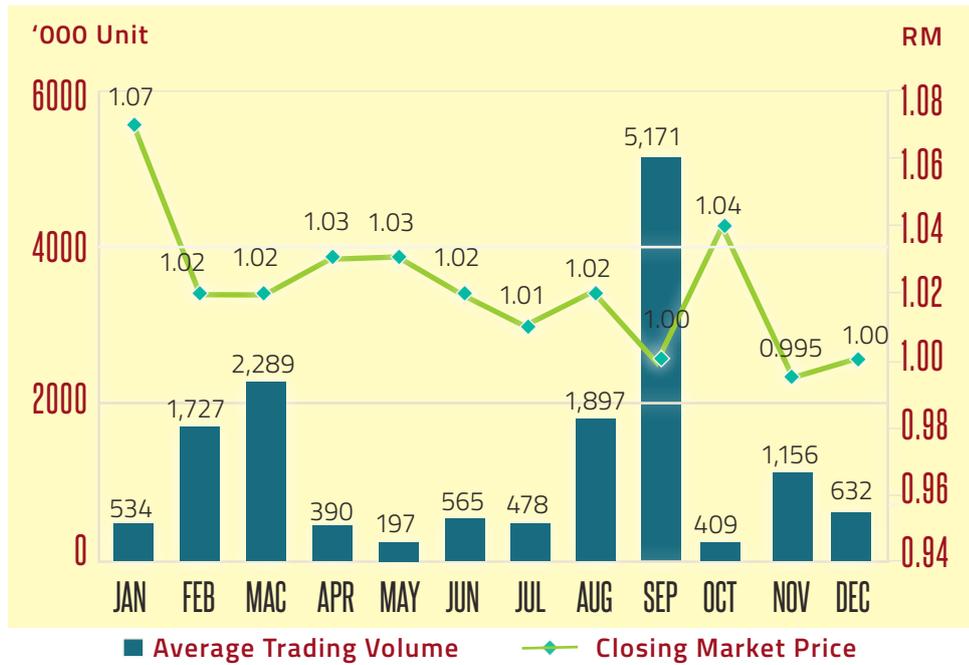
TRADING PERFORMANCE

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 (RM '000)
January	1.03	1.07	1.07	534	620,600
February	1.02	1.07	1.02	1,727	591,600
March	1.02	1.04	1.02	2,289	591,600
April	1.01	1.05	1.03	390	597,400
May	1.02	1.04	1.03	197	597,400
June	1.01	1.04	1.02	565	591,600
July	1.01	1.05	1.01	478	585,800
August	1.00	1.05	1.02	1,879	591,600
September	1.04	0.99	1.00	5,171	580,000
October	0.995	1.04	1.04	409	603,200
November	0.99	1.04	0.995	1,156	527,100
December	0.97	1.00	1.00	632	580,000

MARKET CAPITALISATION AND UNIT IN CIRCULATION SINCE INCEPTION

Year	Market Capitalisation (RM Million)	Unit in Circulation (Million)
2015	539	580
2016	621	580
2017	580	580

MONTHLY TRADING PERFORMANCE



CLOSING UNIT PRICE AND NAV PER UNIT

Year	Closing Unit Price (RM)	NAV per Unit (RM)
2015	0.93	1.0126
2016	1.07	1.0551
2017	1.00	1.0626

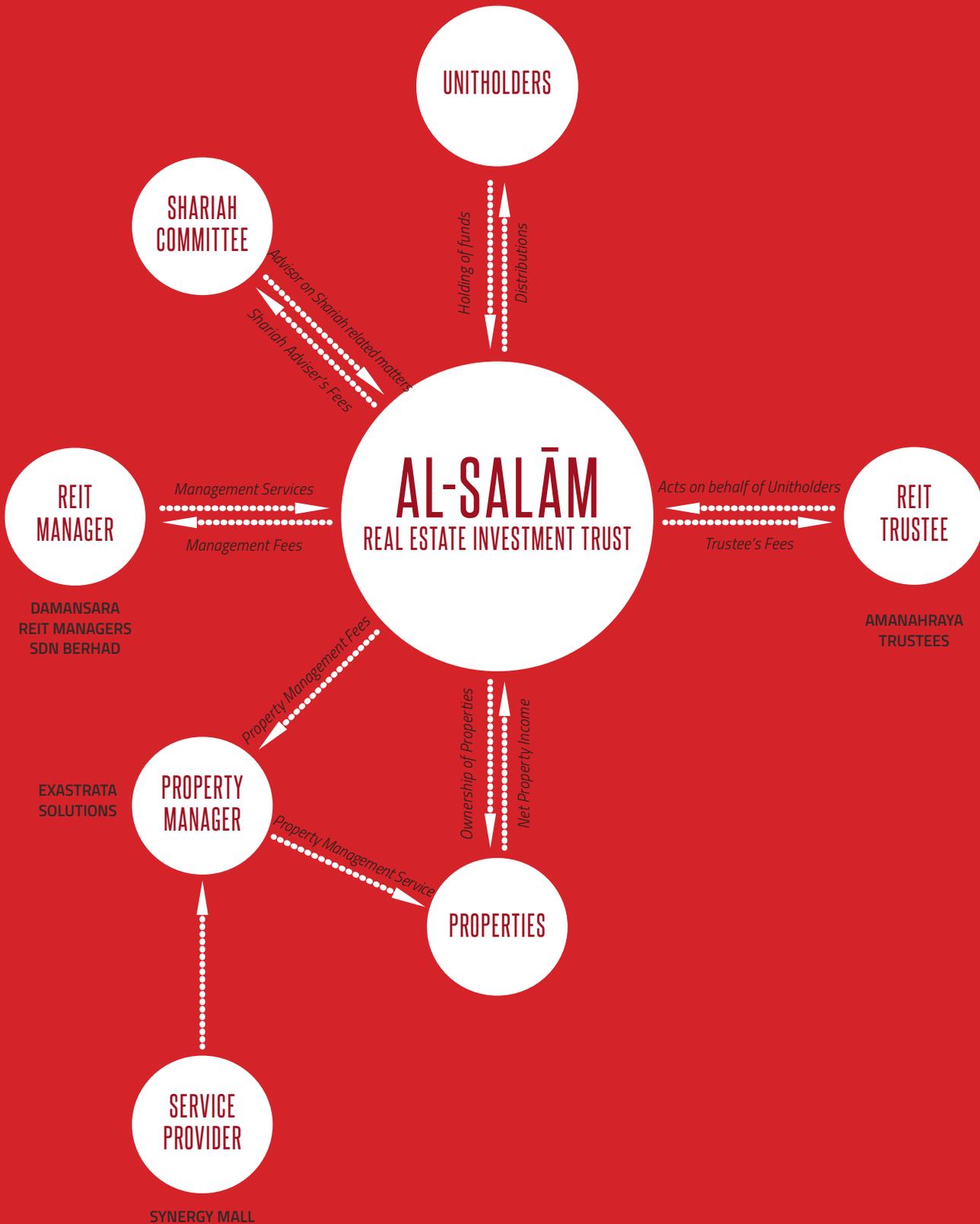




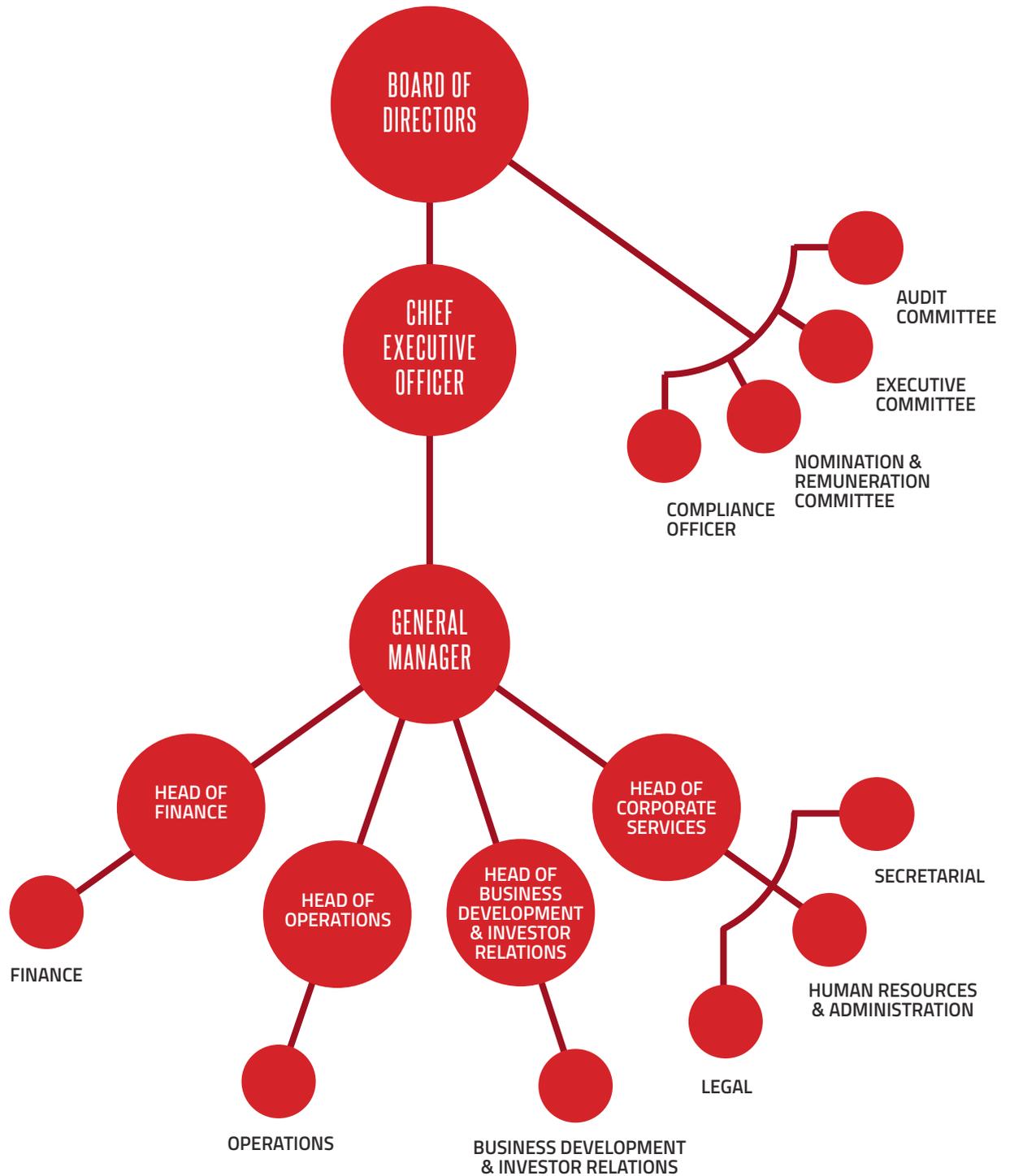
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TRUST STRUCTURE



ORGANISATION STRUCTURE



THE BOARD OF DIRECTORS



DATO' KAMARUZZAMAN BIN ABU KASSIM

Non-Independent Non-Executive Chairman

WAN AZMAN BIN ISMAIL

Chief Executive Officer & Non-Independent Executive 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 AND REMUNERATION COMMITTEE

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



COMPANY SECRETARIES

Jamalludin bin Kalam (LS0002710)

Hana binti Ab Rahim @Ali (MAICSA 70643336)



ZAINAH BINTI MUSTAFA

Independent Non-Executive Director



DR MOHD HAFETZ BIN AHMAD

Independent Non-Executive Director



DATO' DR RAHAH BINTI ISMAIL

Independent Non-Executive Director



LUKMAN BIN HJ. ABU BAKAR

Non-Independent
Non-Executive Director



YUSAINI BIN HJ. SIDEK

Non-Independent
Non-Executive Director



DATO' AMIRUDDIN BIN ABDUL SATAR

Non-Independent
Non-Executive Director



MOHD YUSOF BIN AHMAD

Non-Independent
Non-Executive Director

BOARD OF DIRECTORS PROFILE

DATO' KAMARUZZAMAN BIN ABU KASSIM **MALAYSIAN, MALE, AGED 54**

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

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

He 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 Senior Vice President, Corporate Services & Finance of JCorp beginning 1 January 2009 and Acting President & Chief Executive of JCorp beginning 29 July 2010.

He is also the Chairman of KPJ Healthcare Berhad, and E.A. Technique (M) Berhad, companies under JCorp Group listed on the Main Market of Bursa Malaysia Securities Berhad. Further, he is also the Chairman and/or Director of several companies within the JCorp Group, including Kulim (Malaysia) Berhad, Johor Land Berhad (JLand), QSR Brands (M) Holdings Berhad (QSR), Waqaf An-Nur Corporation Berhad, an Islamic

endowment institution which spearheads JCorp's corporate social responsibility programmes and Yayasan Johor Corporation, a foundation that manages and administer funds for education and charitable purposes.

Other than as disclosed, he does not have any family relationship with any directors and/or major Unitholders of Al-Salām REIT. He has no personal interest in any business arrangement involving Al-Salām REIT and has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

He attended 4 Board Meetings held during the financial year ended 31 December 2017.

WAN AZMAN BIN ISMAIL **MALAYSIAN, MALE, AGED 54**

Wan Azman bin Ismail is the Executive Director cum Chief Executive Officer of the Manager. He was appointed to the Board as Non-Independent Non-Executive Director on 15 February 2017 and subsequently assumed his current role since 27 March 2017.

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 on March 1999 to July 1999.

He joined JCorp Group in September 1999 to December 2000 and later joined Damansara Realty Berhad (DBhd) in January 2001. He was appointed as the Managing Director of DBhd on 1 February 2011 and later redesignated as Director. Starting June 2014, he served JCorp as Vice President Strategic Development Department prior to joining the Manager. He has obtained a Capital Markets Services Representatives Licence for REIT as a Licensed Director to carry on regulated activities specified under the CMSA.

Other than as disclosed, he does not have any family relationship with any director and/ or major Unitholders of Al-Salām REIT. 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 period of his appointment date to 31 December 2017.

ZAINAH BINTI MUSTAFA **MALAYSIAN, FEMALE, AGED 63**

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.

She is currently a Fellow Member of the Association of Certified Chartered Accountants (ACCA). She joined JCorp in October 1978 and has held various roles including as its Group Chief Financial Officer before retiring on 31 October 2002. She started her career as an Assistant

Senior Auditor in Perbadanan Nasional Berhad in 1997 after graduating from Institut Teknologi MARA (presently Universiti Teknologi MARA).

She also holds directorship in several public-listed companies, namely, KPJ Healthcare Berhad and DBhd.

Other than as disclosed, she does not have any family relationship with any director and/or major Unitholders of Al-Salām REIT. 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 5 Board Meetings held during the financial year ended 31 December 2017.

DR. MOHD HAFETZ BIN AHMAD **MALAYSIAN, MALE, AGED 68**

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

He 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.

He 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).

He 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.

He 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 JLand, Sindora Berhad, Waqaf AnNur 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 Unitholders of Al-Salām REIT. 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 5 Board Meetings held during the financial year ended 31 December 2017.

DATO' DR. RAHAH BINTI ISMAIL **MALAYSIAN, FEMALE, AGED 61**

Dato' Dr. Rahah binti Ismail is the Independent Non-Executive Director of the Manager. She was appointed to the Board on 5 October 2017.

She is a valuer both by training and profession. She holds a doctoral degree in Housing Development and Finance, a masters degree in Urban Land Appraisal and a bachelor degree in Surveying (Property Management).

She had previously served the Department of Valuation and Property Services, Ministry of Finance Malaysia, holding several key positions including Deputy Director General of Valuation (Technical), Director of Valuation and Property Services in the states of Johor and Selangor, Director of Inspen and Head of Research at Inspen and retired from the service on August 2017 as the Director General of Valuation. Currently she is an independent property consultant.

She had also served as the President of the Board of Valuers, Appraisers and Estate Agents. Prior to her appointment as the President of the Board of Valuers, Appraisers and Estate Agents, she is the Chair for the Valuation Practice Committee and the Test of Professional Competency Committee of the Board.

She is also involved in professional bodies like the Royal Institution of Surveyors Malaysia, Royal institution of Chartered Surveyor where her contributions led to the recognition and award as the Fellow of the Royal

Institution of Surveyors Malaysia and Fellow of the Royal Institute of Chartered Surveyors. She has also served ASEAN Valuers Association as the Vice President and President of the AVA Malaysia. Currently she is in the AVA governing Council.

She is a keen researcher and her main area of interest is the area of property development, property market and housing and has presented locally as well as internationally.

Other than as disclosed, she does not have any family relationship with any director and/or major Unitholders of Al-Salām REIT. 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 1 Board Meeting held during the period of her appointment date to 31 December 2017.

LUKMAN BIN HJ. ABU BAKAR **MALAYSIAN, MALE, AGED 59**

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.

He 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.

He presently is the Managing Director of JLand 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 Unitholders of Al-Salām REIT. 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 5 Board Meetings held during the financial year ended 31 December 2017.

YUSAINI BIN HJ. SIDEK
MALAYSIAN, MALE, AGED 50

Yusaini bin Hj. Sidek is the Non-Independent Non-Executive Director of the Manager. He was appointed to the Board as an Executive Director in 2009 and subsequently assumed his role as Managing Director of the Manager on February 2013 until 19 April 2017.

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.

He 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 from Universiti Kebangsaan Malaysia in 1999 and a Diploma in Valuation from Universiti Teknologi Malaysia in 1989.

He has approximately 27 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 JCorp as a Senior Manager until 2005 managing the properties under 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 for year 2015 to 2016 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 Unitholders of Al-Salām REIT. 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 5 Board Meetings held during the financial year ended 31 December 2017.

DATO' AMIRUDDIN BIN ABDUL SATAR
MALAYSIAN, MALE, AGED 54

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

He 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. He is also the Malaysia Advisory Committee Member of the Association of Chartered Certified Accountants (ACCA).

He 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) as the Vice President.

Other than as disclosed, he does not have any family relationship with any directors and/or major Unitholders of Al-Salām REIT. He has no personal interest in any business arrangements involving Al-Salām REIT and has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

He attended all 5 Board Meetings held during the financial year ended 31 December 2017.

MOHD YUSOF BIN AHMAD
MALAYSIAN, MALE, AGED 50

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

He graduated with a Bachelor in 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 at the Planning Department in 1995.

Since 2000, he had served several departments in JLand which includes Property Management, Marketing Department, Corporate Office and Planning Department. He is currently the General Manager of Special Projects (JB Urban Redevelopment) 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 and also special assistant to JCorp's President and Chief Executive Officer in Yayasan Sultan Ibrahim Johor. He 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 unitholders of Al-Salām REIT. 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 5 Board Meetings held during the financial year ended 31 December 2017.

THE SHARIAH COMMITTEE



*From left:
Professor Madya
Dr. Ab. Halim bin
Muhammad, Dato'
(Dr) Haji Nooh bin
Gadot (Chairman),
Professor Dr.
Mohamad @ Md.
Som bin Sujimon*

DATO' (DR) HAJI NOOH BIN GADOT **MALAYSIAN, MALE, AGED 72**

Dato' (Dr) Haji Nooh bin Gadot, was appointed as the Chairman and Member of Shariah Committee of Al-Salām REIT since 9 July 2015.

He 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.

Currently, he 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). He retired as Mufti of Johor in November 2002 and continued his service until 13 November 2008 and now remains as the Advisor to the Islamic Religious Council (Johor). 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 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 also presently sits on the board and member of various companies within the JCorp Group as well as other companies, council, institutions and organization in Malaysia.

He 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
MALAYSIAN, MALE, AGED 73**

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, Angkatan Koperasi Kebangsaan Malaysia Berhad and Terengganu Trust Fund.

**PROFESSOR DR. MOHAMAD
@ MD. SOM BIN SUJIMON
MALAYSIAN, MALE, AGED 64**

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 Saifuddien. 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 and also member of Shariah Committee for Hong Leong Islamic Bank Berhad. 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. Recently he was an Associate Research Fellow at International Research Centre of Islamic Economics and Finance (IRCIEF), Kolej Universiti Islam Antarabangsa Selangor (KUIS).

MANAGEMENT PROFILE

WAN AZMAN BIN ISMAIL **MALAYSIAN, MALE, AGED 54**

Wan Azman bin Ismail is currently the Executive Director of the Manager. His profile is detailed in the Board of Directors' profile.

SHAHRIK ZAIRIS BIN RAMLI **MALAYSIAN, MALE, AGED 48**

Shahril Zairis bin Ramli, is currently the 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 DBhd 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.

Other than as disclosed, 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 5 years.

ROZIAH BINTI ABU BAKAR **MALAYSIAN, FEMALE, AGED 50**

Roziyah Abu Bakar, is currently the Head of Compliance and Risk Management of the Manager. 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 experiences in the areas of corporate planning, business development and education. She obtained approval from the SC as the Compliance Officer of the Manager in June 2017.

Other than as disclosed, 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 5 years.

SUHAIMI BIN SAAD **MALAYSIAN, MALE, AGED 48**

Suhaimi bin Saad, is currently the 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 experiences 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' License for REIT from the SC as a Licensed Representative.

Other than as disclosed, 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 5 years.

HAMIM BIN MOHAMAD
MALAYSIAN, MALE, AGED 41

Hamim bin Mohamad, is currently the Head of Corporate Services. 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 was the Compliance Officer of the Manager from September 2014 until June 2017.

Other than as disclosed, 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 5 years.

SAHRIN BIN MUNIR
MALAYSIAN, MALE, AGED 36

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.

Other than as disclosed, 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 5 years.

MUHAMMAD IKHWAN BIN MUHAMMAD HANAPI
MALAYSIAN, MALE, AGED 32

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).

Other than as disclosed, 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 5 years.





SECTION **3** STRATEGIC PERFORMANCE

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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 RM927.5 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, F&B Restaurants and F&B non-restaurant segments.

FINANCIAL REVIEW

Al-Salām REIT managed to deliver a stable DPU of 6.00 sen for FY2017 (FY2016: 6.00 sen) despite current challenging economic and market condition.

Table 1: Key Financial Highlights

	Audited FY 2017 RM'000	Audited FY 2016 RM'000	Variance (%)
Gross Revenue	80,033	76,135	5.1
Net Property Income	56,887	56,913	(0.1)
Net Income (realised)	35,542	36,037	(1.4)
Income available for distribution (realised)	35,542	36,037	(1.4)
EPU (sen) - realised	6.13	6.21	(1.4)
DPU (sen)	6.00	6.00	

Commentaries (FY2017 vs FY2016)

1. Al-Salām REIT achieved a gross revenue of RM80.0 million for the financial year ended 31 December 2017, a moderate growth of 5.1% against RM76.1 million achieved in FY2016, mainly contributed by a stronger performance in the retail segment. However, net property income was slightly lower due to increase in property expenses in Menara KOMTAR.
2. The Fund registered a slightly lower realised EPU in FY2017 as a result of the above.

Table 2 : Segmental Gross Revenue and NPI 2016-2017

	Gross Revenue			Net Property Income		
	FY 2017 RM'000	FY 2016 RM'000	Change %	FY 2017 RM'000	FY 2016 RM'000	Change %
KOMTAR JBCC	43,090	39,915	8.0	27,521	27,467	0.2
@Mart Kempas	7,209	6,781	6.3	3,967	3,772	5.2
Total Retail Segment	50,299	46,696	7.7	31,488	31,239	0.8
Menara Komtar	9,136	9,033	1.1	5,451	5,839	(6.6)
Total Office Segment	9,136	9,033	1.1	5,451	5,839	(6.6)
22 KFC &/or Pizza Hut Outlets	9,803	9,803	-	9,790	9,787	-
Total F&B Restaurants	9,803	9,803	-	9,790	9,787	-
Industrial Premises	8,263	8,263	-	8,238	8,237	-
KFCH International College	2,532	2,340	8.2	2,190	2,081	5.2
Total F&B Non-Restaurants	10,795	10,603	1.8	10,428	10,318	1.1
Property Manager Fee	-	-	-	(270)	(270)	-
Total Portfolio	80,033	76,135	5.1	56,887	56,913	(0.1)

BUSINESS REVIEW

Retail segment remained as the key contributor to Al-Salām REIT with contribution to revenue and NPI of 63% (FY2016: 61%) and 55% (FY2016: 55%) respectively. The retail segment's revenue increased by 7.7% to RM50.3 million from RM46.7 million in FY2016. The significant increase is mainly attributable to an increase in occupancy rate for KOMTAR JBCC of 95% as compared to 93% in FY2016 and @Mart Kempas of 92% as compared to 90% in FY2016.

The office segment's contribution to the total revenue and NPI was stable at 11% and 10% respectively. During the financial year, Menara KOMTAR occupancy rate decreased to 91% from 93%. The Service Provider is currently searching to secure replacement tenants for the vacant space.

The food and beverage segment witnessed a higher contribution of revenue and NPI as compared to those from previous year. This is due to the rental rate for Malaysian College of Hospitality & Management (MCHM) — formerly known as KFCH International College — rental rate increased by 10% starting November 2016.

PROFIT FOR THE YEAR

Al-Salām REIT closed the year with a profit of RM40.6 million (FY2016: RM46.7 million) comprising realised profit of RM35.5 million (FY2016: RM36.0 million) and unrealised profit of RM5.1 million (FY2016:RM10.7 million).

Lower realised profit was registered as compared to those of the previous year mainly due to higher operating expenses of the properties.

The unrealised profit of RM5.1 million comprised fair value gain after accounting for capex incurred. Net fair value gain for the year mainly attributable to Menara KOMTAR, MCHM and certain QSR properties.

DISTRIBUTION PER UNIT (DPU)

Total income available for distribution for FY2017 was RM35.5 million (FY2016: RM36.0 million). The Fund had distributed an interim income distribution of 2.85 sen per unit amounting approximately RM16.5 million on 13 October 2017.

On 29 January 2018, the Manager, declared a final income distribution of 3.15 sen per unit totaling RM18.3 million. The said distribution was paid on 28 February 2018 and has not been included as a liability in the financial statements as of 31 December 2017.

Total income distribution for FY2017 is 6.00 sen per unit (FY2016: 6.00 sen) totaling RM34.8 million, which represents 97.9% of the income available for distribution.

STATEMENT OF FINANCIAL POSITION

Al-Salām REIT's total asset value increased to RM988.8 million as at 31 December 2017 compared to RM978.2 million in the previous year. The increase of RM10.6 million was derived from gain in fair value of investment properties and capex incurred of RM5.4 million, increase in other assets of RM7.6 million and decrease in cash and bank balances (including fixed deposit) of RM2.4 million.

PERFORMANCE BENCHMARK

Performance Benchmark	FY2017	FY2016	Commentary
i. Distribution Yield (%)	6.0%	5.6%	Distribution yield has increased marginally from 5.6% to 6.0% due to lower closing price of RM1.00 compared to RM1.07 in FY2016.
ii. Total Returns (%)	-1%	20.6%	Total return for the financial year was -1% (FY2016: 20.6%) contributed by capital loss of 6.5% (FY2015: capital gain of 15%) plus distribution yield of 6.0% (FY2016: 5.6%).
iii. NAV per unit (after income distribution) (RM)	1.0311	1.0211	NAV per unit increased by 2% mainly arising from gain on fair value of properties.

Notes:

- Based on DPU of 6.00 sen (FY2016: 6.00 sen) divided by its closing price as at 31 December 2017 of RM1.00 (FY2016: RM1.07).
- 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.

STATEMENT OF CASH FLOWS

Operating activities

Net cash generated from operating activities was RM 47.8 million in FY2017, lower by RM 5.1 million than FY2016. This is mainly attributable to higher operating expenses in the current financial year in 2017.

Investing activities

Al-Salām REIT used RM 1.1 million for investing activities during the financial year compared to RM 0.5 million in the previous year. The main investing activities in the current year relate to acquisition of equipment, capex and pledged deposit with licensed banks.

Financing activities

Al-Salām REIT drew additional financing of RM 3.1 million during the financial year to pay deposit for one of its proposed acquisition. Interest paid during the year amounted to RM 17.5 million. Distribution paid in the current year was RM 36.2 million compared to RM 22.0 million in the previous year.

Hence, as at 31 December 2017 cash and cash equivalent was at RM 35.2 million, a decrease of RM 2.7 million from RM 37.9 million.

FAIR VALUE OF INVESTMENT PROPERTIES

As at 31 December 2017, the value of Al-Salām REIT's properties was RM 927.5 million compared to RM 922.1 million as at 31 December 2016. The net fair value gain was RM 5.1 million mainly attributable to Menara KOMTAR, MCHM and certain QSR properties with an additional RM0.3 million of investment property.

The portfolio property yield for FY2017 decreased from 6.17% to 6.13% due to lower NPI as well as higher properties value.

	Fair Value @ 31 Dec 2017	Fair Value @ 31 Dec 2016	Fair Value Gain	Property Yield 2017	Property Yield 2016
	RM'000	RM'000	RM'000	%	%
Retail					
KOMTAR JBCC	465,000	465,000	-	5.92	5.91
@Mart Kempas	65,000	65,000	-	6.10	5.80
Office					
Menara Komtar	73,000	72,000	1,000	7.47	8.11
F&B Restaurants					
22 KFC and/or Pizza Hut Outlets	161,670	158,590	3,080	6.05	6.17
F&B Non-Restaurants					
Industrial Premises	133,800	133,100	700	6.16	6.19
Malaysian College of Hospitality & Management	29,000	28,400	600	7.55	7.32
Total	927,470	922,090	5,380	6.13	6.17

1. Appraised value based on valuation carried out by an independent professional valuer, Cheston International (KL) Sdn Bhd. on 31 December 2017.

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 Holiday Inn Hotel. The 318-room hotel which is expected to be ready by 2020 will be one of the first hotels in the city to offer internationally branded mid-scale accommodation.

The mall’s geographic position is in the heart of Johor Bahru, adjacent to CIQ and this 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 which include international brands like Swarovski, Fossil, Chanel, Tumi, Estée Lauder, Dior, Kiehl’s, Victoria’s Secret, Pandora, Mark’s & Spencer, and Tony Roma’s amongst others. The anchor tenants are Metrojaya Department Store and the Angry Birds Activity Park.

The table below sets out a summary on KOMTAR JBCC as at 31 December 2017.

Existing Use	4-level Shopping Mall
GFA (sq. ft.)	623,374
NLA (sq. ft.)	397,076
Number of Car Park Bays	1,187
Market Value	RM465 million
Number of Tenancies	121
Occupancy Rate	95%

TENANT PROFILE

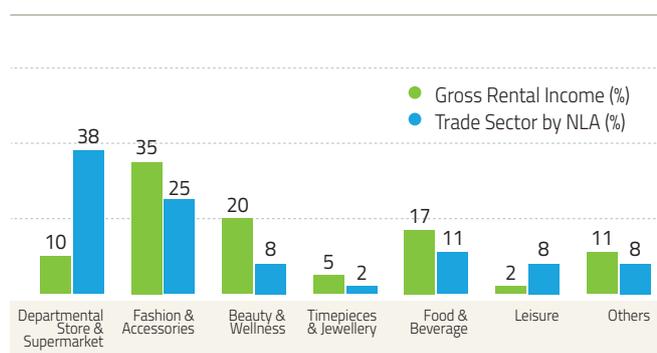
i. Top Ten Tenant

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

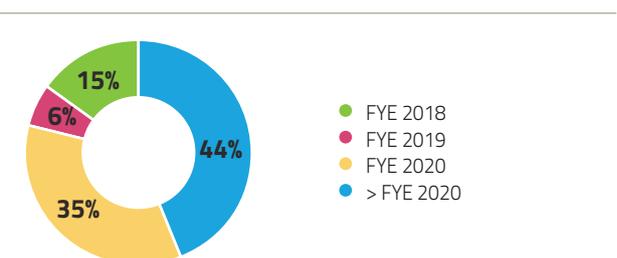
Tenant	% of Total Income
Metrojaya	10
Padini Concept Store	5
Brands Outlet	2
Mark’s & Spencer	2
G2000	2
F.O.S	2
Angry Bird Activity Park	2
Kapitan Grocer	2

ii. Trade Sector Analysis (Gross Rental Income)

The table below provides a breakdown of the different trade sectors represented in KOMTAR JBCC as at 31 December 2017.



iii. Tenancy Expiry Profile (NLA)





The majority of the tenancies were renewed in FY2017 and will expire from FY2020 onwards. The Service Provider has managed to retain the existing tenants albeit with increase competition from other malls.

MAJOR ASSET ENHANCEMENT INITIATIVE

There was no major asset enhancement initiative undertaken for year 2017.

STRATEGIES

The fund will continue to focus on the ongoing strength of KOMTAR JBCC with its strategic location in the heart of the city centre and the new development of Ibrahim International Business District (IIBD). Komtar JBCC also has the edge over competitors by continuing to have a substantial number of unique and highly desirable tenants.

- i. To continue to focus on the strength of the higher end retailers to Johor Bahru e.g. Mark's & Spencer, Sephora, Chanel, Dior, Kiehl's and the F & B offer that includes

Dragon i and Tony Roma's and The Angry Birds Activity Park in the marketing and advertising campaign as a key unique selling points over other malls in Johor Bahru.

- ii. To increase Singaporean visitation to KOMTAR JBCC by raising awareness at the Immigration Entry point from the Causeway to Johor Bahru and the ease of accessing KOMTAR JBCC from that point.
- iii. To work with anchor tenants e.g. Metrojaya, The Angry Birds Activity Park and Mark's & Spencer to ensure their success and the flow on effect to other specialty stores at KOMTAR JBCC.
- iv. To leverage on social media connectivity as an effective and interactive tool of campaigns, promotional highlights and events.
- v. 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, will continue to benefit from its strategic location and remain as 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 Segget and proposed Ibrahim International Business District (IIBD) is expected to enhance the prospect of KOMTAR JBCC.

@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 on @Mart Kempas as at 31 December 2017.

Existing Use	Community Hypermarket
GFA (sq. ft.)	164,460
NLA (sq. ft.)	99,699
Number of Car Park Bays	478
Market Value	RM65 million
Number of Tenancies	164
Occupancy Rate	92%

TENANT PROFILE

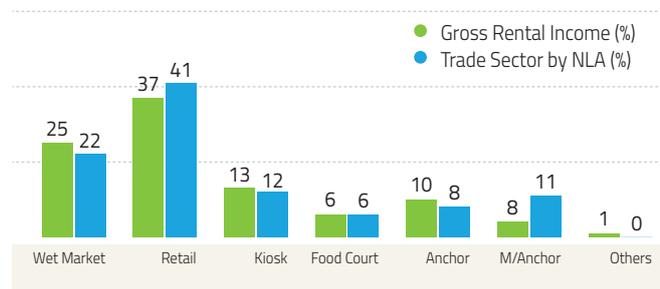
i. Top Ten Tenant

The major tenants contributed for approximately 30% of total income.

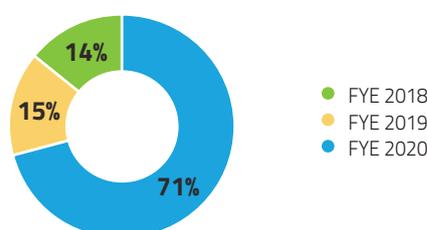
Tenant	% of Total Income
Pasaraya Midas	10
Lionmas Furniture Sdn Bhd	2
Pasaraya Ku Trading Sdn Bhd	3
Kasut U Sdn Bhd	3
Hup Heng Trading Sdn Bhd	1
Season Optical Sdn Bhd	1
JE Telecommunication Sdn Bhd	3
NCH Communication	2
Linkme Trading Sdn Bhd	3
Asri Soya Enterprise	2

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 2017.



iii. Tenancy Expiry Profile



The majority of the tenancies were renewed in FY2017 and will expire from FY2020 onwards. The Service Provider has managed to retain the existing tenants albeit with increase competition from other malls.

MAJOR ASSET ENHANCEMENT INITIATIVE

There was no major asset enhancement initiative undertaken 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 evidenced by the improvement in its occupancy rate.

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.

OPERATIONAL REVIEW
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 facade fully completed in the end of November 2015.

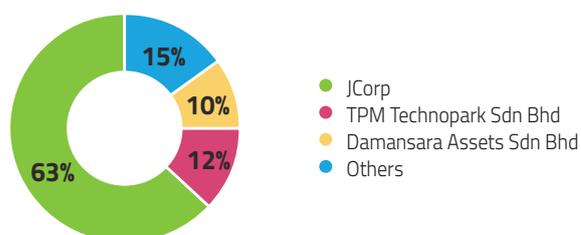
Similar to KOMTAR JBCC, Menara KOMTAR is located within the integrated development of Johor Bahru City Centre which forms part of the revitalization and redevelopment program in Flagship A of Iskandar Malaysia.

The table below sets out a summary on Menara KOMTAR JBCC as at 31 December 2017.

Existing Use	Office Building
GFA (sq. ft.)	242,195
NLA (sq. ft.)	160,592
Number of Car Park Bays	145
Market Value	RM73 million
Number of Tenancies	23
Occupancy Rate	91%

TENANT PROFILE

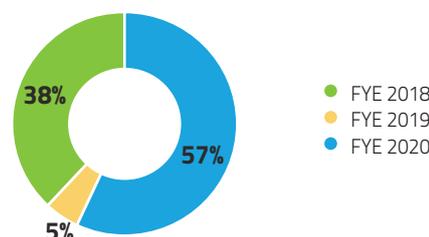
i. Major Tenants



ii. Trade Sector Analysis (Gross Rental Income)

JCorp Group of Companies occupied about 85% of the NLA. The gross rental income contributed by JCorp was 76%.

iii. Tenancy Expiry Profile



MAJOR ASSET ENHANCEMENT INITIATIVE

There was no major asset enhancement initiative undertaken for year 2017.

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 enhances its prospects in view of the strategic location within the integrated development. In addition, being utilised as the main head office of JCorp will allow Menara KOMTAR to enjoy stable rental income in the long run, 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 existing tenants.

OPERATIONAL REVIEW
FOOD & BEVERAGE : RESTAURANT SEGMENT
KFC / PIZZA HUT

OVERVIEW OF PROPERTIES

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-Salâm 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 located at shophouses/ offices	9	29,270,000
Single-storey restaurants building with drive-through outlets	9	111,800,000
Restaurant at mall outlets	4	20,600,000
TOTAL	22	161,670,000

RENTAL RENEWAL

As stipulated in the master lease agreements, the Properties are leased based on a Triple Net Lease for a term of 3 years. The rental 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 rental term is as below:

F&B Properties (outlet)	First Rental Term
11	6 May 2015- 5 May 2018
11	29 Sept 2015- 28 Sept 2018

MAJOR ASSET ENHANCEMENT INITIATIVE

The properties are on a Triple Net Lease arrangement and there was no major asset enhancement initiative undertaken for year 2017. The Fund will continue to enhance the relationship with the tenants and proactively attend to tenants' need and requirements.



OPERATIONAL REVIEW
 FOOD & BEVERAGE : NON-RESTAURANT SEGMENT
INDUSTRIAL PREMISES

OVERVIEW OF PROPERTIES

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-Salām REIT is leasing all of the QSR Properties, the restaurant and non-restaurant properties to QSR Group of Companies.

The industrial properties are comprising of 5 properties with a current total market value of RM133.8 million.

RENTAL RENEWAL

As stipulated in the master lease agreements, the Properties are leased based on a Triple Net Lease for a term of 3 years. The rental 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 rental term is as below:

F&B Properties (outlet)	First Rental Term
2	6 May 2015- 5 May 2018
3	29 Sept 2015- 28 Sept 2018

MAJOR ASSET ENHANCEMENT INITIATIVE

The properties are on a Triple Net Lease arrangement and there was no major asset enhancement initiative undertaken for year 2017. The Fund will continue to enhance the relationship with the tenants and proactively attend to tenants' need and requirements.

OPERATIONAL REVIEW
 FOOD & BEVERAGE : NON-RESTAURANT SEGMENT
MALAYSIAN COLLEGE OF HOSPITALITY & MANAGEMENT

OVERVIEW OF PROPERTY

The property is a 4-storey building known as Malaysian College of Hospitality & Management (MCHM) — formerly 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 MCHM as at 31 December 2017.

Existing Use	Office Building
GFA (sq. ft.)	92,157
NLA (sq. ft.)	87,178
Number of Car Park Bays	131
Market Value	RM29 million
Occupancy Rate	100%

LEASE EXPIRY

The lease for MCHM 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

	FY2017	FY2016
Total Borrowings (RM Mil)	350.8	346.8
Average Cost Of Debts (%)	4.99	5.11
Fixed/Floating Ratio	100% Floating	100% Floating
Average Maturity Period (years)	2	3
Financing Service Cover ratio (times)	3.00	2.96
Gearing ratio (%)	35.5	35.5

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
- actively manage the range of maturities to reduce refinancing risk and optimize the cost of capital

Al-Salām REIT's financing currently comprises the following:

	2017 RM	2016 RM
Current:		
Commodity Murabahah Revolving Credit-i	3,100,000	-
Non-current:		
Commodity Murabahah Term Financing-i	350,000,000	350,000,000
Transaction costs	(2,301,033)	(3,195,045)
	347,698,967	346,804,955
Total Islamic Financing	350,798,967	346,804,955

Al-Salām REIT's current financing relates to Commodity Murabahah Revolving Credit-i ("CMRC-i") dated 14 June 2017 where the facility amount is up to the aggregate principal limit of RM10 million from RHB Islamic Bank Berhad. To date, RM3.1 mil has been drawn down from the CMRC-i. The CMRC-i is secured against an investment property of RM15.3 mil. The average effective profit rate for the CMRC-i is 5.49%.

Al-Salām REIT's non-current financing 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 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 COF + 1.35% per annum for the first 16 months, COF + 1.40% per annum for the next 8 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 4.99% (2016: 5.11%).

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 programme and/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 2017 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 is committed to establishing a sound system of risk oversight and management and internal control to identify, assess, monitor and manage material risks related to the conduct of Al-Salām REIT's activities.

We will continuously aim to improve the management of risk by better understanding the reward-to-risk balance, reduce the risks to acceptable levels and come up with a better mitigation plan for all the risks involves. In managing our operations, the Manager will develop, implement and maintain management systems for all material risks that enable Al-Salām REIT to:

- Identify, assess and manage risks in an effective and efficient manner;
- Make decisions based on a comprehensive view of the reward-to-risk balance;
- Provide greater certainty of the delivery of objectives; and
- Satisfy our corporate governance requirements.

This will be undertaken by:

- Implementing a comprehensive and systematic risk assessment and reporting process across the organisation;
- Integrating the outputs of risk specialist functions to provide a holistic view of the risks associated with our business activities; and
- Innovation, with corporate governance being exercised through the regular measurement and reporting of our risk management processes.

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 maximize 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.
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 mark.	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 guidelines and regulations are duly complied.

INVESTOR & PUBLIC RELATIONS



2nd AGM of Al-Salām REIT at Puteri Pacific Hotel, Johor Bahru

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.

2ND ANNUAL GENERAL MEETING

The Manager convened the 2nd Annual General Meeting (AGM) of Al-Salām REIT on 25 April 2017 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 question-and-answer session.

ACCESSIBILITY OF INFORMATION

The accessibility for retail investors to the management of the Manager may not be easily available in comparison to institutions investors. We recognise the growing sophistication of retail investors leading to higher expectation of higher accessibility of information from this group of stakeholder. The existing communication channels for retail investors include the following:

- 1) Corporate Website & Investor Relation Portal (www.alsalamreit.com.my)
- 2) Annual Report
- 3) IR enquiry

In this financial year, we have made enhancement to the communication channels mentioned above. Al-Salām REIT website was upgraded to incorporate new features and additional information in order to facilitate our stakeholders in making informed decisions. The Investor Relation Portal (IR Portal) is incorporated into Al-Salām REIT's corporate website under the Investor Relations section. The IR Portal is powerful communication channel for the public in accessing latest announcements, annual reports, presentation decks and stocks information.



REITs Asia Pacific 2017 Exhibition

ANALYSTS & INVESTORS BRIEFING

The Manager has always engaged with 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 organized based on request for better appreciation of the quality of our assets.

MEDIA RELATIONS

Media have an important role in providing information which is the 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.

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 attending the quarterly meetings and the annual general meeting to exchange views with other members and planning concerted efforts to promote M-REITs industry to both domestic and foreign investors.

EXHIBITION

The Manager is committed to increase awareness on Al-Salām REIT among public and local investors. Participation in the various exhibitions aimed to expose the variety of investments and include awareness of the public about 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 from the mass public.

Event	Date	Venue
REITs Asia Pacific 2017 Exhibition	4 Aug 2017	Sheraton Towers, Singapore
Ekspo Johor Berkemajuan	6 - 14 Oct 2017	Nusajaya, Johor
Hari Misi Inovasi Bisnes JCorp 2017	13 - 14 Dec 2017	Persada Johor International Convention Centre, Johor Bahru

RESEARCH COVERAGE

During the financial year Al-Salām REIT is covered by the following research houses:

Research House	Date of Report	Recommendation	Target Price
RHB Investment Bank	16 Feb 2017	Buy	RM1.18
RHB Investment Bank	24 May 2017	Buy	RM1.18
RHB Investment Bank	25 Aug 2017	Buy	RM1.18
Maybank Investment Bank	16 Feb 2017	Buy	RM1.15
Maybank Investment Bank	24 May 2017	Buy	RM1.15
Maybank Investment Bank	25 Aug 2017	Buy	RM1.15
Maybank Investment Bank	4 Oct 2017	Buy	RM1.15
Maybank Investment Bank	10 Nov 2017	Buy	RM1.15
Maybank Investment Bank	24 Nov 2017	Buy	RM1.15
Maybank Investment Bank	5 Dec 2017	Buy	RM1.15

MARKET REPORT SUMMARY

1. ECONOMIC OVERVIEW

The Malaysian economy performed exceptionally good last year driven by a resilient domestic demand due to the improvements in both investment and consumption and reinforced by a sturdy global demand. The first three quarters displayed a better-than-expected performance with the real GDP growing by 5.6% in the first quarter and accelerating to 5.8% and 6.2% in the second quarter and third quarter, respectively. For the year as a whole, Bank Negara Malaysia reported that the Malaysian economy recorded a growth of 5.9% (2016: 4.2%).

With an accommodating domestic development amid buoyant external demand, Malaysian economy is expected to grow at 5.4% this year, again driven by domestic demand, which in turn is projected to grow at 5.2%. The private sector, both consumers and producers, is anticipated to continually provide impetus for domestic demand. The external sector is expected to remain strong although the growth rates both for exports and imports are projected lower due to the base effect of a high growth realised last year. The growth momentum is expected to persist into next year, with the expected GDP growth rate in a range of 4.8-5.3%.

(Source: Official website of Bank Negara Malaysia and Malaysian Institute of Economic Research)

2. MALAYSIAN REIT

The 10-year MGS yield has ranged higher at 4.0-4.3% in Jan-Apr 2017, due to less favourable macroeconomic factors such as weakening of the MYR and suppressed crude oil prices. In May-12 Dec 2017, the 10-year MGS yield ranged lower at 3.8%-4.1%. 2017 YTD, the 10-year MGS yield has increased to an average of 4.00% (2016: 3.84%). Conversely, M-REITs' net DPU yield (1-year forward) inched down to 5.30% average for 2017 YTD (2016: 5.31%). This led to yield spreads of M-REITs over the 10-year MGS being lower at 130bps, vs. 147bps for 2016. M-REITs underperformed in 2017 YTD – the sector average is down -4% vs. KLCI's +5%. It is believed M-REITs'

moderation in unit prices is partly attributed to their 2016 outperformance (+13%) for their resilient earnings and on cautious corporate earnings outlook across selected sectors. In 2017, broad property oversupply has impacted investors' sentiment on the REITs too.

It is expected the outlook to remain challenging for M-REITs as they could face occupancy risk due to oversupply. 2018 is likely to see BNM OPR hike; this offers opportunity to accumulate the quality REITs on weakness. Maybank Economics Team expects a +25bps OPR hike to 3.25% (May 2018 as the earliest possible timing) which is reflective of BNM's confidence in the strength of both global and domestic economic growth in 2017 sustaining into 2018. BNM has also signalled for higher OPR bias in its Monetary Policy Statement dated 9 Nov 2017. With higher interest rates being generally negative on the REITs (with unit prices expected to adjust down amid higher fixed income yields), we would position to accumulate the quality REITs on weaknesses in their unit prices.

Nevertheless, it is a forecasted a higher aggregate core EPU growth of +5.1% YoY in 2018 (2017E: +0.6% YoY) on sustained occupancy rates, rental step-ups, positive rental reversions, and asset injections. Maybank IB Research remain positive only on M-REITs with prime shopping malls and office assets with tenants on long-term or triple net leases which entail lower occupancy risks.

While there is no official effective date for the revised REIT Guidelines by the Securities Commission (SC), it is generally positive on several amendments which could enhance unitholders' value (as observed from the SC's public consultation paper in 2H16). Potential major positives from the revised guidelines are allowing redevelopment activities, a fixed gearing limit and extension of the non-Shariah compliant tenants' tenure.

(Extracted from Research report 2018: Outlook & lookouts by Maybank IB Research, 15 December 2017)

3. RETAIL

As of 1H2017, the total retail space in Johor stood at 19.06 million sq ft, a 3.6% increase y-o-y (1H2016: 18.40 million sq ft). During the corresponding period, occupancy improved marginally to 77.1% (1H2016: 75.9%). AEON Group continued its expansion with the opening of AEON Bandar Dato Onn in early September 2017. The 3-storey shopping mall will cater primary to the demand from within the larger neighbourhood of Bandar Dato Onn. This will be the sixth outlet for AEON in Johor besides Bukit Indah, Tebrau City, Kulai, Permas Jaya and Taman Universiti.

Supply and Demand of Purpose Retail Space



Note: Data for the full year of 2017 is based on estimation
 Source: NAPIC, CBRE | WTW Research

IKEA Tebrau was officially opened to the public on 16th November. This is the third outlet in Malaysia. It has a basement car park providing 1,771 parking bays. The retail mall is the largest in South-East Asia with approximately 46,731 sq m (503,008 sq ft) of retail space.

The vacancy rate of retail space stayed stable at approximately 23% while the average rent dropped slightly to RM25 per square foot from RM27 per square foot in 2016 for malls in prime locations.

(Extracted from CBRE | WTW Research : Asia Market outlook 2018, Malaysia).

WCT's Paradigm Mall opened its doors to public on 28th November. Among the tenants are Parkson (anchor tenant), Golden Screen Cinemas, Padini Concept Store, Uniqlo, Brands Outlet, Harvey Norman, Blue Ice Skating Rink @ Paradigm Mall and Village Grocer. The seven-storey mall is located along the Skudai Highway. It has NLA of about 1.3 million sq ft. The other components of the 3-in-1 project include a 24-storey serviced apartment block and a 296- room hotel, to be built in the near future.

The opening of these three retail malls in Johor Bahru has thus increased the current retail space in Johor to about 21.46 million sq ft.

(Extracted from Research Report Knight Frank : Real Estate Highlights 2nd Half 20167

4. OFFICE

The total purpose-built office space increased by about 5.0% to record at 12.25 million sq ft in 1H2017 (1H2016: 11.67 million sq ft) while occupancy rate declined to 77.7% (1H2016: 80.7%). BCB Berhad has launched its shop offices in Medini known as VERSIS. Currently, the project is under Phase 1A and consists of 54 units of 3-storey terraced and 3-storey semi-detached offices. The average selling price starts from RM2.28 million per unit. Offered with Guaranteed Rental Return (GRR) of 5% for four years, the shop offices are expected to be completed in 2019. Since its official launch in September, the project has received good response with circa 50% take-up rate

(Extracted from Research Report Knight Frank : Real Estate Highlights 2nd Half 2017)

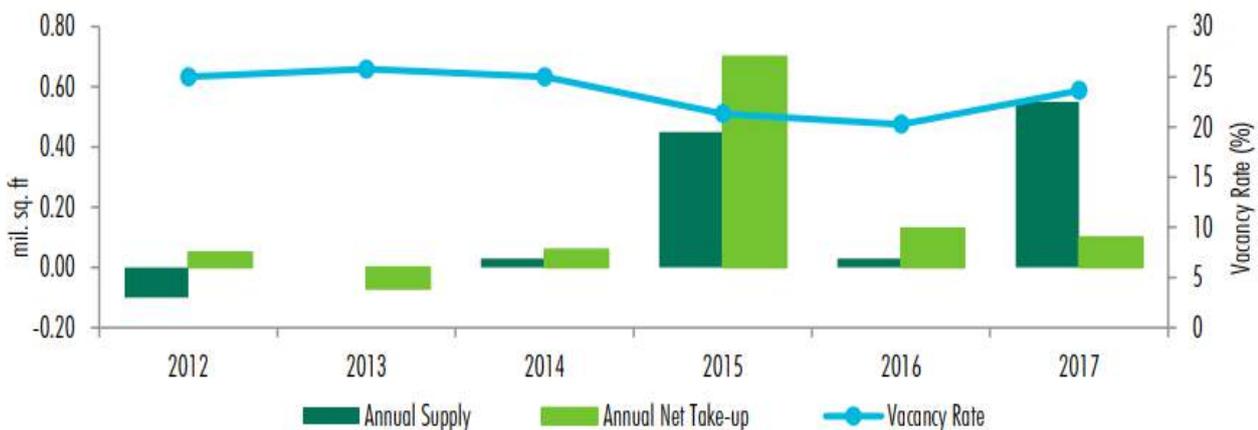
In 2017, existing supply PBO space was 9.21 million square feet in 111 buildings. About 71% is privately owned while the remaining is owned by the government. In 1Q 2017, BSN Tower

in Johor Bahru city centre opened its doors with a net lettable area of 69,966 square feet.

There are another 6 under construction buildings with total net lettable area of 2.36 million square feet are expected to enter the market in the next 3 years.

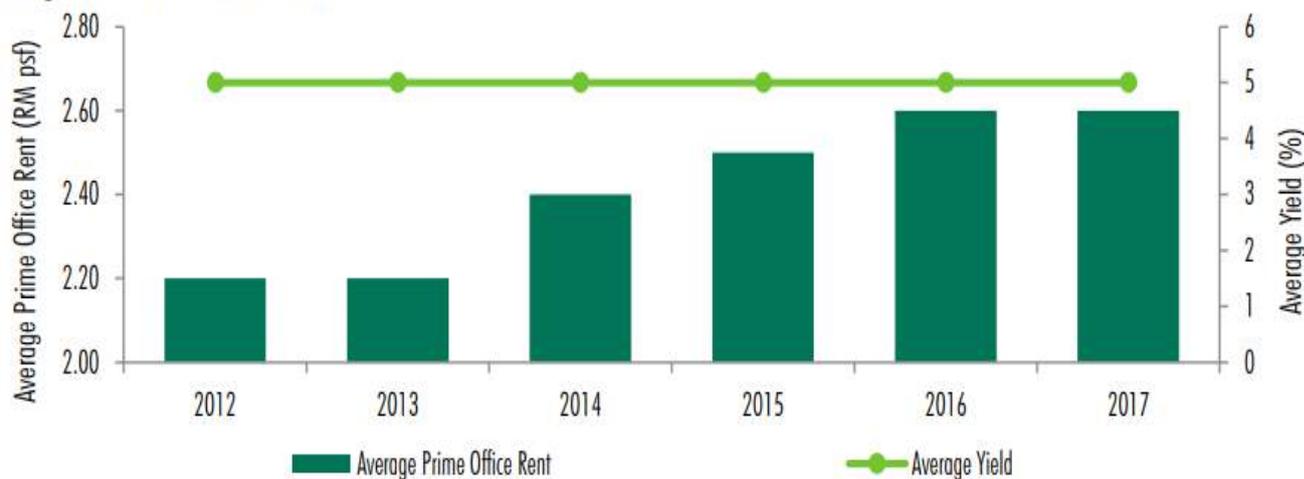
Demand for office space has been stable in Johor Bahru and vacancy rate was about 20%. The average office rent for prime office space in Johor Bahru city centre remained stable at RM3.20 to RM3.50 per square foot, while it was RM2.80 to RM3.20 per square foot for office buildings located in the city fringe. However, new office buildings in Medini and Puteri Harbour commanded higher rental rates in the range of RM4.00 to RM5.00 per square foot. The high rents are being driven by the influx of multinational companies (MNCs) seeking brand new quality prestige office accommodation currently only available in ample supply of Iskandar Puteri. The proximity to catalytic projects within Iskandar Puteri is an added advantage.

Supply and Demand of Purpose-Built Office



Note: Data for the full year of 2017 is based on estimation
Source: NAPIIC, CBRE | WTW Research

Average Prime Office Rent and Yield



Note: Data for the full year of 2017 is based on estimation
 Source: NAPIC, CBRE | WTW Research

(Extracted from CBRE | WTW Research : Asia Market outlook 2018, Malaysia).

5. OUTLOOK

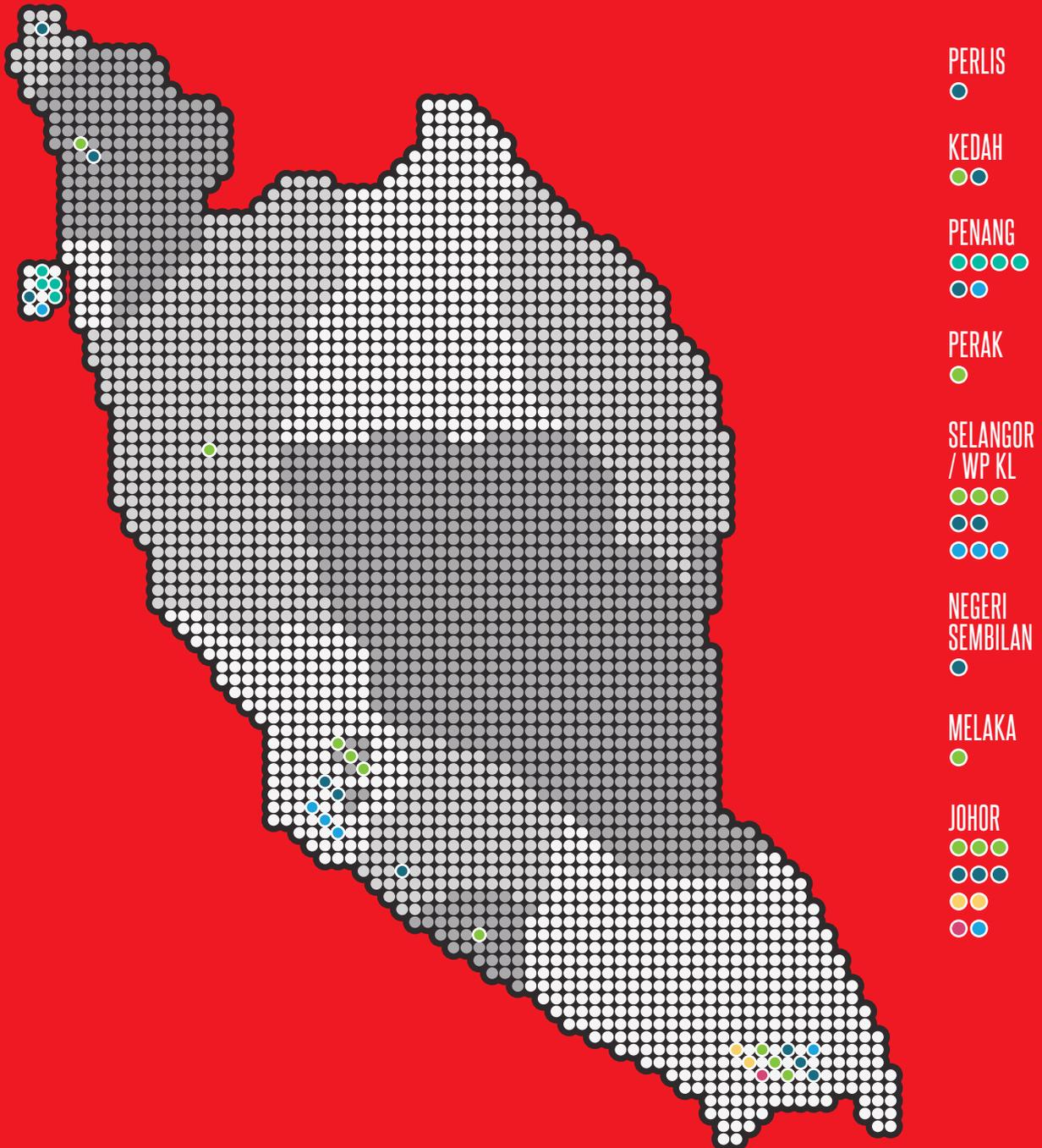
The retail sub-sector is expected to be more competitive as the three newly opened malls have increased the supply of retail space by about 12.6%. In anticipation of the income tax reduction as announced in the Budget 2018, consumers' purchasing power should improve and in return will help to support the retail market in the near future.

Notable developments and catalytic projects in other sectors such as oil and gas (O&G), industrial and tourism will help to support the growth of residential, commercial and retail sub-sectors in Iskandar Malaysia and Johor, in general.

The Pengerang Integrated Petroleum Complex (PIPC), which will contribute about RM8.3 billion to the nation's gross income by 2020, is expected to be fully completed in 1Q2019. Currently, the project is on track and about 77% completed as of end September. The project has generated a lot of job and business opportunities for the local community and this has indirectly helped the growth of the property market in the surrounding areas.

(Extracted from Research Report Knight Frank : Real Estate Highlights 2nd Half 2017)

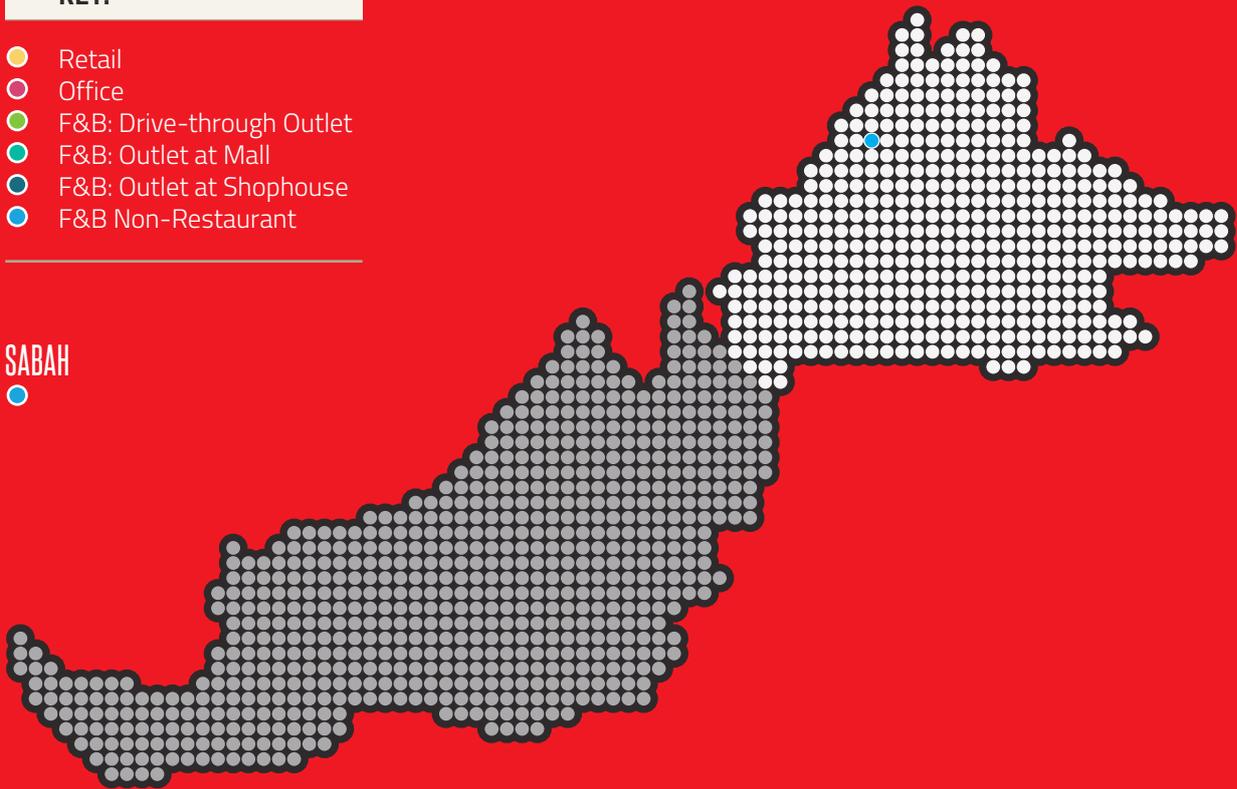
SUMMARY OF INVESTMENT PORTFOLIO



KEY:

- Retail
- Office
- F&B: Drive-through Outlet
- F&B: Outlet at Mall
- F&B: Outlet at Shophouse
- F&B Non-Restaurant

SABAH

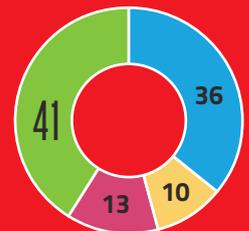
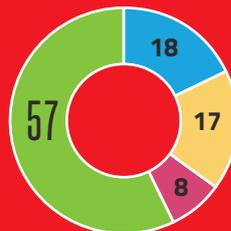


Asset Breakdown by Property Value
as at 31 December 2017
%

Asset Breakdown by GFA
as at 31 December 2017
%

KEY:

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



PORTFOLIO DETAILS

RETAIL - KOMTAR JBCC



Location	KOMTAR JBCC, Johor Bahru City Centre, Jalan Wong Ah Fook, Johor Bahru, Johor Bahru 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
Tenure	Freehold
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM 465,000,000
Date of Latest Valuation	31 December 2017



JANUARY - FEBRUARY

Have A Fan-Tastic Year Of Rooster
12 January - 17 February 2017



FEBRUARY

Chingay Festival Celebration
17 February 2017



MARCH

UMLAND Property Carnival
16 - 19 March 2017



APRIL - MAY
Health & Sport Fair Campaign
 20 April - 1 May 2017



APRIL - MAY
Health & Sport Fair Campaign
 20 April - 1 May 2017



MAY
MYRUMAH NTSP Property Showcase
 5 - 7 May 2017



MAY - JULY
Pesona Aidilfitri - Hari Raya Celebration
 20 May - 16 July 2017



JULY
Auto Fair
 28 - 31 July 2017



AUGUST
Batik Canting With Tadika Sri Kamariah - 60th Merdeka Celebration
 12 - 24 August 2017



SEPTEMBER
Malaysia Grand Prix F1 Finale
 15 - 17 September 2017



OCTOBER
Saree Queen Contest
 21 October 2017



NOVEMBER
Wedding Fair 2017
 10 - 14 November 2017



NOVEMBER - DECEMBER
School Holiday Special Campaign - 3D Balloon
 22 November - 3 December 2017



DECEMBER
Christmas Celebration
 5 December 2017 - 1 January 2018

PORTFOLIO DETAILS

RETAIL - @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 2106
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM 65,000,000
Date of Latest Valuation	31 December 2017



JANUARY

Majlis Sambutan Maulud Nabi
7 January 2017



FEBRUARY

Home Fair Promotion
1 - 28 February 2017



MARCH

Jualan Pecah Kontena
17 - 26 March 2017



MARCH

Petting Zoo
18 - 19 March & 25 - 26 March 2017



MARCH - APRIL

Toy's Fair
11 March - 10 April 2017



APRIL

Gempaq Auto Show
29 April 2017



APRIL - MAY

Darson Electrical Fair
26 April - 25 May 2017



MAY

Karnival Jelajah Mesra Bangsa Johor
5 - 14 May 2017



MAY
Furniture Fair By Creative Homestyle



MAY - JUNE
Bazaar Ramadhan
27 May - 24 June 2017



MAY - JUNE
Bazaar Hari Raya
24 May - 24 June 2017



JULY
Iskandar Bisnes Fiesta
28 - 30 July 2017



AUGUST
Minibike Championship
5 - 6 August 2017



AUGUST
Kempas Berselawat
26 August 2017



AUGUST
Festival Gegar Merdeka
28 - 31 August 2017



AUGUST
@Mart Cycle Fest 2017
31 August 2017



AUGUST
Merdeka Aero Dance
31 August 2017



NOVEMBER - DECEMBER
Food Festival Thailand Dan Malaysia
24 November - 23 Disember 2017



DECEMBER
Pertandingan Mewarna Bersama Angry Bird
16 December 2017

OFFICE SEGMENT



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 No. Grant 44587 situated in Town and District of Johor Bahru, Johor
Tenure	Freehold
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM 73,000,000
Date of Latest Valuation	31 December 2017



MELAKA

Location	No. PT No. 19503, Lebuh 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	RM 8,300,000
Date of Latest Valuation	31 December 2017

FOOD & BEVERAGE RESTAURANTS



KEDAH

Location	Premises 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	RM 520,000
Date of Latest Valuation	31 December 2017

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 2017



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	RM 470,000
Date of Latest Valuation	31 December 2017

FOOD & BEVERAGE : RESTAURANTS - CONT'D

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	RM 9,700,000
Date of Latest Valuation	31 December 2017

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	RM 9,300,000
Date of Latest Valuation	31 December 2017



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	RM 1,700,000
Date of Latest Valuation	31 December 2017



WILAYAH PERSEKUTUAN KUALA LUMPUR

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	RM 15,500,000
Date of Latest Valuation	31 December 2017

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	RM 14,300,000
Date of Latest Valuation	31 December 2017



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	HS(D) 99750, PT No. 6878 (New Lot 28333) situated in 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	RM 26,000,000
Date of Latest Valuation	31 December 2017

FOOD & BEVERAGE : RESTAURANTS - CONT'D

JOHOR



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	PN74196, Lot 20473 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	RM 820,000
Date of Latest Valuation	31 December 2017

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	RM 2,000,000
Date of Latest Valuation	31 December 2017



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	RM 860,000
Date of Latest Valuation	31 December 2017



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	RM 8,400,000
Date of Latest Valuation	31 December 2017

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	RM 12,000,000
Date of Latest Valuation	31 December 2017



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 Pulai, Daerah Johor Bahru, Johor
Tenure	Freehold
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM 13,500,000
Date of Latest Valuation	31 December 2017

FOOD & BEVERAGE : RESTAURANTS - CONT'D



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 3,900,000
Date of Latest Valuation	31 December 2017

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	RM 13,100,000
Date of Latest Valuation	31 December 2017



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 16607, 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	RM 2,800,000
Date of Latest Valuation	31 December 2017



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	RM 2,700,000
Date of Latest Valuation	31 December 2017

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	RM 2,000,000
Date of Latest Valuation	31 December 2017



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
Market Value	RM 8,600,000
Date of Latest Valuation	31 December 2017

FOOD & BEVERAGE NON-RESTAURANTS

INDUSTRIAL PREMISES



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 2017

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 2017



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	RM 55,400,000
Date of Latest Valuation	31 December 2017



Location	Premises No. 31, Lorong IKS Juru 3, Taman IKS Juru, 14100 Simpang Ampat, Pulau Pinang
Description	Commissary
Year of Completion	1997
Title	GRN 149808, 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	RM1,400,000
Date of Latest Valuation	31 December 2017

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 (<i>Formerly known as Kota Kinabalu Export Oriented Industrial Zone, K.K.I.P Sepangar Bay</i>)
Tenure	Leasehold 99 years expiring on December 2096
Encumbrances	Private caveat by RHB Islamic Bank Berhad
Market Value	RM3,000,000
Date of Latest Valuation	31 December 2017



MALAYSIAN COLLEGE OF HOSPITALITY & MANAGEMENT

Location	No.1, Jalan Dato' Onn 1, Bandar Dato' Onn 81100 Johor Bahru, Johor Darul Takzim
Description	A four (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	RM 29,000,000
Date of Latest Valuation	31 December 2017





SECTION **4** SUSTAINABILITY STATEMENT

- 70 About This Report
- 71 Our Journey Towards a Sustainable REIT
- 72 Governance and Accountability
- 74 Engaging Our Stakeholders
- 76 Assessing Materiality Matters
- 78 Sustainable REIT
- 80 Our Environment
- 81 Our People
- 83 Our Community

ABOUT THIS REPORT



SCOPE AND BOUNDARY

This report presents AL-SALĀM REAL ESTATE INVESTMENT TRUST's (Al-Salām REIT or the Fund) inaugural sustainability report which has been prepared in accordance with the listing requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia) using the recommended Global Reporting Initiatives (GRI) G4 Guidelines.

The report focuses on Al-Salām REIT's core activity as a business space REIT for the period 1 January 2017 to 31 December 2017, and features selected sustainability initiatives at its property portfolio including KOMTAR JBCC, Menara KOMTAR, @Mart Kempas and MCHM.

OUR JOURNEY TOWARDS A SUSTAINABLE REIT

We recognise the importance of embedding sustainability values into our business operations to meet the long-term goals of sustainability development. Our sustainability approach has been formulated to strike a balance between financial results, social engagement and

environmental stewardship. Based on our corporate vision and mission statements, we have developed an overarching sustainability strategy for the management of our economic, environmental and social (EES) risks and opportunities.

VISION

To manage the Fund to be a leading Shariah-compliant and diversified REIT in Malaysia with a substantial asset size.

MISSION

To ensure long term sustainable growth of the Fund in terms of asset growth and stable returns on investment for Unitholders. The Fund also endeavours to address its EES risks that are material to its value chain.

SUSTAINABILITY STRATEGY

We intend to maximise the Fund's earnings and meet the expectations of our stakeholders through asset diversification and enhancement initiatives. Specifically, our strategy addresses the following:

Management of risks to maintain an optimum equity or debt funding structure.

Transparency and accountability in management of investor and stakeholder relations.

Managing business activities that involve environmental, economic and social issues to ensure compliance.

Enhancement and optimisation of the Fund performance to achieve a diversified portfolio of real estate that is Shariah-compliant which includes but is not limited to industrial properties, office buildings, shopping malls, college buildings and food and beverage outlets through a variety of investment and business strategies.

Investment directly and indirectly, in diversified Shariah-compliant portfolios from authorised investments to provide Unitholders with stable unit distributions to achieve long-term sustainable economic growth.

GOVERNANCE AND ACCOUNTABILITY

We are cognizant that an effective corporate governance is critical in managing our EES's risks and opportunities. With a strong governance structure and robust policies in place, we are poised to achieve continued success in our sustainability journey. To this end, we have established

a Sustainability Steering Community (SSC) that reports to the Board of Directors to ensure that our goals and aspirations are met through effective implementation of our sustainability initiatives.

The responsibilities of the SSC are as follows:

BOARD OF DIRECTORS

Endorses and oversees the implementation of the Fund's sustainable strategy to ensure that key targets are met.

Takes responsibility and accountability for the Fund's communication on sustainability issues to stakeholders.

Establishes a culture of integrity by placing emphasis on communication about sustainability across the Fund.

Endorses the material sustainability matters and the governance structure.

SUSTAINABILITY STEERING COMMITTEE (SSC)

Develops the over arching sustainability strategy for the Fund based on the material sustainability matters identified by the SWC.

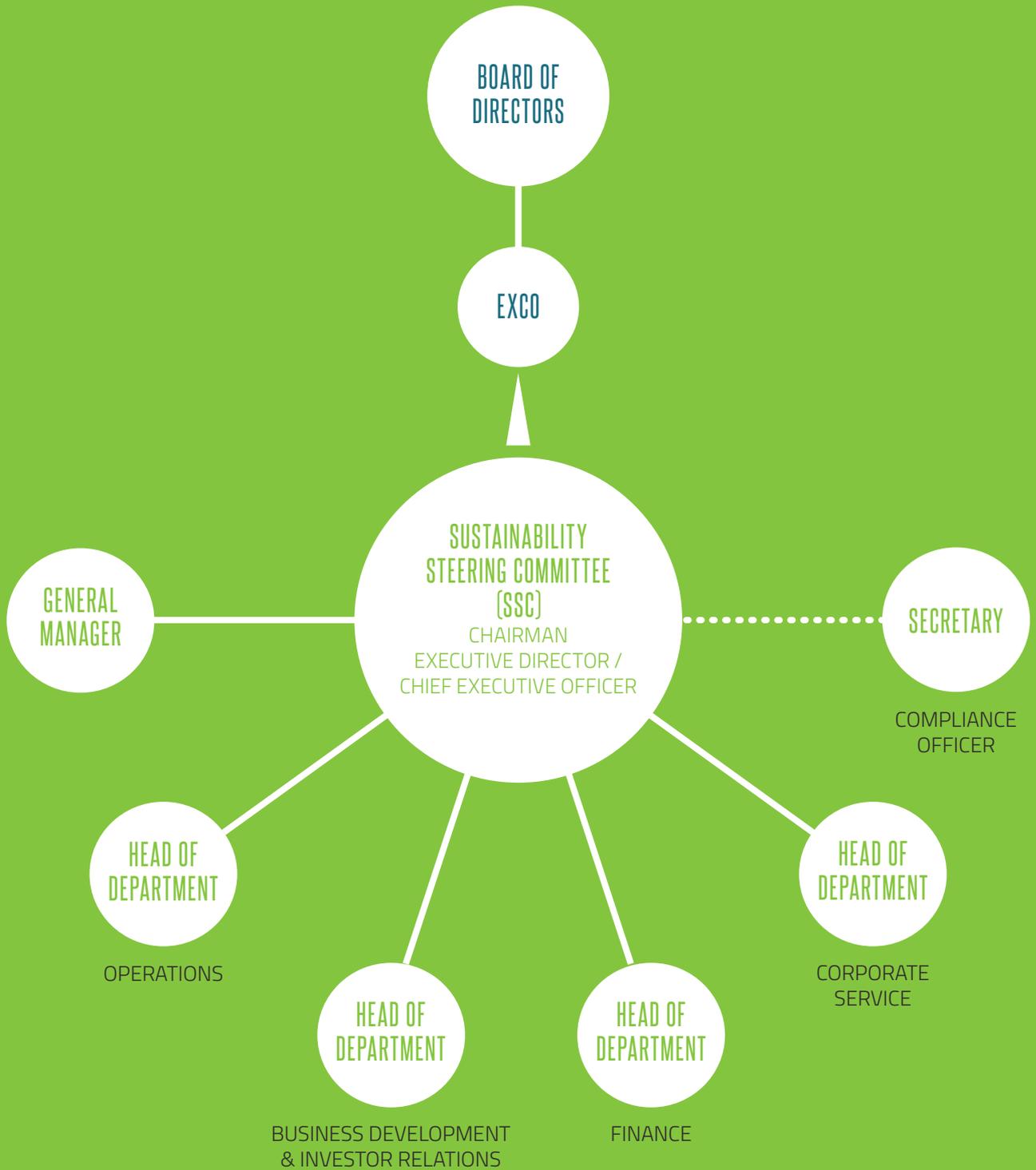
Provide recommendations and improvements to the BOD on the material sustainability matters identified and highlighted by the SWC.

Identifies the material sustainability matters related to the Fund.

Formulates targets and initiatives to achieve sustainability goals pledged by the Fund.

Assesses the effectiveness of the sustainable initiatives put in place, and monitors & maintains records on these initiatives.

SUSTAINABILITY STEERING COMMITTEE



ENGAGING OUR STAKEHOLDERS

Our focus has always been to deliver value to our Unitholders and other stakeholders through the Fund's business strategies, operational activities and allocation of capitals. Insights gathered from stakeholder engagements serve to reaffirm our sustainability strategy, enable meaningful reporting and improve sustainability practices.

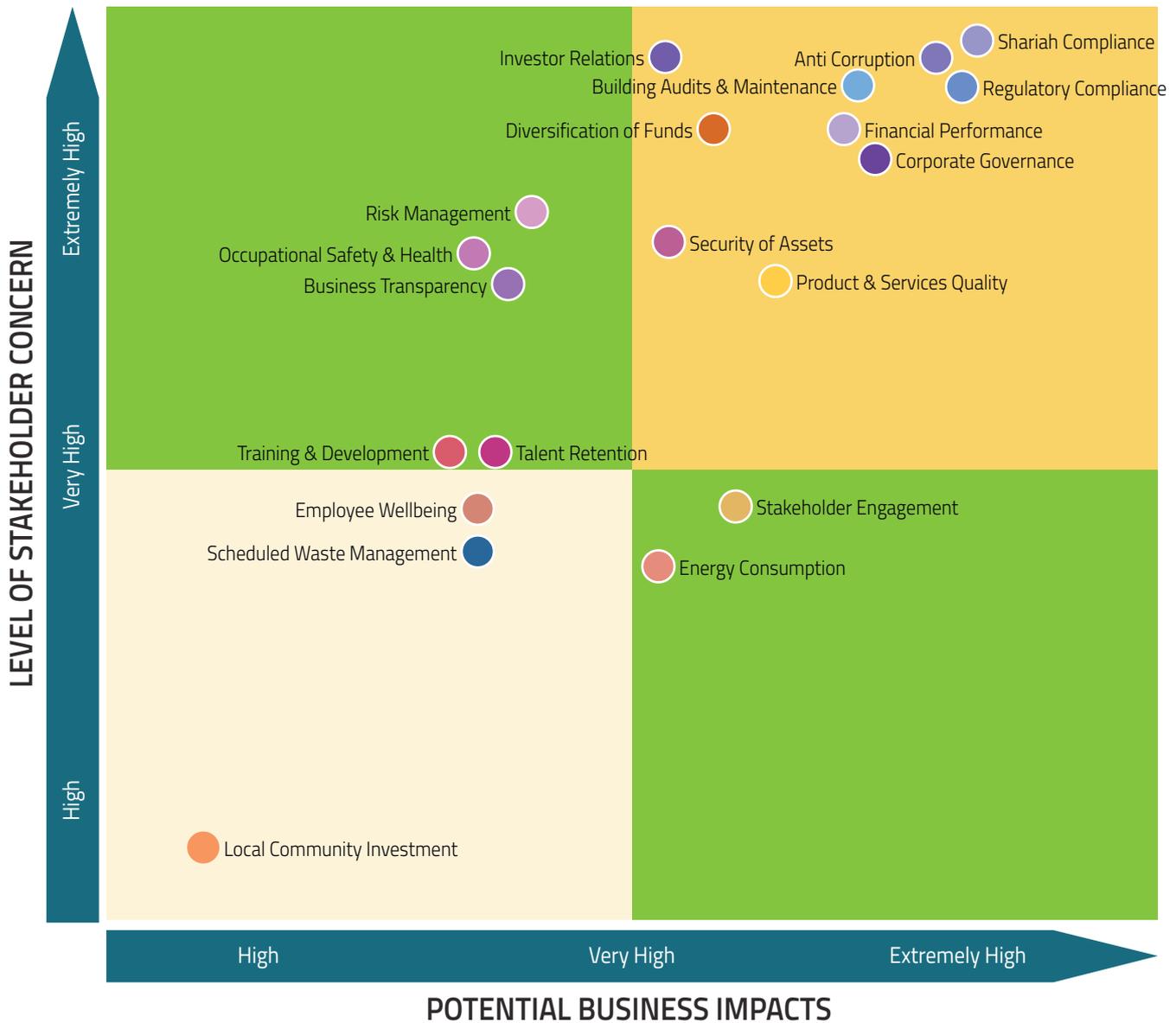
We have identified our main internal and external stakeholders, and methods of engaging them through various channels of communication.



STAKEHOLDERS	AREAS OF CONCERN	METHODS OF ENGAGEMENT
Employees	Career Development Staff Well-being Employee Benefit	Performance Appraisal Training Programme Employee Satisfaction Survey Medical and Group Takaful Coverage
Investors	Corporate Financial Performance Corporate Governance Safety and Security Investor Relationship Management	Annual General Meeting Corporate Website Investor Feedback Management
Tenants	Safety and Security Business Activity and Ethics	Contract Agreement Tenant Survey Joint Community Programme
Property/Maintenance Managers	Marketing and Financial Performance Tenants and Occupancy Facility Management Administration and Risk Management	Contract Agreement Evaluation and Performance Review Regular Building Audits
Regulatory Agencies and Statutory Bodies	Labour Practices Environmental Management and Compliance	Regular Meeting Regular Inspection
Suppliers	Transparent Procurement Process	Evaluation and Performance Review

ASSESSING MATERIALITY MATTERS

MATERIALITY MATRIX



Materiality assessment is the process of identifying and prioritising the material sustainability matters that influence the way we operate. We identified Al-Salām REIT’s material issues through a series of steps that were aligned with the requirements of the GRI reporting framework. The issues were ranked in order of priority

by considering the degree of stakeholder concern and significance of its impact to the Fund.

The matrix serves as a guide in identifying critical material matters for the Fund and, for the development and implementation of meaningful sustainability initiatives.

MATERIAL SUSTAINABILITY ISSUES	CORRESPONDING GRI ASPECTS	STAKEHOLDER(S) CONCERNED
Shariah Compliance	Compliance	Investors
Corporate Governance	GRI General Standard Disclosure	Employees
Financial Performance	Economic Performance	Investors Employees Suppliers
Security of Assets	Customer Privacy	Investors
Investor Relations	GRI General Standard Disclosure	Investors
Risk Management	GRI General Standard Disclosure	Investors
Business Transparency	Economic Performance	Suppliers Tenants
Stakeholder Engagement	GRI General Standard Disclosure	Investors Tenants
Product Service and Quality	Product Responsibility	Investors
Diversification of Funds	Economic Performance	Investors
Energy Consumption	Energy and Emissions	Property Managers
Scheduled Waste Management	Effluent and Waste	Property Managers
Occupational, Safety and Health	Occupational Health and Safety	Employees Tenants
Talent Retention	Employment	Employees
Employee Welfare	Employment	Employees
Training and Development	Training and Education	Employees
Local Community Investment	Economic Performance	Investors Employees
Anti-Corruption	Anti-Corruption	Investors Regulatory Bodies Employees
Building Audits and Maintenance	Occupational Health and Safety	Employees Tenants
Regulatory Compliance	Compliance	Regulatory Bodies

TABLE LEGEND: ECONOMIC INDICATOR ENVIRONMENTAL INDICATOR SOCIAL INDICATOR

SUSTAINABLE REIT

CONTINUOUSLY IMPROVING OUR BUSINESS OPERATIONS

We aim to provide our investors with the highest level of corporate accountability by incorporating Shariah Principles in our business practices and adhering to guidelines on Islamic fund management set by the Securities Commissions

(SC). Our goal is to establish the highest level of compliance and transparency to minimise any potential concerns that they may have about the way we operate the Fund as an investment trust.

EES RISKS

A Fund's investment track record and reputation is highly dependent on its corporate governance. As a REIT, we put significant emphasis on policies and standards to safeguard our business integrity and reliability.

Our commitment to corporate excellence is reflected in the list of policies and regulations that the Manager adheres to. This is crucial for the long-term economic sustainability and business integrity.

POLICIES AND STANDARDS

Enterprise Risk Management (ERM)

Malaysia Minimum Wages Order 2016

Bursa Malaysia Sustainability Reporting Guide

Malaysia's Code of Corporate Governance 2017

Guidelines for Islamic Real Estate Investment Trusts, 2005

Johor Corporation Code of Business Conduct and Ethics

Johor Corporation's Risk Management Policy and Compliance Framework

Al-Salām REIT strictly adheres to a set of policies and standards that govern our operations including Malaysia's Code of Corporate Governance 2017 and the REIT Guidelines published by the SC.

For the management of ethics and integrity, we have adopted Johor Corporation's Code of Business Conduct and Ethics which also include the whistle blowing and no gift policy.

In addition to that, Al-Salām REIT also complies to the SC's Guidelines for Islamic Real Estate Investment Trusts, 2005 as outlined by the Shariah Advisory Council of the SC.

ADHERING TO MINIMUM WAGE

We comply with the Malaysian Minimum Wages Order 2016 and ensure that our employees are fairly compensated with remuneration packages that are competitive within the domestic REIT industry.

PRIORITISING LOCAL TALENT

As a Malaysian organisation, we emphasise on hiring local talent to ensure that our values and cultural views are preserved. We are proud of our reputation as a Fund that employs 100% Malaysians in our senior management team. Since the Al-Salām REIT is a Shariah-compliant REIT, we operate in a niche industry which provides exclusive opportunity to Malaysians to develop expertise in the Shariah-compliant investment sector.

OUR ENVIRONMENT

GEARING TOWARDS A GREENER FUTURE

As a growing Fund, we understand that progressing towards sustainable business practices requires commitment towards environmental stewardship.

ENERGY

The building sector is one of the largest sources of carbon emissions in the country. In view of global climate change and Malaysia's commitment to reduce carbon emissions, we have taken initial steps towards implementing carbon reduction measures across our properties by keeping records of energy consumption.

At KOMTAR JBCC, we have put in place energy conservation initiatives as of August 2017. For example, as one measure of energy reduction, the operation of the chillers and the AHU operating system have been optimised.

As we advance in our sustainability journey, we will put in place initiatives to identify and implement additional energy

conservation measures to reduce the overall electricity and diesel consumption at our properties. To this end, energy audits may be one of the tools considered in the near future for energy management within our buildings.

WATER

As Malaysia's rate of urbanization increases, water consumption has also risen with water scarcity now becoming a growing concern. We realise the need for water conservation efforts and have thus have taken the initiative to maintain records of water usage. Our next step will be to identify how consumption can be reduced at our properties by putting in place water conservation measures.

WASTE

Waste is one of the primary environmental concerns in Malaysia. We ensure that the wastes generated from our properties are collected and disposed responsibly according to legal requirements.

KOMTAR JBCC

Total sludge and waste water generated from the KOMTAR JBCC Sewage Treatment Plant for FY2017 was approximately 1,600,000 m³.

MENARA KOMTAR

Wet and dry waste are handled through a centralised system at KOMTAR JBCC before being disposed at a landfill approved by the Local Authority.

@MART KEMPAS

Dry and wet wastes are collected by a licensed contractor and disposed at a landfill approved by the Local Authority. An estimated 3 tonnes of waste is removed daily.

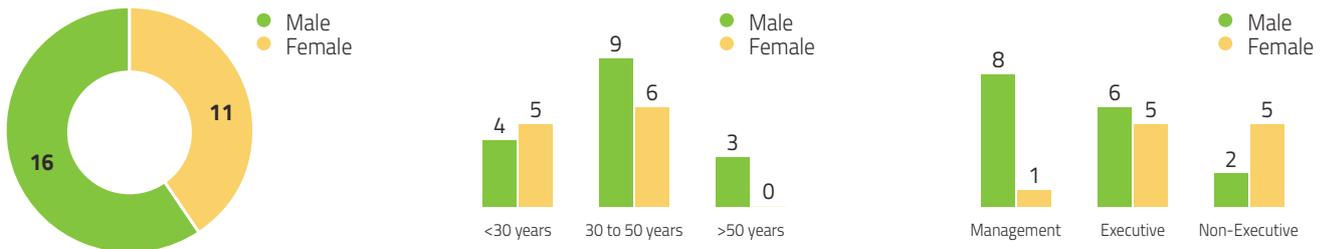
MCHM

Approximately 0.5 tonnes of dry and wet wastes are produced monthly and disposed to a landfill approved by the Local Authority by a licensed contractor.

Moving forward, we will review our waste management practices and identify areas of improvement including waste segregation and recycling.

OUR PEOPLE

EMPLOYEE BREAKDOWN (NUMBER OF INDIVIDUALS)



MANAGING OUR TALENT POOL

As we strive to grow the Fund's assets, we remain mindful of the need for qualified employees that are capable with keeping close communications with our stakeholders and remain updated on current REIT business conducts.

By investing in our people, we improve the quality of our business operations while ensuring that the Fund

maintains its services at a high level of professionalism. Realising the need for talent and skill in this industry, we enrol our employees into relevant competency training and talent development programmes that would not only improve their knowledge on REIT policies and practices but also develop their personal skills that will benefit the Fund in the long run.

EMPLOYEE PROFILE

Our employees are made up of a diverse group of qualified individuals that are knowledgeable in investment practices.

At Al-Salām REIT, we embrace a culture that respects and leverages on the diversity of our employees. We provide equal opportunities for all employees regardless of race, religion, nationality, age, marital status, or any other characteristic protected by Malaysian legislation. Diversity is integral to our business as an investment fund as we require opinions and ideas from varying groups to ensure that the Fund remains relevant in evolving economic trends.

Our gender employee ratio constitutes 59% male employees and 41% female employees. To avoid any form of biasness or discrimination, we hire our employees based on their skill sets, without weighing heavily on gender or age distribution.

EMPLOYEE TURNOVER RATE

For FY2017, our turnover rate was recorded at 3.7% for our male employees with 0% for our female employees. Our low employee attrition rate assures our stakeholders that the Fund is successful at retaining its professional working force.

RETAINING TALENT AND DEVELOPING SKILLS

We cultivate our pool of talent by enrolling them in training and development programmes that are catered towards enhancing interpersonal skills and increasing knowledge on matters related to REIT business conduct.

The total training hours dedicated to enhancing our employee's talents and skills is approximately 192 hours in FY2017. We provided learning opportunities for our employees through a series of training sessions that includes occupational health and safety courses, investment-related forums, anti-corruption training and career development opportunities.

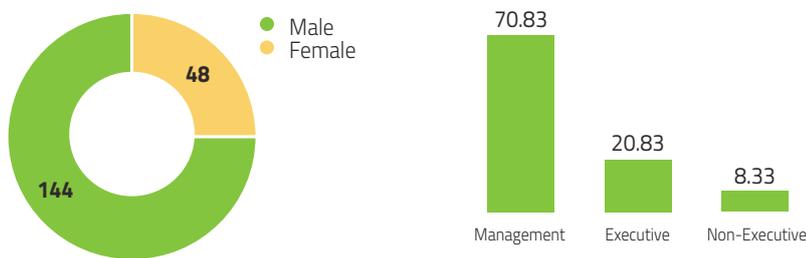
Our aim is to continue this practice in the future by ensuring that all our employees are given equal opportunity to learn and grow as the Fund continues to expand its business operations.

MANAGING OCCUPATIONAL HEALTH & SAFETY AND SECURITY

We are committed to minimising risks, securing the safety, and protecting the health of our tenants, contractors, employees and visitors who work in or visit the Fund's properties. As such, we have incorporated occupational safety and health policies and guidelines into our daily business operations with the aim of creating a safety culture with a zero tolerance towards workplace injury. Moving forward, some of the proposals include safety campaigns and awareness training programmes.

A team of well-trained employees have been assigned to form an Emergency Response Team (ERT). The ERT is tasked to handle emergencies such as fires and security breaches.

EMPLOYEE TRAINING (NUMBER OF HOURS)



OUR COMMUNITY

NURTURING PEOPLE'S TRUST

The fundamental part of our business practice is to maintain a good relationship with the local community. As a REIT, we believe that through frequent engagement with the community, we will be better equipped to identify their concerns related to our business operations. Moving forward, we plan to implement initiatives that are targeted to help and assist local communities improve their quality of life.

CUSTOMER SURVEYS

The satisfaction of our customers is reflective of the quality of the Fund's services and operations. As such, we have developed various communication channels to enhance our customer relationship (illustrated below) and to solicit feedback.

Market Research	Market Research Surveys have been carried out by Spectrum Research Asia for KOMTAR JBCC and Menara KOMTAR
Annual Meeting	Tenant Category Meetings are conducted 3 times a year by KOMTAR JBCC and @Mart Kempas to obtain feedback and gauge their level of satisfaction.
Customer Feedback Form	<p>Customer Complaint Forms are centralised at the concierge desk at KOMTAR JBCC and @Mart Kempas.</p> <p>Twice a year, KOMTAR JBCC, Menara KOMTAR and @Mart Kempas distributes feedback forms to its tenants. The tenant evaluates the services provided by the property management. By reviewing the contents of the feedback form, the level of satisfaction for the services provided is assessed.</p>





SECTION **5**
**ESSENCE OF
CORPORATE
GOVERNANCE**

- 86** Board Charter
- 96** Corporate Governance Statement
- 104** Audit Committee Report
- 106** Statement on Risk Management
and Internal Report

BOARD CHARTER

1. INTRODUCTION

The Board of Directors of the Manager (the Board) regards corporate governance as vitally important to the success of Al-Salām REIT business and is committed to apply and to ensure that the following principles of good governance is 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. OBJECTIVE

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.

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 Authorised Investment.

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 Non-Independent Executive Director

Practice 4.1 of the MCG 2017 states that at least half of the board comprises independent directors. At present, the Board comprises 33% of independent directors and therefore yet to be in line with Practice 4.1. 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.

Practice 4.5 of the MCG 2017 also states that for Large Companies (companies on the FTSE Bursa Malaysia Top 100 Index or companies with market capitalisation of RM2 billion and above), the Board must have at least 30% female directors. Based on the current market capitalisation position of RM580 million, Al-Salām REIT is not deemed to fall under Large Companies. However, the Board is moving towards to be in line with the Practice 4.5 on gender diversity whereby on 5 October 2017 Dato' Dr. Rahah Ismail was appointed as an Independent Non-Executive Director. With the appointment of Dato' Dr. Rahah Ismail, female directors' composition in the Board stands at 22%.

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 and Remuneration 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.

BOARD CHARTER - CONT'D

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 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)

- 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.
- 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.
- All Board authorities conferred on the Management is 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 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;
- (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 situation that may arise.

BOARD CHARTER - CONT'D

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 and Al-Salām REIT on behalf of the Board which includes:

- (a) Making recommendations to the Board on all acquisitions, investments and disposals;
- (b) Making recommendations to the Board on any financing offers, capital management proposals and additional banking facilities;
- (c) Reporting and recommending to the Board any corporate exercise, including the issuance of new Al-Salām REIT units;
- (d) Making recommendations to the Board on financial budgets; and
- (e) Forwarding summary reports on activities undertaken by the Manager and minutes of Executive Committee meetings to Board members, where applicable.

5.3 Nomination and Remuneration Committee (NRC)

A. Membership

- (i) The committee shall have at least 3 members, all of whom shall be non-executive directors with the majority being independent directors.
- (ii) The members and the Chairperson shall be appointed by the Board.
- (iii) The appointment of members terminates when the member ceases to be a director of the Company.
- (iv) The NRC shall have no executive powers.
- (v) In the event of equality of votes, the Chairperson of the NRC shall have a casting vote. In the absence of the Chairperson of the NRC, the members present shall elect one of their members to chair the meeting.

B. Purposes

- Nomination
 - (i) Identify and recommend candidates for Board directorship.
 - (ii) Recommend directors to fill the seats on Board Committee.
 - (iii) Evaluate the effectiveness of the Board and Board Committee (including the size and composition) and contributions of each individual director.
 - (iv) Ensure an appropriate framework and plan for Board succession.
 - (v) Assess the quality of performance and training needs are addressed.

- Remuneration
- (i) Provide assistance to the Board in determining the remuneration of Executive Directors, Managing Director and Senior Management. In fulfilling these responsibilities, the NRC is to ensure that executive directors and applicable senior management of the Company:
 - are fairly rewarded for their individual contribution to overall performance;
 - are compensated reasonably in light of the Company's objectives; and
 - are compensated similar to other companies.
- (ii) Establish the Executive Director and/or Managing Director's goals and objectives.
- (iii) Review the Executive Director and/or Managing Director's 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 Executive Director is structured based on 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.

BOARD CHARTER - CONT'D

8. RISK 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/she 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 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 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.





BOARD CHARTER - CONT'D

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 appoints the Company Secretary, who plays an important advisory role, and ensures that the Company Secretary fulfils the functions for which he/she has been appointed.
- 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 guidance of the new Malaysian Code on Corporate Governance 2017.

THE MANAGER'S ROLE

In accordance with the Trust Deed, the Manager is appointed to manage the assets and administer the Fund. Its primary objective is to provide the Unitholders with long term and stable income distributions with the potential of sustainable growth as well as to enhance the net asset value of Al-Salām REIT's units.

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 licensing regime for REIT Managers which took effect from 28 December 2012. Two of the Board members, namely Wan Azman bin Ismail and Yusaini bin Sidek as well as two of the employees, namely Shahril Zairis bin Ramli and Suhaimi bin Saad have 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 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 Trust 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 maximising the income of Al-Salām REIT.

- **Risk Management**

Determine the level of risk tolerance and actively identify, assess and monitor the 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**

Developing and maintaining 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. BOARD LEADERSHIP AND EFFECTIVENESS

1.1 Board 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 2017, the Board assumes, inter alia, the following responsibilities:

CORPORATE GOVERNANCE STATEMENT - CONT'D

- **Reviewing and adopting a strategic plan for the Fund**

The strategic and business plan for the period 2018 – 2022 was tabled, discussed and approved by the Board at its meeting on 20 November 2017. Additionally, on an ongoing basis as need arises, 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. The Board will ensure that the strategic plan supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.

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

The Board is responsible to oversee, supervise 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 Board will set the risk appetite within which the Board expects the Manager to operate and ensure there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks. 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 the Board and senior management positions are of sufficient calibre.

- **Effective communication with stakeholders**

The Board will ensure that there is an effective communication with stakeholders. The Manager has introduced many activities with regards to engagement and communication with investors to ensure that they are well informed about the Fund affairs and developments. Details of investors' activities are disclosed on page 46 of this Annual Report.

- **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.

Access to Information and Advice

Prior to each Board meeting, the Board papers 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 papers 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 the Company Secretary. All minutes will be confirmed prior to the meetings.

Company Secretary

The Manager's Joint 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 Joint Company Secretary regularly updated the Board on new regulations and directives issued by regulatory authorities.

1.2 Board Composition

Board composition influences the ability of the board to fulfil its oversight responsibilities. An effective board should include the right group of people with an appropriate mix of skills, knowledge, experience and independent elements that fit the objectives and strategic goals. The right Board composition will ensure sufficient diversity and independence to avert groupthink or blind spots in the decision-making processes. It also enables the Board to be better equipped to respond to challenges that may arise and deliver value.

The composition of the Board of Directors is as follows:

- a) 1 Non-Independent Non-Executive Chairman
- b) 4 Non-Independent Non-Executive Directors
- c) 3 Independent Non-Executive Directors
- d) 1 Non-Independent Executive Director

Practice 4.1 of the MCCG 2017 states that at least half of the board comprises independent directors. At present, the Board comprises 33% of independent directors and therefore yet to be in line with Practice 4.1. 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.

CORPORATE GOVERNANCE STATEMENT - CONT'D

Practice 4.5 of the MCGG 2017 also states that for Large Companies (companies on the FTSE Bursa Malaysia Top 100 Index or companies with market capitalisation of RM2 billion and above), the Board must have at least 30% female directors. Based on the current market capitalisation position of RM580 million, Al-Salām REIT is not deemed to fall under Large Companies. However, the Board is moving towards to be in line with the Practice 4.5 on gender diversity whereby on 5 October 2017 Dato' Dr. Rahah Ismail was appointed as an Independent Non-Executive Director. With the appointment of Dato' Dr. Rahah Ismail, female directors' composition in the Board of Al-Salām REIT stands at 22%.

During the year ended 31 December 2017, the Board members convened five meetings and all Directors (save for the newly appointed director, Dato' Dr. Rahah Ismail) have complied with the minimum 50% attendance as required by Para 15.05 of the Listing Requirements. The members of the Board and their attendances at Board meetings in 2017 are set out below:

	6 th BOD 14.02.2017	Special BOD 25.04.2017	7 th BOD 22.05.2017	8 th BOD 24.08.2017	9 th BOD 20.11.2017
Dato' Kamaruzzaman bin Abu Kassim	/	/	X	/	/
Wan Azman bin Ismail ⁽ⁱ⁾	X	/	/	/	/
Dato' Mani a/l Usilappan ⁽ⁱⁱ⁾	/	/	/	/	X
Zainah binti Mustafa	/	/	/	/	/
Dr. Mohd Hafetz bin Ahmad	/	/	/	/	/
Dato' Dr. Rahah binti Ismail ⁽ⁱⁱⁱ⁾	X	X	X	X	/
Lukman bin Hj. Abu Bakar	/	/	/	/	/
Yusaini bin Hj. Sidek	/	/	/	/	/
Dato' Amiruddin bin Abdul Satar	/	/	/	/	/
Mohd Yusof bin Ahmad	/	/	/	/	/

(i) Appointed w.e.f. 15 February 2017

(ii) Resigned w.e.f. 5 October 2017

(iii) Appointed w.e.f. 5 October 2017

Directors' Training

All Directors have attended and completed the Mandatory Accreditation Programme prescribed by Bursa Securities, and the Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis. Throughout the financial year under review, the Directors attended various conferences, seminars and training programmes covering areas that included corporate governance, leadership, updates on REIT industry and global business developments.

1.3 Remuneration

The remuneration of the Directors is paid by the Manager and not by the Fund. The remuneration of the Executive Director is structured based on 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.

2. EFFECTIVE AUDIT AND RISK MANAGEMENT

2.1 Audit Committee

An effective Audit Committee will bring transparency, focus and independent judgment needed to oversee the financial reporting process. The Audit Committee is chaired by Zainah binti Mustafa and comprises of 2 other members, Lukman bin Hj. Abu Bakar and Dr. Mohd Hafetz bin 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 104 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.

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 Board has taken the necessary steps to ensure that Al-Salām REIT had complied with all applicable Financial Reporting Standards and relevant provision of laws and regulations in Malaysia and the respective countries in which the subsidiaries operate, consistently 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 through the Audit Committee has maintained a formal procedure of carrying out an independent review of quarterly reports, annual audited financial statements, External Auditor's audit plan, report, internal control issues and procedures.

The External Auditors are invited to attend Al-Salām REIT's general meeting and are available to answer any questions from Unitholders on the conduct of the statutory audit and the contents of the Annual Audited Financial Statements.

2.2 Risk Management and Internal Control Framework

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.

CORPORATE GOVERNANCE STATEMENT - CONT'D

There is a clear segregation of roles and responsibilities between the Chairman and the Executive 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 Executive 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. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

3.1 Communication with Stakeholders

The Board recognises the importance of timely dissemination of information to the Unitholders and accordingly ensures that they are well informed of any major developments of Al-Salām REIT. Such information is communicated through the annual report, the Fund's various disclosures and announcements to Bursa Securities, including quarterly and annual results, and the corporate website.

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.

Details of the investor and public relations programs undertaken by the Manager are set out on page 46 of this Annual Report.

3.2 Conduct of General Meeting

The Annual General Meeting is a vital platform for dialogue and interaction between the Board and the Unitholders. The Manager had on 25 April 2017 convened its 2nd Annual General Meeting to seek the Unitholders' approval for amongst others:-

- 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 question-and-answer session.

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 judgements 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

Recognizing that an audit committee plays an important role in corporate governance, the Board of the Manager had established an Audit Committee to ensure that the interests of the Unitholders of Al-Salām REIT are protected and prioritised. The Audit Committee holds an important function, which is to assist the Board of the Manager to review, assess and to recommend proposals relating to internal controls, financial and accounting records and policies as well as financial reporting practices of Al-Salām REIT.

COMPOSITION

For the financial year ended 31 December 2017, the Audit Committee comprised 3 Directors, all of whom are also members of the Board of the Manager.

The composition of the Audit Committee is as follows:

1. Zainah binti Mustafa
Chairman/Independent Non-Executive Director
2. Lukman bin Hj. Abu Bakar
Member/Non-Independent Non-Executive Director
3. Dr. Mohd Hafetz bin Ahmad
Member/Independent Non-Executive Director

MEETINGS AND ATTENDANCE

The Audit Committee held 4 meetings during the financial year and the details of attendance of the Committee Members are as follows:-

Name of Committee Member	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	4 out of 4
Dr. Mohd Hafetz bin Ahmad Member/Independent Non-Executive Director	4 out of 4

DISCHARGING OF FUNCTIONS & DUTIES

During the financial year ended 31 December 2017, the Audit Committee has 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 scorecard 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

- (a) On 13 November 2017, the Audit Committee had

reviewed and discussed with the Management and the External Auditors, Deloitte PLT, the Audit Planning Memorandum for 2017. 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 disclose 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 quarterly 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 practises 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 and 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 B – Effective Audit and Risk Management of the Malaysian Code on Corporate Governance 2017.

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 put 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 operations, 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.





SECTION **6** FINANCIAL REPORTS

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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 2017.

THE FUND AND ITS INVESTMENT OBJECTIVE

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

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 27 January 2017, the Manager, after consultation with the Trustee, declared a final income distribution of 3.40 sen per unit totalling RM19.72 million for the financial year ended 31 December 2016. The said distribution was paid on 28 February 2017.

On 25 August 2017, the Manager, after consultation with the Trustee, declared an interim income distribution of 2.85 sen per unit totalling RM16.53 million for the financial year ended 31 December 2017. The said distribution was paid on 13 October 2017.

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, a body corporate established under the Johor Corporation Enactment No. 4, 1968 (as amended by Enactment No. 5, 1995).

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

MANAGER'S 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 the Securities Commission Malaysia or as otherwise permitted by the Securities Commission Malaysia.

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

- (a) Active asset management strategy
The Manager will seek to optimise the rental rates, occupancy rates and Net Lettable Area ("NLA") of the Fund's properties in order to improve the returns from the Fund's property portfolio.
- (b) Acquisition growth strategy
The Manager will source for and acquire properties that fit within the Fund's investment strategy to enhance returns to unitholders and to capitalise on opportunities for future income and net asset value growth.
- (c) Capital and risk management strategy
The Manager will endeavour to employ an appropriate mix of debt and equity in financing acquisitions, seek to manage financing and refinancing risk and to adopt an active financing rate management strategy to manage the risks associated with changes in financing rates.

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

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

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 the Securities Commission Malaysia or the REIT Guidelines.

DIRECTORS OF THE MANAGER

The Directors of the Manager in office during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Kamaruzzaman bin Abu Kassim
Lukman bin Abu Bakar
Yusaini bin Sidek
Zainah binti Mustafa
Dr Mohd Hafetz bin Ahmad
Mohd Yusof bin Ahmad
Dato' Amiruddin bin Abdul Satar
Wan Azman bin Ismail (appointed on 15 February 2017)
Dato' Dr. Rahah binti Ismail (appointed on 5 October 2017)
Dato' Mani a/l Usilappan (resigned on 5 October 2017)

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

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:

The Manager's Directors and shareholders	Number of Units in the Fund			As of 31.12.2017
	As of 1.1.2017	Acquired	Disposed	
Dato' Kamaruzzaman bin Abu Kassim				
- Direct	6,150	-	-	6,150
- Indirect	120,000	40,100	-	160,100
Lukman bin Abu Bakar	2,960	-	(2,960)	-

MANAGER'S REPORT - CONT'D

Except 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'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 be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Fund had been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Manager is not aware of any circumstances which would render:
- (i) 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'S REPORT - CONT'D

AUDITORS

The auditors, 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



.....
WAN AZMAN BIN SMAIL

Kuala Lumpur,
29 January 2018

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF AL-SALĀM REAL ESTATE INVESTMENT TRUST

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of **AL-SALĀM REAL ESTATE INVESTMENT TRUST** ("the Fund"), which comprise the statement of financial position of the Fund as at 31 December 2017, 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 128 to 163.

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 2017, 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 for 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 REIT - CONT'D

Key audit matters

Our audit performed and responses thereon

Valuation of investment properties

Investment properties of the Fund amounting to RM927.5 million as at 31 December 2017 (2016: RM922.1 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.

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.

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.

We assessed the appropriateness of the independent valuer's scope of work and independence and evaluated whether the independent valuers had sufficient expertise and resources to competently perform the said valuation of the Fund's investment properties.

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.

Based on our procedures, we believe that the fair value position taken by the Fund is appropriate.

We have also assessed the adequacy and appropriateness of the disclosures made in the Financial Statements.

Revenue recognition - percentage rent

Certain tenancy agreements between the Fund and its tenants contain clauses relating to "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.

A reliable estimate of percentage rent is necessarily reliant on the availability of tenants' audited financial statements and historical sales trends. Percentage rent is only recognised by the Fund when it can be reliably measured.

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.

We have read the tenancy agreements between the Fund and a sample of its tenants.

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.

Based on our procedures, the percentage rent revenue recognised by the Fund, to the extent it is recognised, is reasonable.

We have also assessed the adequacy and appropriateness of the related disclosures made in the Financial Statements.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-SALĀM REIT - CONT'D

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 2017 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 2017 Annual Report of the Fund and, in doing so, consider whether the 2017 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.

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

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-SALĀM REIT - CONT'D

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 scepticism 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.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

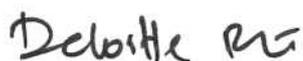
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the Fund of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when,

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AL-SALĀM REIT - CONT'D

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 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 (LLP0010145-LCA)
Chartered Accountants (AF 0080)



HUANG KHEAN YEONG
Partner - 2993/05/18 (J)
Chartered Accountant

29 January 2018

STATEMENT OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM	2016 RM
Gross rental income	5	73,333,345	70,881,590
Other income	6	6,699,417	5,253,083
Total revenue		80,032,762	76,134,673
Utilities expenses		(6,677,878)	(6,459,000)
Maintenance expenses		(3,837,171)	(2,426,171)
Quit rent and assessment		(1,452,438)	(600,689)
Property manager fee		(270,000)	(270,000)
Other property expenses		(10,907,964)	(9,466,257)
Total property expenses		(23,145,451)	(19,222,117)
Net property income		56,887,311	56,912,556
Investment income	7	1,187,792	943,064
Fair value gain on investment properties	11	5,063,150	10,630,000
Total investment income		6,250,942	11,573,064
Net investment income		63,138,253	68,485,620
Islamic financing costs:			
Finance costs		(17,577,304)	(17,923,685)
Imputed finance costs		(894,012)	(894,012)
Manager's fees		(2,341,523)	(1,837,996)
Trustee's fees		(121,777)	(119,252)
Audit fees		(120,000)	(90,000)
Valuation fees		(350,000)	(332,000)
Other expenses		(1,128,005)	(621,267)
Total Fund expenses		(22,532,621)	(21,818,212)

	Note	2017 RM	2016 RM
Profit before tax		40,605,632	46,667,408
Income tax expense	8	-	-
Profit for the financial year and total comprehensive income for the financial year		40,605,632	46,667,408
Total comprehensive income for the financial year is made up as follows:			
Realised		35,542,482	36,037,408
Unrealised		5,063,150	10,630,000
		40,605,632	46,667,408
Earnings per unit (sen):	9		
Gross		7.00	8.05
Net		7.00	8.05
Net income distribution	10	36,249,858	22,039,901
Income distribution per unit (sen):	10		
Gross		6.25	3.80
Net		6.25	3.80

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 RM	2016 RM
ASSETS			
Non-Current Assets			
Investment properties	11	927,470,000	922,090,000
Equipment	12	557,188	143,984
Total Non-Current Assets		928,027,188	922,233,984
Current Assets			
Trade receivables	13	4,523,787	3,824,210
Other receivables and prepaid expenses	13	8,745,852	3,116,344
Amount owing by related parties	20	2,392,790	1,566,792
Fixed deposits with licensed banks	14	32,415,000	41,085,000
Cash and bank balances	14	12,651,281	6,355,659
Total Current Assets		60,728,710	55,948,005
Total Assets		988,755,898	978,181,989
LIABILITIES			
Current Liabilities			
Other payables and accrued expenses	15	6,945,237	6,473,346
Amount owing to related parties	20	366,571	-
Islamic financing - current	16	3,100,000	-
Total Current Liabilities		10,411,808	6,473,346
Non-Current Liabilities			
Other payables	15	14,349,488	12,963,827
Islamic financing - Term loan	16	347,698,967	346,804,955
Total Non-Current Liabilities		362,048,455	359,768,782
Total Liabilities		372,460,263	366,242,128
Net Asset Value		616,295,635	611,939,861

	Note	2017 RM	2016 RM
UNITHOLDERS' FUND			
Unitholders' capital	17	572,545,319	572,545,319
Undistributed income		43,750,316	39,394,542
Total Unitholders' Fund		616,295,635	611,939,861
Number of units in circulation		580,000,000	580,000,000
Net Asset Value per unit (ex-distribution)		1.0626	1.0551

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Unitholders' Capital RM	Undistributed income Realised RM	Unrealised RM	Total RM
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 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

	Note	Unitholders' Capital RM	Undistributed income Realised RM	Unrealised RM	Total RM
Balance as at 1 January 2017		572,545,319	21,052,037	18,342,505	611,939,861
Unitholders' transactions:					
Distributions to unitholders	10	-	(36,249,858)	-	(36,249,858)
Total comprehensive income for the year		-	35,542,482	5,063,150	40,605,632
Balance as at 31 December 2017		572,545,319	20,344,661	23,405,655	616,295,635

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM	2016 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit before tax		40,605,632	46,667,408
Adjustments for:			
Islamic financing costs:			
Finance costs		17,577,304	17,923,685
Imputed finance costs		894,012	894,012
Depreciation of equipment		21,327	8,306
Fair value gain on investment properties		(5,063,150)	(10,630,000)
Investment income		(1,187,792)	(943,064)
Operating Profit Before Working Capital Changes		52,847,333	53,920,347
(Increase)/Decrease in:			
Trade receivables		(699,577)	(2,809,349)
Other receivables and prepaid expenses		(5,698,325)	(1,396,200)
Amount owing by related parties		(825,998)	247,031
Increase/(Decrease) in:			
Other payables and accrued expenses		1,819,493	3,435,987
Amount owing to related parties		366,571	(535,630)
Net Cash From Operating Activities		47,809,497	52,862,186
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Income received from other investments		1,181,609	910,215
Purchase of equipment	12	(434,531)	(152,290)
Increase in pledged deposits with licensed banks	14	(330,000)	(343,000)
Addition to investment properties	11	(316,850)	-
Increase in goods and services tax recoverable		-	8,270,315
Net Cash From/(Used In) Investing Activities		100,228	8,685,240

STATEMENT OF CASH FLOWS - CONT'D

	Note	2017 RM	2016 RM
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Income distributions paid	10	(36,249,858)	(22,039,901)
Islamic financing costs paid		(17,464,245)	(17,849,508)
Increase in Islamic financing	16	3,100,000	-
Net Cash (Used In) Financing Activities		(50,614,103)	(39,889,409)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,704,378)	21,658,017
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		37,855,659	16,197,642
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	35,151,281	37,855,659

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. CORPORATE INFORMATION

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

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 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor, Malaysia.

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

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 (2016: RM270,000).

NOTES TO THE FINANCIAL STATEMENTS - 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 RM2,341,523 (2016: RM1,837,996).
- (ii) An acquisition fee of 1% of the transaction value (being the total purchase price) of any investment property directly or indirectly acquired from time to time by the Trustee for and on behalf of the Fund pro-rated, if applicable, to the proportion of the Fund's interest and payable to the Manager upon completion of the acquisition of the investment property. The Manager did not earn any acquisition fee for the current and previous financial years.
- (iii) A disposal fee of 0.5% of the transaction value (being the total sales price) of any investment property directly or indirectly sold from time to time by the Trustees for and on behalf of the Fund pro-rated, if applicable, to the proportion of the Fund's interest and payable to the Manager upon completion of the disposal of the investment property. The Manager did not earn any disposal fee for the current and previous financial year.

(c) Trustee's fees

Pursuant to the 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 RM121,777 (2016: RM119,252).

The financial statements of the Fund were authorised by the Board of Directors of the Manager for issuance on 29 January 2018.

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 2017 as follows:

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

Amendments to MFRS 107	Disclosure Initiatives
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle

The adoption of these revised Standards and Amendments have not affected the amounts reported in the financial statements of the Group and of the Fund except as discussed below:

Amendments to MFRS 107 Disclosure Initiatives

The Fund has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Fund's liabilities arising from financing activities consist of borrowings and amount due to related companies. A reconciliation between the opening and closing balances of these items is provided in Note 16. Consistent with the transition provisions of the amendments, the Fund has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 16, the application of these amendments has had no impact to the Fund's financial statements.

2.2 Standards, Amendments to MFRSs and Issues Committee Interpretations ("IC Intrepretation") 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 which were in issue but not yet effective and not early adopted by the Fund are as listed below:

MFRS 9	Financial Instruments ¹
MFRS 15	Revenue from Contract Customers ¹
MFRS 16	Leases ²
MFRS 17	Insurance Contracts ³
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts ¹
Amendments to MFRS 9	Prepayment Features with Negative Compensation ²
Amendments to MFRS128	Long-term Interests in Associates and Joint Ventures ²
Amendments to MFRS140	Transfers of Investment Property ¹
Amendments to MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle ¹
Amendments to MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle ³
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹
IC Interpretation 23	Uncertainty over Income Tax Payments ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective date deferred to a date to be announced by MASB

NOTES TO THE FINANCIAL STATEMENTS - 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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

The Manager has undertaken a review of the impact of the adoption of MFRS 9 and has concluded that the adoption of this Standard will not have a material impact on the amounts reported and disclosures in the financial statements.

MFRS 15 Revenue from Contracts with Customers

In May 2015, 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.

The Manager has undertaken a review on the impact of the adoption of MFRS 15 and has concluded that the adoption of this Standard will not have a material impact on the amounts reported and disclosures in the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

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 will 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 has undertaken a review of the impact of the adoption of MFRS 16 and has concluded that the adoption of this Standard will not have a material impact on the amounts reported and disclosures in the 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.

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

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

- 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.

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 income

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

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

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.

(c) Current and Deferred Tax for the Year

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.

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

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.

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

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

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.

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 - 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.

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.

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

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.

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

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

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 23, including the factors used to identify the reportable segments and the measurement basis of segment information.

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 2017, 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.

NOTES TO THE FINANCIAL STATEMENTS - 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 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

	2017 RM	2016 RM
Base rental income	63,247,755	61,065,330
Service charges	5,722,536	5,372,732
Percentage rent	4,363,054	4,443,528
	73,333,345	70,881,590

6. OTHER INCOME

	2017 RM	2016 RM
Parking income	3,052,740	2,565,058
Event and advertising income	3,646,677	2,688,025
	6,699,417	5,253,083

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

7. INVESTMENT INCOME

	2017	2016
	RM	RM
Income from Islamic deposit placements	1,187,792	943,064

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 2017, are as follows:

	2017	2016
	RM	RM
Earnings attributable to unitholders:		
Profit before tax and profit for the year	40,605,632	46,667,408
Number of units	580,000,000	580,000,000
Gross earnings per unit (sen)	7.00	8.05
Net earnings per unit (sen)	7.00	8.05

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

10. NET INCOME DISTRIBUTION

	2017	2016
	RM	RM
Final distribution 2015 - 1.20 sen per unit	-	6,959,977
Interim distribution 2016 - 2.60 sen per unit	-	15,079,924
Final distribution 2016 - 3.40 sen per unit	19,719,924	-
Interim distribution 2017 - 2.85 sen per unit	16,529,934	-
	36,249,858	22,039,901

On 27 January 2017, the Manager, after consultation with the Trustee, declared a final income distribution of 3.40 sen per unit totalling RM19.72 million for the financial year ended 31 December 2016. The said distribution was paid on 28 February 2017.

On 25 August 2017, the Manager, after consultation with the Trustee, declared an interim income distribution of 2.85 sen per unit totalling RM16.53 million for the financial year ended 31 December 2017. The said distribution was paid on 13 October 2017.

Distribution to unitholders is derived from the following sources:

	2017	2016
	RM	RM
Net property income	56,887,311	56,912,556
Investment income	1,187,792	943,064
	58,075,103	57,855,620
Less: Fund expenses	(22,532,621)	(21,818,212)
Realised income for the year	35,542,482	36,037,408
Undistributed income brought forward	21,052,037	7,054,530
Less: Undistributed income	(20,344,661)	(21,052,037)
	36,249,858	22,039,901

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

11. INVESTMENT PROPERTIES

	2017 RM	2016 RM
At 1 January	922,090,000	911,460,000
Additions	316,850	-
Fair value of gain on investment properties	5,063,150	10,630,000
At 31 December	927,470,000	922,090,000

Fair value measurement of the Fund's investment properties

The fair values of the Fund's investment properties as at 31 December 2017 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 7.3% (2016: 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 - 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	2017 Fair value RM	2016 Fair value RM	Fair Value hierarchy
KOMTAR JBCC	Freehold	-	-	Johor Bahru, Johor	31.12.2017	465,000,000	465,000,000	3
Menara KOMTAR	Freehold	-	-	Johor Bahru, Johor	31.12.2017	73,000,000	72,000,000	3
@Mart Kempas	Leasehold	99	90	Johor Bahru, Johor	31.12.2017	65,000,000	65,000,000	3
KFCH International College	Freehold	-	-	Johor Bahru, Johor	31.12.2017	29,000,000	28,400,000	3
QSR Properties:								
Restaurant in shop lots								
KFC restaurant	Freehold	-	-	Kajang, Selangor	31.12.2017	9,700,000	9,200,000	3
KFC restaurant	Freehold	-	-	Jitra, Kedah	31.12.2017	520,000	500,000	3
KFC restaurant	Leasehold	93	85	Ayer Hitam, Johor	31.12.2017	2,000,000	1,960,000	3
KFC restaurant	Leasehold	99	74	Bayan Lepas, Penang	31.12.2017	3,900,000	3,800,000	3
KFC restaurant	Leasehold	99	79	Petaling Jaya, Selangor	31.12.2017	9,300,000	8,400,000	3
KFC restaurant	Leasehold	74	69	Port Dickson, Negeri Sembilan	31.12.2017	1,700,000	1,650,000	3
KFC restaurant	Leasehold	99	76	Kuala Perlis, Perlis	31.12.2017	470,000	460,000	3
PHD restaurant	Freehold	-	-	Ulu Tiram, Johor	31.12.2017	860,000	850,000	3
PHD restaurant	Freehold	-	-	Kota Tinggi, Johor	31.12.2017	820,000	820,000	3
Restaurants in shopping mall								
KFC Restaurant in Queensbay Mall	Freehold	-	-	Bayan Lepas, Penang	31.12.2017	13,100,000	12,500,000	3
KFC Restaurant in Kompleks Bukit Jambul	Freehold	-	-	Bayan Lepas, Penang	31.12.2017	2,800,000	2,740,000	3
KFC Restaurant in Megamall Pinang Shopping Complex	Leasehold	99	78	Perai, Penang	31.12.2017	2,700,000	2,700,000	3
Pizza Hut Restaurant in Megamall Pinang Shopping Complex	Leasehold	99	78	Perai, Penang	31.12.2017	2,000,000	1,960,000	3

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

Description of property	Tenure of land	Term of lease Years	Remaining term of lease Years	Location	Date of valuation	2017 Fair value RM	2016 Fair value RM	Fair Value hierarchy
Restaurants with drive-through facility								
Pizza Hut and KFC	Leasehold	99	69	Jln Kuchai Lama, Kuala Lumpur	31.12.2017	14,300,000	14,000,000	3
Pizza Hut and KFC	Leasehold	99	48	Sungai Petani, Kedah	31.12.2017	5,200,000	5,200,000	3
Pizza Hut and KFC	Freehold	-	-	Senai, Johor	31.12.2017	8,400,000	8,400,000	3
Pizza Hut and KFC	Freehold	-	-	Tmn Damansara Aliff, Johor Bahru	31.12.2017	12,000,000	12,000,000	3
Pizza Hut and KFC	Freehold	-	-	Taman Perling, Johor Bahru	31.12.2017	13,500,000	13,270,000	3
Pizza Hut and KFC	Freehold	-	-	Ipoh, Perak	31.12.2017	8,600,000	8,600,000	3
Pizza Hut and KFC	Leasehold	96	80	Off Jln Kepong, Kuala Lumpur	31.12.2017	15,500,000	15,300,000	3
Pizza Hut and KFC	Leasehold	83	67	Pusat Bandar Wangsa Maju, Kuala Lumpur	31.12.2017	26,000,000	26,000,000	3
Pizza Hut and KFC	Leasehold	99	92	Hang Tuah Jaya, Melaka	31.12.2017	8,300,000	8,280,000	3
Warehouse and factory								
Warehouse	Freehold	-	-	Simpang Ampat, Penang	31.12.2017	1,400,000	1,300,000	3
Warehouse and factory	Leasehold	99	80	Kota Kinabalu, Sabah	31.12.2017	3,000,000	2,500,000	3
Warehouse	Leasehold	99	71	Pelabuhan Klang, Selangor	31.12.2017	47,000,000	47,000,000	3
Warehouse and factory	Leasehold	99	71	Pelabuhan Klang, Selangor	31.12.2017	27,000,000	27,000,000	3
Warehouse and factory	Freehold	-	-	Shah Alam, Selangor	31.12.2017	55,400,000	55,300,000	3

Investment properties of the Fund amounting to RM715,200,000 (2016: RM712,970,000) are charged as security for the Islamic financing facilities granted by domestic financial institutions to the Fund as mentioned in Note 16.

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

12. EQUIPMENT

	2017 RM	2016 RM
Cost		
At 1 January	152,290	-
Additions	434,531	152,290
<hr/>		
At 31 December	586,821	152,290
<hr/>		
Accumulated Depreciation		
At 1 January	(8,306)	-
Charge for the year	(21,327)	(8,306)
<hr/>		
At 31 December	(29,633)	(8,306)
<hr/>		
Net Book Value		
At 31 December	557,188	143,984

13. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

	2017 RM	2016 RM
Trade receivables	1,753,686	1,180,421
Accrued percentage rent	2,770,101	2,643,789
<hr/>		
	4,523,787	3,824,210

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 (2016: 30 to 60 days).

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

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

	2017	2016
	RM	RM
0 - 30 days	3,789,287	3,470,384
31 - 60 days	214,633	148,365
61 - 90 days	-	13,297
91 - 120 days	519,867	192,164
	4,523,787	3,824,210

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

Other receivables and prepaid expenses consist of:

	2017	2016
	RM	RM
Other receivables	1,688,355	2,377,154
Prepaid expenses	1,647,497	739,190
Deposit for acquisition of properties	5,410,000	-
Other receivables and prepaid expenses	8,745,852	3,116,344
Less:		
Prepaid expenses	(1,647,497)	(739,190)
Deposit for acquisition of properties	(5,410,000)	-
Add:		
Trade receivables	4,523,787	3,824,210
Amounts owing by related parties	2,392,790	1,566,792
Fixed deposits with licensed banks	32,415,000	41,085,000
Cash and bank balances	12,651,281	6,355,659
Total loans and receivables	53,671,213	55,208,815

Deposits for acquisition of properties represent deposits paid for the proposed acquisition of 22 properties across Malaysia by AmanahRaya Trustees Berhad (the "Trustee")

Amounts owing by related parties, which arose mainly from rental income receivable and collections' unsecured, interest-free and repayable on demand. Transactions with related parties are disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

14. CASH AND CASH EQUIVALENTS

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

	2017	2016
	RM	RM
Deposits with licensed banks	32,415,000	41,085,000
Cash and bank balances	12,651,281	6,355,659
	45,066,281	47,440,659
Less: Pledged deposits with licensed banks	(9,915,000)	(9,585,000)
	35,151,281	37,855,659

Deposits with licensed banks earn profit at rates ranging from 2.55% to 3.40% (2016: 2.95% to 4.10%) per annum and have maturity periods of 4 days to 3 months (2016: 1 to 3 months). The 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.

15. OTHER PAYABLES AND ACCRUED EXPENSES

	2017	2016
	RM	RM
Non-current:		
Other payables - tenant deposits received	14,349,488	12,963,827
Current:		
Other payables	924,471	1,156,968
Accrued expenses	6,020,766	5,316,378
	6,945,237	6,473,346
Add:		
Islamic financing – Non-current (Note 16)	347,698,967	346,804,955
Islamic financing – Current (Note 16)	3,100,000	-
Amount owing to related parties	366,571	-
	351,165,538	346,804,955
Total financial liabilities carried at amortised cost	372,460,263	366,242,128

Amounts owing to related parties, which arose mainly from management fee, collections and payments on behalf of the Fund, are unsecured, interest-free and repayable on demand. The transaction with related parties are disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

16. ISLAMIC FINANCING

	2017 RM	2016 RM
Current:		
Commodity Murabahah Revolving Credit-i	3,100,000	-
Non-current:		
Commodity Murabahah Term Financing-i	350,000,000	350,000,000
Transaction costs	(2,301,033)	(3,195,045)
	347,698,967	346,804,955
Total Islamic Financing	350,798,967	346,804,955

Current

Islamic financing – current facility is a Commodity Murabahah Revolving Credit-I (“CMRC-i”) dated 14 June 2017 where the facility amount given up to the aggregate principal limit of RM10 million from RHB Islamic Bank Berhad to part finance the general working capital requirements of the Fund.

The effective rate for the CMRC-i will be based on Costs of Funds (“COF”) + 1.50% per annum.

Non-current

Islamic financing – non-current 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 COF + 1.35% per annum for the first 16 months, COF + 1.40% per annum for the next 8 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 4.99% (2016: 5.11%).

The total transaction costs of RM4,470,060 incurred in 2015 were 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 RM715,200,000 (2016: RM712,970,000) as mentioned in Note 11.

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

Reconciliation of liabilities arising from financing activities

The table below details the changes in the Fund's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Fund's financial statements of cash flows as cash flows from financing activities.

2017	Non-Current	Current	Total
Islamic Financing	RM	RM	RM
At beginning of year	346,804,955	-	346,804,955
Financing cash flows	(17,421,814)	3,057,569	(14,364,245)
	329,383,141	3,057,569	332,440,710
<i>Non-cash changes</i>			
Accruals of finance costs	18,428,885	42,431	18,471,316
Decrease in accruals	(113,059)	-	(113,059)
At end of year	347,698,967	3,100,000	350,798,967

17. UNITHOLDERS' CAPITAL

	No. of units		2017	2016
	2017	2016		
			RM	RM
Unitholders' capital	580,000,000	580,000,000	572,545,319	572,545,319

The Fund issued 580,000,000 units of RM1 each in conjunction with the Fund's IPO on the Main Market of Bursa Malaysia on 29 September 2015 of which 327,640,000 units of RM1 each were issued to vendors of the Fund's investment properties to partially finance the acquisition of the said investment properties. The remaining 252,360,000 units of RM1 each were issued as part of the IPO to institutional investors and the Malaysian public.

Details of units held by the related parties of the Manager which comprise companies related to Johor Corporation, a body corporate established under the Johor Corporation 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 2017 based on the Record of Depositors are as follows:

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

	No. of units		2017 RM	2016 RM
	2017	2016		
Related parties:				
Johor Corporation	23,543,400	23,543,400	23,543,400	25,191,438
Damansara Assets Sdn Bhd	251,039,417	279,075,417	251,039,417	298,610,696
Kulim (Malaysia) Berhad	23,406,600	22,688,100	23,406,600	24,276,267
Waqaf An-Nur Corporation Berhad	57,859,401	57,859,401	57,859,401	61,909,559
Johor Land Berhad	1,100,000	1,100,000	1,100,000	1,177,000
KPJ Healthcare Berhad	2,000,000	2,000,000	2,000,000	2,140,000
Kumpulan Bertam Plantations Berhad	296,000	296,000	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 RM1.00 per unit as at 31 December 2017 (2016: RM1.07).

18. MANAGEMENT EXPENSE RATIO ("MER")

	2017 %	2016 %
MER	0.66	0.51

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. PORTFOLIO TURNOVER RATIO ("PTR")

	2017 %	2016 %
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 - CONT'D

20. 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.

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

	2017	2016
	RM	RM
Rental income received/receivable from related parties	27,860,572	29,588,047
Other property management fees charged by related parties of the Manager (including in other operating expenses)	4,487,125	4,117,620

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

21. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The carrying amount of the various financial assets and financial liabilities reflected in the statement of financial position approximate their fair values other than as disclosed below:

	Carrying Amount	Fair Value
	RM	RM
2017		
Financial liability at amortised cost		
Islamic financing - non-current	347,698,967	341,932,000
2016		
Financial liability at amortised cost		
Islamic financing - non-current	346,804,955	340,786,000

The fair value of the non-current Islamic financing was estimated using discounted cash flow analysis based on market equivalent profit rate of 5.21% (2016: 5.11%) per annum for similar type of instruments of similar risk and cash flow profiles. The disclosure of the fair value of the non-current Islamic financing is considered a Level 2 fair value hierarchy disclosure.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

Financial assets

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

31 December 2017	Weighted average effective profit %	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM
Non-profit bearing financial assets:				
Trade receivables		4,523,787	4,523,787	4,523,787
Other receivables (Note 13)		1,688,355	1,688,355	1,688,355
Amount owing by related parties		2,392,790	2,392,790	2,392,790
Profit bearing financial asset:				
Fixed profit rate instruments – deposits financial institutions	3.25	32,415,000	32,583,205	32,583,205
Cash and bank balances		12,651,281	12,651,281	12,651,281
		53,671,213	53,839,418	53,839,418
<hr/>				
31 December 2016	Weighted average effective profit %	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year 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 with 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 - CONT'D

Financial liabilities

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

31 December 2017	Weighted average effective profit %	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		21,294,725	21,294,725	6,945,237	14,349,488
Amount owing to related parties		366,571	366,571	366,571	-
Profit bearing financial liabilities:					
Islamic Financing – Current	5.49	3,100,000	3,270,190	3,270,190	-
Variable profit rate instruments - Islamic financing – Non-current	5.21	347,698,967	394,114,696	19,496,594	376,618,102
		372,460,263	419,046,182	30,078,592	390,967,590

31 December 2016	Weighted average effective profit %	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 – Non-current	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 - 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 manages 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 a 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 RM882,750 (2016: 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 Fund operates solely in Malaysia.

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

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

2017

	Retail outlets RM	Office buildings RM	F&B restaurants RM	F&B Non-restaurants RM	Other - Fund level operations RM	Total RM
Total revenue	50,298,557	9,136,457	9,802,650	10,795,098	-	80,032,762
Total property expenses	(18,810,119)	(3,685,042)	(12,854)	(367,436)	(270,000)	(23,145,451)
Net property income	31,488,438	5,451,415	9,789,796	10,427,662	(270,000)	56,887,311
Fair value gain on investment properties	-	683,150	3,080,000	1,300,000	-	5,063,150
Investment income	-	-	-	-	1,187,792	1,187,792
Total income	31,488,438	6,134,565	12,869,796	11,727,662	917,792	63,138,253
Total fund expenditure	-	-	-	-	(4,061,305)	(4,061,305)
Operating profit	31,488,438	6,134,565	12,869,796	11,727,662	(3,143,513)	59,076,948
Islamic financing costs	-	-	-	-	(18,471,316)	(18,471,316)
Profit before tax	31,488,438	6,134,565	12,869,796	11,727,662	(21,614,829)	40,605,632
Income tax expense	-	-	-	-	-	-
Profit for the financial year	31,488,438	6,134,565	12,869,796	11,727,662	(21,614,829)	40,605,632
Total assets	615,161,560	91,611,248	161,670,000	168,317,061	(48,003,971)	988,755,898
Total liabilities	16,670,453	2,495,492	-	721,326	352,572,992	372,460,263

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

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
Fair value gain on 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	-	840,699	345,336,158	366,242,128

NOTES TO THE FINANCIAL STATEMENTS - 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 2016.

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.

	2017	2016
	RM	RM
Total borrowings (Note 16)	350,798,967	346,804,955
Total assets value as per statement of financial position	988,755,898	978,181,989
Total borrowings to total assets value ratio	35.5%	35.5%

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

25. 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:

	2017	2016
	RM	RM
Less than one year	50,262,021	66,604,586
Between one and five years	211,516,053	196,673,027
More than five years	168,244,931	221,489,942
	430,023,005	484,767,555

26. SIGNIFICANT EVENT

On 3 October 2017, the Fund made an announcement in Bursa Malaysia Securities Malaysia Berhad ("Bursa Malaysia") to announce that the Trustee, for and on behalf of the Fund, had entered into a conditional sale and purchase agreement with Mydin Wholesale Cash And Carry Sdn Bhd ("MWCC") for the acquisition of a double storey hypermarket, each floor with a mezzanine level together with 796 car park bays (634 covered parking bays and 162 surface car parking bays), located at Lot 52606 (formerly PT No. 35511), Dataran Austin, Jalan Gong Pak Damat, 21200 Kuala Terengganu, Terengganu Darul Iman for a purchase consideration of RM155 million to be satisfied entirely in cash.

Subsequently, on 4 December 2017, the Fund announced that the Trustee, for and on behalf of the Fund, had entered into 3 conditional sale and purchase agreements with Kentucky Fried Chicken (Malaysia) Sdn Bhd, KFC (Peninsular Malaysia) Sdn Bhd, KFC (Sabah) Sdn Bhd and SPM Restaurants Sdn Bhd on 30 November 2017 for the acquisition of 22 properties located across Malaysia for a purchase consideration of RM115 million.

The purchase consideration to be satisfied entirely in cash and is intended to be funded via proceeds from the proposed placement and borrowings.

The proposed acquisitions are conditional upon the leaseback agreement with QSR Stores Sdn Bhd and Pizza Hut Restaurants Sdn Bhd for the lease of the properties for a period of 3 years commencing from the completion of the proposed acquisitions. The lease is renewable every 3 years up to a maximum of 15 years with an option to renew for a further period of 15 years.

As of the date of the issuances of these financial statements, both acquisitions have not been completed.

STATEMENT BY THE MANAGER

We, Dato' Kamaruzzaman bin Abu Kassim and Wan Azman bin Ismail, being two of the Directors of **DAMANSARA REIT MANAGERS SDN BERHAD** (the "Manager"), do hereby state that, in the opinion of the Manager, the financial statements of **AL-SALĀM REAL ESTATE INVESTMENT TRUST** (the "Fund") 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 2017 and of the financial performance and the cash flows of the Fund for the year ended on the date.

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



DATO' KAMARUZZAMAN BIN ABU KASSIM



WAN AZMAN BIN ISMAIL

Kuala Lumpur,
29 January 2018

DECLARATION BY THE DIRECTOR OF THE MANAGER

PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE FUND

I, **WAN AZMAN BIN ISMAIL**, the Executive Director of **DAMANSARA REIT MANAGERS SDN BERHAD** ("the Manager") and 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.



WAN AZMAN BIN ISMAIL

Subscribed and solemnly declared by the abovenamed **WAN AZMAN BIN ISMAIL** at **KUALA LUMPUR** on 29 January 2018.

Before me,



COMMISSIONER FOR OATHS

Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut,
50350 Kuala Lumpur.
Tel: 019-6680745

SHARIAH COMMITTEE REPORT

TO THE UNITHOLDERS OF AL-SALĀM REAL ESTATE INVESTMENT TRUST

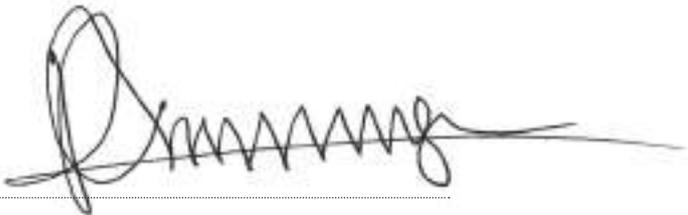
We have acted as the Shariah Adviser of **AL-SALĀM REAL ESTATE INVESTMENT TRUST** (the “Fund”). Our responsibility is to ensure that the procedures and processes employed by **DAMANSARA REIT MANAGERS SDN BERHAD** (the “Manager”) and that the provisions of the Trust Deed are in accordance with Shariah 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 2017.

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

29 January 2018

TRUSTEE'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 2017. 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; and

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

Yours faithfully

AMANAHRAYA TRUSTEES BERHAD



HABSAH BINTI BAKAR

Chief Executive Officer

Kuala Lumpur, Malaysia
9 February 2018

ANALYSIS OF UNITHOLDINGS

UNITHOLDINGS STATISTICS AS AT 29 DECEMBER 2017

BREAK DOWN OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
Less than 100	187	2.24	8,145	-
100 – 1000	3,979	47.76	2,252,978	0.39
1,001 – 10,000	3,678	44.14	11,163,738	1.93
10,001 – 100,000	434	5.21	10,233,689	1.76
100,001 to less than 5% of Issued Capital	51	0.61	151,288,732	26.08
5% and above of Issued Capital	3	0.04	405,052,718	69.84
TOTAL	8,332	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.	251,039,417	43.28
2 Tabung Amanah Warisan Negeri Johor	96,153,900	16.58
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	23,406,600	4.04
7 Pelaburan Hartanah Berhad	20,000,000	3.45
8 Lembaga Tabung Haji	16,859,100	2.91
9 Cartaban Noms (T) Sdn Bhd - A/C Standard Chartered Saadiq Bhd SCBMB Trustee for Muamalat 1	12,944,200	2.23
10 Maybank Noms (T) Sdn Bhd - A/C Bank Kerjasama Rakyat (M) Berhad (412803)	4,000,000	0.69
11 Labuan Reinsurance (L) Ltd	2,594,000	0.45
12 Amanahraya Trustees Berhad - A/C AS 1Malaysia	2,200,000	0.38
13 AMSec Nominees (Tempatan) Sdn Bhd - A/C MTrustee Berhad for Pacific Pearl Fund (UT-PM-PPF)	2,100,900	0.36
14 KPJ Healthcare Berhad	2,000,000	0.34
15 Citigroup Noms (T) Sdn Bhd - A/C Kenanga Islamic Investors Bhd for Tabung Warisan Negeri Selangor (REITS)	1,713,700	0.30
16 Johor Land Berhad	1,100,000	0.19
17 Citigroup Noms (T) Sdn Bhd - A/C Kumpulan Wang Persaraan (Diperbadankan) (MYBK AM SC E)	900,000	0.16
18 AMSec Nominees (Tempatan) Sdn Bhd - A/C MTrustee Berhad for Malaysia France Institute Sdn Bhd (PMF)	766,300	0.13
19 Maybank Noms (T) Sdn Bhd - A/C Etiqa Takaful Berhad (Family PIF EQ)	635,300	0.11
20 AMSec Noms (T) Sdn Bhd - A/C MTrustee Berhad for Koperasi Angkatan Tentera Malaysia Berhad (Account 2)	610,700	0.11
21 CIMB Group Noms (T) Sdn Bhd - A/C Exempt An for CIMB Bank Bhd (Dana Johor)	604,311	0.10
22 Affin Hwang Noms (T) Sdn. Bhd. - A/C For Mohd Fauzy bin Abdullah (M09)	600,000	0.10
23 CIMSec Noms (T) Sdn Bhd - A/C CIMB Bank for Arshad Bin Ayub (MY1393)	600,000	0.10
24 Tenh Hong Way	600,000	0.10
25 Maybank Secs Noms (T) Sdn Bhd - A/C Malayan Banking Berhad For Pelaburan Johor Berhad (MBB Dana Johor)	520,501	0.09
26 Ahamad Bin Mohamad	500,020	0.09
27 AMSec Noms (T) Sdn Bhd - A/C MTrustee Berhad for Koperasi Angkatan Tentera Malaysia Berhad	487,400	0.08
28 Kumpulan Bertam Plantations Berhad	296,000	0.05
29 Kwan Chee Tong	293,200	0.05
30 Labuan Reinsurance (L) Ltd	250,000	0.04

Substantial Unitholders

Unitholders	Direct Interest		Deemed Interest	
	No. of Units	%	No. of Units	%
1. Johor Corporation	23,543,400	4.06	363,209,106 ⁽ⁱ⁾	62.62
2. Damansara Assets Sdn Bhd	278,539,417	48.02	-	-
3. Tabung Amanah Warisan Negeri Johor	96,153,900	16.58	-	-
4. Waqaf An-Nur Corporation Berhad	57,859,401	9.98	-	-

Note:

- (i) Deemed interested by virtue of its interest in Damansara Assets Sdn Bhd, Waqaf An-Nur Corporation Berhad, Kulim (Malaysia) Berhad, KPJ Healthcare Berhad, Johor Land Berhad, Kumpulan Bertam Plantations Berhad and Tenaga Utama (J) Berhad under Section 8 of the Companies Act, 2016

Analysis of Unitholders

		No. of Unitholders	%	No. of Units	%
Malaysian	- Bumiputra	1,867	22.41	543,825,428	93.76
	- Others	6,438	77.27	35,636,892	6.15
Foreigners		27	0.32	537,680	0.09
TOTAL		8,332	100.00	580,000,000	100.00

Unit Analysis as at 29 December 2017

ROD	Total		Bumiputra		Non-Bumiputra		Foreign	
	Holder	No. of Unit	Holder	No. of Unit	Holder	No. of Unit	Holder	No. of Unit
Government Bodies	2	119,697,300	2	119,697,300	-	-	-	-
Finance	2	19,059,100	2	19,059,100	-	-	-	-
Investment Trust	1	7,400	-	-	1	7,400	-	-
Nominees	387	56,788,685	228	39,512,371	154	16,941,314	5	335,000
Companies	20	358,693,467	14	358,619,447	6	74,020	-	-
Clubs / Associations	5	74,086	4	71,126	1	2,960	-	-
Co - Operatives	14	349,929	12	340,035	2	9,894	-	-
Individual	7,901	25,330,033	1,605	6,526,049	6,274	18,601,304	22	202,680
Total	8,332	580,000,000	1,867	543,825,428	6,438	35,636,892	27	537,680
%	100.00	100.00	22.41	93.76	77.27	6.15	0.32	0.09



Managed By:

DAMANSARA REIT MANAGERS SDN BHD
(717704-V)

www.alsalamreit.com.my