

AL-SALĀM REIT

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Fourth Quarter Ended 31 December 2019

Note	Individual Quarter			Cumulative Quarter		
	Current Year Quarter	Preceding Year Corresponding Quarter	Change	Current Year	Preceding Year	Change
	31-12-2019	31-12-2018		31-12-2019	31-12-2018	
	RM	RM	%	RM	RM	%
	22,523,766	21,625,746	4.2	88,542,113	75,408,052	17.4
	1,581,063	1,976,779	(20.0)	6,370,271	6,742,696	(5.5)
Total revenue	24,104,829	23,602,525	2.1	94,912,384	82,150,748	15.5
Utilities expenses	(1,695,439)	(1,794,256)	(5.5)	(6,580,693)	(6,778,164)	(2.9)
Maintenance expenses	(1,126,273)	(388,270)	> 100	(4,238,846)	(3,788,020)	11.9
Quit rent and assessment	(448,361)	(524,775)	(14.6)	(1,730,461)	(1,614,101)	7.2
Other property expenses	(3,598,366)	(3,108,814)	15.7	(12,827,893)	(11,455,436)	12.0
Property manager fee	(106,548)	(67,500)	57.8	(413,477)	(270,000)	53.1
Total property expenses	(6,974,987)	(5,883,615)	18.5	(25,791,370)	(23,905,721)	7.9
Net property income	17,129,842	17,718,910	(3.3)	69,121,014	58,245,027	18.7
Investment income	288,879	316,226	(8.6)	1,067,052	1,025,884	4.0
Gain on fair value adjustment	2,754,991	6,834,236	(59.7)	3,543,048	7,581,684	(53.3)
Net investment income	20,173,712	24,869,372	(18.9)	73,731,114	66,852,595	10.3
Manager's management fees	(617,197)	(433,733)	42.3	(2,229,843)	(1,503,100)	48.3
Trustee's fees	(31,026)	(30,717)	1.0	(123,539)	(122,492)	0.9
Shariah advisors' fee	(3,000)	(3,000)	0.0	(3,000)	(6,000)	(50.0)
Islamic financing costs	(8,622,226)	(7,622,120)	13.1	(33,822,078)	(23,384,181)	44.6
Other trust expenses	(131,557)	(519,879)	(74.7)	(1,400,010)	(1,535,411)	(8.8)
Net income before tax	10,768,706	16,259,923	(33.8)	36,152,644	40,301,411	(10.3)
Taxation	-	-	-	-	-	-
Net income for the period	10,768,706	16,259,923	(33.8)	36,152,644	40,301,411	(10.3)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the period	10,768,706	16,259,923	(33.8)	36,152,644	40,301,411	(10.3)
Net income for the period is made up as follow:						
Realised	6,960,049	9,425,687	(26.2)	28,394,928	31,866,722	(10.9)
Unrealised	3,808,657	6,834,236	(44.3)	7,757,716	8,434,689	(8.0)
	10,768,706	16,259,923	(33.8)	36,152,644	40,301,411	(10.3)
Earnings per unit (sen)	1.86	2.80	(33.8)	6.23	6.95	(10.3)

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	Note	Unaudited As At End Of Current Quarter 31-12-2019	Audited As at preceding year ended 31-12-2018 restated
		RM	RM
ASSETS			
Non-current assets			
Investment properties	A9	1,187,635,000	1,092,686,000
Property, plant & equipment		930,577	895,143
Current Assets			
Trade receivables		11,606,235	8,204,799
Other receivables & prepayments		3,731,184	7,789,224
Cash and bank balances		8,422,103	12,489,624
Fixed deposits with licensed banks		36,069,000	34,273,000
Amount due from related companies		785,646	823,361
		<u>60,614,168</u>	<u>63,580,008</u>
TOTAL ASSETS		<u>1,249,179,745</u>	<u>1,157,161,151</u>
LIABILITIES			
Non-current liabilities			
Islamic financing	B10	86,000,816	509,527,596
Other payables and accruals		14,326,419	13,974,324
		<u>100,327,235</u>	<u>523,501,920</u>
Current Liabilities			
Islamic financing	B10	511,531,837	-
Other payables and accruals		6,522,831	5,851,590
Provision for income distribution		6,206,000	5,800,000
Amount due to related companies		513,948	1,080,530
		<u>524,774,616</u>	<u>12,732,120</u>
TOTAL LIABILITIES		<u>625,101,851</u>	<u>536,234,040</u>
NET ASSETS VALUE		<u>624,077,894</u>	<u>620,927,111</u>
REPRESENTED BY:			
Unitholders' capital		572,545,319	572,545,319
Undistributed income		51,532,575	48,381,792
TOTAL UNITHOLDERS' FUND		<u>624,077,894</u>	<u>620,927,111</u>
NUMBER OF UNITS IN CIRCULATION		<u>580,000,000</u>	<u>580,000,000</u>
NET ASSETS VALUE (NAV) PER UNIT (RM)		1.0760	1.0706

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED CONSOLIDATED STATEMENT OF CHANGES
IN NET ASSETS VALUE
For the Fourth Quarter Ended 31 December 2019

	Unitholders' Capital RM	Undistributed income		Total RM
		Realised RM	Unrealised RM	
As at 1 January 2018	572,545,319	20,344,661	23,405,655	616,295,635
Total comprehensive income for the period	-	31,866,722	8,434,689	40,301,411
Unitholders' transactions				
Issuance of new units	-	-	-	-
Distribution to unitholders	-	(35,669,935)	-	(35,669,935)
Issuing expenses	-	-	-	-
<i>Decrease in net assets resulting from unitholders' transactions</i>	-	(35,669,935)	-	(35,669,935)
As at 31 December 2018	<u>572,545,319</u>	<u>16,541,448</u>	<u>31,840,344</u>	<u>620,927,111</u>
As at 1 January 2019	572,545,319	16,541,448	31,840,344	620,927,111
Total comprehensive income for the period	-	28,394,928	7,757,716	36,152,644
Unitholders' transactions				
Issuance of new units	-	-	-	-
Distribution to unitholders#	-	(33,001,861)	-	(33,001,861)
Issuing expenses	-	-	-	-
<i>Decrease in net assets resulting from unitholders' transactions</i>	-	(33,001,861)	-	(33,001,861)
As at 31 December 2019	<u>572,545,319</u>	<u>11,934,515</u>	<u>39,598,060</u>	<u>624,077,894</u>

Include :

- i) Payment of final income distribution of 2.35 sen per unit for the financial year ended 31 December 2018 (of which 1.90 sen is taxable and 0.45 sen per unit is non taxable in the hand of unitholders) in respect of the period from 1 October 2018 to 31 December 2018 which was paid on 28 February 2019.
- ii) Payment of the first interim income distribution of 1.18 sen per unit for the financial period from 1 January 2019 to 31 March 2019 (of which 1.15 sen is taxable and 0.03 sen per unit is non taxable in the hand of unitholders) which was paid on 12 July 2019.
- iii) Payment of the second interim income distribution of 1.09 sen per unit for the financial period from 1 April 2019 to 30 June 2019 (taxable in the hand of unitholders) which was paid on 17 October 2019.
- iv) Provision of the third interim income distribution of 1.07 sen per unit for the financial period from 1 July 2019 to 30 September 2019 (taxable in the hand of unitholders) which was announced on 21 November 2019.

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 2018 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Fourth Quarter Ended 31 December 2019

	31-12-2019	To Date 31-12-2018 restated
	<u>RM</u>	<u>RM</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before tax	36,152,644	40,301,411
Adjustment for:		
Islamic financing costs	33,822,078	23,384,181
Investment income	(1,067,052)	(1,025,884)
Depreciation	140,211	59,959
Unbilled rental income	(4,214,668)	(853,005)
Gain on fair value adjustment	(3,543,048)	(7,581,684)
Operating profit before working capital changes	61,290,165	54,284,978
Decrease / (Increase) in trade receivables	813,232	(2,828,007)
Decrease in other receivables and prepaid expenses	803,742	1,043,091
Decrease in amount owing by related companies	37,715	1,569,429
Increase / (Decrease) in other payable and accrued expenses	870,092	(2,335,948)
Increase / (Decrease) in amount owing to related companies	(566,582)	713,959
Cash generated from operations	63,248,364	52,447,502
Taxes paid	-	-
Net cash generated from operating activities	<u>63,248,364</u>	<u>52,447,502</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to investment properties	(1,125,254)	(5,779,425)
Purchase of equipment	(175,645)	(397,914)
Income received from other investments	1,067,052	1,025,884
Net cash used in investing activities	<u>(233,847)</u>	<u>(5,151,455)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in pledged deposits with licensed banks	(2,696,000)	(358,000)
Decrease in restricted cash	2,294,109	(2,418,407)
Net proceed/(repayment) from Islamic financing	-	7,830,109
Islamic financing costs paid	(32,690,177)	(23,559,878)
Income distribution paid	(32,595,861)	(29,869,935)
Net cash used in financing activities	<u>(65,687,929)</u>	<u>(48,376,111)</u>

AL-SALĀM REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the Fourth Quarter Ended 31 December 2019

	31-12-2019	To Date 31-12-2018 restated
	<u>RM</u>	<u>RM</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,673,412)	(1,080,064)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	34,071,217	35,151,281
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>31,397,805</u>	<u>34,071,217</u>
DEPOSITS, CASH AND BANK BALANCES		
Cash and bank balances	8,422,103	12,489,624
Fixed deposits with licensed banks	36,069,000	34,273,000
	44,491,103	46,762,624
Less : Pledged deposits with licensed banks	(12,969,000)	(10,273,000)
Less : Restricted cash	(124,298)	(2,418,407)
CASH AND CASH EQUIVALENTS	<u>31,397,805</u>	<u>34,071,217</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Fourth Quarter Ended 31 December 2019

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 2018.

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 2019:

- MFRS 16 'Leases' (effective from 1 January 2019)
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation' (effective 1 January 2019)
- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective 1 January 2019)
- Amendments to MFRSs 'Annual Improvements to MFRSs 2015–2017 Cycle' (effective 1 January 2019)
- IC Interpretation 23 'Uncertainty over Income Tax Payments' (effective 1 January 2019)

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:

- 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)
- 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 2018 was not subject to any audit qualification.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Fourth Quarter Ended 31 December 2019

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

A3. SEASONALITY AND CYCLICALITY OF OPERATIONS

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

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 21 November 2019, the Fund declared the third interim income distribution of 1.07 sen per unit for the financial period ending 31 December 2019 (taxable in the hand of unitholders) in respect of the period from 1 July 2019 to 30 September 2019. The said distribution has been paid on 10 January 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.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Fourth Quarter Ended 31 December 2019

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

A8. SEGMENTAL REPORTING

31 December 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	59,862	9,235	14,503	11,312	-	94,912
Property operating expenses	(21,304)	(3,789)	(31)	(254)	(413)	(25,791)
Net property income	38,558	5,446	14,472	11,058	(413)	69,121
Fair value gain on investment properties	(907)	(117)	4,458	109	-	3,543
Investment income	-	-	-	-	1,067	1,067
Net investment income	37,651	5,329	18,930	11,167	654	73,731
Total trust expenses	-	-	-	-	(3,756)	(3,756)
Islamic financing costs	-	-	-	-	(33,822)	(33,822)
Net income before tax	37,651	5,329	18,930	11,167	(36,924)	36,153
Income tax expenses	-	-	-	-	-	-
Net income for the period	37,651	5,329	18,930	11,167	(36,924)	36,153
Total assets	829,482	99,071	253,935	181,776	(115,084)	1,249,180
Total liabilities	177,765	2,491	-	680	444,166	625,102

31 December 2018

	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	51,892	9,370	9,963	10,926	-	82,151
Property operating expenses	(19,533)	(3,793)	(16)	(294)	(270)	(23,906)
Net property income	32,359	5,577	9,947	10,632	(270)	58,245
Fair value gain on investment properties	365	-	4,027	3,189	-	7,581
Investment income	-	-	-	-	1,026	1,026
Net investment income	32,724	5,577	13,974	13,821	756	66,852
Total trust expenses	-	-	-	-	(3,167)	(3,167)
Islamic financing costs	-	-	-	-	(23,384)	(23,384)
Net income before tax	32,724	5,577	13,974	13,821	(25,795)	40,301
Income tax expenses	-	-	-	-	-	-
Net income for the period	32,724	5,577	13,974	13,821	(25,795)	40,301
Total assets	803,243	92,881	165,697	173,764	(78,424)	1,157,161
Total liabilities	17,102	2,422	-	709	516,001	536,234

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Fourth Quarter Ended 31 December 2019

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

A9. VALUATION OF INVESTMENT PROPERTIES

During the current quarter under review, a valuation exercise was undertaken for all thirty-two (49) properties of Al-Salām REIT pursuant to FRS 140 and Clause 10.03 of the Securities Commission's REIT Guidelines. The revaluation has resulted in a surplus of RM3.5 million and has been incorporated into the financial statements of Al-Salām REIT as at 31 December 2019. The details of the said valuation carried out are tabled as follows:

Description of Property	Date of Valuation	2019 Fair Value RM'000
1. KOMTAR JBCC	31.12.2019	462,000
2. Menara KOMTAR	31.12.2019	73,000
3. @Mart Kempas Community Hypermarket	31.12.2019	66,000
4. KFCH International College	31.12.2019	30,000
5. Mydin Hypermart Gong Badak	31.12.2019	161,000
6. Premises Nos. 18 & 20, Jalan Sulaiman, 43000 Kajang, Selangor Darul Ehsan	31.12.2019	9,700
7. Premises No. 5, Bangunan Joota Brothers, Jalan Sungai Korok, 06000 Jitra, Kedah Darul Aman	31.12.2019	530
8. Premises No. 1, Jalan Baru Bandar 1, Pusat Bandar Baru Ayer Hitam, 86100 Ayer Hitam, Johor	31.12.2019	2,000
9. Premises No. 34, Jalan Mahsuri, Bandar Bayan Baru, 11950 Bayan Lepas, Pulau Pinang	31.12.2019	4,000
10. Premises Nos. 60 & 62, Jalan PJS 11/28A, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan	31.12.2019	9,400
11. Premises No. 1, Jalan Mahajaya, Kawasan Penambakan Laut, Bandar Port Dickson, 71000 Port Dickson, Negeri Sembilan	31.12.2019	1,710
12. Premises No. 9, Persiaran Putra Timur 1, 02000 Kuala Perlis, Perlis Indera Kayangan	31.12.2019	480
13. Premises No. 3, 3A & 3B, Jalan Resam 13, Taman Bukit Tiram, 81800 Ulu Tiram, Johor Darul Takzim	31.12.2019	870
14. Premises No. 1 & 1-1, Jalan Niaga, 81900 Kota Tinggi, Johor Darul Takzim	31.12.2019	830
15. Unit No. GF-12A, Queensbay Mall, 100, Persiaran Bayan Indah, 11900 Bayan Lepas, Pulau Pinang	31.12.2019	13,972
16. Unit No. 3A-G-18, Kompleks Bukit Jambul, Jalan Rumbia, 11900 Bayan Lepas, Pulau Pinang	31.12.2019	2,842
17. Unit No. G-103, Megamall Pinang Shopping Complex, No. 2828, Jalan Baru, Bandar Perai Jaya, 13600 Perai, Pulau Pinang	31.12.2019	2,674

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Fourth Quarter Ended 31 December 2019

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

A9. VALUATION OF INVESTMENT PROPERTIES (continued)

Description of Property	Date of Valuation	2019 Fair Value RM'000
18. Unit No. G-104, Megamall Pinang Shopping Complex, No. 2828, Jalan Baru, Bandar Perai Jaya, 13600 Perai, Pulau Pinang	31.12.2019	1,657
19. Lot 14083, Jalan Kuchai Lama, 58200 Kuala Lumpur	31.12.2019	15,000
20. PT No. 2281, Jalan Kuala Ketil, Bandar Puteri Jaya, 08000 Sungai Petani, Kedah Darul Aman	31.12.2019	5,300
21. PTD 103231, Taman Impian Senai, 81400 Senai, Johor Darul Takzim	31.12.2019	8,500
22. PTD 153154, Jalan Tampoi, Taman Damansara Aliff, 81200 Johor Bahru, Johor Darul Takzim	31.12.2019	12,100
23. PTD No. 171459, Jalan Persiaran Perling, Taman Perling, 81200 Johor Bahru, Johor Darul Takzim	31.12.2019	13,800
24. PT No. 217643, Jalan Kuala Kangsar, Taman Tasek Mutiara, 31400 Ipoh, Perak Darul Ridzuan	31.12.2019	8,700
25. Lot 59060, Jalan Prima 1, Metro Prima, Off Jalan Kepong, 52100 Kuala Lumpur	31.12.2019	16,000
26. PT No. 6878, Jalan 8/27A, Pusat Bandar Wangsa Maju, 53300 Kuala Lumpur	31.12.2019	27,000
27. PT No. 19503, Lebuhraya Ayer Keroh, 75450 Hang Tuah Jaya, Melaka	31.12.2019	8,700
28. Premises No. 31, Lorong IKS Juru 3, Taman IKS Juru, 14100 Simpang Ampat, Pulau Pinang	31.12.2019	1,600
29. Lot 5, Lorong Tembaga 3, Kawasan MIEL, KKIP Selatan, Kota Kinabalu Industrial Park, Menggatal, 88450 Kota Kinabalu, Sabah	31.12.2019	3,000
30. Premises No. 3, Lorong Gerudi 1, Off Jalan Pelabuhan Utara, 42000 Pelabuhan Klang, Selangor Darul Ehsan	31.12.2019	47,398
31. Premises No. 6, Jalan Gerudi, Off Jalan Pelabuhan Utara, 42000 Pelabuhan Klang, Selangor Darul Ehsan	31.12.2019	27,000
32. Premises Nos. 17, 19 & 21, Jalan Pemaju U1/15, Sek U1, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan	31.12.2019	59,052
33. Lot No. 2430 and 2429, Title No. PM12274 and PM12273, No. 23 & 24 Jalan 54, Desa Jaya Kepong, 52100 Kepong, Kuala Lumpur	31.12.2019	7,500
34. Lot No. 96, Title No. PN326743, 158 Jalan Idris, 31900 Kampar, Perak	31.12.2019	1,400
35. Lot No. 1417,1419 and 1421, Title No. 59853,59858 and 59862, 140 Jalan Raja Laut, 50350 Kuala Lumpur	31.12.2019	4,700
36. Lot No. 503, Title No. 10894, 437 Wisma Hualang, Jalan Ipoh, 51200 Kuala Lumpur	31.12.2019	8,700
37. Lot 48635, Title No. 8311, 79 Jalan Dato' Lau Pak Khuan, Ipoh Garden, 31400 Ipoh, Perak	31.12.2019	2,000

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Fourth Quarter Ended 31 December 2019

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

A9. VALUATION OF INVESTMENT PROPERTIES (continued)

Description of Property	Date of Valuation	2019 Fair Value RM'000
38. Lot 4111, PN18632, No.9 Jalan PPM 9, Plaza Pandan Malim, 75250 Melaka	31.12.2019	950
39. Lot 107788, Title No. 343902, No. 1 & 1A, Jalan Resam 13, Taman Bukit Tiram, Ulu Tiram, Johor	31.12.2019	1,630
40. Lot 1293 N, Title No. 40351, No. 65 Jalan Dato' Onn Jaafar, 30300 Ipoh, Perak	31.12.2019	3,400
41. Lot 4125 & 4126, Title No. 177945 & 108899, 24 & 26 Jalan Bunga Raya 7, Pusat Perniagaan Senawang, Taman Tasik Jaya, 70400 Senawang, Negeri Sembilan	31.12.2019	830
42. Lot 831 & 832, Title No. 50935 & 40542, 20 & 21 Jalan Dato' Sheikh Ahmad, 70000 Seremban, Negeri Sembilan	31.12.2019	3,900
43. Title No. Country Lease 015437948, Lot 25, Block 3, Jalan Kolam, 88300 Kota Kinabalu, Sabah	31.12.2019	2,760
44. Lot 182 Sublot No.104 & Lot 183 Sublot No.15, Section 65, Kuching Town Land District	31.12.2019	3,980
45. HS(D) No. 499885, PTD 210469, Jalan Suria 1, Bandar Seri Alam, Johor Bahru, Johor Darul Takzim	31.12.2019	7,620
46. HS(D) No. 499524, PTD 181614, Taman Mutiara Rini, 81300 Skudai, Johor Darul Takzim	31.12.2019	7,900
47. Lot 599, Title No. 23532, D.T.L Section 5, Bandar Georgetown, Pulau Pinang	31.12.2019	24,000
48. HS(D) 33885, Lot 22529, Part Lot 20022, Jalan Bertam, Mukim 6, Kepala Batas, Seberang Perai Utara, Pulau Pinang	31.12.2019	6,900
49. Lease No. 015319892, Lot 43A, Karamunsing Warehouse, 88000 Kota Kinabalu, Sabah	31.12.2019	3,650
		1,187,635

A10. SUBSEQUENT MATERIAL EVENTS

On 31 January 2020, the Manager, after consultation with the Trustee, declared a final interim distribution of 1.41 sen per unit totalling RM8.18 million for the financial year ended 31 December 2019. The distribution was approved by the Trustee and has not been included as a liability in the financial statements.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Fourth Quarter Ended 31 December 2019

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

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.

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	
	31-12-2019 RM'000	31-12-2018 RM'000	30-09-2019 RM'000	30-09-2018 RM'000
Rental income	37,299	34,540	37,543	34,951
Other property management and fees charged	7,442	7,635	7,442	7,635
Finance cost paid/payable to a subsidiary	-	-	9,036	3,274

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 Fourth Quarter Ended 31 December 2019

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

B1. REVIEW OF PERFORMANCE

	Quarter ended			Year ended		
	31-12-2019 RM'000	31-12-2018 RM'000	Change %	31-12-2019 RM'000	31-12-2018 RM'000	Change %
Total revenue						
Retail outlets	15,021	15,939	(5.8)	59,862	51,892	15.4
Office buildings	2,303	2,345	(1.8)	9,235	9,370	(1.4)
F&B restaurants	3,918	2,489	57.4	14,503	9,963	45.6
F&B non-restaurants	2,863	2,830	1.2	11,312	10,926	3.5
Total	<u>24,105</u>	<u>23,603</u>	2.1	<u>94,912</u>	<u>82,151</u>	15.5
Net property income ("NPI")						
Retail outlets	9,301	11,289	(17.6)	38,558	32,359	19.2
Office buildings	1,215	1,266	(4.0)	5,446	5,577	(2.3)
F&B restaurants	3,909	2,485	57.3	14,472	9,947	45.5
F&B non-restaurants	2,812	2,747	2.4	11,058	10,632	4.0
Property manager fee	(107)	(68)	57.4	(413)	(270)	53.0
Total	<u>17,130</u>	<u>17,719</u>	(3.3)	<u>69,121</u>	<u>58,245</u>	18.7
Investment income	289	316	(8.5)	1,067	1,026	4.0
Gain on fair value adjustment	2,755	6,834	(59.7)	3,543	7,581	(53.3)
Trust expenses	(9,405)	(8,609)	9.2	(37,578)	(26,551)	41.5
Net income before tax	<u>10,769</u>	<u>16,260</u>	(33.8)	<u>36,153</u>	<u>40,301</u>	(10.3)

Review of Individual/Cumulative Quarter Results

Retail outlets

The retail segment reported a total revenue of RM15.0 million for the current quarter ended 31 December 2019 (Q4 2019), a decrease of RM0.9 million compared to the preceding year corresponding quarter (Q4 2018) of RM15.9 million. This was due to lower rental income of RM1.1 million from KOMTAR JBCC offset by higher rental income from Mydin Hypermart Gong Badak of RM0.2. Net property income (NPI) of RM9.3 million represented a decrease of RM2.0 million due to the decrease in total revenue as stated earlier and higher operating expenses of RM1.1 million from all retail outlets.

For the year, total revenue and net property income of the retail segment had experienced an increase of RM8.0 million and RM6.2 million respectively due to rental income from Mydin Hypermart Gong Badak of RM10.3 million and @Mart of RM0.4 million offset by lower rental income from KOMTAR JBCC of RM2.7 million and higher operating expenses of RM1.8 million from all retail outlets.

Office building

Despite the challenging office market environment, the office segment managed to record a total revenue of RM2.3 million for Q4 2019, a decrease of RM42,000 compared to Q4 2018. This was mainly contributed by a decrease in occupancy rate of Menara KOMTAR. NPI of the office segment in Q4 2019 was RM1.2 million, lower by RM51,000 compared to the preceding year corresponding quarter due to decrease in total revenue and higher operating expenses.

For the year, total revenue reported a decrease of RM135,000 while NPI reported a decrease of RM131,000 due to higher operating expenses incurred in addition to lower occupancy rate of 89% (2018:91%).

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Fourth Quarter Ended 31 December 2019

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

B1. REVIEW OF PERFORMANCE (continued)

F&B restaurants

For Q4 2019, total revenue and NPI recorded an increase of RM1.4 million compared to Q4 2018. This was due to the addition of 16 QSR Properties in March 2019.

For the year, total revenue and NPI recorded an increase of RM4.5 million as compared to Q4 2018. This was due to upward rental revision of 3.71% of RM0.2 million on the 27 existing properties in May and September 2018 respectively and RM4.3 million for the addition of 16 QSR Properties in March 2019. The properties are on a Triple Net arrangement with 100% occupancy rate (2018:100%).

F&B non-restaurant

There was an increase of 1.2% or RM34,000 in total revenue and RM64,704 in NPI between Q4 2019 and Q4 2018 due to upward rental revision of 3.71% on the 5 existing properties in May and September 2018 respectively and RM57,000 from the addition of 1 QSR Property in March 2019.

For the year, there was an increase of RM0.4 million in total revenue and NPI between Q4 2019 and Q4 2018 due to upward rental revision of 3.71% or RM0.2 million on the 5 existing properties in May and September 2018 respectively and RM0.2 million from the addition of 1 QSR Property in March 2019. The occupancy rate are 100% (2018:100%).

Net income before tax

For Q4 2019, lower net income before tax of RM10.8 million (Q4 2018: RM16.3 million) was reported. This was mainly due to lower fair value gain on investment properties of RM4.1 million, offset by higher rental income and lower operating expenses from retail segment as well as higher Islamic financing costs of RM0.8 million due to issuance of Term Financing-i for the acquisition of 17 QSR Properties.

For the financial period ended 31 December 2019, Al-Salām REIT recorded a total revenue of RM94.9 million representing an increase of RM12.8 million from RM82.8 million recorded in previous year. After taking into consideration Islamic financing costs and trust expenses totalling RM37.6 million, the net income before tax was RM36.2 million (realised of RM28.4 million and unrealised of RM7.8 million) compared to RM40.3 million in the previous corresponding period. The decrease was mainly due to lower fair value gain on investment properties and higher Islamic financing costs offset by full year rental income from Mydin Hypermart Gong Badak and additional rental income from 17 QSR Properties.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Fourth Quarter Ended 31 December 2019

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

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

	Quarter ended		Change %
	31-12-2019 RM'000	30-09-2019 RM'000	
Total revenue			
Retail outlets	15,021	14,536	3.3
Office buildings	2,303	2,294	0.4
F&B restaurants	3,918	4,023	(2.6)
F&B non-restaurants	2,863	2,832	1.1
	24,105	23,685	1.8
Net property income ("NPI") :			
Retail outlets	9,301	9,365	(0.7)
Office buildings	1,215	1,342	(9.5)
F&B restaurants	3,909	4,014	(2.6)
F&B non-restaurants	2,812	2,766	1.7
Property manager fee	(107)	(112)	(4.5)
	17,130	17,375	(1.4)
Investment income	289	250	15.6
Gain on fair value adjustment	2,755	-	100.0
Trust expenses	(9,405)	(9,676)	(2.8)
Net income before tax	10,769	7,949	35.5

Total revenue recorded an increase of 1.8% due to higher rental income of RM0.5 million from retail segment offsetted by lower rental income of RM0.1 million from F&B restaurant. Net income before tax reported an increase of 35.5% mainly due to higher fair value gain on investment properties of RM2.8 million.

B3. PROSPECTS

Private sector expenditure will remain the key growth driver in 2020, with private consumption and investment rising 6.9% and 2.1%, respectively. Public sector expenditure is expected to rebound to positive growth of 0.8% in 2020 after registering 1.8% decline in 2019, largely driven by the acceleration of projects towards the tail-end of the Eleventh Malaysia Plan coupled with the revival of strategic projects. In line with the fiscal consolidation path, public consumption is projected to stay moderate at 1.5% in 2020, which is lower compared to 2% in 2019 (Source: The Edge Markets).

Al-Salām REIT's overall performance is expected improve due to the 25bps cut in the Overnight Policy Rate (OPR) in January 2020. Al-Salām REIT is also expected to record improved property yields on the back of stronger asset returns. @Mart Kempas's high tenancy demands would ensure its near-full occupancy rate to sustain into the new year, and positive rental reversions deriving from Al-Salām REIT's triple net lease assets (consisting of Mydin Gong Badak and F&B-related properties) will contribute to higher revenues in the coming period.

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

B3. PROSPECTS (continued)

The Manager anticipates the anchor tenant vacancy in KOMTAR JBCC to impact Al-Salām REIT's performance in the first half of 2020. However, planned asset enhancement initiatives and tenant reconfiguration exercise for the property is expected to improve rental yields in the future.

Retail segment

In 2019, Iskandar Malaysia welcomed the opening of 5 malls, i.e. R&F Mall, The Mall @ Mid Valley SouthKey, Toppen Shopping Centre JB, Beletime Danga Bay and Sunway Big Box. There were also the openings of the third phase of Johor Premium Outlets (JPO) and Tesco Setia Tropika. The said new malls and hypermarkets added a total of 3.34 million square feet of retail space into the market, bringing the total retail space to approximately 21.88 million square feet.

With the emergence of new malls, stiff competition between malls is expected, bringing pressure on both rental and occupancy rates. Shopping malls with strong management teams to curate the right tenant mix and concepts are envisaged to perform well and secure high occupancy rates. In contrast, shopping malls which cannot maintain their footfall will face the difficulty of retaining retailers or even closure of the mall.

KOMTAR JBCC's strategic location will remain the key selling point for the property to continue to take lead as the preferred shopping destination. KOMTAR JBCC will have better prospects in the immediate future as higher footfalls is expected with the recently completed Menara JLand and upcoming Holiday Inn Hotel. Even with the exit of the previous anchor tenant (formerly occupied 30% of NLA), KOMTAR JBCC did not experience significant reduction of footfall signalling the property's ability to thrive amidst increased competition within Johor Bahru retail landscape.

@Mart Kempas has maintained high occupancy rate of 99% as at the end of Q4 2019. @Mart Kempas is expected to remain resilient in the challenging economic situation by virtue of being a community mart that caters to the lower and middle income target markets. The property's competitive edge also lies with the provision of cleaner and more convenient shopping experience compared to the traditional wet market. The Manager is also planning to undertake expansion to increase the net lettable area ("NLA") in view of the increased demand for @Mart Kempas' space in spite of current tenancy saturation.

Mydin Hypermart Gong Badak continues to enjoy stable performance in view of its standing as the prominent mall in the Gong Badak area. The Triple Net arrangement provides long term occupancy and further stability to Al-Salām REIT.

Office segment

Faring better than its Klang Valley counterpart, the Johor Bahru office space landscape is markedly less saturated as the Iskandar Region continues to receive substantial investments for future economic developments. 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. The property's long term tenancy by Johor Corporation Group provides a long term occupancy reliability as shown by its occupancy rate of 88% as at Q4 2019.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Fourth Quarter Ended 31 December 2019

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

B3. PROSPECTS (continued)

Food & Beverages segment

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 F&B scene in Malaysia has been quite resilient despite the slowing domestic economy and uncertainty in the global economic environment. Al-Salām REIT is confident on QSR's continued operational excellence and market dominance and the fund is positioned to benefit from QSR's plans to adopt an asset-light strategy as the group has a sizeable number of outlets across four countries in the region. 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.

The Manager warrants that 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

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.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Fourth Quarter Ended 31 December 2019

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 August 2019, Al-Salām REIT requested for a further extension period of 6 months from 28 August 2019 to 28 February 2020 to fulfil the said condition precedent.

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

B9. TRADE RECEIVABLES

	The Group	
	As at 31-12-2019 RM'000	As at 31-12-2018 RM'000
Trade receivables:		
Third parties	2,329	2,426
Related companies	2,289	2,498
Accrued percentage rent	1,921	2,428
Unbilled rental income	5,067	853
	<u>11,606</u>	<u>8,205</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 (2018: 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 31-12-2019 RM'000	As at 31-12-2018 RM'000
0 - 30 days	3,141	2,713
31 - 60 days	730	359
61 - 90 days	725	32
91 - 120 days	22	1,820
	<u>4,618</u>	<u>4,924</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.

AL-SALĀM REIT

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For the Fourth Quarter Ended 31 December 2019

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

B10. ISLAMIC FINANCING

	The Group	
	As at 31-12-2019 RM'000	As at 31-12-2018 RM'000
<u>Non-current</u>		
Secured		
- Term Financing-i ("TF-i")	87,026	-
- Commodity Murabahah Term Financing-i ("CMTF-i")	-	350,000
- Sukuk Ijarah - Islamic Medium Term Notes ("IMTN")	-	162,785
	87,026	512,785
Less: Transaction costs	(1,025)	(3,257)
	86,001	509,528
<u>Current</u>		
Secured		
- Commodity Murabahah Term Financing-i ("CMTF-i")	350,000	-
- Sukuk Ijarah - Islamic Medium Term Notes ("IMTN")	162,785	-
	512,785	-
- Transaction costs	(1,253)	-
	511,532	-
Total Islamic Financing	597,533	509,528

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 5.15% (2018: Nil). 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:

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

The financing was used to secure the investment properties amounting to RM121.7 million (2018: RMNil).

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Fourth Quarter Ended 31 December 2019

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

B10. ISLAMIC FINANCING (continued)

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 5.26% (2018: 5.38%).

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.

The financing was used to secure the investment properties amounting to RM718.9 million (2018: RM718.9 million). The outstanding RM350.0 million in nominal value of CMTF-i will be due in May 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 (2018: RM328.0 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 December 2019, Al-Salām REIT has unutilized revolving credit facilities amounting to RM10.0 million (2018: RM10.0 million) granted by a financial institution. The said facility is secured by investment properties amounting to RM16.0 million.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Fourth Quarter Ended 31 December 2019

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

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.

B14. SUMMARY OF DPU, EPU AND NAV

	Current Quarter ended 31-12-2019	Immediate Preceding Quarter ended 30-09-2019
Number of units in issue (units)	580,000,000	580,000,000
Earnings per unit (EPU) - sen	1.86	1.37
Net income distribution to unitholders (RM'000)	6,206	6,322
Distribution per unit (DPU) - sen	1.07	1.09
Net Asset Value (NAV) - RM'000	624,078	619,555
NAV per unit (RM)	1.0760	1.0681
Market Value Per Unit (RM)	0.8100	0.8800

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 December 2019 and of its financial performance and cash flows for the period then ended.