

KOMTAR JBCC

OVERVIEW OF PROPERTY

Located in the heart of the Central Business District of Johor Bahru City Centre, KOMTAR JBCC offers an array of outlets of famous international brand such as Swarovski, Chanel, Estee Lauder and Dior amongst others.

The 4-storey shopping mall with car park complex is attached with an existing 25 level purpose-built office tower known as Menara KOMTAR and newly completed 37-storey purpose-built office tower known as Menara JLand.

Being adjacent to CIQ with excellent pedestrian connectivity to the mall allows KOMTAR JBCC to further capitalise its potential visitors from outside its identified catchment.

A proposed international hotel to be known as Holiday Inn Johor Bahru City Centre will be part of the KOMTAR JBCC mixed-use development and is expected to be completed in 2020 and that will further increase the catchment of the mall.

The table below sets out a summary on KOMTAR JBCC as at 31 December 2018.

Existing Use	4-level Shopping Mall
GFA	623,374 sq ft
NLA	397,076 sq ft
Number of Car Park Bays	1,311
Market Value	RM465,000,000
Number of Tenancies	125
Occupancy Rate	95%



Creating space for new specialty tenants

TENANT PROFILE

i. Top Ten Tenant

The major tenants contributed for approximately 31% of total income.

Tenant	% of Total Income
Metrojaya	10
Good 2 U	5
Padini Concept Store	2
Brands Outlet	2
Marks & Spencer	2
F.O.S	2
RHB Bank	2
Adidas	2
Angry Bird Activity Park	2
Kapitan Grocer	2

MAJOR ASSET ENHANCEMENT INITIATIVE

There was no major asset enhancement initiative undertaken for year 2018.

KOMTAR JBCC is currently undergoing few AELs from March 2019 and expected to be completed by end of FY2019.

(i) Reconfiguration exercise at the ex-Metrojaya area

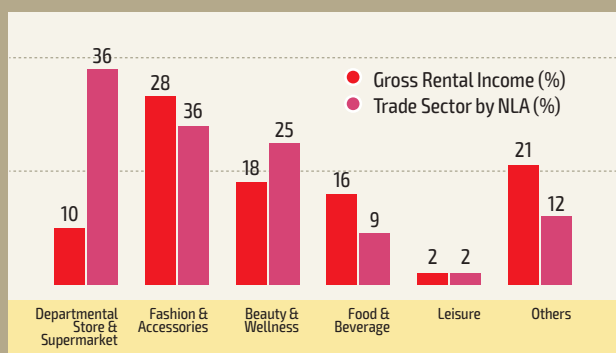
With the departure of Metrojaya, there will be substantial empty space in KOMTAR JBCC. On a positive note, it will now give Al-Salām REIT opportunity to review and revise KOMTAR JBCC's tenant mix in order to better cater to the needs of the visitors and shoppers given the competitive environment. The ex-Metrojaya area will undergo reconfiguration exercise that eventually will offer the chance to create more space for mini anchors and specialty stores.



Upgrading of facade at KOMTAR JBCC

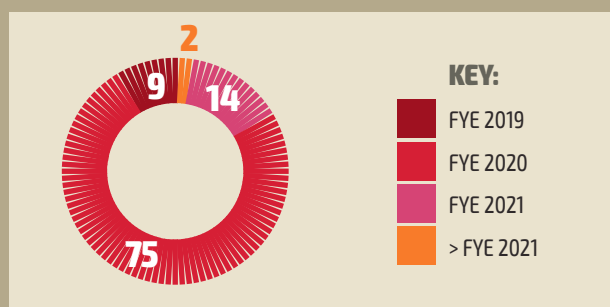
ii. Trade Sector Analysis (Gross Rental Income)

The table below provides a breakdown of the different trade sectors represented in KOMTAR JBCC as at 31 December 2018.



iii. Tenancy Expiry Profile (NLA)

The majority of the tenancies will expire in FY2020 onwards. The Service Provider has managed to retain the existing tenants despite increased competition from other malls.



* Based on NLA occupied excluding ex-Metrojaya area

The reconfiguration will also include improving the circulation areas of the mall, creating more inviting and open retail space with better visibility and providing a better shopping experience while driving per-square-foot productivity of the mall.

The reconfiguration of the area will take into account, amongst others, the following criteria:

- No Anchor Tenant - Opportunity to create more space for mini anchors and specialty stores for better rental rate as well as reduce the risk associated with an anchor tenant.
- Increase of F&B - Area for F&B tenants will increase from the current 10% to approximately 20% of the NLA.
- Ground Floor Reconfiguration - The configuration of the area will be remodelled to cater the tenants from the newly opened Grade A offices in Menara JLand.

The reconfiguration of the area which involves approximately NLA of 127,000 sf is expected to be completed by end of FY2019.

(ii) Revitalization and brightening the look of KOMTAR JBCC

As part of our continuous efforts to revitalize KOMTAR JBCC, an upgrading of the façade that fronts Jalan Tun Abdul Razak has been undertaken since late 2018. The façade will also create an entrance statement for better access from the Jalan Tun Abdul Razak area. The estimated cost of the project is RM1.9 million and is expected to be completed by March 2019.

To improve the advertising and signage at the external facade of KOMTAR JBCC, we have also undertaken to install signage facing at both Jalan Wong Ah Fook and Jalan Tun Abdul Razak, respectively. The project will cost approximately RM2.3 million and is expected to be completed by March 2019.

STRATEGIES

The fund will continue to focus on the ongoing strengths 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.

- To continue to focus on the strength of the higher end retailers to Johor Bahru e.g. Marks & Spencer.



Installation of signage at KOMTAR JBCC

KOMTAR JBCC - STRATEGIES (CONT'D)

- ii. Focus on key brands such as Sephora, Chanel, Dior, Kiehl's and the F & B offer that includes 4 Fingers Crispy Chicken, Arashi Shabu Shabu 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.
- iii. 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.
- iv. To work with key tenants e.g. The Angry Birds Activity Park and Marks & Spencer to ensure their success and the flow on effect to other specialty stores at KOMTAR JBCC.
- v. To leverage on social media connectivity as an effective and interactive tool of campaigns, promotional highlights and events.
- vi. To develop mall-wide campaigns aimed at increasing customer spending through rewards or redemptions with the support from retailers or mall promotional campaign activities.

CHALLENGES AND PROSPECTS

The potential overcrowding of Johor Bahru's retail space coupled with dampened expectations on consumer sentiment create a challenging environment for players within this market segment. However proprietors with assets located in prime areas are expected to persevere and continue to grow in performance this year.

Al-Salām REIT is poised to become the latter as retail performance in Komtar JBCC continues to be the main driver for the Fund's yields going forward. Capitalising from the property's strategic location and established brand as the preferred premium destination for shopping in the state capital, these competitive strengths of KOMTAR JBCC are key drivers to attract new retailers whilst retaining existing operators that are due for lease renewals.

The ongoing rapid development in Johor Bahru City Centre including the proposed Ibrahim International Business District (IIBD) development as well as the continuing influx of domestic and foreign investments into the Iskandar Region is expected to enhance the prospect of KOMTAR JBCC moving into the new year.

OPERATIONAL REVIEW RETAIL SEGMENT

@MART KEMPAS

OVERVIEW OF PROPERTY

@Mart Kempas is a single storey purpose-built hypermarket commenced its operations since March 2011. @Mart Kempas located within Kempas, Johor Bahru surrounded by residential and commercial area. @Mart Kempas layout is divided into several areas for, amongst others, a fresh market, dry retail lots, a food court and various promotion area.

The 'one stop convenience supermarket' targets the lower and medium market that offers cleaner and more convenient shopping experience compared to the traditional wet market.

The table below sets out a summary on @Mart Kempas as at 31 December 2018.

Existing Use	Community Hypermarket
GFA	164,460 sq ft
NLA	99,979 sq ft
Number of Car Park Bays	478
Market Value	RM65,000,000
Number of Tenancies	224
Occupancy Rate	98.5%

TENANT PROFILE

i. Top Ten Tenant

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

Tenant	% of Total Income
Unified Vision Sdn Bhd (Pasaraya Midas)	9
J&E Telecommunication Sdn Bhd	4
Linkme LM Trading Sdn Bhd	2
Pasaraya Ku Trading (JH) Sdn Bhd	2
Kedai Kasut You Sdn Bhd	2
Lionmas Furniture Sdn Bhd	2
Ashri Soya Enterprise	2
MR.DIY (Johor) Sdn Bhd	2
NCH Communication	1
GreenPoint Departmental Store Sdn Bhd	1

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 2018.



MAJOR ASSET ENHANCEMENT INITIATIVE

@Mart Kempas completed AEIs of RM354,582 during the financial year which covers the repainting works at the external façade and upgrading of road and washrooms.

STRATEGIES

1. Explore new target market through media social connectivity.
2. To develop mall-wide campaigns aimed at increasing customer spending through rewards or redemptions.
3. Explore other income such as renting advertising space, creating new tenanted areas and promotion areas.
4. Work with tenants to attract more visitors to shop by doing promotional activities and also offer quality products at affordable prices.

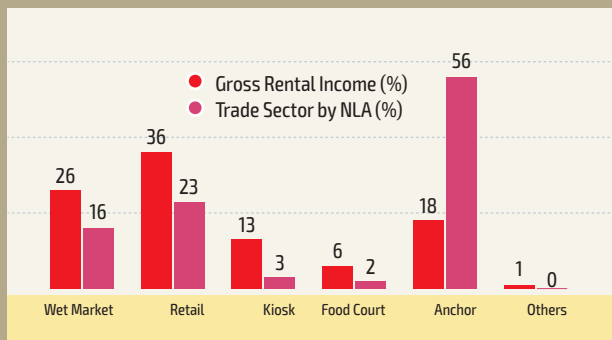
CHALLENGES AND PROSPECTS

Lingering uncertainty on the economy at large coming into the new year will soften the consumer retail market as shoppers become more cautious in their spending habit.

However, conversely demand for staple goods and bargain household products is expected to be buoyed by the slowdown in tandem with the shift in consumer preference. @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.

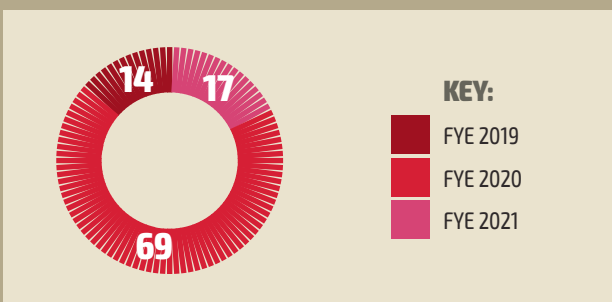
As such, the property manager will continue to strengthen the retail mart's revenue and bottom line via:

- i. Reassessment and repositioning of lessee trade mix to suit changes in consumer demand in efforts to increase rental rate
- ii. To diversify sources of income by renting advertising space, creating new tenanted and promotion areas
- iii. Drive footfall through promotional activities, revenue-maximizing events as well as continuing to offer quality products at affordable prices.



iii. Tenancy Expiry Profile

The Service Provider has managed to retain the existing tenants albeit with increase competition from other malls.



MYDIN HYPERMART GONG BADAQ

OVERVIEW OF PROPERTY

A double storey hypermarket with business activity in retailing and wholesaling. The mall comprises of the conventional retail lots including food and beverage (F&B) lots, promotion lots, kiosks, push carts, and other an ancillary lot, bazaar lot and food court. Unlike traditional warehouse type of hypermarket, the hypermart is constructed as the modern shopping mall that provide leisure ambience. The strategic location of the hypermarket along the eastern side of Jalan Tengku Ampuan Intan Zahrah, one of the main development thoroughfares of Kuala Terengganu town is expected to be the main attraction to the locals.

TENANT PROFILE

The table below sets out a summary on Mydin Gong Badak as at 31 December 2018.

Existing Use	Community Hypermarket
GFA	582,332 sq ft
NLA	245,257 sq ft
Number of Car Park Bays	805
Market Value	RM158,000,000
Occupancy Rate	96%

RENTAL RENEWAL

As stipulated in the lease agreement dated 26 September 2018, the lease will be for a term of thirty years with an option to renew which the length will be mutually agreed between Al-Salām REIT and the lessee.

MAJOR ASSET ENHANCEMENT INITIATIVE

The properties are on a triple net lease arrangement and there was no major asset enhancement initiative undertaken for year 2018. The Fund will continue to enhance the relationships with the tenants and proactively attend tenant's need and requirement.

MENARA KOMTAR



OVERVIEW OF PROPERTY

Rejuvenated and refreshed, Menara KOMTAR has undertaken major refurbishment in 2013. The 25-level purpose-built office tower located in Flagship Zone A of Iskandar Malaysia which is established with the key development strategy to regenerate Johor Bahru into a vibrant economic centre while preserving its cultural and heritage values.

It is also located strategically within the proximity to world's most dynamic economic at the confluence of important East-West trade routes and part of the Indonesia-Malaysia-Singapore Growth Triangle.

The table below sets out a summary on office building as at 31 December 2018.

Existing Use	Office Building
GFA	242,195 sq ft
NLA	160,592 sq ft
Number of Car Park Bays	208
Market Value	RM73,000,000
Number of Tenancies	22
Occupancy Rate	90%

MAJOR ASSET ENHANCEMENT INITIATIVE

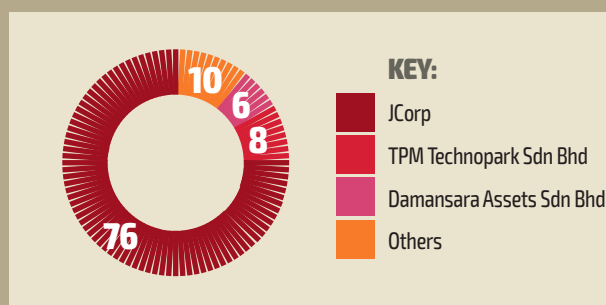
There was no major asset enhancement initiative undertaken for year 2018.

STRATEGIES

1. Continuous efforts in improving space occupancy including implementing initiatives to minimize rental attrition /improve rental reversion levels to achieve top line performance target
2. Streamlining operating costs to deliver sustainable earnings quality in light of challenging commercial office landscape
3. Maintaining close engagement with tenants and to act as a synergetic partner in ensuring commercial success of the asset

TENANT PROFILE

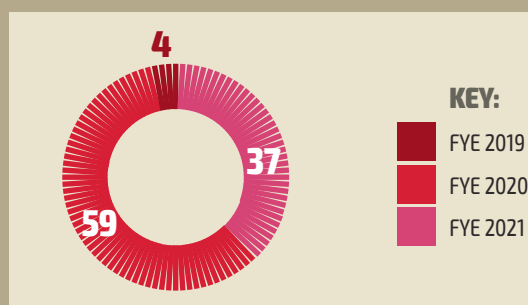
i. Major Tenants



ii. Trade Sector Analysis (Gross Rental Income)

JCorp Group of Companies occupied about 78% of the NLA. The gross rental income contributed by JCorp was 76%.

iii. Tenancy Expiry Profile



CHALLENGES AND PROSPECTS

The surplus overhang in office space within Klang Valley will continue to dampen rental and occupancy rates coming into the new year. Comparatively, Johor Bahru's office space performance is faring better than its northern counterpart as the Iskandar Region continues to receive substantial investments for future economic developments.

Menara KOMTAR is expected to maintain its position as a substantial yield contributor to the Fund as the property owes its stability of revenue due to it being a part of KOMTAR JBCC's burgeoning commercial scene.

Menara KOMTAR also houses the main office of JCorp thus assuring stable long term income accruing from the tenant's established reputation as one of Malaysia's best performing state agency. Apart from this, the Manager continues to engage with the tenants by further developing relationship to enhance the level of service and experience of tenants in Menara KOMTAR.

OPERATIONAL REVIEW F & B RESTAURANT KFC & PIZZA HUT

OVERVIEW OF PROPERTIES

The Food & Beverage Restaurant segment comprises 22 restaurant properties located across Malaysia. The segment consists of restaurant located at shophouses/offices, single storey-restaurants building with drive-through and restaurant mall outlets. Al-Salām REIT is leasing all the QSR Properties to QSR Group of Companies.

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

Rental Renewal

Description	No. of Properties	Market Value (RM)
Restaurant located at shophouses/ offices	9	29,520,000
Single-storey restaurants building with drive-through outlets	9	115,100,000
Restaurant at mall	4	21,077,000
TOTAL	22	165,697,000

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 second rental term has been renewed as below:

F&B Properties (outlet)	Second Rental Term
11	6 May 2018 - 5 May 2021
10	29 Sept 2018 - 28 Sept 2021
1	Month to month basis

MAJOR ASSET ENHANCEMENT INITIATIVE

The properties are on a Triple Net Lease arrangement and there was no major asset enhancement initiative undertaken for year 2018. The Fund will continue to enhance the relationship with the tenants and proactively attend to tenants' need and requirements.

OPERATIONAL REVIEW F & B NON-RESTAURANT INDUSTRIAL PREMISES



OVERVIEW OF PROPERTIES

The RM136.0 million worth total market value properties comprising of 5 industrial premises. The 5 properties located across Malaysia support the Food & Beverage operations of fast food brands namely KFC and Pizza Hut, the fast food brands under QSR Group of Companies. Al-Salām REIT is leasing all of the QSR Properties to QSR Group of Companies.

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 details of rental renewal for the second term as below:

F&B Non-Restaurants	Second Rental Term
2	6 May 2018 - 5 May 2021
3	29 Sept 2018 - 28 Sept 2021

MAJOR ASSET ENHANCEMENT INITIATIVE

The properties are on a Triple Net Lease arrangement and there was no major asset enhancement initiative undertaken for year 2018. The Fund will continue to enhance the relationship with the tenants and proactively attend to tenants' need and requirements.

OPERATIONAL REVIEW
F & B NON-RESTAURANT

MALAYSIAN COLLEGE OF HOSPITALITY & MANAGEMENT



OVERVIEW OF PROPERTY

Malaysian College of Hospitality & Management –formerly known as KFC International College– is a 4-storey building located in Bandar Dato Onn, Johor. The building erected upon the 87,123 sq. ft land comprise of 4-storey administrative cum academic block, 2 guard houses, bin centre and a pump room. The slightly curved in shaped building currently accommodating two tenants namely KPJ Education (M) Sdn Bhd and KPJ Healthcare University College Sdn Bhd. Strategically located, this area is easily accessible from several directions from the city and the neighbourhood. The area also is an important growth corridor with several major residential, commercial and industrial developments in the vicinity that still being developed in phases.

The table below sets out a summary on MCHM as at 31 December 2018.

Existing Use	College Building
GFA (sq. ft.)	92,157 sq ft
NLA (sq. ft.)	87,178 sq ft
Number of Car Park Bays	131
Market Value	RM30,000,000
Occupancy Rate	100%

LEASE EXPIRY

The lease for MCHM is for 9 years of which the third rental term will expire on 31 October 2019.

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.

CAPITAL MANAGEMENT

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:

	FY2017	FY2018
Total Borrowings (RM Mil)	350.8	509.5
Average Cost Of Debts (%)	4.99	5.38
Fixed/Floating Ratio	100% Floating	100% Floating
Average Maturity Period (years)	2	1
Financing Service Cover ratio (times)	3.00	2.62
Gearing ratio (%)	35.5	44.1

	2017 RM	2018 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)	(1,407,021)
	347,698,967	348,592,979
Sukuk Ijarah Programme	-	162,785,000
Transaction costs	-	(1,850,383)
	-	160,934,617
Total Islamic Financing	350,798,967	509,527,596

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. Currently, no amount has been drawn down from the CMRC-i. The CMRC-I is secured against an investment property of RM15.5 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 rates 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, COF + 1.50% per annum for the next 7 months and COF + 1.65% per annum for the remaining duration of the CMTF-i. The COF is based on each respective Banks' COF. The average effective profit rate for the CMTF-I is 5.38% (2017: 4.99%).

On 24 August 2018, ALSREIT Capital Sdn Bhd established a Sukuk Ijarah Programme comprising Islamic Medium Term Notes ("IMTN") of up to RM1.5 billion in nominal value and issued RM162,785,000 in nominal value of IMTNs ("Issue 1")

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 2018 is 44.1 %, leaving a debt headroom of approximately RM120 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, analyze and control risk to maximize the risk-adjusted return potential of Al-Salām's portfolio, whilst seeking to identify assets that would decrease the volatility of the portfolio and structuring a REIT portfolio is about identifying risk and hedging it in the best possible way.

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.

The tops risks faced by the Fund and the mitigation plan are specified as below:

Risk	Risk Description	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.	<ul style="list-style-type: none"> • Appointment of advisers and third party service providers to do a thorough assessments of the project viability and sufficiently assess the risk profile of the project to ensure that risks are properly addressed and mitigated according to the action plan. • To minimize the impact of changing market conditions and industrial competitiveness through constant monitoring of the changes, address the issues that arise and undertake proper action plan to address the issues. • To conduct due diligence exercise as part of the SOP to 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.	<ol style="list-style-type: none"> 1. 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. 2. To undertake an aggressive rental collection efforts on overdue rental payments. 3. Ensure there are ongoing strong marketing & promotional campaigns that will drive visitors to our mall and to work with key anchor tenants to promote their business and strengths.
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 plans to embark on a combination of fixed and floating financing via implementation of Interest Profit Rate Swap in 2019.
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.
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 especially relating to the Main Market Listing Requirements, REIT Guidelines and the Trust Deed.
Cyber Security Risk	Risk to data breaches and loss off critical data	The Manager is drafting a Disaster Recovery Plan as part of Cyber Security Plan to mitigate the risk

INVESTOR AND PUBLIC RELATIONS

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

3RD ANNUAL GENERAL MEETING

The Manager convened the 3rd Annual General Meeting (AGM) of Al-Salām REIT on 19 April 2018 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.

The Chairman presented the progress and performance of the business and encouraged Unitholders to participate in the question-and-answer session.



3rd AGM of Al-Salām REIT on 19 April 2018 at Puteri Pacific Hotel, Johor Bahru

UNITHOLDERS' MEETING

The Manager convened the Unitholders' meeting of Al-Salām REIT on 6 June 2018 to seek the unitholders' approval amongst others, for the Proposed Acquisition of 22 QSR Properties located across Malaysia for a purchase consideration of RM 115 million to be satisfied entirely in cash.

The above resolution was duly approved by the Unitholders



Q&A session with unitholder at Unitholders' meeting of Al-Salām REIT on 6 June 2018

ANALYSTS & INVESTORS BRIEFING

The Manager has always engaged with local and foreign analysts as well as investors and potential investors to keep them abreast of the latest development of Al-Salām REIT.

The briefings were organised periodically either thru 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.



Analyst briefing on Al-Salām REIT's quarterly result

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 stakeholders. 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

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.

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.

MALAYSIAN REIT MANAGERS ASSOCIATION (MRMA)

Al-Salām is an active member of the Malaysian REIT Managers Association 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.

RESEARCH COVERAGE

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

Research House	Date of Report	Recommendation	Target Price
Maybank Investment Bank	22 Feb 2018	Hold	RM1.00
Maybank Investment Bank	24 May 2018	Hold	RM0.90
Maybank Investment Bank	5 Oct 2018	Hold	RM0.90
Maybank Investment Bank	10 Dec 2018	Hold	RM0.85

MARKET REPORT SUMMARY

1. ECONOMIC OVERVIEW

The global economy continues to grow at a moderate pace amid a brittle demand and lessened trade flows. There are growing risks to the global growth tilted to the downside, predominantly due to factors related to trade policy uncertainty and weakening financial market sentiments. There are still lingering uncertainty in trade directions when the ceasefire on the US-China trade war ends on the 1st March 2019. The mounting trade tensions together with other emerging concerns, including slower growth than expected in emerging market economies and the US government shutdown, are causing instability in the financial market.

Domestic demand is expected to grow by 5.1%, underpinned by a robust albeit slower growth in private consumption at 6.4%. Consumers are most likely to go for cautious spending due to the concern of the so-called "high cost of living", although prices are under control and household debt burden is declining. The average headline inflation for 2018 was tamed at 1.0%, below the earlier expectation. The 2019 headline inflation, however, is expected to be higher at the average rate of 2.0% due to expansionary policy to support domestic demand and a weak ringgit foreign exchange.

The Ringgit is affected by the volatility of the financial market as short-term investors continuously rebalance their portfolio due to monetary policy differential as well as heightened policy uncertainty among developed nations. The balance of portfolio investment for the first half of 2018 was in the red (-RM40.9 billion). At the same time, a weakened external demand was also adding up to the downward pressure on ringgit.

(Extracted from Official Website of Malaysian Institute Economic Research)

2. MALAYSIAN REIT

The sector has faced an early dampener of 25bps overnight policy rate (OPR) hike to 3.25% on 25 Jan 2018 which would nudge up near-term's financing costs (for M-REITs with exposure to floating rate borrowings). This was followed by a short-lived, sector-wide unit price easing in Mar-Apr 2018 which we believe was partly attributed to the market's expectation of two rate hikes in 2018 (including Jan 2018's). Elsewhere, there were selective, major asset acquisitions/ developments in 2018 YTD, i.e Pavillion Elite (acquired in Apr), The Green Leaf Niseko Village (acquired in Sep) and Nestle DC @Axis Mega Distribution Centre (commenced in Jun)

The M-REIT's growth is estimated to be largely organic in 2019, via positive rental reversions and sustained occupancy rates while there are M-REIT's which would record full year rental income contributions from assets which were acquired/developed in 2018 (i.e Axis, PavREIT, YTLREIT). It is expected 2019's acquisition pipeline to be subdued and only involving smaller size assets as anticipated major pipeline and developments would only take place from 2020 onwards, such as Lot 185, Lot 91 and City Point Podium by KLCCP, completion of Phase 2 Development at Axis Mega Distribution Centre by Axis and Mid Valley Southkey Megamall by IGBREIT. Our 2019-2020 forecasts have only imputed: (i) purchase of 22 QSR properties by ALSREIT, and (ii) development and acquisition of two industrial properties by Axis.

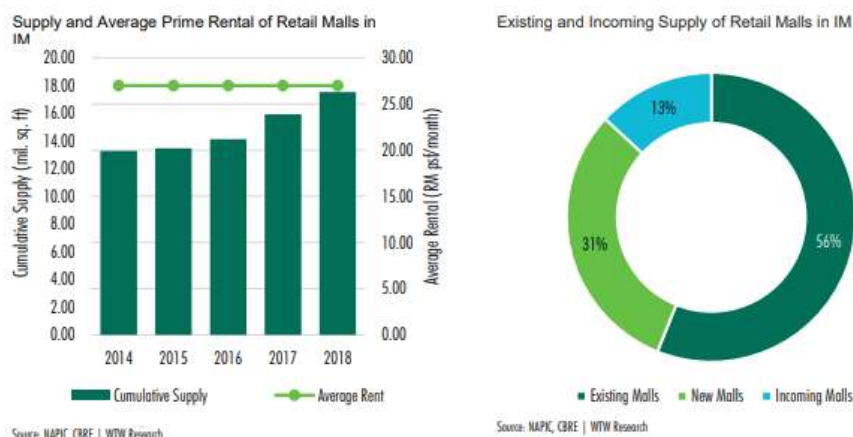
Oversupply of retail and office space would remain as major earnings risks to M-REITs as it would generally heighten selected retail malls and office towers' occupancy risks and limiting potential positive rental reversions for expiring leases. Elsewhere, it is believed further rate hike(s) would lower M-REITs profitability (higher finance costs) and deterring acquisitions (more expensive to fund acquisitions via borrowings). Nonetheless, it is expected that the current OPR to remain at 3.25% throughout 2019 to support near-term, economic growth while our sensitivity analysis reveals that a further 25bps increase in finance costs would only lower the sector's CY19/ 20 net profit by 0.5% p.a..

(Extracted from Research report 2019: Outlook & Lookouts by Maybank IB Research, 14 December 2018)

3. RETAIL

There are three retail malls to be ready by end of 2018. These three long-awaited malls will offer a variety of shopping and entertainment experiences to locals and visitors in Iskandar Malaysia. Midvalley Southkey Megamall, Princess Quay Shoplex and Capital 21 will provide another 3.13 million square feet of new retail space to the market. The current supply of retail space in Iskandar Malaysia stood at 17.53 million square feet which will increase to 20.66 million square feet when the above-mentioned three malls commence operation as per schedule.

Approximately 5.3 million square feet of retail space entered Iskandar Malaysia for the past two years, and another 2.5 million square feet will come on stream in the next few years. By then, the newly completed and incoming supply will eventually form 44% of total retail space in IM.



For 2018, the vacancy rate of retail space stayed stable at approximately 23% while the average rent eased slightly to RM25 per square foot from RM27 per square foot in 2017.

With the increasing number of new modern retail malls coming into the market, the existing malls have to put on a lot more effort to stay competitive in the market. Most of the new retail malls have unique attractions and entertainment/leisure activities besides enhanced shopping experiences. All these will build up more pressure and challenges to ageing malls.

(Extracted from CBRE | WTW Research: Asia Market Outlook 2019 Malaysia)

4. OFFICE

New purpose-built office (PBO) are mushrooming in recent years, after a long hiatus since 2000s. The new office buildings are designed with modern high technology features, which may potentially outperform the old buildings in near future. In 2018, two new office buildings, namely the M9 at Medini and Menara JLand at Johor Bahru city centre. Injected an additional 685,450 square feet net lettable area into the market. The existing supply of PBO space in IM stand at 9.75 million square feet contributed by 110 buildings. Out of that, 77 buildings with a total of 6.96 million square feet are privately-owned while the remaining 33 buildings with a total of 2.8 million square feet are government owned. There will be approximately 2 million square feet net lettable office space coming into the market in the next three years.

Demand for office space has been stable in Johor Bahru and vacancy rate was about 20%. The average office rental for prime office space in Johor Bahru city centre remained unvaried in the range of RM3.20 to RM3.50 per square foot, while the rental range was from RM2.80 to RM3.20 per square foot in the city fringe. New office buildings in Johor Bahru city centre, Medini and Puteri Harbour commanded higher rentals of between RM4.00 to RM5.50 per square foot. The higher rates are driven by the influx of multinational companies (MNCs) seeking high prestige

New and incoming office buildings are forming 42% of total PBO's supply in IM. These new buildings with better quality and features, are able to achieve almost double average rental rates of old office buildings. In order to achieve healthier occupancy rates, it is expected that new PBOs will offer competitive leases and incentives.



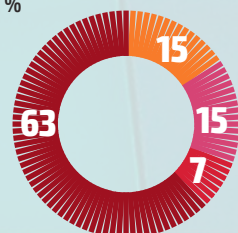
(Extracted from CBRE | WTW Research: Asia Market Outlook 2019 Malaysia)



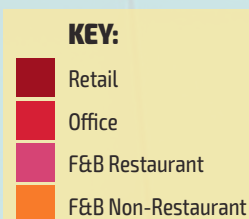
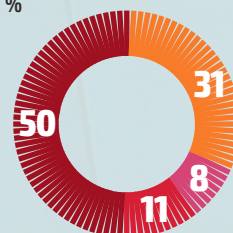
SUMMARY OF INVESTMENT PORTFOLIO



Asset Breakdown by Property Value
as at 31 December 2018
%



Asset Breakdown by GFA
as at 31 December 2018
%



SUMMARY OF INVESTMENT PORTFOLIO

RETAIL - KOMTAR JBCC



Location	KOMTAR JBCC, Johor Bahru City Centre, Jalan Wong Ah Fook, Johor Bahru, Johor
Description	A 4-Level Shopping Mall
Year of Completion	2014
Title	Geran No. 44587
Tenure	Freehold
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM 465,000,000
Date of Latest Valuation	31 December 2018

RETAIL - @MART KEMPAS



Location	Premises No. 10, Jalan Persiaran Tanjung, Taman Cempaka 81200 Johor Bahru, Johor
Description	A Single-Storey Hypermarket
Year of Completion	2010
Title	HSD 510051
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 2018

RETAIL- MYDIN HYPERMART GONG BADAK



Location	Lot 52606 (Formerly PT No. 35511), Dataran Austin, Jalan Gong Pak Damat, 21200 Kuala Terengganu, Terengganu
Description	A double storey hypermarket, each floor with a mezzanine level together
Year of Completion	2014
Title	Pajakan Negeri 10207
Tenure	Leasehold - 99 years, expiring on 26 December 2109
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM158,000,000
Date of Latest Valuation	31 December 2018

OFFICE - MENARA KOMTAR



Location	Menara Komtar, Johor Bahru City Centre, Jalan Wong Ah Fook, Johor Bahru, Johor
Description	A 25-Storey Office Building
Year of Completion	1979
Title	Grant 44587
Tenure	Freehold
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM 73,000,000
Date of Latest Valuation	31 December 2018

FOOD & BEVERAGE RESTAURANTS: SHOPHOUSE/OFFICE OUTLETS



Location	Premises No. 9, Persiaran Putra Timur 1, 02000 Kuala Perlis, Perlis
Description	KFC Restaurant
Year of Completion	1996
Title	PM 1181
Tenure	Leasehold 99 years expiring on 25 September 2092
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM 480,000
Date of Latest Valuation	31 December 2018



Location	Premises No. 5, Bangunan Joota Brothers, Jalan Sungai Korok, 06000 Jitra, Kedah
Description	KFC Restaurant
Year of Completion	1992
Title	HSD 17607
Tenure	Freehold
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM 530,000
Date of Latest Valuation	31 December 2018



Location	Premises No. 34, Jalan Mahsuri, Bandar Bayan Baru, 11950 Bayan Lepas, Pulau Pinang
Description	KFC Restaurant
Year of Completion	1993
Title	PN 2263
Tenure	Leasehold 99 years expiring on 15 May 2090
Encumbrances	Nil
Market Value	RM 4,000,000
Date of Latest Valuation	31 December 2018



Location	Premises Nos. 18 & 20, Jalan Sulaiman, 43000, Kajang, Selangor
Description	KFC Restaurant
Year of Completion	1982
Title	GRN 45688 & GRN 45689
Tenure	Freehold
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM 9,700,000
Date of Latest Valuation	31 December 2018

FOOD & BEVERAGE RESTAURANTS: SHOPHOUSE/OFFICE OUTLETS



Location	Premises Nos. 60 & 62, Jalan PJS 11/28A, Bandar Sunway, 46150 Petaling Jaya, Selangor
Description	KFC Restaurant
Year of Completion	1996
Title	PN 72423, PN 72424, HSM 9319, HSM 9320
Tenure	Leasehold 99 years expiring on 28 December 2092 and 11 March 2095.
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM 9,400,000
Date of Latest Valuation	31 December 2018



Location	Premises No. 1, Jalan Mahajaya, Kawasan Penambakan Laut, Bandar Port Dickson, Negeri Sembilan
Description	KFC Restaurant
Year of Completion	1997
Title	PN 48982
Tenure	Leasehold 74 years expiring 8 May 2085
Encumbrances	Nil
Market Value	RM 1,710,000
Date of Latest Valuation	31 December 2018



Location	No. 1, Jalan Bandar Baru 1, Pusat Bandar Baru Ayer Hitam, 86100 Ayer Hitam, Johor
Description	KFC Restaurant
Year of Completion	2011
Title	PN 69846
Tenure	Leasehold 93 years expiring on 16 July 2101
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM 2,000,000
Date of Latest Valuation	31 December 2018



Location	No. 1 & 1-1, Jalan Niaga, 81900 Kota Tinggi, Johor
Description	Pizza Hut Restaurant
Year of Completion	2004
Title	PN74196
Tenure	Leasehold 99 years expiring on 14 May 2085
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM 830,000
Date of Latest Valuation	31 December 2018

FOOD & BEVERAGE RESTAURANTS: DRIVE-THROUGH OUTLETS



Location	PT2281, Jalan Kuala Ketil, Bandar Puteri Jaya, 08000 Sungai Petani, Kedah
Description	KFC Restaurant with Drive Through Facility
Year of Completion	2012
Title	HS(D) 125211
Tenure	Freehold
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM 5,300,000
Date of Latest Valuation	31 December 2018



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
Tenure	Freehold
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM 8,700,000
Date of Latest Valuation	31 December 2018



Location	No. 3, Jalan Resam 13, Taman Bukit Tiram, 81800 Ulu Tiram, Johor
Description	PHD Restaurant
Year of Completion	2010
Title	GRN 343903
Tenure	Freehold
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM 870,000
Date of Latest Valuation	31 December 2018



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 1421
Tenure	Leasehold 99 years expiring on 8 February 2064
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM 15,000,000
Date of Latest Valuation	31 December 2018

FOOD & BEVERAGE RESTAURANTS: DRIVE-THROUGH OUTLETS



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 33135
Tenure	Leasehold 96 years expiring on 28 April 2096
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM 16,000,000
Date of Latest Valuation	31 December 2018



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	Hak Milik Sementara Daftar 99750
Tenure	Leasehold 99 years expiring on 19 April 2083
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM 27,000,000
Date of Latest Valuation	31 December 2018



Location	Lot 4260, Lebuhraya Ayer Keroh, 75450 Hang Tuah Jaya, Melaka
Description	Pizza Hut Restaurant and KFC Restaurant with Drive Through Facility
Year of Completion	2012
Title	PM 4878
Tenure	Leasehold 99 years expiring on 13 May 2108
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM 8,700,000
Date of Latest Valuation	31 December 2018



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	HSD 58402
Tenure	Freehold
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM 8,500,000
Date of Latest Valuation	31 December 2018

FOOD & BEVERAGE RESTAURANTS: MALL OUTLETS



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	Charged to Malaysian Trustees Berhad
Market Value	RM 12,100,000
Date of Latest Valuation	31 December 2018



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
Tenure	Freehold
Encumbrances	Nil
Market Value	RM 13,840,000
Date of Latest Valuation	31 December 2018



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
Tenure	Freehold
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM 13,800,000
Date of Latest Valuation	31 December 2018



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
Tenure	Freehold
Encumbrances	Private Caveat by RHB Islamic Bank Berhad
Market Value	RM 2,833,000
Date of Latest Valuation	31 December 2018

FOOD & BEVERAGE RESTAURANTS: MALL OUTLETS



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
Tenure	Leasehold 99 years expiring 4 July 2094
Encumbrances	Private Caveat by RHB Islamic Bank Berhad
Market Value	RM 2,742,000
Date of Latest Valuation	31 December 2018



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
Tenure	Leasehold 99 years expiring on 15 March 2087
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM 47,291,000
Date of Latest Valuation	31 December 2018



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
Tenure	Leasehold 99 years expiring on 4 July 2094
Encumbrances	Private Caveat by RHB Islamic Bank Berhad
Market Value	RM 1,662,000
Date of Latest Valuation	31 December 2018



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
Tenure	Freehold
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM 1,600,000
Date of Latest Valuation	31 December 2018

FOOD & BEVERAGE NON-RESTAURANTS INDUSTRIAL PREMISES



Location	Premises No. 6, Jalan Gerudi, Off Jalan Pelabuhan Utara, 42000 Pelabuhan Klang, Selangor
Description	Factory / Warehouse
Year of Completion	2004
Title	PN 8616
Tenure	Leasehold 99 years expiring on 15 March 2087
Encumbrances	Charged to Malaysian Trustees Berhad
Market Value	RM 27,000,000
Date of Latest Valuation	31 December 2018



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
Tenure	Freehold
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM 57,078,000
Date of Latest Valuation	31 December 2018



Location	Lot 5, Lorong Tembaga 3, Kawasan MIEL, KKIP Selatan, Kota Kinabalu Industrial Park, Menggatal, Kota Kinabalu, Sabah
Description	Factory
Year of Completion	1999
Title	Country Lease 015582411 (Formerly Main Title CL 015580097)
Tenure	Leasehold 99 years expiring on December 2096
Encumbrances	Private Caveat by Amanahraya Trustees Berhad
Market Value	RM 3,000,000
Date of Latest Valuation	31 December 2018

MCHM COLLEGE



Location	No.1, Jalan Dato' Onn 1, Bandar Dato' Onn 81100 Johor Bahru, Johor
Description	A four (4)-Storey College Building
Year of Completion	2010
Title	Title No.: H.S (D) 539995
Tenure	Freehold
Encumbrances	Charged to RHB Islamic Bank Berhad
Market Value	RM 30,000,000
Date of Latest Valuation	31 December 2018

KOMTAR JBCC - MARKETING ACTIVITIES



27 January 2018
God of Fortune Chinese New Year



28 January 2018
CNY Modern Dance Performance



24 February 2018
Auspicious Lion Dance Performance



8 March 2018
Lion Dance Performance Chingay Celebration



11 March 2018
International World Kidney Day with HSA



29 March - 8 April 2018
Puma Super Sale



7 April 2018
Health & Sport Fair



11 April 2018
Kids Push-Bike Challenge



13 May 2018
Ghazal Sri Mersik Performance



21 July 2018
Fatburger Hunger Game Eating Contest -
Lets Makan Campaign



18 August - 2 September 2018
School Holiday 3D Balloon



12 - 14 October 2018
Sister Magazine Roadshow



4 November 2018
Indian Dance Performance in conjunction
of Deepavali Celebration



13 November 2018
Angry Birds Activity Park ABC Challenge



17 - 18 November 2018
Klook Roadshow - Travel Fair



7 December 2018
Terengganu FAM Trip



22 December 2018
Christmas Power Meet & Greet Session

Q MART KEMPAS - MARKETING ACTIVITIES



6 January 2018
Cabutan Bertuah Double T Uniform



4 February 2018
Fashion Food Fest



24 April - 1 May 2018
Karnival Usahawan Belia



2 May 2018
Bubur Lambuk



20 May 2018
Promosi Bazaar Ramadhan



20 May 2018
Promosi Bazaar Raya



5 June 2018
Kotak Ramadhan



28 July 2018
Kids Push-Bike Challenge



3 - 7 August 2018
Food Fashion Festival



13 - 23 September 2018
Thai Food Fest



29 September 2018
Jalinan Ukhwah 50-Tahun JCorp



31 October 2018
Taekwondo Junior



1 November 2018
Majlis Penyerahan Sumbangan Deepavali
Bersama MB



24 November 2018 - 2 January 2019
Promosi Kembali Ke Sekolah



2 December 2018
Pertandingan Mewarna Bersama Angry
Birds



8 December 2018
Iqram Back To School