

AL-SALĀM REIT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the Second Quarter Ended 30 June 2017

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding To Date
		30-06-2017	30-06-2016	30-06-2017	30-06-2016
		RM	RM	RM	RM
Gross rental income		18,566,854	16,664,052	36,672,794	32,873,016
Other income		1,678,659	1,335,794	3,325,775	2,351,160
Total revenue	B1	20,245,513	17,999,846	39,998,569	35,224,176
Utilities expenses		(1,735,009)	(1,591,224)	(3,307,756)	(3,483,090)
Maintenance expenses		(1,174,583)	(744,434)	(1,944,395)	(1,069,067)
Quit rent and assessment		(363,109)	(150,196)	(726,218)	(311,568)
Other operating expenses		(2,400,390)	(2,263,590)	(4,915,406)	(4,362,444)
Property manager fee		(67,500)	(67,500)	(135,000)	(135,000)
Property operating expenses		(5,740,591)	(4,816,944)	(11,028,775)	(9,361,169)
Net property income		14,504,922	13,182,902	28,969,794	25,863,007
Investment income		278,133	225,948	578,147	406,505
Gain in fair value adjustment		-	-	-	-
Net investment income		14,783,055	13,408,850	29,547,941	26,269,512
Manager's management fees		(583,151)	(573,101)	(1,168,457)	(1,148,241)
Trustee's fees		(30,384)	(30,490)	(60,802)	(60,490)
Shariah advisors' fee		-	-	-	(3,000)
Islamic financing costs		(4,579,835)	(4,769,115)	(9,110,764)	(9,565,400)
Other trust expenses		(524,752)	(30,489)	(877,268)	(213,899)
Net income before tax		9,064,933	8,005,655	18,330,650	15,278,482
Taxation		-	-	-	-
Net income for the period		9,064,933	8,005,655	18,330,650	15,278,482
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		9,064,933	8,005,655	18,330,650	15,278,482
Net income for the period is made up as follow:					
Realised		9,064,933	8,005,655	18,330,650	15,278,482
Unrealised		-	-	-	-
		9,064,933	8,005,655	18,330,650	15,278,482
Earnings per unit (sen)		1.56	1.38	3.16	2.63

The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED STATEMENT OF FINANCIAL POSITION
as at 30 June 2017

	Note	Unaudited As At End Of Current Quarter 30-06-2017	Audited As at preceding year ended 31-12-2016
		RM	RM
ASSETS			
Non-current assets			
Investment properties	A9	922,090,000	922,090,000
Property, plant & equipment		263,190	143,984
Current Assets			
Trade receivables		3,000,588	3,824,210
Other receivables & prepayments		5,971,865	3,116,344
Cash and bank balances		6,757,231	6,355,659
Fixed deposits with licensed banks		37,247,000	41,085,000
Amount due from related companies		2,154,164	1,566,792
		<u>55,130,848</u>	<u>55,948,005</u>
TOTAL ASSETS		<u>977,484,038</u>	<u>978,181,989</u>
LIABILITIES			
Non-current liabilities			
Islamic financing	B9	347,251,961	346,804,955
Other payables and accruals		13,471,206	12,963,827
		<u>360,723,167</u>	<u>359,768,782</u>
Current Liabilities			
Other payables and accruals		6,145,916	6,473,346
Amount due to related companies		64,368	-
		<u>6,210,284</u>	<u>6,473,346</u>
TOTAL LIABILITIES		<u>366,933,451</u>	<u>366,242,128</u>
NET ASSETS VALUE		<u>610,550,587</u>	<u>611,939,861</u>
REPRESENTED BY:			
Unitholders' capital		572,545,319	572,545,319
Undistributed income		38,005,268	39,394,542
TOTAL UNITHOLDERS' FUND		<u>610,550,587</u>	<u>611,939,861</u>
NUMBER OF UNITS IN CIRCULATION		<u>580,000,000</u>	<u>580,000,000</u>
NET ASSETS VALUE (NAV) PER UNIT (RM)		1.0527	1.0551

The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED STATEMENT OF CHANGES
IN NET ASSETS VALUE
For the Second Quarter Ended 30 June 2017

	Unitholders' Capital RM	Distributable Undistributed Income Realised RM	Non-distributable Undistributed Income Unrealised RM	Total Unitholders' Fund RM
As at 1 January 2017	572,545,319	21,052,037	18,342,505	611,939,861
Total comprehensive income for the period	-	18,330,650	-	18,330,650
Unitholders' transactions				
Issuance of new units	-	-	-	-
Distribution to unitholders#	-	(19,719,924)	-	(19,719,924)
Issuing expenses	-	-	-	-
<i>Increase/(Decrease) in net assets resulting from unitholders' transactions</i>	-	(19,719,924)	-	(19,719,924)
As at 30 June 2017	<u>572,545,319</u>	<u>19,662,763</u>	<u>18,342,505</u>	<u>610,550,587</u>
As at 1 January 2016	572,545,319	7,054,530	7,712,505	587,312,354
Total comprehensive income for the period	-	15,278,482	-	15,278,482
Unitholders' transactions				
Issuance of new units	-	-	-	-
Distribution to unitholders	-	(6,959,977)	-	(6,959,977)
Issuing expenses	(69,218)	-	-	(69,218)
<i>Increase/(Decrease) in net assets resulting from unitholders' transactions</i>	(69,218)	(6,959,977)	-	(7,029,195)
As at 30 June 2016	<u>572,476,101</u>	<u>15,373,035</u>	<u>7,712,505</u>	<u>595,561,641</u>

Includes the payment of final income distribution of 3.40 sen per unit for financial year ended 31 December 2016 (of which 2.91 sen is taxable and 0.49 sen per unit is non taxable in the hand of unitholders) for financial period from 1 July 2016 to 31 December 2016. The said distribution was paid on 28 February 2017.

The Condensed Statement of Changes In Net Assets Value should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED STATEMENT OF CASH FLOWS
For the Second Quarter Ended 30 June 2017

	30-06-2017	To Date 30-06-2016 (restated)
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before tax	18,330,650	15,278,482
Adjustment for:		
Islamic financing costs	9,110,764	9,565,400
Investment income	(578,147)	(406,505)
Depreciation	9,900	346
Gain on fair value adjustment	-	-
Operating profit before working capital changes	26,873,167	24,437,723
(Increase) / Decrease in trade receivables	823,622	(442,917)
Increase in other receivables and prepayments	(2,888,065)	(1,250,917)
Increase in amount owing by related parties	(587,372)	(317,362)
Increase in payables and accruals	224,407	4,444,227
Increase / (Decrease) in amount owing to related parties	64,368	(484,754)
Cash generated from operations	24,510,127	26,386,000
Taxes paid	-	-
Net cash generated from operating activities	24,510,127	26,386,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant & equipment	(129,106)	(275,825)
Investment income	573,190	312,728
Increase in pledged deposits with licensed banks	(162,000)	(176,000)
Decrease in goods and services tax recoverable	-	8,447,067
Net cash used in investing activities	282,084	8,307,970
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic financing costs paid	(8,670,715)	(9,727,391)
Issuing expenses	-	(69,218)
Income distribution paid	(19,719,924)	(6,959,977)
Net cash generated from financing activities	(28,390,639)	(16,756,586)

AL-SALĀM REIT
CONDENSED STATEMENT OF CASH FLOWS
For the Second Quarter Ended 30 June 2017

	30-06-2017	To Date 30-06-2016 (restated)
	<u>RM</u>	<u>RM</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(3,598,428)	17,937,384
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	37,855,659	16,197,642
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>34,257,231</u>	<u>34,135,026</u>
 DEPOSITS, CASH AND BANK BALANCES		
Cash and bank balances	6,757,231	16,073,694
Fixed deposits with licensed banks	37,247,000	27,479,332
	<u>44,004,231</u>	<u>43,553,026</u>
Less : Pledged deposits with licensed banks	(9,747,000)	(9,418,000)
CASH AND CASH EQUIVALENTS	<u>34,257,231</u>	<u>34,135,026</u>

The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the financial statements. The comparative Condensed Statement of Cash Flows has been restated to conform to the current financial period presentation.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Second Quarter Ended 30 June 2017

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

A1. BASIS OF PREPARATION

This Interim Financial Statement is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting issued by Malaysian Accounting Standards Board, paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Securities Commission's Guidelines on Real Estate Investment Trust (SC REIT Guidelines). This Interim Financial Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying notes attached. The accounting policies and methods of computation in the preparation of the Interim Financial Statements are consistent with those adopted in the preparation of the Audited Financial Statement of Al-Salām REIT for Financial Year Ended 31 December 2016.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The Audited Financial Statements of Al-Salām REIT for the financial year ended 31 December 2016 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.

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 and revised MFRSs, that have had a material effect during the current quarter under review.

A6. ISSUANCES, CANCELLATIONS, REPURCHASES AND REPAYMENT OF DEBT AND EQUITY

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

A7. INCOME DISTRIBUTION

There was no income distribution declared or paid in the current quarter under review.

A8. SEGMENTAL REPORTING

No segmental reporting is required as the Al-Salām REIT's activities are predominantly in one industry segment.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Second Quarter Ended 30 June 2017

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

A9. VALUATION OF INVESTMENT PROPERTIES

There was no valuation performed for 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.

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 April 2017, 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 as at 30 June 2017.

A13. CAPITAL COMMITMENT

There were no major capital commitment as at 30 June 2017.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Second Quarter Ended 30 June 2017

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

B1. REVIEW OF PERFORMANCE

For the six months period ended 30 June 2017, Al-Salām REIT recorded a total revenue of RM40 million represented an increase of RM4.8 million from RM35.2 million recorded in the previous corresponding period. KOMTAR JBCC contributed 94.7% of the increment in rental income.

After taking into consideration Islamic financing costs and trust expenses totalling RM11.2 million, the net income before tax for the six months period ended 30 June 2017 was RM18.3 million, which is RM3 million higher than the previous corresponding period of RM15.3 million. The increase was due to increase in rental income as mentioned above.

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

	Current Quarter ended 30.06.2017 RM	Immediate Preceding Quarter ended 31.03.2017 RM
Net income before tax	9,064,933	9,265,717

There was no material change in profit before tax recorded in the current quarter as compared to the immediate preceding quarter.

B3. PROSPECTS

Retail business in Malaysia continues to remain challenging in 2017 with the consumer confidence in 2016 yet to recover due to the sluggish economy. In Johor Bahru, the competition is set to intensify with supply of new sizeable malls which will change the retail landscape in the city. Given the strategic location of KOMTAR JBCC in the city centre of Johor Bahru and directly connected to CIQ and the transportation hub, JB Sentral, the Manager is confident that it will provide the competitive advantage in weathering the incoming competition.

KOMTAR JBCC is the core asset in Al-Salām's asset portfolio making up of about 48% of the total portfolio.

The tenancy which was due for renewal mostly in third quarter 2017, have seen significant numbers of renewal. The numbers of non-renewal of tenancy represent less than 5% of the total net lettable area in KOMTAR JBCC and the vacancy has been progressively filled up with new tenants. Accordingly, KOMTAR JBCC has improved its occupancy rate from 93% in FY2016 to 96% as at the end of the current quarter as well as its revenue for Q2-2017 compared to Q2-2016.

The above reflects the confidence of the retailers on the prospect of KOMTAR JBCC despite the current soft retail market and incoming competition from the new malls.

@Mart Kempas Community Hypermarket recorded an average occupancy rate of 92% (FY2016:90%) as at the end of the current quarter. Being a community mart which offers shoppers a good range of necessary household products, @Mart Kempas will remain resilient in this challenging economic situation.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Second Quarter Ended 30 June 2017

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

B3. PROSPECTS (continued)

The occupancy of office building especially in Klang Valley remains sluggish as a result of oversupply in the past few years. However, Menara KOMTAR which is mostly occupied by the sponsor of Al-Salām REIT, Johor Corporation Group. This provides long term occupancy reliability for Menara KOMTAR. As at end of Q2-2017, Menara KOMTAR recorded an occupancy rate of 93% (FY2016: 93%).

The QSR Properties which are on a Triple Net arrangement with 100% occupancy rate and the resiliency of food and beverages industry provides stability to Al-Salām REIT. KFCH College Building is being 100% tenanted by the education and hospitality division of KPJ group of companies which provide long term occupancy steadiness.

The Manager will ensure 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. Apart from that, the Manager is actively identifying good assets for new acquisition to continuously improve the yield and ensure further 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

Al-Salām REIT will be exempted from income tax provided that Al-Salām REIT distributes 90% or more of its total income as defined in the Malaysian Income Tax Act, 1967 ("ITA") to its unitholders within 2 months from the close of its financial period which forms the basis period for the period of assessment of Al-Salām REIT.

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.

B7. PURCHASE AND DISPOSAL OF QUOTED SECURITIES

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

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There was none.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Second Quarter Ended 30 June 2017

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

B9. ISLAMIC FINANCING

	As at 30-06-2017 RM'000	As at 31-06-2016 RM'000
<u>Non-current</u>		
Murabahah Term Financing-I of RM 350 million - CMTF-i	347,252	346,358

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B11. MATERIAL LITIGATION

There was no material litigation as at the date of the Interim Financial Report.

B12. SOFT COMMISSION RECEIVED

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

B13. SUMMARY OF DPU, EPU AND NAV

	Current Quarter ended 30-06-2017	Immediate Preceding Quarter ended 31-03-2017
Number of units in issue (units)	580,000,000	580,000,000
Earning per unit (EPU) - sen	1.56	1.60
Net income distribution to unitholders (RM'000)	-	19,720
Distribution per unit (DPU) - sen	-	3.40
Net Asset Value (NAV) - RM'000	610,551	601,486
NAV per unit (RM)	1.0527	1.0370
Market Value Per Unit (RM)	1.0200	1.0200

B14. 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 2017 and of its financial performance and cash flows for the period then ended.