

AL-SALĀM REIT

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Third Quarter Ended 30 September 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
	30-09-2020	30-09-2019		30-09-2020	30-09-2019	
	RM	RM	%	RM	RM	%
	16,811,959	22,239,074	(24.4)	52,195,748	66,018,347	(20.9)
	874,752	1,445,989	(39.5)	2,678,417	4,789,208	(44.1)
Total revenue	17,686,711	23,685,063	(25.3)	54,874,165	70,807,555	(22.5)
Utilities expenses	(1,039,756)	(1,708,854)	(39.2)	(3,100,841)	(4,885,254)	(36.5)
Maintenance expenses	(973,919)	(1,073,285)	(9.3)	(2,725,820)	(3,112,573)	(12.4)
Quit rent and assessment	(464,702)	(443,340)	4.8	(1,368,584)	(1,282,100)	6.7
Other property expenses	(2,528,484)	(2,972,147)	(14.9)	(7,779,175)	(9,229,527)	(15.7)
Property manager fee	(141,295)	(112,302)	25.8	(361,495)	(306,929)	17.8
Total property expenses	(5,148,156)	(6,309,928)	(18.4)	(15,335,915)	(18,816,383)	(18.5)
Net property income	12,538,555	17,375,135	(27.8)	39,538,250	51,991,172	(24.0)
Investment income	53,805	249,950	(78.5)	414,723	778,173	(46.7)
Gain on fair value adjustment	726,800	-	100.0	726,800	788,057	(7.8)
Net investment income	13,319,160	17,625,085	(24.4)	40,679,773	53,557,402	(24.0)
Manager's management fees	(665,408)	(668,186)	(0.4)	(1,691,853)	(1,612,646)	4.9
Trustee's fees	(31,176)	(30,815)	1.2	(93,179)	(92,513)	0.7
Shariah advisors' fee	-	-	-	-	-	-
Islamic financing costs	(6,575,608)	(8,646,423)	(23.9)	(22,258,272)	(25,199,852)	(11.7)
Other trust expenses	(515,292)	(330,269)	56.0	(1,325,242)	(1,268,453)	4.5
Net income before tax	5,531,676	7,949,392	(30.4)	15,311,227	25,383,938	(39.7)
Taxation	-	-	-	-	-	-
Net income for the period	5,531,676	7,949,392	(30.4)	15,311,227	25,383,938	(39.7)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the period	5,531,676	7,949,392	(30.4)	15,311,227	25,383,938	(39.7)
Net income for the period is made up as follow:						
Realised	3,663,337	6,895,725	(46.9)	11,341,330	21,434,880	(47.1)
Unrealised	1,868,339	1,053,667	77.3	3,969,897	3,949,058	0.5
	5,531,676	7,949,392	(30.4)	15,311,227	25,383,938	(39.7)
Earnings per unit (sen)	0.95	1.37	(30.4)	2.64	4.38	(39.7)

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 30 September 2020

	Note	Unaudited As At End Of Current Quarter 30-09-2020	Audited As at preceding year ended 31-12-2019
		RM	RM
ASSETS			
Non-current assets			
Investment properties	A9	1,216,965,000	1,187,635,000
Property, plant & equipment		4,683,743	930,577
Current Assets			
Trade receivables		19,285,954	11,606,235
Other receivables & prepayments		8,410,953	3,731,184
Cash and bank balances		35,641,106	8,422,103
Fixed deposits with licensed banks		30,000	36,069,000
Amount due from related companies		201,722	785,646
		<u>63,569,735</u>	<u>60,614,168</u>
TOTAL ASSETS		<u>1,285,218,478</u>	<u>1,249,179,745</u>
LIABILITIES			
Non-current liabilities			
Islamic financing	B10	633,473,079	86,000,816
Other payables and accruals		14,137,819	14,326,419
		<u>647,610,898</u>	<u>100,327,235</u>
Current Liabilities			
Islamic financing	B10	-	511,531,837
Other payables and accruals		11,384,325	6,522,831
Provision for income distribution		-	6,206,000
Amount due to related companies		-	513,948
		<u>11,384,325</u>	<u>524,774,616</u>
TOTAL LIABILITIES		<u>658,995,223</u>	<u>625,101,851</u>
NET ASSETS VALUE		<u>626,223,255</u>	<u>624,077,894</u>
REPRESENTED BY:			
Unitholders' capital		572,545,319	572,545,319
Undistributed income		53,677,936	51,532,575
TOTAL UNITHOLDERS' FUND		<u>626,223,255</u>	<u>624,077,894</u>
NUMBER OF UNITS IN CIRCULATION		<u>580,000,000</u>	<u>580,000,000</u>
NET ASSETS VALUE (NAV) PER UNIT (RM)		1.0797	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 Third Quarter Ended 30 September 2020

	Unitholders' Capital RM	Undistributed income Realised RM	Unrealised RM	Total RM
As at 1 January 2019	572,545,319	16,541,448	31,840,344	620,927,111
Total comprehensive income for the period	-	21,434,880	3,949,058	25,383,938
Unitholders' transactions				
Issuance of new units	-	-	-	-
Distribution to unitholders	-	(20,473,935)	-	(20,473,935)
Issuing expenses	-	-	-	-
<i>Decrease in net assets resulting from unitholders' transactions</i>	-	(20,473,935)	-	(20,473,935)
As at 30 September 2019	<u>572,545,319</u>	<u>17,502,393</u>	<u>35,789,402</u>	<u>625,837,114</u>
As at 1 January 2020	572,545,319	11,934,515	39,598,060	624,077,894
Total comprehensive income for the period	-	11,341,330	3,969,897	15,311,227
Unitholders' transactions				
Issuance of new units	-	-	-	-
Distribution to unitholders#	-	(13,165,866)	-	(13,165,866)
Issuing expenses	-	-	-	-
<i>Decrease in net assets resulting from unitholders' transactions</i>	-	(13,165,866)	-	(13,165,866)
As at 30 September 2020	<u>572,545,319</u>	<u>10,109,979</u>	<u>43,567,957</u>	<u>626,223,255</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) Payment 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 Third Quarter Ended 30 September 2020

	30-09-2020	To Date 30-09-2019
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before tax	15,311,227	25,383,938
Adjustment for:		
Islamic financing costs	22,258,272	25,199,852
Investment income	(414,723)	(778,173)
Depreciation	120,954	100,980
Unbilled rental income	(3,243,097)	(3,161,001)
Gain on fair value adjustment	(726,800)	(788,057)
Operating profit before working capital changes	33,305,833	45,957,539
(Increase) / Decrease in trade receivables	(7,679,719)	1,237,924
Increase in other receivables and prepaid expenses	(3,210,934)	(4,628,762)
Increase in amount owing by related companies	583,924	3,400,498
Increase / (Decrease) in other payable and accrued expenses	1,576,678	(165,062)
Decrease in amount owing to related companies	(513,948)	(3,518,984)
Cash generated from operations	24,061,834	42,283,153
Taxes paid	-	-
Net cash generated from operating activities	24,061,834	42,283,153
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to investment properties	(28,603,200)	(89,381,943)
Purchase of equipment	(3,874,120)	(2,277,717)
Income received from other investments	414,723	780,835
Net cash used in investing activities	(32,062,597)	(90,878,825)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease / (Increase) in pledged deposits with licensed banks	12,939,000	(291,330)
Increase in restricted cash	(5,323,280)	-
Net proceed from Islamic financing	38,188,600	87,026,400
Islamic financing costs paid	(19,635,967)	(23,317,360)
Income distribution paid	(19,371,867)	(20,473,891)
Net cash used in financing activities	6,796,486	42,943,819

AL-SALĀM REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the Third Quarter Ended 30 September 2020

	30-09-2020	To Date 30-09-2019
	<u>RM</u>	<u>RM</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,204,277)	(5,651,853)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	31,397,805	34,071,217
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>30,193,528</u>	<u>28,419,364</u>
DEPOSITS, CASH AND BANK BALANCES		
Cash and bank balances	35,641,106	9,125,584
Fixed deposits with licensed banks	30,000	32,276,500
	<u>35,671,106</u>	<u>41,402,084</u>
Less : Pledged deposits with licensed banks	(30,000)	(10,548,000)
Less : Restricted cash	(5,447,578)	(2,434,720)
CASH AND CASH EQUIVALENTS	<u>30,193,528</u>	<u>28,419,364</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 Third Quarter Ended 30 September 2020

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 Third Quarter Ended 30 September 2020

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 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 Third Quarter Ended 30 September 2020

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

A8. SEGMENTAL REPORTING

For period ended 30 September 2020						Total RM'000
	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 revenue	29,037	6,706	10,620	8,511	-	54,874
Property operating expenses	(12,176)	(2,536)	(26)	(236)	(362)	(15,336)
Net property income	16,861	4,170	10,594	8,275	(362)	39,538
Fair value gain on investment properties	-	-	727	-	-	727
Investment income	-	-	-	-	415	415
Net investment income	16,861	4,170	11,321	8,275	53	40,680
Total trust expenses	-	-	-	-	(3,111)	(3,111)
Islamic financing costs	-	-	-	-	(22,258)	(22,258)
Net income before tax	16,861	4,170	11,321	8,275	(25,316)	15,311
Income tax expenses	-	-	-	-	-	-
Net income for the period	16,861	4,170	11,321	8,275	(25,316)	15,311
Total assets	843,394	102,894	283,265	183,497	(127,832)	1,285,218
Total liabilities	18,161	2,774	-	711	637,349	658,995

For period ended 30 September 2019						Total RM'000
	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 revenue	44,842	6,932	10,585	8,449	-	70,808
Property operating expenses	(15,586)	(2,700)	(21)	(202)	(307)	(18,816)
Net property income	29,256	4,232	10,564	8,247	(307)	51,992
Fair value gain on investment properties	-	-	788	-	-	788
Investment income	-	-	-	-	778	778
Net investment income	29,256	4,232	11,352	8,247	471	53,558
Total trust expenses	-	-	-	-	(2,974)	(2,974)
Islamic financing costs	-	-	-	-	(25,200)	(25,200)
Net income before tax	29,256	4,232	11,352	8,247	(27,703)	25,384
Income tax expenses	-	-	-	-	-	-
Net income for the period	29,256	4,232	11,352	8,247	(27,703)	25,384
Total assets	827,566	97,079	252,367	178,981	(108,693)	1,247,300
Total liabilities	18,942	2,227	-	715	605,900	627,784

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2020

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

There were no material events subsequent to the current quarter under review up to the date of this Interim Financial Report save for the re-financing of CMTF-i and Sukuk Issue 1 via issuance of Sukuk Issue 2 as disclosed in B10.

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 25 June 2020, 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 REIT 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.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2020

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

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	
	30-09-2020	30-09-2019	30-09-2020	30-09-2019
	RM'000	RM'000	RM'000	RM'000
Rental income	27,720	28,379	27,555	28,581
Other property management and fees charged	4,545	4,802	4,545	4,802
Finance cost paid/payable to a subsidiary	-	-	7,146	6,795

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 Third Quarter Ended 30 September 2020

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

B1. REVIEW OF PERFORMANCE

	Quarter ended			Year ended		
	30-09-2020	30-09-2019	Change	30-09-2020	30-09-2019	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Total revenue						
Retail outlets	8,724	14,536	(40.0)	29,037	44,842	(35.2)
Office buildings	2,290	2,293	(0.1)	6,706	6,932	(3.3)
F&B restaurants	3,842	4,023	(4.5)	10,620	10,585	0.3
F&B non-restaurants	2,831	2,833	(0.1)	8,511	8,449	0.7
Total	<u>17,687</u>	<u>23,685</u>	(25.3)	<u>54,874</u>	<u>70,808</u>	(22.5)
Net property income ("NPI")						
Retail outlets	4,697	9,365	(49.8)	16,861	29,256	(42.4)
Office buildings	1,384	1,342	3.1	4,170	4,232	(1.5)
F&B restaurants	3,834	4,014	(4.5)	10,594	10,564	0.3
F&B non-restaurants	2,765	2,767	(0.1)	8,275	8,247	0.3
Property manager fee	(142)	(112)	26.8	(362)	(307)	17.9
Total	<u>12,538</u>	<u>17,376</u>	(27.8)	<u>39,538</u>	<u>51,992</u>	(24.0)
Investment income	54	250	(78.4)	415	778	(46.7)
Gain on fair value adjustment	727	-	100.0	727	788	(7.7)
Trust expenses	(7,788)	(9,677)	(19.5)	(25,369)	(28,174)	(10.0)
Net income before tax	<u>5,531</u>	<u>7,949</u>	(30.4)	<u>15,311</u>	<u>25,384</u>	(39.7)

Review of Individual/Cumulative Quarter Results

Retail outlets

The retail segment reported a total revenue of RM8.7 million for the current quarter ended 30 September 2020 (Q3 2020), a decrease of RM5.8 million compared to the preceding year corresponding quarter (Q3 2019) of RM14.5 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 RM4.7 million represented a decrease of RM4.7 million due to the decrease in total revenue as stated earlier offsetted by lower operating expenses of RM1.1 million from all retail outlets.

For cumulative period to-date, total revenue and net property income of the retail segment had experienced a decrease of RM15.8 million and RM12.4 million respectively due to rental rebate and lower other income offsetted by lower operating expenses of RM3.4 million from all retail outlets.

Office building

The office segment reported a total revenue of RM2.3 million for Q3 2020, a slight decrease compared to Q3 2019. This was due to rental rebate granted to tenants. NPI of the office segment in Q3 2020 was RM1.4 million, higher by RM42,000 compared to the preceding year corresponding quarter due to lower operating expenses of RM46,000.

For the cumulative period to-date, total revenue reported a decrease of RM0.2 million while NPI reported a decrease of RM0.1 million due to rental rebate offsetted by lower operating expenses of RM0.1 mil.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2020

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

B1. REVIEW OF PERFORMANCE (continued)

F&B restaurants

For Q3 2020, total revenue and NPI recorded a decrease of RM0.2 million compared to Q3 2019. This was due to rental rebate granted to tenants. The properties are on a Triple Net arrangement with 100% occupancy rate (2019:100%).

For cumulative period to-date, total revenue and NPI recorded a slight increase compared to Q3 2019. This was due to the addition of 16 QSR Properties in March 2019 and 5 QSR Properties in September 2020 offsetted by rental rebate granted to tenants. The properties are on a Triple Net arrangement with 100% occupancy rate (2019:100%).

F&B non-restaurant

For Q3 2020, total revenue and NPI recorded an increase of RM2,000 as compared to Q3 2019. This was due to the addition of 1 QSR Properties in March 2019. The occupancy rate is 100% (2019:100%).

For cumulative period to-date, there was an increase of 0.7% or RM62,000 in total revenue and 0.3% or RM28,000 in NPI. This was due to the addition of 1 QSR Properties in March 2019 offsetted by higher operating expenses. The occupancy rate is 100% (2019:100%).

Net income before tax

For Q3 2020, lower net income before tax of RM5.5 million (Q3 2019: RM7.9 million) was reported. This was mainly due to the rental rebate granted to tenants, lower other income arising from the Covid-19 pandemic and MCO since mid-March 2020 offsetted by higher fair value gain on investment properties of RM0.7 million, lower Islamic financing costs of RM2.1 million and lower operating expenses of RM1.2 million from retail and office segments.

For the financial period ended 30 September 2020, Al-Salām REIT recorded a total revenue of RM54.9 million representing a decrease of RM15.9 million from RM70.8 million recorded in previous corresponding period. After taking into consideration Islamic financing costs and trust expenses totalling RM25.4 million, the net income before tax was RM15.3 million compared to RM25.4 million in the previous corresponding period. The decrease was mainly due to the rental rebate granted to tenants, lower other income arising from the Covid-19 pandemic and MCO since mid-March 2020, lower fair value gain on investment properties offsetted by lower Islamic financing costs of RM2.9 million and lower operating expenses of RM3.6 million from retail and office segments.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2020

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 %
	30-09-2020 RM'000	30-06-2020 RM'000	
Total revenue			
Retail outlets	8,724	7,916	10.2
Office buildings	2,290	2,126	7.7
F&B restaurants	3,842	2,875	33.6
F&B non-restaurants	2,831	2,840	(0.3)
	17,687	15,757	12.2
Net property income ("NPI") :			
Retail outlets	4,697	4,329	8.5
Office buildings	1,384	1,342	3.1
F&B restaurants	3,834	2,866	33.8
F&B non-restaurants	2,765	2,756	0.3
Property manager fee	(142)	(110)	29.1
	12,538	11,183	12.1
Investment income	54	124	(56.5)
Gain on fair value adjustment	727	-	100.0
Trust expenses	(7,788)	(8,346)	(6.7)
Net income before tax	5,531	2,961	86.8

Total revenue recorded an increase of 12.2% or RM1.9 million mainly due to the lower rental rebate granted to tenants (retail segment), higher other income due to the relaxation of the control of MCO vs RMCO and higher fair value gain on investment properties of RM0.7 million. Net income before tax reported an increase of 86.8% mainly due to lower rental support as stated earlier.

B3. PROSPECTS

The ongoing COVID-19 pandemic has significantly weakened global growth prospects as downside risk due to further resurgence of Covid-19 infections could lead to weaker business, employment and income conditions. In October, the IMF reported that expected GDP output in both advanced economies and emerging and developing economies will remain below 2019 levels for the year 2020 and even 2021. By end 2021 the expected loss in output relative to the pre-pandemic projected level for emerging and developing economies (excluding China) is -8.1%, much larger than the loss for advanced economies of -4.7%. (Source: IMF and World Economic Outlook).

Al-Salām REIT's overall performance will be impacted in the immediate term as the Fund's exposure to the retail segment is expected to weigh down on current year performance. Nonetheless, BNM's decision to maintain OPR at 1.75% to make way for the expansionary 2021 Budget (on the back of planned economic stimulus) would cushion the Fund's bottom line for the remainder of the year.

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

B3. PROSPECTS (continued)

Due to the extended MCO period commencing from mid March, Al-Salām REIT has provided rental support/rebates that commensurate with respective tenants' financial performance, in the interest of maintaining tenancy sustainability for the Fund's portfolio of properties. 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 net lease assets portfolio (consisting of Mydin Hypermart Gong Badak and F&B-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 remainder of 2020. Although the completion of the shopping mall's vacant ground floor renovation works is expected to field new tenants, nonetheless, progress to fill up space will be hampered by medium term leasing headwinds due to the current environment. Additionally, rental performance for Komtar JBCC is also expected to remain subdued within the foreseeable periods due to the pandemic. Nonetheless, reopening of the Singapore – Johor Causeway is expected to be an important catalyst to improve the mall's yield performance moving forward.

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. As at Q3 2020, Menara Komtar is primarily occupied by the Johor Corporation Group with the overall occupancy rate of the property at 88%.

Even as the current pandemic weighs down upon Malaysia's F&B (food and beverage) scene, assets operated by QSR Brands (M) Holdings Bhd (QSR) continues to provides income stability on the back of triple net lease arrangement with Al-Salām REIT. Despite the group's impacted performance, Al-Salām REIT remains confident on QSR'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.

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.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2020

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

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

	The Group		The Fund	
	30-09-2020	30-09-2019	30-09-2020	30-09-2019
	RM'000	RM'000	RM'000	RM'000
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.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2020

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 QSR 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 QSR Placement and borrowings.

The acquisition of 17 properties under SPA 1 and SPA 2 has been completed on 19 March 2019 while the acquisition of 5 properties under SPA 3 has been completed on 17 September 2020.

iii) Proposed Placement of up to 116 million new units ("Proposed Placement")

On 28 February 2020, Al-Salām REIT had made a Bursa Malaysia announcement to undertake a proposed private placement of up to 116,000,000 representing up to 20% of its total issued units. Subsequently, on 13 March 2020, Al-Salām REIT obtained Bursa Securities' approval for the listing of and quotation of up to 116,000,000 units of Al-Salām REIT to be issued pursuant to the proposed private placement to be completed within 6 months from the approval date. As the exercise has yet to complete to date, Al-Salām REIT will seek Bursa Securities' approval for an additional 6 months extension of time from 13 September 2020 until 13 March 2021 to complete the proposed private placement.

B9. TRADE RECEIVABLES

	The Group	
	As at 30-09-2020 RM'000	As at 30-09-2019 RM'000
Trade receivables	17,530	3,616
Unbilled rental income	8,311	4,014
Provision rental rebate	(6,555)	-
	<u>19,286</u>	<u>7,630</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 relates 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.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2020

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

B9. **TRADE RECEIVABLES (continued)**

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

	As at 30-09-2020 RM'000	As at 30-09-2019 RM'000
0 - 30 days	3,229	1,737
31 - 60 days	3,495	1,530
61 - 90 days	1,530	2
91 - 120 days	9,276	347
	<u>17,530</u>	<u>3,616</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 and Mydin are in the midst of entering into a settlement arrangement for settlement of the outstanding rental via instalments of 24 months subject to other terms and conditions of a settlement agreement to be entered between both parties.

B10. **ISLAMIC FINANCING**

	The Group	
	As at 30-09-2020 RM'000	As at 30-09-2019 RM'000
<u>Non-current</u>		
<u>Secured</u>		
- Term Financing-i ("TF-i")	118,000	87,026
- Commodity Murabahah Term Financing-i ("CMTF-i")	-	350,000
- Sukuk Ijarah - Islamic Medium Term Notes ("IMTN")	520,000	162,785
	<u>638,000</u>	<u>599,811</u>
Less: Transaction costs	(4,527)	(2,840)
	<u>633,473</u>	<u>596,971</u>
<u>Current</u>		
<u>Secured</u>		
- Commodity Murabahah Revolving Credit-i ("CMRC-i")	-	-
- Term Financing-i ("TF-i")	-	-
- Commodity Murabahah Term Financing-i ("CMTF-i")	-	-
- Sukuk Ijarah - Islamic Medium Term Notes ("IMTN")	-	-
	<u>-</u>	<u>-</u>
Less: Transaction costs	-	-
	<u>-</u>	<u>-</u>
Total Islamic Financing	<u>633,473</u>	<u>596,971</u>

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2020

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. On 17 September 2020, the Fund drewdown RM30.97 million to complete the acquisition of 5 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 4.18% (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 RM151.0 million (2019: RM121.7 million).

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 financing was used to secure the investment properties amounting to RM331.1 million (2019: RM331.1 million).

On 24 August 2020, ALSREIT Capital Sdn Bhd issue RM520.0 million in nominal value of IMTNs ("Issue 2") with transaction cost amounting RM3.7 million. The financing was used to refinance the maturity of Issue 1 and CMTF-i amounting to RM162.8 million and RM350.0 million respectively.

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 RM1,050 million (2019: RM331.1 million).

Current

Revolving Credit Facility

As of 30 September 2020, Al-Salām REIT has an unutilized revolving credit facility amounting to RM10.0 million (2019: RM10.0 million) granted by a financial institution. The said facility is secured by an investment property amounting to RM16.0 million.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2020

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 30-09-2020	Immediate Preceding Quarter ended 30-06-2020
Number of units in issue (units)	580,000,000	580,000,000
Earnings per unit (EPU) - sen	0.95	0.51
Net income distribution to unitholders (RM'000)	-	-
Distribution per unit (DPU) - sen	-	-
Net Asset Value (NAV) - RM'000	626,223	620,692
NAV per unit (RM)	1.0797	1.0702
Market Value Per Unit (RM)	0.6300	0.6900

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 30 September 2020 and of its financial performance and cash flows for the period then ended.