

MYDIN HYPERMART GONG BADAK
PIZZA HUT & KFC JALAN KEPONG KL
PIZZA HUT & KFC JALAN KUCHAI LAMA KL
KFC PORT DICKSON
PIZZA HUT & KFC HANG TUAH JAYA
PIZZA HUT & KFC KOTA TINGGI
PIZZA HUT & KFC JALAN TAMPOI JB
MENARA KOMTAR JOHOR BAHRU
KOMTAR JBCC JOHOR BAHRU
MCHM JOHOR BAHRU
@MART KEMPAS JOHOR BAHRU
PIZZA HUT & KFC SENAI
KFC AYER HITAM
PHD ULU TIRAM



Al-Salām

REAL ESTATE INVESTMENT TRUST
ANNUAL REPORT 2018



Al-Salām
REAL ESTATE INVESTMENT TRUST
ANNUAL REPORT 2018

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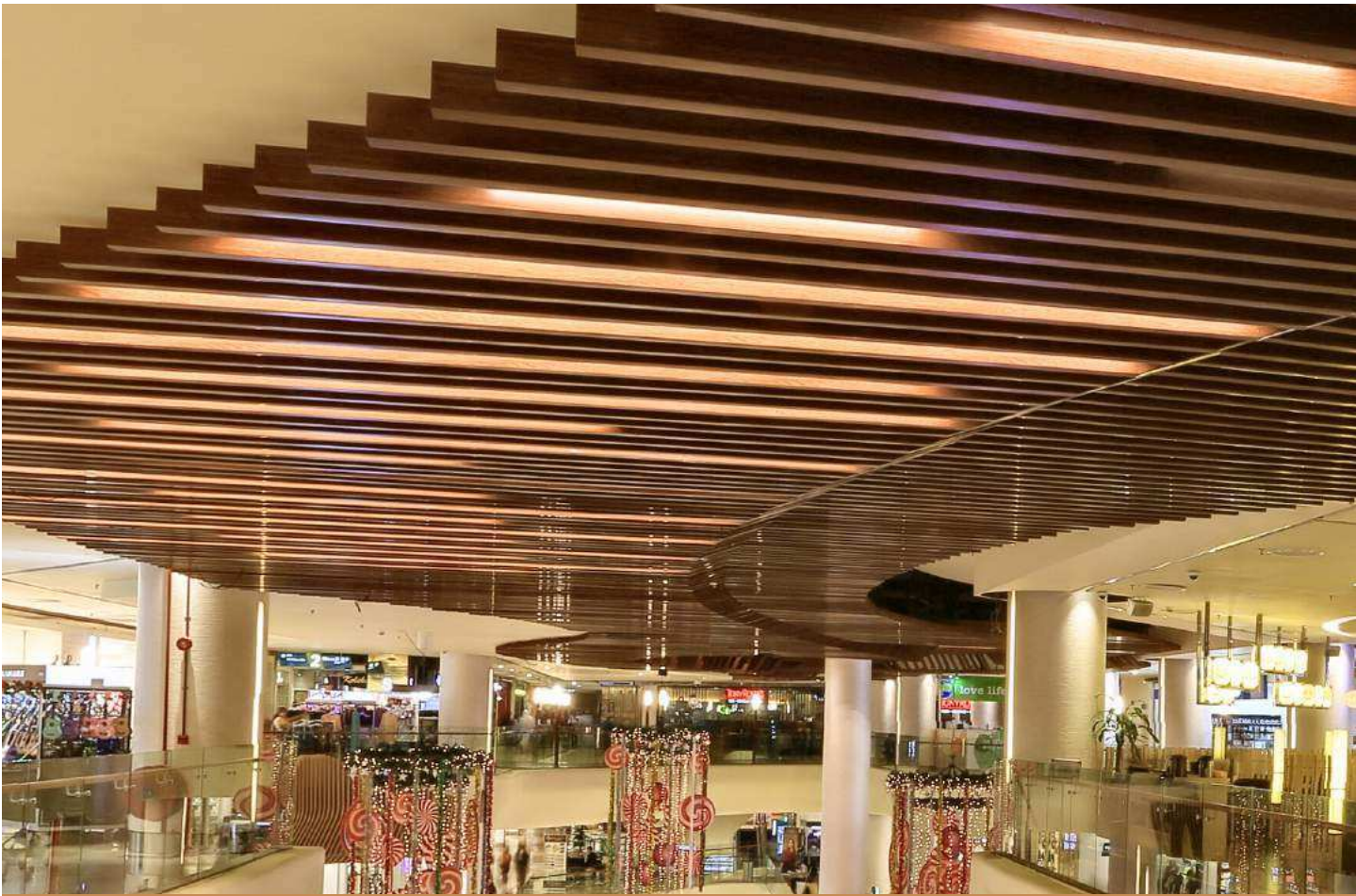
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SECTION 1
**CORPORATE
OVERVIEW**



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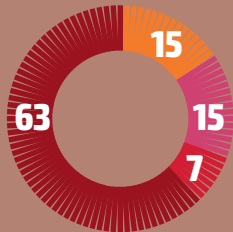
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HIGHLIGHTS & INSIGHTS 2018

PROPERTY VALUE

%



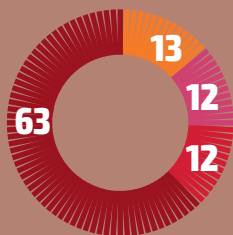
RM**1.09** BILLION
PROPERTY VALUE

32

NUMBER OF PROPERTIES

REVENUE

%



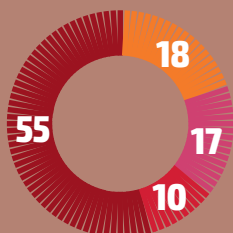
RM**82.15** MILLION
GROSS REVENUE

RM**469.8** MILLION
MARKET CAPITALISATION

RM**58.25** MILLION
NET PROPERTY INCOME

NET PROPERTY INCOME

%



6.6%
DISTRIBUTION YIELD

2.5 MILLION SF
GROSS FLOOR AREA

5.35 SEN
DISTRIBUTION PER UNIT

KEY:



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 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

Listed on the Main Market of Bursa Malaysia since 29 September 2015, Al-Salām REIT principal activity is to invest in diversified Shariah-compliant properties. Al-Salām REIT has a diversified property portfolio valued at RM1.09 billion, comprising 4 main property segments: Retail, Office, Food and Beverage (F&B), which consist of restaurant and non-restaurant outlets.

Al-Salām REIT's property portfolio includes KOMTAR JBCC, Menara KOMTAR, @Mart Kempas, Mydin Hypermart Gong Badak, 22 of KFC and Pizza Hut Restaurants, 5 industrial properties and Malaysian College of Hospitality & Management. The assets are strategically located in Johor Bahru as well as in major towns throughout Malaysia.

The Trust 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 2018, the market capitalisation of Al-Salām REIT stood at RM469.80 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
Tel : (+607) 226 7692 / 226 7476
Fax : (+607) 222 3044

Principal Place Of Business :

Unit 1-19-02, Level 19, Block 1, V SQUARE, Jalan Utara
46200 Petaling Jaya, Selangor
Tel : (+603) 7932 1692 / 7932 3692
Fax : (+603) 7932 0692

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 Members:

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
Tel : (+603) 5632 7686
Fax : (+603) 5613 1686
Email : admin@exastrata.net
Website : www.exastrata.net

Service Provider:

SYNERGY MALL MANAGEMENT SDN BHD
(905962-U)

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

Auditor:

DELOITTE PLT
(LLP0010145-LCA)

Level 16, Menara LGB, 1 Jalan Wan Kadir
Taman Tun Dr. Ismail, 60000 Kuala Lumpur.
Tel : (+603) 7610 8888
Fax : (+603) 7226 8986
Website : www.deloitte.com/my

Solicitors:

ABDUL RAMAN SAAD & ASSOCIATES
Advocates & Solicitors

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

Solicitors - cont'd:
ALBAR & PARTNERS

Suite 14-3, Level 14, Wisma UOA Damansara II
No.6 Changkat Semantan, Damansara Heights
50490 Kuala Lumpur
Tel: (+603 7890 3288)
Fax: (+603 7890 3266)
Email: albar@albar.com.my
Website: www.albar.com.my

KADIR ANDRI & PARTNERS

Level 10 Menara BRDB, 285 Jalan Maarof
59000 Kuala Lumpur
Tel: (+603 2780 2888)
Fax: (+603 2780 2832)
Email: partner@kaapl原因.com
Website: www.kaapl原因.com

Independent Property Valuers:
CHESTON INTERNATIONAL (KL) SDN BHD
(647245-W)

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

IM GLOBAL PROPERTY CONSULTANTS SDN BHD
(701223-X)

No. 47-2, Second Floor, Wisma IMG
Jalan 3/76D, Desa Pandan, 55100 Kuala Lumpur
Tel: (+603) 9284 8884
Fax: (+603) 9281 1884
Email: valuation@img.com.my
Website: www.img.com.my

VPC ALLIANCE (KAJANG) SDN BHD
(1101177-H)

27-1, Jalan Reko Sentral 2, Reko Sentral
Off Jalan Reko, 43000 Kajang, Selangor
Tel: (+603) 8735 0171
Fax: (+603) 8741 6180
Email: vpckajang@vpc.com.my
Website: www.vpc.com.my

Registrar:
JOHOR CORPORATION

Level 16, Menara KOMTAR, Johor Bahru City Centre
80000 Johor Bahru, Johor
Tel: (+607) 219 5064
Fax: (+607) 223 3175

Stock Exchange Listing:
MAIN MARKET OF BURSA MALAYSIA SECURITIES
BERHAD

Stock Name: ALSREIT
Stock Code: 5269

Website:

www.alsalamreit.com.my

LETTER TO STAKEHOLDERS



“ WE ARE PLEASED TO ANNOUNCE THAT AL-SALĀM REIT HAS DISTRIBUTED A TOTAL DISTRIBUTION PER UNIT (DPU) OF 5.35 SEN PER UNIT IN FY2018. THIS TRANSLATES INTO AN ANNUAL DISTRIBUTION YIELD OF 6.6% BASED ON THE CLOSING UNIT PRICE OF RM0.81 AS AT 31 DECEMBER 2018. THE TOTAL PAYOUT OF RM31.0 MILLION REPRESENTS APPROXIMATELY 97.4% OF AL-SALĀM REIT'S DISTRIBUTABLE INCOME FOR THE YEAR. ”

DATO' KAMARUZZAMAN BIN ABU KASSIM
CHAIRMAN

DEAR VALUED STAKEHOLDERS,

On behalf of the Board of Directors of the manager (the Board), it is my utmost pleasure to present Al-Salām REIT's (the Fund) Annual Report and audited financial statements for the financial year ended 31 December 2018.

The 2018 Malaysian property market has been challenged by shrinking demand and oversupply amidst the background of a prolonged slowdown of the global economy and the moderate growth of the Malaysian economy. The market is further challenged by tighter lending requirements and escalating cost of living which worked in tandem to weight on consumers' discretion in spending, subduing demand for property. We observed market activities to have continued to be at moderate level all across residential, retail, commercial and industrial property subsectors since the past few years.

Early 2018 saw the Malaysian real estate investment trusts (M-REIT) facing a setback of overnight policy rate (OPR) affecting M-REITs with exposure to floating rate borrowings and this has reduced M-REIT's appetite for asset acquisitions as the investments primarily rely on borrowings to support inorganic growth. Although some M-REITs remained resilient due to their long-term leases or prime assets, we expect the organic growth of M-REITs in 2019 to be subdued due to risks related to occupancy level arising from the oversupply of retail and commercial assets, and slower new assets acquisition following limited availability of yield accretive assets.

As 63% of its assets are from the retail segment, Al-Salām REIT was not spared from the challenging retail market. While the established prime shopping malls which sit on prominent locations have sustained their earnings via high footfall, stable occupancy and decent tenant sales growth, competition will be more easily felt amongst neighbourhood malls and malls of smaller scale. The situation was further challenged with the current oversupply in the retail market as well as the rising threat from e-commerce that affects the performance of physical stores. The same can be said in the ever-competitive retail market in Johor Bahru with the opening of new shopping malls offering various incentives to attract tenants.

Amidst challenging environment, Al-Salām REIT remains confident in delivering sustainable returns to the unitholders. We are grateful that KOMTAR JBCC being the trophy of Al-Salām REIT's assets has however successfully maintained its occupancy rate of 95% for the reporting year thanks to its strategic location in the heart of Johor Bahru city centre and minutes away from the Johor Bahru Customs, Immigration and Quarantine Complex (CIQ). The outlook for KOMTAR JBCC will be positive as it is set to receive spillover effect from the recently completed Menara JLand and the upcoming Holiday Inn Hotel as well as the development of Ibrahim International Business District (IIBD). IIBD is a project spearheaded by the Johor state government to turn Johor Bahru into a metropolis of international standard and will become Malaysia's latest economic growth nodes. The 250 acres project has a gross development value of RM20 billion to RM25 billion.



**Newly
Acquired Asset**
**Mydin Hypermart
Gong Badak worth
RM155 million**



**Occupancy
remains resilient**
**Average
Occupancy Rate
of 90%**



**Configuration
Exercise**
**Undertaking of AEI by
creating spaces for
mini anchors &
specialty tenants**

KOMTAR JBCC nonetheless, will undergo configuration exercise due to the exit of an anchor tenant. Although this will cause the occupancy to drop substantially, we, however, foresee this as an opportunity to undertake asset enhancement initiatives (AEI) by creating spaces for mini anchors and specialty tenants to align with the current retail landscape. We believe that the AEI will bring in a greater variety of quality trades and brands that would improve rental return, create a more diversified trade profile and enhance the overall ambience of the shopping mall.

For the other retail assets under Al-Salām REIT portfolio, each one of them has its own competitive advantage. Mydin Hypermart Gong Badak which was acquired in September 2018 is one of the biggest shopping mall in Kuala Terengganu that doesn't have direct competitors in the catchment area whilst @Mart Kempas is expected to remain resilient by virtue of being a community mart that targets the lower and middle income market and offer shoppers a wide range of necessary household products.

The office property sector continues to struggle with an oversupply of new buildings amidst subdued leasing activities. The growing mismatch between supply and demand continues to exert pressure on overall rental and occupancy levels. In the Iskandar Malaysia region alone, there are over 9.5 million square feet cumulative supply of purpose-built office. Nonetheless, the long-term tenancies by Johor Corporation which forms majority of the current 91% occupancy provides income security and lower occupancy risks for Menara KOMTAR.

Food and beverage (F&B) assets operated by QSR Brands (M) Holdings Bhd (QSR) provides income stability on the back of triple net lease arrangement and of the fact that F&B scene in Malaysia has been quite resilient despite the slowing domestic economy and uncertainty in the global economic environment. On top of the expected completion of another 22 QSR properties worth RM115 million, Al-Salām REIT would also stand to benefit from QSR's plans to re-list on Bursa Malaysia with an asset-light strategy as the latter has sizeable number of outlets across four countries in the region.

We are pleased to announce that Al-Salām REIT has distributed a total distribution per unit (DPU) of 5.35 sen per unit in FY2018. This translates into an annual distribution yield of 6.6% based on the closing unit price of RM0.81 as at 31 December 2018. The total payout of RM31.0 million represents approximately 97.4% of Al-Salām REIT's distributable income for the year.

On this note, I would like to express my sincere gratitude to the Board Members for their invaluable counsel and advice as well as to the Shariah Committee for their wisdom. Our achievements are due in large part to their leadership, hard work and commitment. It would not have been possible without them at the helm.

Appreciation also extends to the management team of the Manager for the undivided commitment and dedication towards Al-Salām REIT. My sincere gratitude also goes to our valued stakeholders- unitholders, trustee, financiers, business partners and relevant authorities for their unwavering support and trust throughout the year.

SALIENT FEATURES

NAME OF FUND

**AL-SALĀM REAL ESTATE
INVESTMENT TRUST**

TYPE OF FUND

INCOME & GROWTH

CATEGORY OF FUND

**DIVERSIFIED REAL ESTATE
INVESTMENT TRUST**

STOCK NAME AND CODE

ALSREIT (5269)

LISTING

**MAIN MARKET OF
BURSA MALAYSIA SECURITIES**

LISTING DATE

29 SEPTEMBER 2015

DISTRIBUTION POLICY

AT LEAST 90%
OF DISTRIBUTABLE INCOME

FINANCIAL YEAR END

31 DECEMBER

FINANCIAL PERFORMANCE

FINANCIAL HIGHLIGHTS - GROUP

Statement Of Comprehensive Income - Key Data & Financial Ratios	FY2015 * RM'000	FY2016 RM'000	FY2017 RM'000	FY2018 RM'000
Gross Revenue	20,665	76,135	80,033	82,151
Net Property Income	15,707	56,913	56,887	58,245
Income Available For Distribution (Realised)	7,055	36,037	35,542	31,867
Earnings Per Unit (Realised) (Sen)	1.22	6.21	6.13	5.49
Statement of Financial Position - Key Data & Financial Ratios				
Investment Properties	911,460	922,090	927,470	1,092,686
Other Non-current Assets	-	144	557	895
Current Assets	38,226	55,948	60,729	62,858
Total Asset Value	949,686	978,182	988,756	1,156,439
Current Liabilities	4,787	6,473	10,412	12,010
Non-Current Liabilities	357,587	359,769	362,048	523,502
Total Liabilities	362,374	366,242	372,460	535,512
Net Asset Value (NAV)	587,312	611,940	616,296	620,927
Total Unitholders' Fund	587,312	611,940	616,296	620,927
NAV Per Unit (Before Income Distribution) (RM)	1.0126	1.0551	1.0626	1.0706
NAV Per Unit (After Income Distribution) (RM)	1.0006	1.0211	1.0311	1.0471

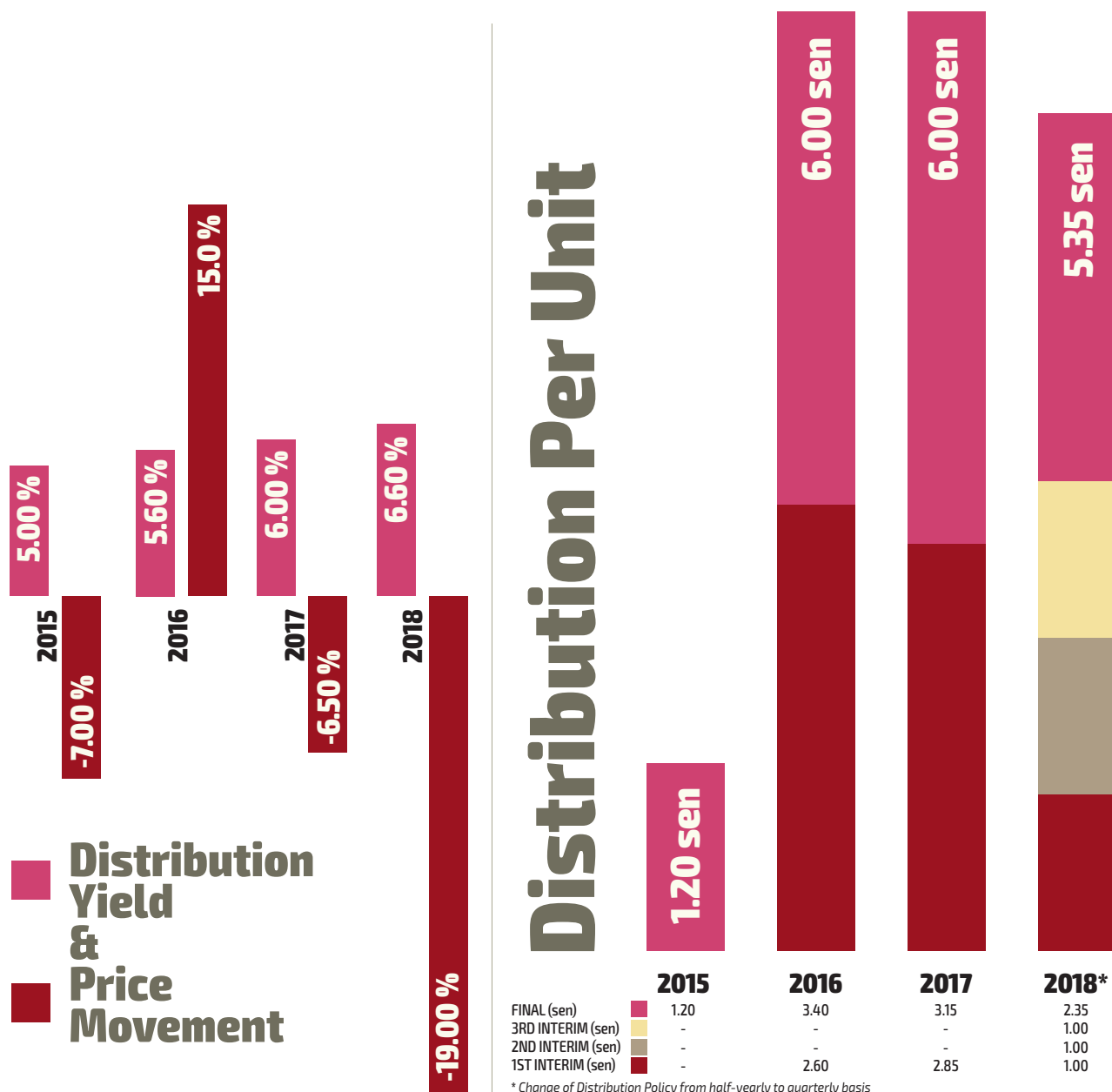
* The financials of 2015 reflect primarily the performance of the Fund from the listing date of 29 September 2015

FINANCIAL HIGHLIGHTS - FUND

Statement Of Comprehensive Income - Key Data & Financial Ratios	FY2015 * RM'000	FY2016 RM'000	FY2017 RM'000	FY2018 RM'000
Gross Revenue	20,665	76,135	80,033	82,151
Net Property Income	15,707	56,913	56,887	58,245
Income Available For Distribution (Realised)	7,055	36,037	35,542	31,892
Earnings Per Unit (Realised) (Sen)	1.22	6.21	6.13	5.49
Distribution per unit (DPU) (sen)	1.20	6.00	6.00	5.35
Annualised DPU (sen)	4.80	6.00	6.00	5.35
Annualised distribution yield (%)	5.00	5.60	6.00	6.60
Management expenses ratio (%)	0.17	0.51	0.66	0.51
Statement of Financial Position - Key Data & Financial Ratios				
Investment Properties	911,460	922,090	927,470	1,092,686
Other Non-current Assets	-	144	557	895
Current Assets	38,226	55,948	60,729	60,353
Total Asset Value	949,686	978,182	988,756	1,153,934
Current Liabilities	4,787	6,473	10,412	11,097
Non-Current Liabilities	357,587	359,769	362,048	521,885
Total Liabilities	362,374	366,242	372,460	532,982
Net Asset Value (NAV)	587,312	611,940	616,296	620,952
Total Unitholders' Fund	587,312	611,940	616,296	620,952
NAV Per Unit (Before Income Distribution) (RM)	1.0126	1.0551	1.0626	1.0706
NAV Per Unit (After Income Distribution) (RM)	1.0006	1.0211	1.0311	1.0471
Lowest NAV (RM)	0.99	1.00	1.03	1.04
Highest NAV (RM)	1.01	1.06	1.06	1.07
Unit Price as at 31 Dec	0.93	1.07	1.00	0.81

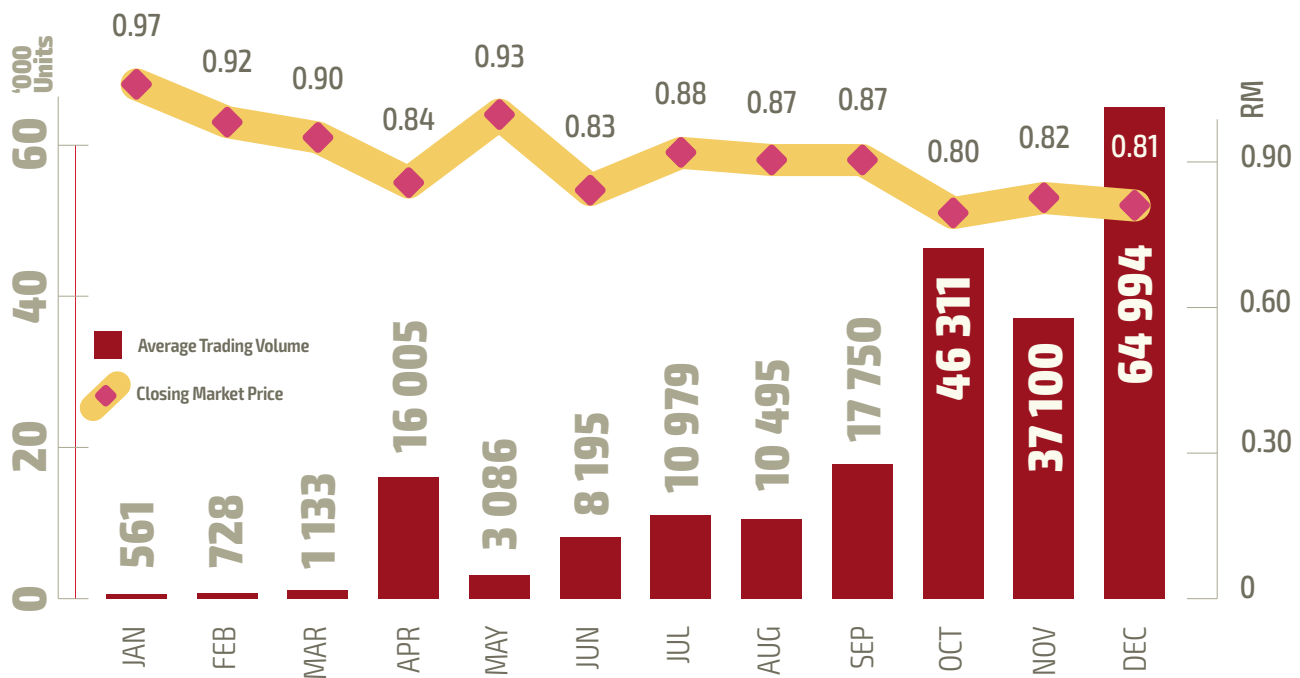
* The financials of 2015 reflect primarily the performance of the Fund from the listing date of 29 September 2015

TRADING PERFORMANCE



	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	0.965	0.99	0.97	561	562,600
February	0.905	0.975	0.92	728	533,600
March	0.88	0.93	0.90	1133	522,000
April	0.84	0.93	0.84	16,005	487,200
May	0.83	0.855	0.93	3,086	539,400
June	0.83	0.860	0.83	8,195	481,400
July	0.83	0.90	0.88	10,979	510,404
August	0.85	0.88	0.87	10,495	504,600
September	0.83	0.88	0.87	17,750	504,600
October	0.78	0.86	0.80	46,311	464,000
November	0.78	0.85	0.82	37,100	475,600
December	0.79	0.83	0.81	64,994	469,800

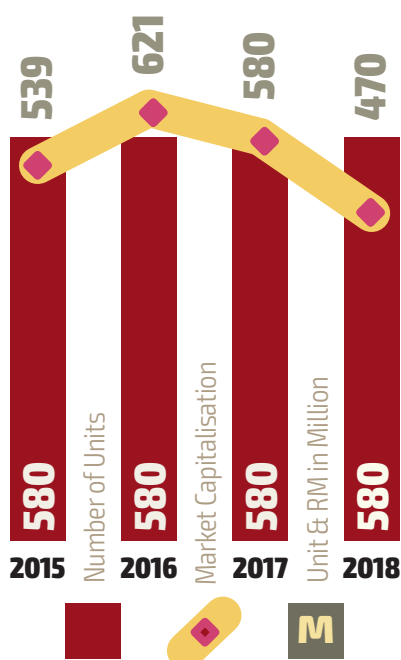
Monthly Trading Performance



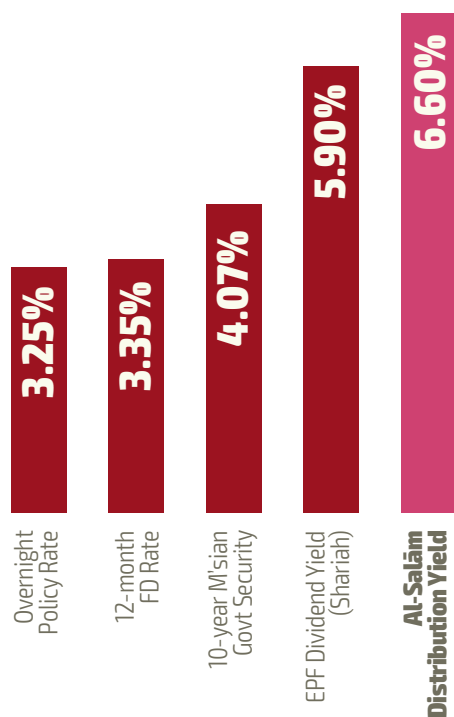
	FY2015 *	FY2016	FY2017	FY2018
Opening Price (RM)	1.00	0.925	1.04	0.97
Closing Price (RM)	0.93	1.07	1.00	0.81
Lowest Traded Price (RM)	0.905	0.90	0.97	0.83
Highest Traded Price (RM)	1.01	1.07	1.07	0.99
Number in unit circulation ('000)	580,000	580,000	580,000	580,000
Market Capitalisation (RM'000)	539,400	620,600	580,000	469,800
Annual Total Return	(-2.0%)	20.6%	(1.0%)	(12.4%)

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

Market Capitalisation & Unit in Circulation since Inception



Comparative Yield as at 31 December 2018



Sources: Bank Negara Malaysia, Maybank, Damansara REIT Managers and Employees Provident Fund.



SECTION 2

CORPORATE STRUCTURE & LEADERSHIP

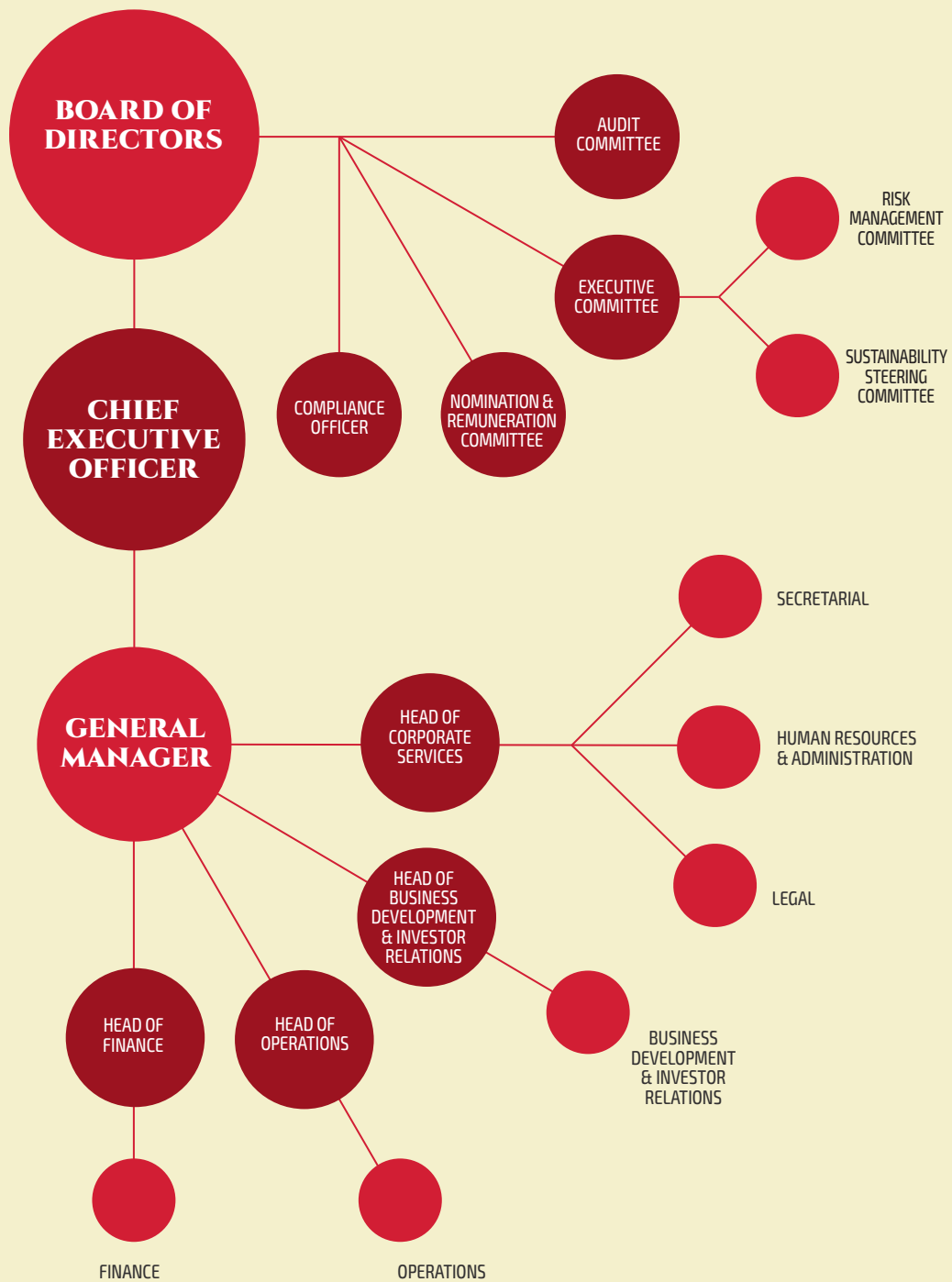


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TRUST STRUCTURE



ORGANISATION STRUCTURE



BOARD OF DIRECTORS PROFILE



**DATO'
KAMARUZZAMAN
BIN ABU KASSIM**

MALAYSIAN, MALE,
AGED 55

Non-Independent Non-Executive
Chairman

Nomination And Remuneration
Committee - Chairman

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 an Executive 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 KPI 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.

He is actively involved in the administration and development of national sports. He is a National Sports Council (MSN), Board member and the President of the Malaysian Sailing Association and the President of the Johor Sailing Association. In addition, he is also the Patron of the Johor Clay Target Shooting Association and Vice President II of the Johor Football Association.

In education sector, he was Administrative Board Member of the Malaysian-American Commission on Educational Exchange (MACEE), under the Ministry of Education Malaysia since July 2013. In addition, he is also Professor of Adjunct at the International Institute of Public Policy & Management (INPUMA), University of Malaya since 2016.

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 5 years.

He attended 4 Board Meetings held during the financial year ended 31 December 2018.



WAN AZMAN BIN ISMAIL

MALAYSIAN, MALE,
AGED 55

Chief Executive Officer & Non-Independent Executive Director

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. He resigned as a Director of DBhd on 21 September 2018. 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 5 years.

He attended all 5 Board Meetings held during the financial year ended 31 December 2018.



ZAINAH BINTI MUSTAFA

MALAYSIAN, FEMALE,
AGED 64

Independent Non-Executive Director
Audit Committee - Chairman
Executive Committee - Member
Nomination And Remuneration
Committee - Member

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).

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 5 years.

She attended all 5 Board Meetings held during the financial year ended 31 December 2018



**DR. MOHD HAFETZ
BIN AHMAD**

MALAYSIAN, MALE,
AGED 69

Independent Non-Executive
Director
Audit Committee - Member
Executive Committee - Member
Nomination And Remuneration
Committee - Member

Dr. Mohd Hafetz bin Ahmad is the Independent Non-Executive Director of the Manager. He was appointed to the Board on 22 June 2006 and as a member of the Audit Committee on 25 April 2016.

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 is now the Medical Director of KPJ Bandar Dato' Onn Specialist Hospital, since 1 January 2019.

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 Johor Land Berhad, 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 5 years.

He attended all 5 Board Meetings held during the financial year ended 31 December 2018.



**DATO' DR. RAHAH
BINTI ISMAIL**

MALAYSIAN, FEMALE,
AGED 62

Independent Non-Executive
Director

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 master 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 5 years.

She attended all 5 Board Meeting held during the financial year ended 31 December 2018.



**LUKMAN BIN
HJ. ABU BAKAR**
MALAYSIAN, MALE,
AGED 60

Non-Independent Non-Executive
Director

Executive Committee - Chairman
Audit Committee - Member

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

Other than as disclosed, he does not have any family relationship with any director and/or major 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 5 years.

He attended all 5 Board Meetings held during the financial year ended 31 December 2018.



**YUSAINI BIN
HJ. SIDEK**
MALAYSIAN, MALE,
AGED 51

Non-Independent Non-
Executive Director

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 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 28 years of experience in the Malaysian property industry, particularly in property management and valuations. He gained professional experience via attachment with numerous property-related companies and/or entities in Malaysia, namely, Colliers, Jordan Lee & Jaafar Sdn Bhd, the Valuation and Property Services Department of the Ministry of Finance, Bank Industri Malaysia Berhad, FIMA Corporation Berhad, CSM Corporation Berhad and Empire Tower (M) Sdn Bhd, wholly-owned subsidiary of Low Yatt Group of Companies. During his tenure with the aforementioned companies, amongst the buildings under his supervision are Bank Industri Building, Airtel Complex, Plaza Damansara, Jaya Shopping Centre, Menara CSM, Empire Tower and City Square Complex. He has vast experience in building management, primarily in the areas of tenancy management, marketing as well as promotion, preparation of business plan for buildings and maintenance management.

In 2001, he joined Harta Consult Sdn Bhd, a wholly owned subsidiary of Johor Corporation as a Senior Manager until 2005 managing the properties under DASB in Kuala Lumpur prior to his appointment at DRMSB. Yusaini is a Registered Property Manager (PM1207) from The Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVEA). He 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 5 years.

He attended all 5 Board Meetings held during the financial year ended 31 December 2018.



**DATO' AMIRUDDIN
BIN ABDUL SATAR**

MALAYSIAN, MALE,
AGED 55

Non-Independent Non-Executive
Director

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.

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 5 years.

He attended all 5 Board Meetings held during the financial year ended 31 December 2018



**MOHD YUSOF
BIN AHMAD**

MALAYSIAN, MALE,
AGED 51

Non-Independent Non-Executive
Director

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 Senior General Manager of Special Projects (JB Urban Redelopment) of JLand appointed on 3 May 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 5 years.

He attended 4 Board Meetings held during the financial year ended 31 December 2018.

THE SHARIAH COMMITTEE



**DATO' (DR) HAJI
NOOH BIN GADOT**

MALAYSIAN, MALE,
AGED 73

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-Thanawiyyah, Arabic Secondary School, Segamat Madrasah Al-Khairiyyah 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). He was appointed as Federal Supreme Committee of Islamic Affairs Strengthening of Management on 9 August 2018. 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 74

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, Terengganu Trust Fund, Amanah Saham Darul Iman and Kelantan Ulama Council.



**PROFESSOR DR.
MOHAMAD @ MD.
SOM BIN SUJIMON**
MALAYSIAN, MALE
AGED 65

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. He is then being appointed as Shariah Adviser for Taupo Islamic Centre, Auckland, New Zealand since 2016 until present. Recently he was an Associate Research Fellow at International Research Centre of Islamic Economics and Finance (IRCIEF), Kolej Universiti Islam Antarabangsa Selangor (KUIS).

COMPANY SECRETARIES



JAMALLUDIN BIN KALAM
(LS0002710)



ROHAYA BINTI JAAFAR
(LS0008376)

MANAGEMENT PROFILE

WAN AZMAN BIN ISMAIL

MALAYSIAN, MALE, AGED 55

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

SHAHRLIL ZAIRIS BIN RAMLI

MALAYSIAN, MALE, AGED 49

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 51

Roziah 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. She is a certified Enterprise Risk Advisor from Institute of Enterprise Risk Practitioners.

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 49

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. He is also a Registered Property Manager (PM1311) from The Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVEA).

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 42

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 37

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

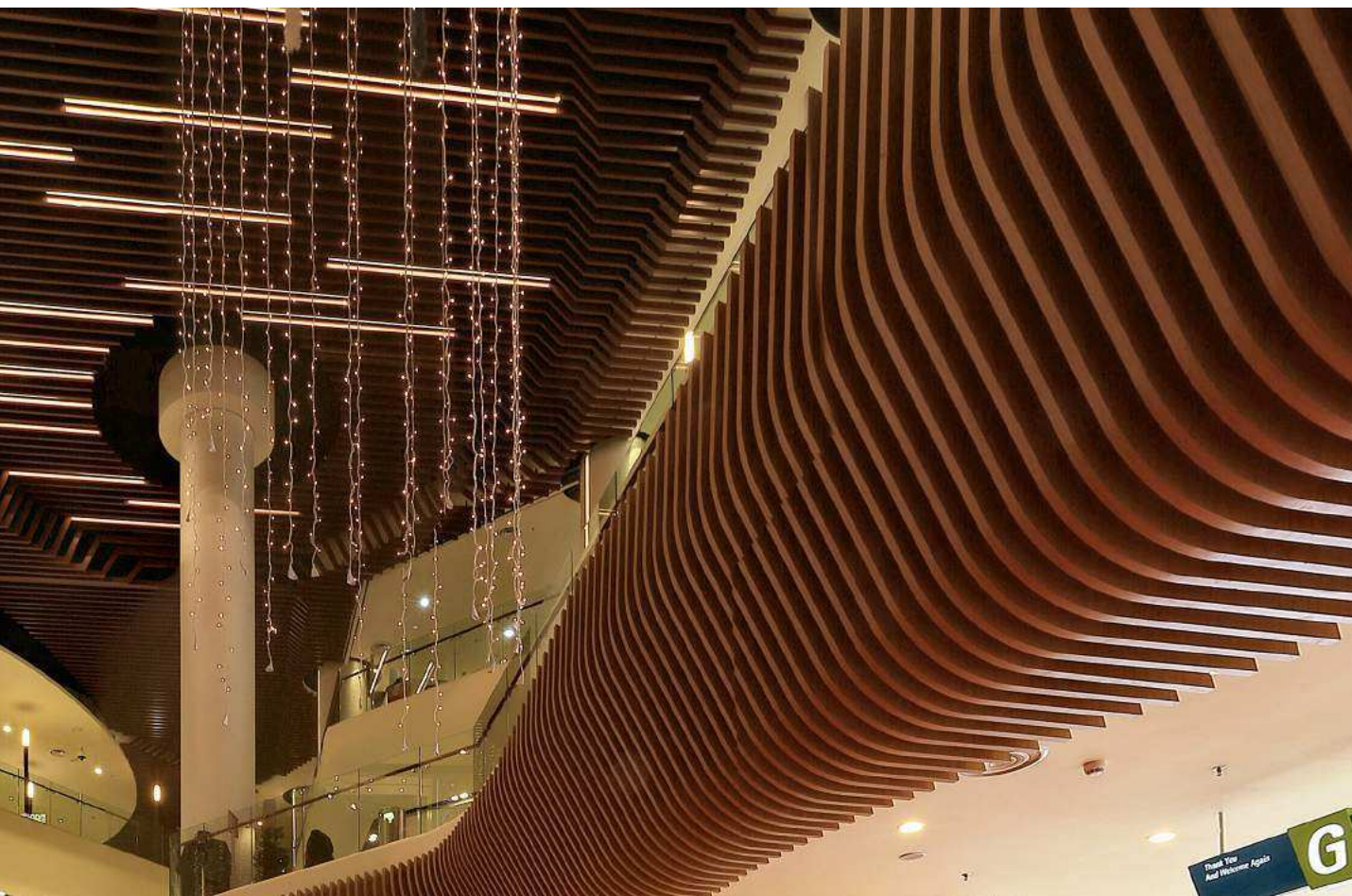
MALAYSIAN, MALE, AGED 32

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 three (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
**MANAGEMENT
DISCUSSION
& ANALYSIS**



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FINANCIAL & BUSINESS REVIEW

OVERVIEW OF AL-SALĀM REIT

Al-Salām REIT is a medium-sized diversified Malaysian REIT with a total portfolio asset value of RM1.09 billion. Its investment properties' gross floor area totals 2.5 million sq ft with 1.8 million sq ft of total net lettable area. The properties are well diversified into retail, office, F&B Restaurants and F&B non-restaurant segments.

FINANCIAL REVIEW

Al-Salām REIT deliver a lower DPU of 5.35 sen for FY2018 (FY2017: 6.00 sen) due to lower realised net income on the back of higher financing cost.

Table 1: Key Financial Highlights

	Audited FY 2017 RM'000	Audited FY 2018 RM'000	Variance (%)
Gross Revenue	80,033	82,151	2.6
Net Property Income	56,887	58,245	2.4
Net Income (realised)	35,542	31,867	(10.3)
Income available for distribution (realised)	35,542	31,867	(10.3)
EPU (sen) - realised	6.13	5.49	(10.3)
DPU (sen)	6.00	5.35	(12.5)

Commentaries (FY2018 vs FY2017):

1. Al-Salām REIT achieved a gross revenue of RM82.2 million for the financial year ended 31 December 2018, a growth of 2.6% against RM80.0 million achieved in FY2017, mainly contributed by additional rental income from Mydin Hypermart Gong Badak, of which the acquisition completed on 21 September 2018.
2. The Group registered a lower realised EPU in FY 2018 due to:
 - (a) Lower NPI of KOMTAR JBCC of RM25.2 million as compared to RM27.5 million in 2017.
 - (b) Higher Islamic financing costs mainly due to an increase in Overnight Policy Rate ("OPR") of 25bps on 25 January 2018 by Bank Negara Malaysia.

Table 2 : Segmental Gross Revenue and NPI 2017-2018

	Gross Revenue			Net Property Income		
	FY 2017 RM'000	FY 2018 RM'000	Change %	FY 2017 RM'000	FY 2018 RM'000	Change %
KOMTAR JBCC	43,090	40,817	(5.3)	27,521	25,204	(8.4)
@Mart Kempas	7,209	7,553	4.8	3,967	3,632	(8.4)
Mydin Hypermart Gong Badak	-	3,522	100	-	3,522	100
Total Retail Segment	50,299	51,892	3.2	31,488	32,358	2.8
Menara Komtar	9,136	9,370	2.6	5,451	5,578	2.3
Total Office Segment	9,136	9,370	2.6	5,451	5,578	2.3
22 KFC &/or Pizza Hut Outlets	9,803	9,963	1.6	9,790	9,947	1.6
Total F&B Restaurants	9,803	9,963	1.6	9,790	9,947	1.6
Industrial Premises	8,263	8,394	1.6	8,238	8,369	1.6
MCHM	2,532	2,532	-	2,190	2,263	3.5
Total F&B Non-Restaurants	10,795	10,926	1.2	10,428	10,632	2.0
Property Manager Fee	-	-	-	(270)	(270)	-
TOTAL PORTFOLIO	80,033	82,151	2.6	56,887	58,245	2.4

BUSINESS REVIEW

Retail segment remained as the key contributor to Al-Salām REIT with contribution to revenue and NPI of 63% (FY2017: 63%) and 55% (FY2017: 55%) respectively. The retail segment's NPI increased by 2.8% to RM32.4 million from RM31.5 million in FY 2017. Despite lower NPI of KOMTAR JBCC (8.4% or RM2.3 million mainly due to rental rebate and lower percentage rent) and @Mart Kempas (8.4% or RM0.3 million mainly due to higher operating expenses) as compared to previous year, the NPI from the newly acquired Mydin Hypermart Gong Badak of RM3.5 million (which includes unbilled rental income) has resulted in the slight increase.

The office segment's contribution to the total revenue and NPI was stable at 12% and 10% respectively. During the financial year, Menara KOMTAR occupancy rate decreased slightly from 91% from 90%.

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 restaurants increased by 3.71% starting May and September 2018.

PROFIT FOR THE YEAR

Profit for the year was RM40.3 million (FY2017: RM40.6 million) comprising realised profit of RM31.9 million (FY2017: RM 35.5 million) and unrealised profit of RM8.4 million (FY2017: RM 5.1 million). Realised profit was lower 10.3% from the previous year mainly due to higher financing cost of RM4.9 million. The unrealised profit of RM8.4 million comprised of fair value gain of RM7.6 million and unbilled rental income from Mydin Hypermart Gong Badak of RM0.8 million. The higher net fair value gain was mainly attributable to F&B related properties.

DISTRIBUTION PER UNIT (DPU)

Total income available for distribution for FY2018 was RM31.9 million (FY2017: RM35.5 million). The Fund had distributed interim income distributions of 3.00 sen per unit amounting approximately RM17.4 million on 9 July 2018, 19 October 2018 and 14 January 2019 respectively.

On 30 January 2019, the Manager, declared a final income distribution of 2.35 sen per unit totaling RM13.6 million. The said distribution was paid on 28 February 2019 and has not been included as a liability in the financial statements as of 31 December 2018.

Total income distribution for FY2018 is 5.35 sen per unit (FY2017: 6.00 sen) totaling RM31.0 million, which represents 97.4% of the income available for distribution.

STATEMENT OF FINANCIAL POSITION

Al-Salām REIT's total asset value increased to RM1.16 billion as at 31 December 2018 compared to RM988.8 million in the previous year. The increase of RM167.6 million was derived from acquisition of Mydin Hypermart Gong Badak of RM155.0 million and gain in fair value of investment properties and capex incurred of RM10.6 million, increase in other assets of RM0.4 million and decrease in cash and bank balances (including fixed deposit) of RM1.6 million.

PERFORMANCE BENCHMARK

Performance Benchmark	FY2017	FY2018	Commentary
i. Distribution Yield (%)	6.0%	6.6%	Distribution yield has increased marginally from 6.0% to 6.6% due to lower closing price of RM0.81 compared to RM1.00 in FY2017.
ii. Total Returns (%)	-1.0%	-12.4%	Total return for the financial year was -12.4% (FY2017: -1%) contributed by capital loss of 19% (FY2017: capital loss of 6.5%) plus distribution yield of 6.6% (FY2017: 6.00%).
iii. NAV per unit (after income distribution) (RM)	1.0311	1.0471	NAV per unit increased by 2% mainly arising from gain on fair value of properties.

Notes:

- Based on DPU of 5.35 sen (FY2017: 6.00 sen) divided by its closing price as at 31 December 2018 of RM0.81 (FY2017: 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 RM52.4 million in FY2018, higher by RM4.6 million than FY2017. This is mainly attributable to higher rental income in the current financial year in 2018.

Investing activities

Al-Salām REIT used RM7.9 million from investing activities during the financial year compared to generated RM0.1 million in the previous year. The main investing activities in the current year relate to acquisition of investment properties, equipment, capex and pledged deposit with licensed banks.

Financing activities

On 24 August 2018, Al-Salām REIT, through Alsreit Capital Sdn Bhd issued RM162.8 million of Islamic Medium Term Notes ("IMTN") under Issue 1 of its Sukuk Ijarah Programme to satisfy the purchase consideration of Mydin Hypermart Gong Badak. Interest paid during the year amounted to RM 23.6 million. Distribution paid in the current year was RM29.9 million compared to RM36.2 million in the previous year.

Hence, as at 31 December 2018 cash and cash equivalent was at RM 34.1 million, a decrease of RM 1.1 million from RM 35.2 million.

FAIR VALUE OF INVESTMENT PROPERTIES

As at 31 December 2018, the value of Al-Salām REIT's properties was RM 1.09 billion compared to RM 927.5 million as at 31 December 2017. The increase was due to acquisition of Mydin Hypermart Gong Badak at purchase consideration of RM155.0 million and net fair value gain of RM7.6 million.

The portfolio property yield for FY2018 slightly increased from 6.13% to 6.27% mainly due to the introduction of Mydin Hypermart Gong Badak into Al-Salām REIT's portfolio .

	Fair Value @ 31 Dec 2017	Fair Value @ 31 Dec 2018	Property Yield 2017	Property Yield 2018
	RM'000	RM'000	%	%
Retail				
KOMTAR JBCC	465,000	465,000	5.92	5.42
@Mart Kempas	65,000	65,000	6.10	5.59
Mydin Hypermart Gong Badak	-	158,000 ⁱⁱ	-	8.75 ⁱⁱⁱ
Office				
Menara KOMTAR	73,000	73,000	7.47	7.64
F&B Restaurants				
22 KFC and/or Pizza Hut Outlets	161,670	165,697	6.05	6.00
F&B Non-Restaurants				
Industrial Premises	133,800	135,989	6.16	6.15
MCHM	29,000	30,000	7.55	7.54
TOTAL	927,470	1,092,686	6.13	6.27

- Appraised value based on valuation carried out by an independent professional valuer, Cheston International (KL) Sdn Bhd, VPC Alliance (Kajang) Sdn Bhd and IM Global Property Consultant Sdn Bhd on 31 December 2018.
- The acquisition of Mydin Hypermart Gong Badak was completed on 21 September 2018.
- Annualised property yield computed based on NPI (which includes unbilled rental income) from completion date of acquisition to 31 December 2018.