

AL-SALĀM REIT
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Second Quarter Ended 30 June 2023

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year to-date	Preceding Year Corresponding Period to-date
		30-06-2023	30-06-2022	30-06-2023	30-06-2022
		RM	RM	RM	RM
Gross rental income		17,338,894	16,636,508	34,441,240	32,771,638
Other income		1,468,410	932,236	3,260,676	1,684,252
Total revenue	B1	18,807,304	17,568,744	37,701,916	34,455,890
Utilities expenses		(2,140,891)	(1,455,186)	(4,084,757)	(2,840,551)
Maintenance expenses		(1,056,106)	(858,934)	(1,933,133)	(1,544,888)
Quit rent and assessment		(483,327)	(411,347)	(984,938)	(856,238)
Other property expenses		(2,334,334)	(2,305,583)	(5,172,872)	(4,466,862)
Property manager fee		(119,100)	(119,100)	(238,200)	(238,200)
Total property expenses		(6,133,758)	(5,150,150)	(12,413,900)	(9,946,739)
Net property income		12,673,546	12,418,594	25,288,016	24,509,151
Investment income		178,250	65,601	362,561	140,430
Gain / (Loss) on fair value adjustment of investment properties		-	-	-	-
Net investment income		12,851,796	12,484,195	25,650,577	24,649,581
Manager's management fees		(645,463)	(617,548)	(1,295,451)	(1,228,496)
Trustee's fees		(31,770)	(29,313)	(64,149)	(58,166)
Shariah advisors' fee		(2,000)	-	(4,000)	(2,120)
Islamic financing costs		(8,607,810)	(6,686,736)	(16,972,050)	(13,135,477)
Other trust expenses ¹		(373,457)	(673,714)	(678,929)	(1,245,379)
Net income before tax		3,191,296	4,476,884	6,635,998	8,979,943
Taxation		-	-	-	-
Net income after tax		3,191,296	4,476,884	6,635,998	8,979,943
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the year		3,191,296	4,476,884	6,635,998	8,979,943
Net income after tax is made up as follow:					
Realised		2,386,098	3,545,900	5,034,450	7,128,206
Unrealised		805,198	930,984	1,601,548	1,851,737
		3,191,296	4,476,884	6,635,998	8,979,943
Earnings per unit (sen)		0.55	0.77	1.14	1.55

¹The waiver of lease receivables or rental rebates given to tenants are accounted for in accordance with MFRS 9 and presented as an expense in the Statements of Comprehensive Income (SOCl).

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2023

	Note	Unaudited As at End Of Current Quarter 30-06-2023	Audited As at preceding year ended 31-12-2022
		RM	RM
ASSETS			
Non-current assets			
Investment properties	A9	1,224,173,346	1,224,173,346
Property, plant & equipment		1,360,040	802,663
Current Assets			
Trade receivables	B9	26,957,572	28,300,825
Other receivables & prepayments		13,717,121	6,406,911
Cash and bank balances		7,238,129	13,584,627
Fixed deposits with licensed banks		31,854,000	30,683,000
Amount due from related companies		207,122	1,162,365
		<u>79,973,944</u>	<u>80,137,728</u>
TOTAL ASSETS		<u>1,305,507,330</u>	<u>1,305,113,737</u>
LIABILITIES			
Non-current liabilities			
Islamic financing	B10	187,259,044	187,062,422
Other payables and accruals		3,346,464	3,346,464
Deferred tax liability		1,813,829	1,813,829
		<u>192,419,337</u>	<u>192,222,715</u>
Current Liabilities			
Islamic financing	B10	450,886,840	450,207,880
Other payables and accruals		24,479,390	18,766,229
Provision for income distribution		-	2,900,000
Amount due to related companies		-	1,231,343
		<u>475,366,230</u>	<u>473,105,452</u>
TOTAL LIABILITIES		<u>667,785,567</u>	<u>665,328,167</u>
NET ASSETS VALUE		<u>637,721,763</u>	<u>639,785,570</u>
REPRESENTED BY:			
Unitholders' capital		572,545,319	572,545,319
Undistributed income		65,176,444	67,240,251
TOTAL UNITHOLDERS' FUND		<u>637,721,763</u>	<u>639,785,570</u>
NUMBER OF UNITS IN CIRCULATION		<u>580,000,000</u>	<u>580,000,000</u>
NET ASSETS VALUE (NAV) PER UNIT (RM)			
- Before income distribution		1.0995	1.1031
- After income distribution*		1.0955	1.0851

*After reflecting the proposed second interim income distribution for financial year ending 31 December 2023 of 0.40 sen per unit (2021: final income distribution for financial year ended 31 December 2022 of 1.80 sen per unit).

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2022 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED CONSOLIDATED STATEMENT OF CHANGES
IN NET ASSETS VALUE
For the Second Quarter Ended 30 June 2023

	Unitholders' Capital RM	Undistributed income		Total RM
		Realised RM	Unrealised RM	
As at 1 January 2022	572,545,319	17,991,593	72,524	590,609,436
Total comprehensive income for the period	-	7,128,206	1,851,737	8,979,943
Unitholders' transactions				
Issuance of new units	-	-	-	-
Distribution to unitholders	-	(10,439,929)	-	(10,439,929)
<i>Decrease in net assets resulting from unitholders' transactions</i>	-	(10,439,929)	-	(10,439,929)
As at 30 June 2022	572,545,319	14,679,870	1,924,261	589,149,450
As at 1 January 2023	572,545,319	17,484,896	49,755,355	639,785,570
Total comprehensive income for the period	-	5,034,450	1,601,548	6,635,998
Unitholders' transactions				
Issuance of new units	-	-	-	-
Distribution to unitholders#	-	(8,699,805)	-	(8,699,805)
<i>Decrease in net assets resulting from unitholders' transactions</i>	-	(8,699,805)	-	(8,699,805)
As at 30 June 2023	572,545,319	13,819,541	51,356,903	637,721,763

Include :

- i) Payment of final income distribution of 1.50 sen per unit for the financial year ended 31 December 2022 (taxable in the hands of unitholders) which was paid on 28 February 2023.

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 2022 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Second Quarter Ended 31 March 2023

	To Date	
	30-06-2023	30-06-2022
	<u>RM</u>	<u>RM</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before tax	6,635,998	8,979,943
Adjustment for:		
Islamic financing costs	16,972,050	13,135,477
Depreciation	130,922	85,909
Fair value (loss)/gain on investment properties	-	-
Investment income	(362,561)	(140,430)
Unbilled rental income	(1,601,548)	(1,851,737)
Allowance for expected credit losses	-	628,149
Operating profit before working capital changes	<u>21,774,861</u>	<u>20,837,311</u>
 (Increase)/decrease in:		
Trade receivables	2,944,801	3,865,667
Other receivables and prepaid expenses	(7,310,210)	(2,849,994)
Amount owing by related companies	955,243	831,034
 (Decrease)/Increase in:		
Other payables and accrued expenses	2,569,147	(3,272,295)
Amount owing to related companies	(1,231,343)	(904,101)
Net cash generated from operating activities	<u>19,702,499</u>	<u>18,507,622</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to investment properties	-	-
Purchase of equipment	(688,299)	(223,590)
Income received from other investments	362,561	140,430
Net cash used in investing activities	<u>(325,738)</u>	<u>(83,160)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in pledged deposits with licensed banks	(171,000)	(14,000)
Increase in restricted cash	-	(2,864)
Islamic financing costs paid	(15,852,455)	(12,355,170)
Income distribution paid	(8,699,804)	(10,439,929)
Net cash used in financing activities	<u>(24,723,259)</u>	<u>(22,811,963)</u>

AL-SALĀM REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the Second Quarter Ended 30 June 2023

	To Date	
	30-06-2023	30-06-2022
	RM	RM
NET INCREASE IN CASH AND CASH EQUIVALENTS	(5,346,498)	(4,387,501)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	37,084,627	28,304,366
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	31,738,129	23,916,865
 DEPOSITS, CASH AND BANK BALANCES		
Cash and bank balances	7,238,129	15,419,550
Fixed deposits with licensed banks	31,854,000	16,366,000
	39,092,129	31,785,550
Less : Pledged deposits with licensed banks	(7,354,000)	(7,868,685)
CASH AND CASH EQUIVALENTS	31,738,129	23,916,865

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Second Quarter Ended 30 June 2023

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 Group and 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 2022.

Adoption of amendments to MFRSs

The Group and the Fund adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2023:

- MFRS 17 Insurance Contracts
- Amendment to MFRS 17 Insurance Contracts: Initial Application of MFRS 17 and MFRS 9 - Comparative Information
- Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to MFRS 101: Classification of Liabilities as Current or Non-current
- Amendments to MFRS 101: Disclosure of Accounting Policies
- Amendments to MFRS 108: Definition of Accounting Estimates

The adoption of this amendments to MFRSs did not have any significant financial impact to the Group and the Fund.

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

The standards and interpretations that are issued but not yet effective are disclosed below. The Group and the Fund intend to adopt these standards, if applicable, when they become effective:

- Amendments to MFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101: Non-current Liabilities with Covenants
- Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Fund expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of application.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The Audited Financial Statements of Al-Salām REIT for the financial year ended 31 December 2022 was not subject to any audit qualification.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Second Quarter Ended 30 June 2023

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 26 May 2023, the Fund declared the first interim income distribution of 0.40 sen per unit for the financial year ending 31 December 2023 (taxable in the hand of unitholders) in respect of the period from 1 January 2023 to 31 March 2023. The said distribution has been paid on 10 July 2023.

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
- Industrial and others
- 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 Second Quarter Ended 30 June 2023

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134
("MFRS 134")**A8. SEGMENTAL REPORTING (continued)****For year ended 30 June 2023**

	Retail outlets RM'000	Office buildings RM'000	F&B Restaurants RM'000	Industrial & Others RM'000	Other- Fund level operations RM'000	Total RM'000
Total revenue	19,202	4,310	8,561	5,629	-	37,702
Total property expenses	(9,671)	(2,324)	(16)	(165)	(238)	(12,414)
Net property income	9,531	1,986	8,545	5,464	(238)	25,288
Fair value (loss)/gain on investment properties	-	-	-	-	-	-
Investment income	-	-	-	-	363	363
Net investment income	9,531	1,986	8,545	5,464	125	25,651
Total trust expenses	-	-	-	-	(2,043)	(2,043)
Islamic financing costs	-	-	-	-	(16,972)	(16,972)
Net income before tax	9,531	1,986	8,545	5,464	(18,890)	6,636
Income tax expenses	-	-	-	-	-	-
Net income / (loss) after tax	9,531	1,986	8,545	5,464	(18,890)	6,636
Total assets	710,524	59,727	307,690	187,766	39,800	1,305,507
Total liabilities	20,908	3,536	-	696	642,646	667,786

For year ended 30 June 2022

	Retail outlets RM'000	Office buildings RM'000	F&B Restaurants RM'000	Industrial & Others RM'000	Other- Fund level operations RM'000	Total RM'000
Total revenue	16,176	4,020	8,560	5,699	-	34,455
Total property expenses	(7,608)	(1,914)	(16)	(170)	(238)	(9,946)
Net property income	8,568	2,106	8,544	5,529	(238)	24,509
Fair value (loss)/gain on investment properties	-	-	-	-	-	-
Investment income	-	-	-	-	140	140
Net investment income	8,568	2,106	8,544	5,529	(98)	24,649
Total trust expenses	-	-	-	-	(2,534)	(2,534)
Islamic financing costs	-	-	-	-	(13,135)	(13,135)
Net income before tax	8,568	2,106	8,544	5,529	(15,767)	8,980
Income tax expenses	-	-	-	-	-	-
Net income / (loss) after tax	8,568	2,106	8,544	5,529	(15,767)	8,980
Total assets	809,400	100,011	286,460	190,861	(138,088)	1,248,644
Total liabilities	14,824	3,541	-	727	640,402	659,494

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Second Quarter Ended 30 June 2023

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

A9. VALUATION OF INVESTMENT PROPERTIES

There were no valuation of properties 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 Sukuk Issue 2 via issuance of Sukuk Issue 3 as disclosed in B12.

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 18 April 2023, 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.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Second Quarter Ended 30 June 2023

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	
	30-06-2023	30-06-2022	30-06-2023	30-06-2022
	RM'000	RM'000	RM'000	RM'000
Rental income	17,269	17,385	17,269	17,385
Other property management and fees charged	3,089	2,922	3,089	2,922
Finance cost paid/payable to a subsidiary	-	-	11,288	8,839

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 Second Quarter Ended 30 June 2023

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

B1. REVIEW OF PERFORMANCE

	Quarter ended			Year ended		
	30-06-2023	30-06-2022	Change	30-06-2023	30-06-2022	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Total revenue						
Retail outlets	9,585	8,455	13.4	19,202	16,176	18.7
Office buildings	2,133	1,998	6.8	4,310	4,020	7.2
F&B restaurants	4,280	4,280	0.0	8,561	8,560	0.0
Industrial & others	2,809	2,835	(0.9)	5,629	5,699	(1.2)
Total	<u>18,807</u>	<u>17,568</u>	7.1	<u>37,702</u>	<u>34,455</u>	9.4
Net property income ("NPI")						
Retail outlets	4,850	4,549	6.6	9,531	8,568	11.2
Office buildings	941	967	(2.7)	1,986	2,106	(5.7)
F&B restaurants	4,277	4,272	0.1	8,545	8,544	0.0
Industrial & others	2,725	2,750	(0.9)	5,464	5,529	(1.2)
Property manager fee	(119)	(119)	0.0	(238)	(238)	0.0
Total	<u>12,674</u>	<u>12,419</u>	2.1	<u>25,288</u>	<u>24,509</u>	3.2
Investment income	179	65	175.4	363	140	159.3
Fair value adjustment on investment properties	-	-	0.0	-	-	0.0
Trust expenses	(1,054)	(1,321)	(20.2)	(2,043)	(2,534)	(19.4)
Islamic financing costs	(8,608)	(6,686)	28.7	(16,972)	(13,135)	29.2
Net income before tax	<u>3,191</u>	<u>4,477</u>	(28.7)	<u>6,636</u>	<u>8,980</u>	(26.1)

Review of Individual/Cumulative Quarter Results

Retail outlets

The retail segment reported a total revenue of RM9.6 million for the current quarter ended 30 Jun 2023 (Q2 2023), an increase of RM1.1 million compared to the preceding year's corresponding quarter (Q2 2022) of RM8.5 million. This was mainly due to higher rental income of RM0.6 million, higher parking income of RM0.4 million and promotional income of RM0.1 mil. Net property income (NPI) of RM4.9 million represented an increase of RM0.4 million due to the increase in total revenue as stated earlier offsetted higher operating expenses of RM0.7 million from all retail outlets.

For the cumulative period to date, total revenue had experienced an increase of RM3.0 million due to higher rental income of RM1.9 million, parking income of RM0.9 million and promotional income of RM0.2 million. NPI of RM9.5 million represented an increase of RM0.9 mil due to an increase in total revenue stated earlier offsetted by higher operating expenses of RM2.1 million from all retail outlets.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Second Quarter Ended 30 June 2023

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

B1. REVIEW OF PERFORMANCE (continued)

Office building

The office segment reported a total revenue of RM2.1 million for Q2 2023, an increase of RM0.1 million as compared to Q2 2022. This was due to a higher occupancy rate of 91% (2022: 86%). NPI of the office segment in Q2 2023 was RM0.9 million, lower by RM26,000 compared to the preceding year's corresponding quarter due to higher operating expenses of RM161,000 mil offsetted increase in total revenue as stated earlier.

For the cumulative period to date, total revenue of RM4.3 million, an increase of RM0.3 million as compared to Q2 2022. This was due to a higher occupancy rate of 91% (2022: 86%). NPI reported a decrease of RM0.1 million due to higher operating expenses.

F&B restaurants

For current quarter and cumulative period ended 30 June 2023 (Q2 2023), no significant changes were noted for total revenue and NPI as compared to Q2 2022. The properties are on a Triple Net arrangement with 100% occupancy rate (2022: 100%).

Industrial & Others

For current quarter and cumulative period ended 30 June 2023 (Q2 2023), no significant changes noted for total revenue and NPI. The occupancy rate is 100% (2022: 100%).

Overall

For Q2 2023, Al-Salām REIT recorded a total NPI of RM12.7 million, an increase of RM0.3 million or 2.4% as compared to Q2 2022. This was mainly due to the higher performance of retail and office segments. Net income before tax was lower by RM1.3 million as compared to Q2 2022. This was mainly due to higher Islamic financing costs of RM1.9 million from the increase in 100bps OPR increase in May, July, Sep and Nov 2022 offsetted by higher investment income of RM0.1 million and lower rental rebate granted to tenants of RM0.2 million.

For the cumulative financial period ended 30 June 2023, Al-Salām REIT recorded a total NPI of RM25.3 million, an increase of RM0.8 million from RM24.5 million recorded in the previous year. The increase was mainly due to higher NPI contributions from the retail segment. Trust expenses were lower by RM0.5 million mainly due to lower provision for rental rebates. Islamic financing costs were higher by RM3.9 million due to higher profit rates for Islamic financings. After taking into consideration all the above, Al-Salām REIT recorded a net income before tax of RM6.6 million as compared to a net income of RM9.0 million in the previous year.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Second Quarter Ended 30 June 2023

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 %
	30-06-2023 RM'000	31-03-2023 RM'000	
Total revenue			
Retail outlets	9,585	9,617	(0.3)
Office buildings	2,133	2,177	(2.0)
F&B restaurants	4,280	4,281	(0.0)
F&B non-restaurants	2,809	2,820	(0.4)
	18,807	18,895	(0.5)
Net property income ("NPI") :			
Retail outlets	4,850	4,681	3.6
Office buildings	941	1,045	(10.0)
F&B restaurants	4,277	4,268	0.2
F&B non-restaurants	2,725	2,739	(0.5)
Property manager fee	(119)	(119)	-
	12,674	12,614	0.5
Investment income	179	184	(2.7)
Fair value adjustment on investment properties	-	-	0.0
Trust expenses	(1,054)	(989)	6.6
Islamic financing costs	(8,608)	(8,364)	2.9
Net income / (loss) before tax	3,191	3,445	(7.4)

Lower net income before tax for the current quarter of RM3.2 million as compared to the immediate preceding quarter of RM3.5 million mainly due to higher Islamic financing costs.

B3. CHANGES IN NET ASSET VALUE

	As at	As at
	30-06-2023 RM'000	31-03-2023 RM'000
Net asset value ("NAV")	637,722	634,451
NAV per unit (RM)	1.0995	1.0939

The NAV as at 30 June 2023 was higher by RM3.3 million as compared to the immediate preceding quarter, mainly due to total comprehensive income recognised.

B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS**B4. PROSPECTS**

The global economy continues to expand, driven by resilient domestic demand supported by strong labour market conditions. Global growth, however, remains weighed down by persistent core inflation and higher interest rates. While China's reopening remains supportive of the global economy, its pace of recovery has slowed in recent months. Globally, headline inflation continued to moderate, but core inflation remains above historical averages. For most central banks, the monetary policy stance is likely to remain tight. The growth outlook remains subject to downside risks, mainly from a slower momentum in major economies, higher-than-anticipated inflation outturns, an escalation of geopolitical tensions, and a sharp tightening in financial market conditions.

The Malaysian economy expanded moderately in the second quarter of 2023 (2.9%; 1Q 2023: 5.6%), weighed mainly by slower external demand. Domestic demand remained the key driver of growth, supported by private consumption and investment. Household spending was supported by further growth in employment and wages. Headline inflation during the quarter continued to moderate to 2.8% (1Q 2023: 3.6%). The moderation was recorded in both non-core inflation and core inflation. For non-core inflation, fresh food and fuel contributed to the decline. Core inflation, while declining, remained elevated relative to its long-term average (2011-2019 average: 2.0%). The moderation in core inflation (2Q 2023: 3.4%; 1Q 2023: 3.9%) was largely contributed by selected services.

With the challenging global environment, the Malaysian economy is projected to expand close to the lower end of the 4.0% to 5.0% range in 2023. Growth will continue to be supported by domestic demand amid improving employment and income as well as implementation of multi-year projects. Tourist arrivals are expected to continue rising, which would support tourism-related activities. For the second half of 2023, both headline and core inflation are projected to trend lower within expectations, partly due to the higher base in the corresponding period last year. Nonetheless, risks to the inflation outlook are subject to the changes to domestic policy on subsidies and price controls, as well as global commodity prices and financial market developments.

As the economy recuperates, Al-Salām REIT anticipates its performance of retail properties to improve in line with the recovery in consumer sentiment. @Mart Kempas and Mydin Hypermart continues to prove their resilience as community-centric hypermarkets offering daily essential provisions. Additionally, the Fund's sizable triple net lease assets portfolio (consisting of Mydin Hypermart Gong Badak and F&B-related properties) will also continue to provide a sustained contribution to Al-Salām REIT's core income.

Manager anticipates that the uptick of cross border activities will continue to positively impact Komtar JBCC's performance as the mall primarily caters to shoppers from across the strait. Thus, in anticipation of the eventual increase in retail crowd and change in consumer shopping behavior, the Manager continues to engage with the property manager to undertake a repositioning of the mall by incorporating more experiential shopping presence into Komtar JBCC. Additionally the recent signing of MOU signed between Al-Salām REIT (via trustee) and Malaysia Rapid Transit System Sdn Bhd for development of a link bridge connecting the upcoming RTS to Komtar JBCC will be an important catalyst to transform the mall in to improve the mall's yield performance moving forward.

The landscape for domestic office space market continues to undergo change as new workplace arrangements and flexible working practices are being embraced by the workforce at large resulting from the pandemic. Being mindful of this scenario, the Manager is engaging with the property manager to assess the current space offering in Menara Komtar and incorporate possible changes including elements of customizable space designs in line with current demand.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Second Quarter Ended 30 June 2023

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

B4. PROSPECTS (CONT'D)

Assets operated by QSR Brands (M) Holdings Bhd (QSR) continue to provide income stability on the back of triple net lease arrangement with Al-Salām REIT. Al-Salām REIT remains confident in QSR's continued perseverance by virtue of their time-tested operational excellence and sustainable market share amidst the challenging business environment.

The Manager warrants the fund's existing stable of assets 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.

Source:

- 1) Bank Negara Monetary Policy Statement, 6 July 2023
- 2) Economic and Financial Developments in Malaysia in the Second Quarter of 2023, 18 August 2023

B5. UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

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

B6. TAX

	The Group		The Fund	
	30-06-2023	30-06-2022	30-06-2023	30-06-2022
	RM'000	RM'000	RM'000	RM'000
Tax expense				
- 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.

The deferred tax liability has been provided for the investment properties at 10% which reflects the expected manner of recovery of the investment properties i.e. recovered through sale.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Second Quarter Ended 30 June 2023

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

B7. INCOME DISTRIBUTION

Income distributions to unitholders is derived from the following sources:

	Quarter ended		Year ended	
	30-06-2023	30-06-2022	30-06-2023	30-06-2022
	RM'000	RM'000	RM'000	RM'000
Net rental income	18,807	17,569	37,702	34,456
Investment revenue	179	65	363	140
Less: Unbilled rental income	(806)	(931)	(1,602)	(1,852)
	18,180	16,703	36,463	32,744
Less: Expenses	(15,794)	(13,157)	(31,428)	(25,616)
Realised/distributable income for the quarter/period	2,386	3,546	5,035	7,128
Previous year's undistributed realised income	9,114	11,134	8,785	7,552
Total realised income available for distribution	11,500	14,680	13,820	14,680
Less: Income to be distributed for the quarter/period	(2,320)	(2,900)	(4,640)	(2,900)
Balance undistributed realised income	9,180	11,780	9,180	11,780
Distribution per unit (sen)	0.40	0.50	0.80	0.50

B8. 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.

B9. PURCHASE AND DISPOSAL OF QUOTED SECURITIES

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

B10. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There were no corporate proposals announced but not completed during the current quarter under review.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Second Quarter Ended 30 June 2023

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

B11. TRADE RECEIVABLES

	The Group	
	As at 30-06-2023 RM'000	As at 30-06-2022 RM'000
Current		
Third parties	5,505	5,408
Related companies	4,709	12,679
Unbilled rental income	18,418	15,075
Less: Allowance for expected credit loss	(1,674)	(2,386)
	<u>26,958</u>	<u>30,776</u>

Trade receivables comprise rental receivable from lessees. The credit period granted by the Group and the Fund on rental receivable from lessees generally ranges from 1 to 7 days (2021: 1 to 7 days).

Unbilled rental income

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 30-06-2023 RM'000	As at 30-06-2022 RM'000
	1 - 30 days	968
31 - 60 days	1,330	3,267
61 - 90 days	797	2,257
91 - 120 days	260	293
More than 120 days	6,859	7,912
	<u>10,214</u>	<u>18,087</u>

During the financial year, the Group and the Fund derecognised past lease receivables of RMnil (2022: RM628,149) in respect of waiver of lease receivables and rental concessions given to tenants.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Second Quarter Ended 30 June 2023

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

B12. ISLAMIC FINANCING

	The Group	
	As at 30-06-2023 RM'000	As at 30-06-2022 RM'000
<u>Non-current</u>		
Secured		
- Term Financing-i ("TF-i")	118,000	118,000
- Business Financing-i ("BF-i")	70,000	70,000
- Sukuk Ijarah - Islamic Medium Term Notes ("IMTN")	-	451,000
	<u>188,000</u>	<u>639,000</u>
Less: Transaction costs	(741)	(2,471)
	<u>187,259</u>	<u>636,529</u>
<u>Current</u>		
Secured		
- Sukuk Ijarah - Islamic Medium Term Notes ("IMTN")	451,000	-
	<u>451,000</u>	<u>-</u>
Less: Transaction costs	(113)	-
	<u>450,887</u>	<u>-</u>
Total Islamic Financing	<u>638,146</u>	<u>636,529</u>

Term Financing-i

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 5.01% (2022: 4.04%) per annum. The principal amount is expected to be paid in March 2024.

The TF-i has a significant covenant in which the subsidiary shall at all times, maintain the following criteria:

- The financing payment cover ratio ("FPCR") of not less than 1.25 times;
- Total debts and financing over total assets value of not more than 50% or any value set by Security Commission Malaysia ("SC"); and
- Minimum security cover of 1.25 times.

The financing is secured by the investment properties amounting to RM165.1 million (2022: RM165.1 million)

Business Financing-i

The BF-i profit is payable over a period of 72 months from the date of first disbursement. The effective profit rate for the BF-i will be based on COF which is based on the Bank's COF + 0.60% per annum for the duration of the BF-i. The average effective profit rate for the BF-i is 5.56% (2022: 3.69%) per annum. The principal amount is to be expected to be paid in September 2026.

The BF-i has a significant covenant in which the subsidiary shall at all times, maintain the following criteria:

- The financing payment cover ratio ("FPCR") of not less than 1.25 times;
- Total debts and financing over total assets value of not more than 50%; and
- Minimum security cover of 1.30 times.

The financing is secured by the investment properties amounting to RM102.7 million (2022: RM102.7 million)

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Second Quarter Ended 30 June 2023

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

B12. ISLAMIC FINANCING (continued)

Sukuk Ijarah - Islamic Medium Term Notes

On 24 August 2018, a subsidiary of the Group, ALSREIT Capital Sdn Bhd established a Sukuk Ijarah Programme comprising Islamic Medium Term Notes ("IMTN") of up to RM1.5 billion.

On 24 August 2020, the Group issued RM520.0 million in nominal value of IMTNs ("Issue 2") which bears profit rate of 4.83% to 5.60% (2022: 3.75% to 5.09%) per annum.

The Sukuk Ijarah Programme has a significant covenant in which the subsidiary, Al-Salām REIT and its subsidiary shall at all times, maintain the following financial covenants:

- (a) Finance Service Cover Ratio ("FSCR") at Issuer level of not less than 1.5 times;
- (b) FSCR at Al-Salām REIT level of not less than 1.5 times;
- (c) Minimum Security Cover Ratio of at least 2.0; and
- (c) such other financial covenant(s) as may be determined by the Rating Agency and to be mutually agreed to by ALSREIT Capital Sdn Bhd.

The financing was used to secure the investment properties amounting to RM938.1 million (2022: RM938.1 million). The Sukuk Issue 2 refinancing exercise was completed on 24 August 2023.

Revolving Credit

As of 30 June 2023, the Fund utilised revolving credit facilities amounting to RM10.0 million (2022: RM10.0 million) which is granted from a financial institution. The said facility of is secured by investment properties of the subsidiary amounting to RM17.3 million (2022: RM17.3 million).

B13. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B14. MATERIAL LITIGATION

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

B15. 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 Second Quarter Ended 30 June 2023

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

B16. SUMMARY OF DPU, EPU AND NAV

	Current Quarter ended 30-06-2023	Immediate Preceding Quarter ended 31-03-2023
Number of units in issue (units)	580,000,000	580,000,000
Earnings per unit (EPU) - sen	0.55	0.59
Net income distribution to unitholders (RM'000)	2,320	2,320
Distribution per unit (DPU) - sen	0.40	0.40
Net Asset Value (NAV) - RM'000	637,722	634,451
NAV per unit (RM)	1.0995	1.0939
Market Value Per Unit (RM)	0.4500	0.4850

B17. 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 June 2023 and of its financial performance and cash flows for the period then ended.