

AL-SALĀM REIT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the Third Quarter Ended 30 September 2017

Note	Individual Quarter			Cumulative Quarter		
	Current Year Quarter	Preceding Year Corresponding Quarter	Change	Current Year To Date	Preceding Year Corresponding To Date	Change
	30-09-2017	30-09-2016		30-09-2017	30-09-2016	
	RM	RM	%	RM	RM	%
	18,174,647	18,161,447	0.1	54,847,441	51,034,463	7.5
	1,611,050	1,266,184	27.2	4,936,825	3,617,344	36.5
Total revenue	19,785,697	19,427,631	1.8	59,784,266	54,651,807	9.4
Utilities expenses	(1,696,239)	(1,648,212)	2.9	(5,003,995)	(5,131,302)	(2.5)
Maintenance expenses	(1,337,070)	(714,736)	87.1	(3,281,465)	(1,783,803)	84.0
Quit rent and assessment	(363,110)	(150,164)	141.8	(1,089,328)	(461,732)	135.9
Other operating expenses	(2,385,715)	(2,253,234)	5.9	(7,301,121)	(6,615,678)	10.4
Property manager fee	(67,500)	(67,500)	-	(202,500)	(202,500)	-
Property operating expenses	(5,849,634)	(4,833,846)	21.0	(16,878,409)	(14,195,015)	18.9
Net property income	13,936,063	14,593,785	(4.5)	42,905,857	40,456,792	6.1
Investment income	342,974	249,375	37.5	921,121	655,880	40.4
Gain in fair value adjustment	-	-	-	-	-	-
Net investment income	14,279,037	14,843,160	(3.8)	43,826,978	41,112,672	6.6
Manager's management fees	(585,106)	(344,885)	69.7	(1,753,563)	(1,493,126)	17.4
Trustee's fees	(30,821)	(28,829)	6.9	(91,623)	(89,319)	2.6
Shariah advisors' fee	(3,000)	(3,000)	-	(3,000)	(6,000)	(50.0)
Islamic financing costs	(4,641,305)	(4,669,782)	(0.6)	(13,752,069)	(14,235,182)	(3.4)
Other trust expenses	(406,696)	(18,105)	2,146.3	(1,283,964)	(232,004)	453.4
Net income before tax	8,612,109	9,778,559	(11.9)	26,942,759	25,057,041	7.5
Taxation	-	-	-	-	-	-
Net income for the period	8,612,109	9,778,559	(11.9)	26,942,759	25,057,041	7.5
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the period	8,612,109	9,778,559	(11.9)	26,942,759	25,057,041	7.5
Net income for the period is made up as follow:						
Realised	8,612,109	9,778,559	(11.9)	26,942,759	25,057,041	7.5
Unrealised	-	-	-	-	-	-
	8,612,109	9,778,559	(11.9)	26,942,759	25,057,041	7.5
Earnings per unit (sen)	1.48	1.69	(11.9)	4.65	4.32	7.5

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 September 2017

	Note	Unaudited As At End Of Current Quarter 30-09-2017	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		593,252	143,984
Current Assets			
Trade receivables		2,981,321	3,824,210
Other receivables & prepayments		7,782,749	3,116,344
Cash and bank balances		8,053,268	6,355,659
Fixed deposits with licensed banks		48,331,000	41,085,000
Amount due from related companies		2,154,164	1,566,792
		<u>69,302,502</u>	<u>55,948,005</u>
TOTAL ASSETS		<u>991,985,754</u>	<u>978,181,989</u>
LIABILITIES			
Non-current liabilities			
Islamic financing	B10	347,475,464	346,804,955
Other payables and accruals		14,496,064	12,963,827
		<u>361,971,528</u>	<u>359,768,782</u>
Current Liabilities			
Islamic financing	B10	3,100,000	-
Other payables and accruals		7,687,162	6,473,346
Provision for income distribution		16,530,000	-
Amount due to related companies		64,368	-
		<u>27,381,530</u>	<u>6,473,346</u>
TOTAL LIABILITIES		<u>389,353,058</u>	<u>366,242,128</u>
NET ASSETS VALUE		<u>602,632,696</u>	<u>611,939,861</u>
REPRESENTED BY:			
Unitholders' capital		572,545,319	572,545,319
Undistributed income		30,087,377	39,394,542
TOTAL UNITHOLDERS' FUND		<u>602,632,696</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)		1.0390	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 Third Quarter Ended 30 September 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	-	26,942,759	-	26,942,759
Unitholders' transactions				
Issuance of new units	-	-	-	-
Distribution to unitholders#	-	(36,249,924)	-	(36,249,924)
Issuing expenses	-	-	-	-
<i>Increase/(Decrease) in net assets resulting from unitholders' transactions</i>	-	(36,249,924)	-	(36,249,924)
As at 30 September 2017	<u>572,545,319</u>	<u>11,744,872</u>	<u>18,342,505</u>	<u>602,632,696</u>
As at 1 January 2016	572,545,319	7,054,530	7,712,505	587,312,354
Total comprehensive income for the period	-	25,057,041	-	25,057,041
Unitholders' transactions				
Issuance of new units	-	-	-	-
Distribution to unitholders	-	(22,039,977)	-	(22,039,977)
Issuing expenses	(69,218)	-	-	(69,218)
<i>Increase/(Decrease) in net assets resulting from unitholders' transactions</i>	(69,218)	(22,039,977)	-	(22,109,195)
As at 30 September 2016	<u>572,476,101</u>	<u>10,071,594</u>	<u>7,712,505</u>	<u>590,260,200</u>

Includes :

- i) 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 which was paid on 28 February 2017.
- ii) Provision of the interim income distribution of 2.85 sen per unit for financial period from 1 January to 30 June 2017 (of which 2.58 sen is taxable and 0.27 sen per unit is non taxable in the hand of unitholders) which was announced on 24 August 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 Third Quarter Ended 30 September 2017

	To Date	
	30-09-2017	30-09-2016 (restated)
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before tax	26,942,759	25,057,041
Adjustment for:		
Islamic financing costs	13,752,069	14,235,182
Investment income	(921,121)	(655,880)
Depreciation	15,478	5,115
Gain on fair value adjustment	-	-
Operating profit before working capital changes	39,789,185	38,641,458
(Increase) / Decrease in trade receivables	842,889	(1,238,938)
Increase in other receivables and prepayments	(4,639,636)	9,507
Increase in amount owing by related parties	(587,372)	(326,159)
Increase in payables and accruals	2,755,956	4,979,424
Increase / (Decrease) in amount owing to related parties	64,368	(87,519)
Cash generated from operations	38,225,390	41,977,773
Taxes paid	-	-
Net cash generated from operating activities	38,225,390	41,977,773
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant & equipment	(464,746)	(152,289)
Investment income	918,853	621,090
Increase in pledged deposits with licensed banks	(246,000)	(262,000)
Decrease in goods and services tax recoverable	-	8,418,000
Net cash used in investing activities	208,107	8,624,801
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long term Islamic financing	3,100,000	-
Islamic financing costs paid	(13,115,964)	(13,559,804)
Issuing expenses	-	(69,218)
Income distribution paid	(19,719,924)	(6,959,977)
Net cash generated from financing activities	(29,735,888)	(20,588,999)

AL-SALĀM REIT
CONDENSED STATEMENT OF CASH FLOWS
For the Third Quarter Ended 30 September 2017

	30-09-2017	To Date 30-09-2016 (restated)
	RM	RM
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,697,609	30,013,575
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>46,553,268</u>	<u>46,211,217</u>
DEPOSITS, CASH AND BANK BALANCES		
Cash and bank balances	8,053,268	24,211,217
Fixed deposits with licensed banks	48,331,000	31,504,000
	<u>56,384,268</u>	<u>55,715,217</u>
Less : Pledged deposits with licensed banks	<u>(9,831,000)</u>	<u>(9,504,000)</u>
CASH AND CASH EQUIVALENTS	<u>46,553,268</u>	<u>46,211,217</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 Third Quarter Ended 30 September 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

On 24 August 2017, the Fund declared an interim income distribution of 2.85 sen per unit for financial period from 1 January to 30 June 2017 (of which 2.58 sen is taxable and 0.27 sen per unit is non taxable in the hand of unitholders). The income distribution was paid on 13 October 2017.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Third Quarter Ended 30 September 2017

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

A8. SEGMENTAL REPORTING

As at 30 September 2017

	Retail outlets RM'000	Office buildings RM'000	F&B Restaurants RM'000	F&B Non-restaurants RM'000	Other-Fund level operations RM'000	Total RM'000
Total revenue	37,487	6,827	7,352	8,118	-	59,784
Property operating expenses	(13,630)	(2,759)	(12)	(275)	(202)	(16,878)
Net property income	23,857	4,068	7,340	7,843	(202)	42,906
Gain on fair value of investment properties	-	-	-	-	-	-
Investment income	-	-	-	-	921	921
Net investment income	23,857	4,068	7,340	7,843	719	43,827
Total trust expenses	-	-	-	-	(3,132)	(3,132)
Islamic financing costs	-	-	-	-	(13,752)	(13,752)
Net income before tax	23,857	4,068	7,340	7,843	(16,165)	26,943
Income tax expenses	-	-	-	-	-	-
Net income for the period	23,857	4,068	7,340	7,843	(16,165)	26,943
Total assets	609,406	89,969	158,590	166,822	(32,801)	991,986
Total liabilities	21,471	3,486	-	1,047	363,349	389,353

As at 30 September 2016

	Retail outlets RM'000	Office buildings RM'000	F&B Restaurants RM'000	F&B Non-restaurants RM'000	Other-Fund level operations RM'000	Total RM'000
Total revenue	32,644	6,732	7,352	7,924	-	54,652
Property operating expenses	(11,422)	(2,372)	(12)	(187)	(202)	(14,195)
Net property income	21,222	4,360	7,340	7,737	(202)	40,457
Gain on fair value of investment properties	-	-	-	-	-	-
Investment income	-	-	-	-	655	655
Net investment income	21,222	4,360	7,340	7,737	453	41,112
Total trust expenses	-	-	-	-	(1,820)	(1,820)
Islamic financing costs	-	-	-	-	(14,235)	(14,235)
Net income before tax	21,222	4,360	7,340	7,737	(15,602)	25,057
Income tax expenses	-	-	-	-	-	-
Net income for the period	21,222	4,360	7,340	7,737	(15,602)	25,057
Total assets	562,316	78,703	155,320	161,540	15,337	973,216
Total liabilities	9,234	1,801	-	311	371,610	382,956

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2017

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

A8. SEGMENTAL REPORTING (continued)

Segmental information is presented in respect of the Fund's business segments based on the nature of the industry of the Fund's investment properties.

For management purposes, the Fund 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.

A9. VALUATION OF INVESTMENT PROPERTIES

There was no valuation performed for the current quarter under review.

A10. SUBSEQUENT MATERIAL EVENTS

On 2 October 2017, Al-Salām REIT had entered into a conditional sale and purchase agreement with Mydin Wholesale Cash and Carry Sdn Bhd ("WMCC") for the acquisition of Mydin Hypermarket Gong Badak for a total cash consideration of RM155.0 million to be satisfied entirely in cash ("Proposed Acquisition"). The announcement was made on 3 October 2017.

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 to be disclosed in the current quarter under review.

A13. CAPITAL COMMITMENT

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

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2017

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

B1. REVIEW OF PERFORMANCE

	Quarter ended			Cumulative period ended		
	30-09-2017 RM'000	30-09-2016 RM'000	Change %	30-09-2017 RM'000	30-09-2016 RM'000	Change %
Total revenue						
Retail outlets	12,327	12,083	2.0	37,487	32,644	14.8
Office buildings	2,302	2,253	2.2	6,827	6,732	1.4
F&B restaurants	2,451	2,451	-	7,352	7,352	-
F&B non-restaurants	2,706	2,641	2.5	8,118	7,924	2.4
Total	<u>19,786</u>	<u>19,428</u>	1.8	<u>59,784</u>	<u>54,652</u>	9.4
Net property income ("NPI")						
Retail outlets	7,598	8,265	(8.1)	23,857	21,222	12.4
Office buildings	1,391	1,369	1.6	4,068	4,360	(6.7)
F&B restaurants	2,447	2,447	-	7,340	7,340	-
F&B non-restaurants	2,568	2,581	(0.5)	7,843	7,737	1.4
Property manager fee	(68)	(68)	-	(202)	(202)	-
Total	<u>13,936</u>	<u>14,594</u>	(4.5)	<u>42,906</u>	<u>40,457</u>	6.1
Investment income	343	249	37.8	921	655	40.6
Trust expenses	(5,667)	(5,064)	11.9	(16,884)	(16,055)	5.2
Net income before tax	<u>8,612</u>	<u>9,779</u>	(11.9)	<u>26,943</u>	<u>25,057</u>	7.5

Review of Current/Cumulative Quarter Results

Retail outlets

For Q3 2017, total revenue of RM12.3 mil was reported an increase of 2%. This was due to an increase in promotional income and parking income. However, net property income of RM7.6 mil represented a decrease of 8.1% due to an increase in operating expenses for the current year's quarter.

For the cumulative period to-date, total revenue and net property income were reported an increase of RM4.8 mil and RM2.6 mil due to an increase in occupancy rate for KOMTAR JBCC of 95% (FY2016:93%) and @Mart of 93% (FY2016:90%).

Office building

For Q3 2017, total revenue and net income before tax of RM2.3 mil and RM1.4 mil respectively were reported an increase of 2.2% and 1.6% due to higher rental renewal rate. However, the increase was affected by higher operating expenses as compared to preceding year's corresponding quarter.

For the cumulative period to-date total revenue was reported an increase of 1.4% at the back of higher rental renewal rate despite lower occupancy rate of 91% (FY2016:93%). However, the cumulative period to-date net income before tax was lower by 6.7% due to higher operating expenses.

F&B restaurants

For Q3 2017 and cumulative period to-date, total revenue and net income before tax remain the same as per preceding year corresponding quarter as the properties are on a Triple Net arrangement with 100% occupancy rate (FY2016:100%).

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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Third Quarter Ended 30 September 2017

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

B1. REVIEW OF PERFORMANCE (continued)

F&B non-restaurant

For Q3 2017, total revenue saw an increase of 2.5%. This was due to an increase in rental rate from renewal in November 2016. However net income before tax was lower by 0.5% due to higher operating expenses.

For cumulative period to-date, total revenue and net income before tax reported an increase of 2.4% and 1.4% due to renewal above compensated by higher operating expenses throughout the year.

Net income before tax

For Q3 2017, lower net income before tax of RM8.6 mil (FY2016: RM9.8 mil) was reported. This was due to higher operating expenses by retail and office segments.

For the financial year period 30 September 2017, Al-Salām REIT recorded a total revenue of RM59.8 mil representing an increase of RM5.1 mil from RM54.7 mil recorded in previous corresponding period. After taking into consideration Islamic financing costs and trust expenses totalling RM16.9 mil, the net income before tax for the current financial year ended 30 September 2017 was RM26.9 mil, which is RM1.9 mil higher than the previous corresponding period of RM25.0 mil. 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

	Quarter ended		
	30-09-2017	30-06-2017	Change
	RM'000	RM'000	%
Total revenue			
Retail outlets	12,327	12,824	(3.9)
Office buildings	2,302	2,265	1.6
F&B restaurants	2,451	2,451	-
F&B non-restaurants	2,706	2,706	-
	19,786	20,246	(2.3)
Net property income ("NPI") :			
Retail outlets	7,598	8,138	(6.6)
Office buildings	1,391	1,354	2.7
F&B restaurants	2,447	2,447	-
F&B non-restaurants	2,568	2,634	(2.5)
Property manager fee	(68)	(68)	-
	13,936	14,505	(3.9)
Investment income	343	278	23.4
Trust expenses	(5,667)	(5,718)	(0.9)
Net income before tax	8,612	9,065	(5.0)

Total revenue and NPI reported a decrease of 2.3% and 3.9% respectively due to lower performance from retail outlets as the tenancy which was due for renewal mostly in third quarter 2017. However, the numbers of non-renewal 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.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Third Quarter Ended 30 September 2017

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

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 direct connection to CIQ and the transportation hub, JB Sentral, the Manager is confident that it will provide the competitive advantage in weathering the incoming competition.

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 95% as at the end of the current quarter as well as its revenue for Q3-2017 compared to Q3-2016.

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 93% (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.

The occupancy of office building especially in Klang Valley remains sluggish as a result of oversupply in the past few years. However, Menara KOMTAR, Johor Bahru which is mostly occupied by the sponsor of Al-Salām REIT, Johor Corporation Group, provides long term occupancy reliability for Menara KOMTAR. As at end of Q3-2017, Menara KOMTAR recorded an occupancy rate of 91% (FY2016: 93%).

The QSR Properties which are on a Triple Net arrangement with 100% occupancy rate and the resilience 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.

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.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Third Quarter Ended 30 September 2017

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

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 under review.

B7. PURCHASE AND DISPOSAL OF QUOTED SECURITIES

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

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There was none.

B9. TRADE RECEIVABLES

	As at 30-09-2017 RM'000	As at 30-09-2016 RM'000
Trade receivables	2,981	2,254

Trade receivables comprise rental receivable from lessees. The credit period granted by the Fund on rental receivable from lessees ranges from 30 to 60 days (2016: 30 to 60 days).

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

	As at 30-09-2017 RM'000	As at 30-09-2016 RM'000
0 - 30 days	915	758
31 - 60 days	503	343
61 - 90 days	160	3
91 - 120 days	1,403	1,150
	2,981	2,254

The Fund have not recognised any allowance for doubtful debts as the Fund holds tenant deposits as credit enhancement and the amounts are considered recoverable.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Third Quarter Ended 30 September 2017

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

B10. ISLAMIC FINANCING

	As at 30-09-2017 RM'000	As at 30-09-2016 RM'000
<u>Non-current</u>		
<u>Secured</u>		
- Commodity Murabahah Term Financing-i ("CMTF-i")	347,475	346,581
<u>Current</u>		
<u>Secured</u>		
- Commodity Murabahah Revolving Credit-i ("CMRC-i")	3,100	-
	<u>350,575</u>	<u>346,581</u>

The CMTF-i is secured against investment properties totalling RM712.97 mil (2016: RM712.97 mil).

On 14 June 2017, the Fund undertake a working capital financing facility of up to RM10 mil from RHB Islamic Bank Berhad. The purposes, amongst others, are to finance refurbishment, renovations, maintenance and other ancillary works and other general working capital purposes. On 15 September 2017, an amount of RM3.1 mil has been drawn down from the CMRC-i. The CMRC-i is secured against an investment property of RM15.3 mil.

All islamic financing are denominated in Ringgit Malaysia.

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 Interim Financial Report during the current quarter under review.

B12. 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 FINANCIAL STATEMENTS

For the Third Quarter Ended 30 September 2017

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

B13. SUMMARY OF DPU, EPU AND NAV

	Current Quarter ended 30-09-2017	Immediate Preceding Quarter ended 30-06-2017
Number of units in issue (units)	580,000,000	580,000,000
Earning per unit (EPU) - sen	1.48	1.56
Net income distribution to unitholders (RM'000)	16,530	-
Distribution per unit (DPU) - sen	2.85	-
Net Asset Value (NAV) - RM'000	602,633	610,551
NAV per unit (RM)	1.0390	1.0527
Market Value Per Unit (RM)	1.0000	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 September 2017 and of its financial performance and cash flows for the period then ended.