

# AL-SALĀM REIT

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the First Quarter Ended 31 March 2020

Note	Individual Quarter			Cumulative Quarter		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	Current Year to-date	Preceding Year Corresponding Period to-date	Changes
	31-03-2020	31-03-2019		31-03-2020	31-03-2019	
	RM	RM	%	RM	RM	%
Gross rental income	20,263,727	21,534,850	(5.9)	20,263,727	21,534,850	(5.9)
Other income	1,166,085	1,657,526	(29.6)	1,166,085	1,657,526	(29.6)
Total revenue	21,429,812	23,192,376	(7.6)	21,429,812	23,192,376	(7.6)
Utilities expenses	(1,429,957)	(1,513,874)	(5.5)	(1,429,957)	(1,513,874)	(5.5)
Maintenance expenses	(914,624)	(1,042,183)	(12.2)	(914,624)	(1,042,183)	(12.2)
Quit rent and assessment	(446,804)	(402,882)	10.9	(446,804)	(402,882)	10.9
Other property expenses	(2,711,177)	(3,146,180)	(13.8)	(2,711,177)	(3,146,180)	(13.8)
Property manager fee	(110,100)	(89,100)	23.6	(110,100)	(89,100)	23.6
Total property expenses	(5,612,662)	(6,194,219)	(9.4)	(5,612,662)	(6,194,219)	(9.4)
Net property income	15,817,150	16,998,157	(6.9)	15,817,150	16,998,157	(6.9)
Investment income	237,434	260,904	(9.0)	237,434	260,904	(9.0)
Gain on fair value adjustment	-	456,121	(100.0)	-	456,121	(100.0)
Net investment income	16,054,584	17,715,182	(9.4)	16,054,584	17,715,182	(9.4)
Manager's management fees	(565,836)	(424,809)	33.2	(565,836)	(424,809)	33.2
Trustee's fees	(31,131)	(30,655)	1.6	(31,131)	(30,655)	1.6
Shariah advisors' fee	-	-	0.0	-	-	0.0
Islamic financing costs	(8,279,129)	(7,766,070)	6.6	(8,279,129)	(7,766,070)	6.6
Other trust expenses	(359,747)	(420,701)	(14.5)	(359,747)	(420,701)	(14.5)
Net income before tax	6,818,741	9,072,947	(24.8)	6,818,741	9,072,947	(24.8)
Taxation	-	-	-	-	-	-
<b>Net income for the period</b>	<b>6,818,741</b>	<b>9,072,947</b>	<b>(24.8)</b>	<b>6,818,741</b>	<b>9,072,947</b>	<b>(24.8)</b>
Other comprehensive income, net of tax	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>6,818,741</b>	<b>9,072,947</b>	<b>(24.8)</b>	<b>6,818,741</b>	<b>9,072,947</b>	<b>(24.8)</b>
Net income for the period is made up as follow:						
Realised	5,767,961	7,563,159	(23.7)	5,767,961	7,563,159	(23.7)
Unrealised	1,050,780	1,509,788	(30.4)	1,050,780	1,509,788	(30.4)
	6,818,741	9,072,947	(24.8)	6,818,741	9,072,947	(24.8)
Earnings per unit (sen)	1.18	1.56	(24.8)	1.18	1.56	(24.8)

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the financial statements.

# AL-SALĀM REIT

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

	Note	Unaudited As At End Of Current Quarter 31-03-2020	Audited As at preceding year ended 31-12-2019
		<u>RM</u>	<u>RM</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	A9	1,187,635,000	1,187,635,000
Property, plant & equipment		3,044,656	930,577
<b>Current Assets</b>			
Trade receivables		10,760,200	11,606,235
Other receivables & prepayments		6,828,898	3,731,184
Cash and bank balances		19,055,921	8,422,103
Fixed deposits with licensed banks		19,255,000	36,069,000
Amount due from related companies		194,422	785,646
		<u>56,094,441</u>	<u>60,614,168</u>
<b>TOTAL ASSETS</b>		<u>1,246,774,097</u>	<u>1,249,179,745</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Islamic financing	B10	85,971,774	86,000,816
Other payables and accruals		14,084,007	14,326,419
		<u>100,055,781</u>	<u>100,327,235</u>
<b>Current Liabilities</b>			
Islamic financing	B10	512,032,898	511,531,837
Other payables and accruals		11,966,705	6,522,831
Provision for income distribution		4,988,000	6,206,000
Amount due to related companies		-	513,948
		<u>528,987,603</u>	<u>524,774,616</u>
<b>TOTAL LIABILITIES</b>		<u>629,043,384</u>	<u>625,101,851</u>
<b>NET ASSETS VALUE</b>		<u>617,730,713</u>	<u>624,077,894</u>
<b>REPRESENTED BY:</b>			
Unitholders' capital		572,545,319	572,545,319
Undistributed income		45,185,394	51,532,575
<b>TOTAL UNITHOLDERS' FUND</b>		<u>617,730,713</u>	<u>624,077,894</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>		<u>580,000,000</u>	<u>580,000,000</u>
<b>NET ASSETS VALUE (NAV) PER UNIT (RM)</b>		1.0651	1.0760

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the financial statements.

**AL-SALĀM REIT**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES**  
**IN NET ASSETS VALUE**  
**For the First Quarter Ended 31 March 2020**

	Unitholders' Capital RM	Undistributed income Realised RM	Unrealised RM	Total RM
<b>As at 1 January 2019</b>	572,545,319	16,541,448	31,840,344	620,927,111
<b>Total comprehensive income for the period</b>	-	7,563,159	1,509,788	9,072,947
<b>Unitholders' transactions</b>				
Issuance of new units	-	-	-	-
Distribution to unitholders	-	(13,629,936)	-	(13,629,936)
Issuing expenses	-	-	-	-
<i>Decrease in net assets resulting from unitholders' transactions</i>	-	(13,629,936)	-	(13,629,936)
<b>As at 31 March 2019</b>	<u>572,545,319</u>	<u>10,474,671</u>	<u>33,350,132</u>	<u>616,370,122</u>
<b>As at 1 January 2020</b>	572,545,319	11,934,515	39,598,060	624,077,894
<b>Total comprehensive income for the period</b>	-	5,767,961	1,050,780	6,818,741
<b>Unitholders' transactions</b>				
Issuance of new units	-	-	-	-
Distribution to unitholders#	-	(13,165,922)	-	(13,165,922)
Issuing expenses	-	-	-	-
<i>Decrease in net assets resulting from unitholders' transactions</i>	-	(13,165,922)	-	(13,165,922)
<b>As at 31 March 2020</b>	<u>572,545,319</u>	<u>4,536,554</u>	<u>40,648,840</u>	<u>617,730,713</u>

# Include :

- i) Payment of final income distribution of 1.41 sen per unit for the financial year ended 31 December 2019 (of which 1.35 sen is taxable and 0.06 sen per unit is non taxable in the hand of unitholders) in respect of the period from 1 October 2019 to 31 December 2019 which was paid on 28 February 2020.
- ii) Provision of the first interim income distribution of 0.86 sen per unit for the financial period from 1 January 2020 to 29 February 2020 (of which 0.76 sen is taxable and 0.10 sen per unit is non taxable in the hand of unitholders) which was announced on 11 March 2020. The distribution was paid on 15 April 2020.

The Condensed Consolidated Statement of Changes In Net Assets Value should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the financial statements.

**AL-SALĀM REIT**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the First Quarter Ended 31 March 2020**

	31-03-2020	To Date 31-03-2019
	<u>RM</u>	<u>RM</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before tax	6,818,741	9,072,947
Adjustment for:		
Islamic financing costs	8,279,129	7,766,070
Investment income	(237,434)	(260,904)
Depreciation	39,563	29,476
Unbilled rental income	(1,050,780)	(1,053,667)
Gain on fair value adjustment	-	(456,121)
Operating profit before working capital changes	13,849,219	15,097,801
Decrease in trade receivables	846,036	2,552,627
Increase in other receivables and prepaid expenses	(2,660,024)	(1,524,372)
Decrease in amount owing by related companies	591,224	3,096,273
Increase / (Decrease) in other payable and accrued expenses	5,740,292	(334,128)
Decrease in amount owing to related companies	(513,948)	(3,518,984)
Cash generated from operations	17,852,799	15,369,217
Taxes paid	-	-
Net cash generated from operating activities	<u>17,852,799</u>	<u>15,369,217</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to investment properties	-	(89,713,879)
Purchase of equipment	(2,153,642)	(1,324,320)
Income received from other investments	237,434	263,829
Net cash used in investing activities	<u>(1,916,208)</u>	<u>(90,774,370)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Increase) / Decrease in pledged deposits with licensed banks	3,042,000	(68,038)
Increase in restricted cash	(2,322,144)	-
Net proceed from Islamic financing	-	87,026,400
Islamic financing costs paid	(7,732,851)	(7,154,786)
Income distribution paid	(14,383,922)	(13,629,936)
Net cash used in financing activities	<u>(21,396,917)</u>	<u>66,173,640</u>

**AL-SALĀM REIT**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
**For the First Quarter Ended 31 March 2020**

	31-03-2020	To Date 31-03-2019
	<u>RM</u>	<u>RM</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(5,460,326)	(9,231,513)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	31,397,805	34,071,217
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<u>25,937,479</u>	<u>24,839,704</u>
<b>DEPOSITS, CASH AND BANK BALANCES</b>		
Cash and bank balances	19,055,921	9,005,632
Fixed deposits with licensed banks	<u>19,255,000</u>	<u>28,593,500</u>
	38,310,921	37,599,132
Less : Pledged deposits with licensed banks	(9,927,000)	(10,365,000)
Less : Restricted cash	<u>(2,446,442)</u>	<u>(2,394,428)</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u>25,937,479</u>	<u>24,839,704</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the financial statements.

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2020

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#### A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 ("MFRS 134")

##### A1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Malaysia Financial Reporting Standard (MFRS) 134 and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation adopted by the Fund in this interim financial statements are consistent with those adopted in its most recent Audited Financial Statements for the financial year ended 31 December 2019.

##### Adoption of new MFRSs, amendments to MFRSs, and Issues Committee Interpretation ("IC Interpretation")

The Group has adopted the following new MFRSs, amendments to MFRSs and IC Interpretation for the financial year beginning on 1 January 2020:

- MFRSs 'Amendments to References to the Conceptual Framework in MFRS Standards' (effective 1 January 2020)
- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material' (effective 1 January 2020)
- Amendments to IFRS 9, IAS 39 and MFRS 7 'Interest Rate Benchmark Reform' (effective 1 January 2020)

The adoption of these new MFRSs, amendments to MFRSs, and IC Interpretation did not result in significant changes to the accounting policies of the Group and had no significant effect on the financial performance or position of the Group.

##### Standards, amendments to MFRSs and IC Interpretation that have been issued but not yet effective

The Group did not early adopt these new standards:

- Amendments to MFRS 10 and MFRS 128 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (effective date deferred to a date to be announced by MASB)

The abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Group in the period of initial application.

##### A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The Audited Financial Statements of Al-Salām REIT for the financial year ended 31 December 2019 was not subject to any audit qualification.

##### A3. SEASONALITY AND CYCLICALITY OF OPERATIONS

Al-Salām REIT's operations are not significantly affected by seasonal or cyclical factors.

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2020

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#### **A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 ("MFRS 134")**

##### **A4. UNUSUAL ITEMS AFFECTING THE FINANCIAL STATEMENTS**

There were no significant unusual items that affect the financial statement of Al-Salām REIT in the current quarter under review.

##### **A5. CHANGES IN ACCOUNTING ESTIMATES**

There were no changes in accounting estimates arising from the adoption of the new MFRSs, amendments to MFRSs and IC Interpretation that have a material effect during the quarter under review.

##### **A6. ISSUANCES, CANCELLATIONS, REPURCHASES AND REPAYMENT OF DEBT AND EQUITY SECURITIES**

There were no issuances, cancellations, repurchases and repayment of debt and equity securities being made in the current quarter under review.

##### **A7. INCOME DISTRIBUTION**

On 31 January 2020, the Fund declared the final income distribution of 1.41 sen per unit for the financial year ended 31 December 2019 (of which 1.35 sen is taxable and 0.06 sen per unit is non taxable in the hand of unitholders) in respect of the period from 1 October 2019 to 31 December 2019. The said distribution has been paid on 28 February 2020.

On 11 March 2020, the Fund declared the first interim income distribution of 0.86 sen per unit for the financial period ending 31 December 2020 (of which 0.76 sen is taxable and 0.10 sen per unit is non taxable in the hand of unitholders) in respect of the period from 1 January 2020 to 29 February 2020. The said distribution has been paid on 15 April 2020.

##### **A8. SEGMENTAL REPORTING**

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

For management purposes, the Group is segmented into the following operating divisions:

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

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

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2020

#### A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 ("MFRS 134")

#### A8. SEGMENTAL REPORTING

##### For period ended 31 March 2020

	Retail outlets RM'000	Office buildings RM'000	F&B Restaurants RM'000	F&B Non- restaurants RM'000	Other- Fund level operations RM'000	Total RM'000
Total revenue	12,397	2,290	3,903	2,840	-	21,430
Property operating expenses	(4,562)	(846)	(9)	(86)	(110)	(5,613)
Net property income	7,835	1,444	3,894	2,754	(110)	15,817
Fair value gain on investment properties	-	-	-	-	-	-
Investment income	-	-	-	-	237	237
Net investment income	7,835	1,444	3,894	2,754	127	16,054
Total trust expenses	-	-	-	-	(956)	(956)
Islamic financing costs	-	-	-	-	(8,279)	(8,279)
Net income before tax	7,835	1,444	3,894	2,754	(9,108)	6,819
Income tax expenses	-	-	-	-	-	-
Net income for the period	7,835	1,444	3,894	2,754	(9,108)	6,819
Total assets	840,594	99,939	253,935	182,375	(130,069)	1,246,774
Total liabilities	20,537	2,546	-	720	605,240	629,043

##### For period ended 31 March 2019

	Retail outlets RM'000	Office buildings RM'000	F&B Restaurants RM'000	F&B Non- restaurants RM'000	Other- Fund level operations RM'000	Total RM'000
Total revenue	15,355	2,331	2,673	2,833	-	23,192
Property operating expenses	(5,147)	(889)	(3)	(66)	(89)	(6,194)
Net property income	10,208	1,442	2,670	2,767	(89)	16,998
Fair value gain on investment properties	-	-	456	-	-	456
Investment income	-	-	-	-	261	261
Net investment income	10,208	1,442	3,126	2,767	172	17,715
Total trust expenses	-	-	-	-	(876)	(876)
Islamic financing costs	-	-	-	-	(7,766)	(7,766)
Net income before tax	10,208	1,442	3,126	2,767	(8,470)	9,073
Income tax expenses	-	-	-	-	-	-
Net income for the period	10,208	1,442	3,126	2,767	(8,470)	9,073
Total assets	813,839	94,651	252,367	177,913	(101,153)	1,237,617
Total liabilities	19,466	2,589	-	786	598,406	621,247



## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2020

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#### A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 ("MFRS 134")

##### A9. VALUATION OF INVESTMENT PROPERTIES

There was no valuation of property being made in the current quarter under review.

##### A10. SUBSEQUENT MATERIAL EVENTS

In order to contain the Covid-19 pandemic, Malaysia implemented the Movement Control Order ("MCO") which prohibits all government and private premises from operating except those providing essential services. The MCO which came into force on 18 March 2020 is currently in its fourth phase. On 4 May 2020, the government enforced a conditional MCO to ease the partial lockdown implemented in March 2020. This allows almost all businesses to open with conditions.

The Group has been focusing on complying with the Government's directive on MCO in order to contain the spread of the virus. During the MCO period from 18 March 2020 till 3 May 2020, KOMTAR JBCC and @MART Kempas was closed with the exception of essential services such as pharmacies, supermarkets and banks which remained accessible to the public. For Mydin Hypermart Gong Badak, only hypermarket and certain F&B outlets for take away are accessible.

Based on the current assessment, it is anticipated that the Covid-19 pandemic will impact customer confidence and behaviour and thus, the retail segments may take a longer period to recover. This will invariably impact the Group's financial performance in these segments for the year.

The Manager is monitoring the current situation closely and will take appropriate action accordingly to mitigate the impact of the pandemic on the businesses of the Group.

##### A11. CHANGES IN THE COMPOSITION OF THE TRUST

Al-Salām REIT was listed on 29 September 2015 with an initial fund size of 580 million units.

In the Annual General Meeting (AGM) held on 17 April 2019, the following resolutions have been passed by the unit holders of Al-Salām REIT:

###### Ordinary Resolution 1

Proposed authority to allot and issue up to 116,000,000 new units of Al-Salām REIT, representing 20% of the approved fund size of Al-Salām REIT, pursuant to Clause 14.03 of the SC REIT Guidelines.

###### Ordinary Resolution 2

Proposed increase in existing approved fund size of Al-Salām from 580,000,000 units to a maximum of 696,000,000 units pursuant to Ordinary Resolution 1.

However, there were no issuance of new units for the current quarter under review.

##### A12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets to be disclosed in the current quarter under review.

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2020

#### A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 ("MFRS 134")

##### A13. CAPITAL COMMITMENT

There were no major capital commitments to be disclosed in the current quarter under review.

##### A14. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the Group have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

	The Group		The Fund	
	31-03-2020	31-03-2019	31-03-2020	31-03-2019
	RM'000	RM'000	RM'000	RM'000
Rental income	9,545	7,750	9,558	7,782
Other property management and fees charged	1,539	1,547	1,539	1,547
Finance cost paid/payable to a subsidiary	-	-	2,159	2,284

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

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2020

#### B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

##### B1. REVIEW OF PERFORMANCE

	Quarter ended			Year ended		
	31-03-2020	31-03-2019	Change	31-03-2020	31-03-2019	Change
	RM'000	RM'000	%	RM'000	RM'000	%
<b>Total revenue</b>						
Retail outlets	12,397	15,355	(19.3)	12,397	15,355	(19.3)
Office buildings	2,290	2,331	(1.8)	2,290	2,331	(1.8)
F&B restaurants	3,903	2,673	46.0	3,903	2,673	46.0
F&B non-restaurants	2,840	2,833	0.2	2,840	2,833	0.2
<b>Total</b>	<b>21,430</b>	<b>23,192</b>	<b>(7.6)</b>	<b>21,430</b>	<b>23,192</b>	<b>(7.6)</b>
<b>Net property income ("NPI")</b>						
Retail outlets	7,835	10,208	(23.2)	7,835	10,208	(23.2)
Office buildings	1,444	1,442	0.1	1,444	1,442	0.1
F&B restaurants	3,894	2,670	45.8	3,894	2,670	45.8
F&B non-restaurants	2,754	2,767	(0.5)	2,754	2,767	(0.5)
Property manager fee	(110)	(89)	23.6	(110)	(89)	23.6
<b>Total</b>	<b>15,817</b>	<b>16,998</b>	<b>(6.9)</b>	<b>15,817</b>	<b>16,998</b>	<b>(6.9)</b>
Investment income	237	261	(9.2)	237	261	(9.2)
Gain on fair value adjustment	-	456	(100.0)	-	456	(100.0)
Trust expenses	(9,235)	(8,642)	6.9	(9,235)	(8,642)	6.9
<b>Net income before tax</b>	<b>6,819</b>	<b>9,073</b>	<b>(24.8)</b>	<b>6,819</b>	<b>9,073</b>	<b>(24.8)</b>

#### Review of Individual/Cumulative Quarter Results

##### **Retail outlets**

The retail segment reported a total revenue of RM12.4 million for the current quarter ended 31 March 2020 (Q1 2020) and cumulative period to-date, a decrease of RM3.0 million compared to the preceding year corresponding quarter (Q1 2019) of RM15.4 million. This was mainly due to the rental rebate granted to tenants and lower other income arising from the Covid-19 pandemic and MCO since mid-March 2020. Net property income (NPI) of RM7.8 million represented a decrease of RM2.4 million due to the decrease in total revenue as stated earlier offsetted by lower operating expenses of RM0.6 million from all retail outlets.

##### **Office building**

The office segment reported a total revenue of RM2.3 million for Q1 2020 and cumulative period to-date, a decrease of RM42,000 compared to Q1 2019. This was mainly due to lower other income arising from the Covid-19 pandemic and MCO since mid-March 2020. There was no significant changes in NPI between Q1 2020 and Q1 2019.

##### **F&B restaurants**

For Q1 2020 and cumulative period to-date, total revenue and NPI recorded an increase of RM1.2 million compared to Q1 2019. This was due to the addition of 16 QSR Properties in March 2019. The properties are on a Triple Net arrangement with 100% occupancy rate (2019:100%).

**B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS****B1. REVIEW OF PERFORMANCE (continued)****F&B non-restaurant**

For Q1 2020 and cumulative period to-date, there was an increase of 0.2% or RM7,000 in total revenue. However, NPI recorded a decrease of RM13,000 in NPI between Q1 2020 and Q1 2019 due to higher operating expenses. The occupancy rate is 100% (2019:100%).

**Net income before tax**

For Q1 2020 and cumulative period to-date, lower net income before tax of RM6.8 million (Q1 2019: RM9.1 million) was reported. This was mainly due to the rental rebate granted to tenants (retail segment), lower other income arising from the Covid-19 pandemic and MCO since mid-March 2020, lower fair value gain on investment properties as well as higher Islamic financing costs of RM0.7 million due to issuance of Term Financing-i for the acquisition of 17 QSR Properties offsetted by lower operating expenses of RM0.6 million from retail and office segments.

**B2. MATERIAL CHANGES IN NET INCOME BEFORE TAXATION FOR THE QUARTER AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER**

	Quarter ended		
	31-03-2020	31-12-2019	Change
	RM'000	RM'000	%
<b>Total revenue</b>			
Retail outlets	12,397	15,021	(17.5)
Office buildings	2,290	2,303	(0.6)
F&B restaurants	3,903	3,918	(0.4)
F&B non-restaurants	2,840	2,863	(0.8)
	<b>21,430</b>	<b>24,105</b>	<b>(11.1)</b>
<b>Net property income ("NPI") :</b>			
Retail outlets	7,835	9,301	(15.8)
Office buildings	1,444	1,215	18.8
F&B restaurants	3,894	3,909	(0.4)
F&B non-restaurants	2,754	2,812	(2.1)
Property manager fee	(110)	(107)	2.8
	<b>15,817</b>	<b>17,130</b>	<b>(7.7)</b>
Investment income	237	289	(18.0)
Gain on fair value adjustment	-	2,755	100.0
Trust expenses	(9,235)	(9,405)	(1.8)
<b>Net income before tax</b>	<b>6,819</b>	<b>10,769</b>	<b>(36.7)</b>

Total revenue recorded a decrease of 11.1% or RM2.7 million mainly due to the rental rebate granted to tenants (retail segment), lower other income arising from the Covid-19 pandemic and MCO since mid-March 2020. Net income before tax reported a decrease of 36.7% mainly due to rental support as stated earlier and lower fair value gain on investment properties of RM2.8 million.

**B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS****B3. PROSPECTS**

The ongoing COVID-19 pandemic has significantly weakened global growth prospects, with the outlook heavily contingent on how countries across the world successfully contain the pandemic over the remainder of the year. The International Monetary Fund (IMF) is expecting a recession in 2020 that is at least as bad as during the global financial crisis in 2009, and is projecting a recovery in 2021. In April 2020, Bank Negara Malaysia (BNM) has stated that Malaysia's economic growth, as measured by Gross Domestic Product (GDP), is projected to be between -2% to 0.5% in 2020 against a highly challenging global economic outlook due mainly to the ongoing pandemic. (Source: The Edge Markets)

Al-Salām REIT's overall performance will be impacted in the immediate and near future term as the Fund's exposure to the retail segment is expected to weigh down on current year performance. Despite the challenging revenue outlook, general consensus on further Overnight Policy Rate (OPR) cuts between 25 bps to 50 bps for the remainder of 2020 in addition to 50 bps cut announced on 5 May 2020, would provide support to Al-Salām REIT's bottom line result moving forward for the year.

Due to the extended MCO period commencing from end March, Al-Salām REIT is expected to provide rental support/rebates in the interest of maintaining tenancy sustainability for the Fund's retail assets. Amidst the challenging landscape, @Mart Kempas continues to prove its resilience as a community-centric hypermarket offering essential provisions throughout the restrictive movement policy implementation. Additionally, despite the ongoing economic turbulence, the fund's sizable triple nett lease assets portfolio (consisting of Mydin Hypermart Gong Badak and FB-related properties) will continue to provide sustained contribution to Al-Salām REIT's core income albeit at a tampered performance due to the pandemic.

The Manager anticipates impact of anchor tenant vacancy in KOMTAR JBCC to continue having bearing upon the Fund's performance for the remaining of 2020. Completion of the shopping mall's vacant ground floor renovation works (as the initial phase of the property's overall reconfiguration exercise) is expected to field new tenants to contribute improving yields for the space. Nonetheless, take up rate of the new leasing space will be hampered by medium term leasing headwinds, reflective of the current market slowdown.

Faring better than its Klang Valley counterpart, the Johor Bahru office space landscape is markedly less saturated as evidenced by Klang Valley's office space per person ratio of 15.75 sqft/person as compared to Johor Bahru's 7.4 sqft/person (Source : The Star). Menara KOMTAR is expected to maintain its position as a strategic office space destination within the center of Johor Bahru's metropolitan area as the city's burgeoning development will undoubtedly enhance the property's reputation going forward. Unlike other office properties that currently lacks captive demand, Menara KOMTAR is ensured of sustainable yields credited by the long term Johor Corporation Group tenancy with the recent occupancy rate of 88% as at Q1 2020.

The 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 fast food F&B scene in Malaysia has been quite resilient despite operating over a backdrop of the current pandemic. Even as QSR's performance is impacted by the Covid-19 scenario, Al-Salām REIT remains confident on the group's continued perseverance by virtue of their time-tested operational excellence and sustainable market share amidst the challenging business environment. The Malaysian College of Hospitality and Management, being the Fund's sole education property asset has also provided stable earnings deriving from master lease arrangement with KPJ Group's education arm.

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2020

#### **B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS**

##### **B3. PROSPECTS (continued)**

The Manager warrants the existing assets within the portfolio are well maintained to ensure the stability of rental income, stable income distributions for Al-Salām REIT and create long-term value for its unitholders. In addition, the Manager is always on the lookout for potential acquisitions including pipeline assets from the Johor Corporation Group to achieve sustainable growth of Al-Salām REIT.

##### **B4. UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS**

There was no issuance of new units during the current quarter under review.

##### **B5. TAXATION**

	<b>The Group</b>		<b>The Fund</b>	
	<b>31-03-2020</b>	<b>31-03-2019</b>	<b>31-03-2020</b>	<b>31-03-2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Tax expenses				
- Income Tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Pursuant to the amendment of Section 61A of the Income Tax Act, 1967, under the Finance Act 2006 which was gazetted on 31 December 2006, where in the basis period for a year assessment, 90% or more of the total income of the trust is distributed to unitholders, the total income of the trust for that year of assessment shall be exempted from tax.

In accordance with the Deed, the Fund is required to distribute at least 90% of its distributable income. The Manager also expects to distribute the net income within 2 months from the end of each financial year and accordingly, no estimated current tax payable or deferred tax is required to be provided in the financial statements.

##### **B6. GAIN OR LOSS ON SALE OF UNQUOTED INVESTMENTS AND PROPERTIES**

There were no disposal of unquoted securities or investment properties during the current quarter under review.

##### **B7. PURCHASE AND DISPOSAL OF QUOTED SECURITIES**

There were no purchase or disposal of quoted securities during the current quarter under review.

**B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS****B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED****i) Proposed Acquisition of 22 QSR Properties ("Proposed Acquisition")****ii) Proposed Placement of new units of up to RM60 million ("Proposed Placement")**

On 30 November 2017, Al-Salām REIT had entered into 3 conditional sale and purchase agreements ("SPA") with Kentucky Fried Chicken (Malaysia) Sendirian Berhad, KFC (Peninsular Malaysia) Sdn Bhd, KFC (Sabah) Sdn Bhd and SPM Restaurants Sdn Bhd ("Vendors") for the acquisition of 22 properties located across Malaysia for a total cash consideration of RM115.0 million to be funded via proceeds from the Proposed Placement and borrowings.

In view of weak market sentiments and the expiry of the extended conditional period of the SPAs on 28 February 2019, the Board had resolved not to implement the Proposed Placement and to vary the source of funding for the Purchase Consideration to entirely borrowings ("Variation").

As a result of the Variation, state authorities' consents are required to be obtained to charge the 5 properties under SPA 3 in favour of the Trustee's financier. state authorities' consents to charge are not required for the properties under SPA 1 and SPA 2. In view of the above, the parties to SPA 3 have amended one of the Conditions Precedent of SPA 3 and extended the conditional period of SPA 3. As SPA 1 and SPA 2 do not require state authorities' consent, the Trustee and the Vendors have agreed to waive the inter-conditionality of the SPAs to allow SPA 1 and SPA 2 to become unconditional on or before the expiry of the extended conditional period of the SPAs. On 28 February 2020, Al-Salām REIT and the Vendors have mutually agreed to further extend the conditional period from 28 February 2020 to 30 June 2020 to facilitate the fulfilment of the condition precedent under Clause 4.11(iii) of the SPA 3.

The acquisition of 17 properties under SPA 1 and SPA 2 has been completed on 19 March 2019.

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2020

#### B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

##### B9. TRADE RECEIVABLES

	The Group	
	As at 31-03-2020 RM'000	As at 31-03-2019 RM'000
Trade receivables	4,642	2,301
Unbilled rental income	6,118	1,907
	<u>10,760</u>	<u>4,208</u>

Trade receivables comprise rental receivable from lessees. The credit period granted by the Group on rental receivable from lessees ranges from 30 to 60 days (2019: 30 to 60 days). Unbilled rental income relate to the Group's rights to recognise revenue. Rental income is recognised on a straight line basis including rent free period. Rental will be billed in accordance with the billing terms as set out in the tenancy agreements.

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

	As at 31-03-2020 RM'000	As at 31-03-2019 RM'000
0 - 30 days	1,945	1,649
31 - 60 days	1,962	595
61 - 90 days	350	37
91 - 120 days	385	20
	<u>4,642</u>	<u>2,301</u>

The Group has not recognised any allowance for estimated credit loss as the Group holds tenant deposits as credit enhancement and the amounts are considered recoverable.

##### B10. ISLAMIC FINANCING

	The Group	
	As at 31-03-2020 RM'000	As at 31-03-2019 RM'000
<b><u>Non-current</u></b>		
<b><u>Secured</u></b>		
- Term Financing-i ("TF-i")	87,026	87,026
- Commodity Murabahah Term Financing-i ("CMTF-i")	-	350,000
- Sukuk Ijarah - Islamic Medium Term Notes ("IMTN")	-	162,785
	<u>87,026</u>	<u>599,811</u>
Less: Transaction costs	(1,054)	(3,843)
	<u>85,972</u>	<u>595,968</u>
<b><u>Current</u></b>		
<b><u>Secured</u></b>		
- Commodity Murabahah Term Financing-i ("CMTF-i")	350,000	-
- Sukuk Ijarah - Islamic Medium Term Notes ("IMTN")	162,785	-
	<u>512,785</u>	<u>-</u>
- Transaction costs	(752)	-
	<u>512,033</u>	<u>-</u>
<b>Total Islamic Financing</b>	<u>598,005</u>	<u>595,968</u>



**B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS****B10. ISLAMIC FINANCING (continued)**Non-current**Term Financing-i**

On 27 February 2019, the Fund obtained the Term Financing ("TF-i") of up to RM118 million from CIMB Islamic Bank Berhad ("CIMB") to finance the proposed acquisition of 22 QSR properties. On 19 March 2019, the Fund drewdown RM87.03 million to complete the acquisition of 17 properties. The TF-i profit is payable over a period of 60 months from the date of first disbursement. The effective profit rate for the TF-i will be based on COF which is based on the Bank's COF + 1.45% per annum for the duration of the TF-i. The average effective profit rate for the TF-i is 4.99% (2019: 5.15%). The principal amount is expected to be paid in March 2024.

The total transaction costs of RM1.2 million incurred during the year were debited against the amount of the Islamic financing facility on drawdown date comprising, amongst others, processing and stamping fees, legal advisory fees and other establishment fees.

The TF-i has significant covenants of which the Fund shall at all times, maintain the following criteria:

- (a) The financing payment cover ratio ("FPCR") of not less than 1.25 times;
- (b) Total debt and Financing over Total Assets Value of not more than 50%; and
- (c) Minimum security cover of 1.25 times.

The financing was used to secure the investment properties amounting to RM121.7 million (2019: RM121.7 million).

Current**Commodity Murabahah Term Financing-i**

The Commodity Murabahah Term Financing-i ("CMTF-i") amounting to RM350.0 million from RHB Islamic Bank Berhad and Maybank Islamic Berhad (collectively "the Banks") was obtained by Al-Salām REIT on 14 April 2015 to part finance the acquisition of the investment properties of the Al-Salām REIT in 2015. The nominal value of the CMTF-i comprised Tranche 1 and Tranche 2, amounting to RM136.04 million and RM213.96 million, respectively.

The CMTF-i profit is payable over a period of 60 months from the date of first disbursement with full repayment of principal sum on the 60th month. The effective profit rate for the CMTF-i will be based on COF + 1.35% per annum for the first 16 months, COF + 1.40% per annum for the next 8 months and COF + 1.50% per annum for the remaining duration of the CMTF-i. The COF is based on respective Banks' COF. The average effective profit rate for the CMTF-i is 5.07% (2018: 5.26%).

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

The CMTF-i has significant covenants of which the Group shall at all times, maintain the following criteria:

- (a) The consolidated net gearing ratio of not more than 1.0 times;
- (b) Financing to Value ("FTV") ratio shall not exceed 50% of security value;
- (c) Minimum shareholder's fund of not less than RM500.0 million; and
- (d) Minimum finance service cover ratio ("FSCR") of 1.50 times.

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**B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS****B10. ISLAMIC FINANCING (continued)**Current

The financing was used to secure the investment properties amounting to RM718.9 million (2019: RM718.9 million). The outstanding RM350.0 million in nominal value of CMTF-i will be due in August 2020. The Manager is in the midst of undertaking steps to refinance the said CMTF-i.

**Sukuk Ijarah - Islamic Medium Term Notes**

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 RM162.8 million in nominal value of IMTNs ("Issue 1") with transaction cost amounting RM2.2 million.

The Sukuk Ijarah Programme has significant covenants of which the Group shall at all times, maintain the followings:

- (a) FSCR at ALSREIT Capital Sdn Bhd level of not less than 1.5 times;
- (b) FSCR at Al-Salam REIT level of not less than 1.5 times; and
- (c) such other financial covenant(s) as may be determined by the Rating Agency and to be mutually agreed by ALSREIT Capital Sdn Bhd.

The financing was used to secure the investment properties amounting to RM331.1 million (2019: RM331.1 million). The outstanding RM162.8 million in nominal value of IMTN of Issue 1 will be due in August 2020. The Manager is in the midst of undertaking steps to refinance the said financing.

Revolving Credit Facilities

As of 31 March 2020, Al-Salām REIT has unutilized revolving credit facilities amounting to RM10.0 million (2019: RM10.0 million) granted by a financial institution. The said facility is secured by investment properties amounting to RM16.0 million.

**B11. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

For the current quarter there was no off balance sheet financial instruments.

**B12. MATERIAL LITIGATION**

There was no material litigation as at the date of the current quarter.

**B13. SOFT COMMISSION RECEIVED**

There was no soft commission received by the Manager in the current quarter under review.

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the First Quarter Ended 31 March 2020

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**B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S  
MAIN MARKET LISTING REQUIREMENTS**

**B14. SUMMARY OF DPU, EPU AND NAV**

	<b>Current Quarter ended 31-03-2020</b>	<b>Immediate Preceding Quarter ended 31-12-2019</b>
Number of units in issue (units)	580,000,000	580,000,000
Earnings per unit (EPU) - sen	1.18	1.86
Net income distribution to unitholders (RM'000)	13,166	6,206
Distribution per unit (DPU) - sen	2.27	1.07
Net Asset Value (NAV) - RM'000	617,731	624,078
NAV per unit (RM)	1.0651	1.0760
Market Value Per Unit (RM)	0.7400	0.8100

**B15. RESPONSIBILITY STATEMENT**

This quarterly report has been prepared in accordance with MFRS 134 : Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Al-Salām REIT as at 31 March 2020 and of its financial performance and cash flows for the period then ended.