

**AL-SALĀM REIT**  
**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**For the Fourth Quarter Ended 31 December 2017**

Note	Individual Quarter			Cumulative Quarter		
	Current Year Quarter	Preceding Year Corresponding Quarter	Change	Current Year To Date	Preceding Year Corresponding To Date	Change
	31-12-2017	31-12-2016		31-12-2017	31-12-2016	
	RM	RM	%	RM	RM	%
	18,485,904	19,847,127	(6.9)	73,333,345	70,881,590	3.5
	1,762,592	1,635,739	7.8	6,699,417	5,253,083	27.5
Total revenue	20,248,496	21,482,866	(5.7)	80,032,762	76,134,673	5.1
Utilities expenses	(1,673,883)	(1,327,698)	26.1	(6,677,878)	(6,459,000)	3.4
Maintenance expenses	(555,706)	(642,368)	(13.5)	(3,837,171)	(2,426,171)	58.2
Quit rent and assessment	(363,110)	(138,957)	161.3	(1,452,438)	(600,689)	141.8
Other operating expenses	(3,606,843)	(2,850,579)	26.5	(10,907,964)	(9,466,257)	15.2
Property manager fee	(67,500)	(67,500)	-	(270,000)	(270,000)	-
Property operating expenses	(6,267,042)	(5,027,102)	24.7	(23,145,451)	(19,222,117)	20.4
Net property income	13,981,454	16,455,764	(15.0)	56,887,311	56,912,556	(0.0)
Investment income	266,671	287,184	(7.1)	1,187,792	943,064	26.0
Gain in fair value adjustment	5,063,150	10,630,000	(52.4)	5,063,150	10,630,000	(52.4)
Net investment income	19,311,275	27,372,948	(29.5)	63,138,253	68,485,620	(7.8)
Manager's management fees	(587,960)	(344,870)	70.5	(2,341,523)	(1,837,996)	27.4
Trustee's fees	(30,154)	(29,933)	0.7	(121,777)	(119,252)	2.1
Shariah advisors' fee	(3,200)	-	(100.0)	(6,200)	(6,000)	3.3
Islamic financing costs	(4,719,247)	(4,582,515)	3.0	(18,471,316)	(18,817,697)	(1.8)
Other trust expenses	(307,841)	(805,263)	(61.8)	(1,591,805)	(1,037,267)	53.5
Net income before tax	13,662,873	21,610,367	(36.8)	40,605,632	46,667,408	(13.0)
Taxation	-	-	-	-	-	-
<b>Net income for the period</b>	<b>13,662,873</b>	<b>21,610,367</b>	<b>(36.8)</b>	<b>40,605,632</b>	<b>46,667,408</b>	<b>(13.0)</b>
Other comprehensive income, net of tax	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>13,662,873</b>	<b>21,610,367</b>	<b>(36.8)</b>	<b>40,605,632</b>	<b>46,667,408</b>	<b>(13.0)</b>
Net income for the period is made up as follow:						
Realised	8,599,723	10,980,367	(21.7)	35,542,482	36,037,408	(1.4)
Unrealised	5,063,150	10,630,000	(52.4)	5,063,150	10,630,000	(52.4)
	13,662,873	21,610,367	(36.8)	40,605,632	46,667,408	(13.0)
Earnings per unit (sen)	2.36	3.73	(36.8)	7.00	8.05	(13.0)

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 31 December 2017**

	Note	Unaudited As At End Of Current Quarter 31-12-2017	Audited As at preceding year ended 31-12-2016
		RM	RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	A9	927,470,000	922,090,000
Property, plant & equipment		557,188	143,984
<b>Current Assets</b>			
Trade receivables		4,523,787	3,824,210
Other receivables & prepayments		8,745,852	3,116,344
Cash and bank balances		12,651,281	6,355,659
Fixed deposits with licensed banks		32,415,000	41,085,000
Amount due from related companies		2,392,790	1,566,792
		<u>60,728,710</u>	<u>55,948,005</u>
<b>TOTAL ASSETS</b>		<u>988,755,898</u>	<u>978,181,989</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Islamic financing	B10	347,698,967	346,804,955
Other payables and accruals		14,349,488	12,963,827
		<u>362,048,455</u>	<u>359,768,782</u>
<b>Current Liabilities</b>			
Islamic financing	B10	3,100,000	-
Other payables and accruals		6,945,237	6,473,346
Amount due to related companies		366,571	-
		<u>10,411,808</u>	<u>6,473,346</u>
<b>TOTAL LIABILITIES</b>		<u>372,460,263</u>	<u>366,242,128</u>
<b>NET ASSETS VALUE</b>		<u>616,295,635</u>	<u>611,939,861</u>
<b>REPRESENTED BY:</b>			
Unitholders' capital		572,545,319	572,545,319
Undistributed income		43,750,316	39,394,542
<b>TOTAL UNITHOLDERS' FUND</b>		<u>616,295,635</u>	<u>611,939,861</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>		<u>580,000,000</u>	<u>580,000,000</u>
<b>NET ASSETS VALUE (NAV) PER UNIT (RM)</b>		1.0626	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 Fourth Quarter Ended 31 December 2017**

	Unitholders' Capital RM	Distributable Undistributed Income Realised RM	Non-distributable Undistributed Income Unrealised RM	Total Unitholders' Fund RM
<b>As at 1 January 2017</b>	572,545,319	21,052,037	18,342,505	611,939,861
<b>Total comprehensive income for the period</b>	-	35,542,482	5,063,150	40,605,632
<b>Unitholders' transactions</b>				
Issuance of new units	-	-	-	-
Distribution to unitholders#	-	(36,249,858)	-	(36,249,858)
Issuing expenses	-	-	-	-
<i>Increase/(Decrease) in net assets resulting from unitholders' transactions</i>	-	(36,249,858)	-	(36,249,858)
<b>As at 31 December 2017</b>	<u>572,545,319</u>	<u>20,344,661</u>	<u>23,405,655</u>	<u>616,295,635</u>
<b>As at 1 January 2016</b>	572,545,319	7,054,530	7,712,505	587,312,354
<b>Total comprehensive income for the period</b>	-	36,037,408	10,630,000	46,667,408
<b>Unitholders' transactions</b>				
Issuance of new units	-	-	-	-
Distribution to unitholders	-	(22,039,901)	-	(22,039,901)
Issuing expenses	-	-	-	-
<i>Increase/(Decrease) in net assets resulting from unitholders' transactions</i>	-	(22,039,901)	-	(22,039,901)
<b>As at 31 December 2016</b>	<u>572,545,319</u>	<u>21,052,037</u>	<u>18,342,505</u>	<u>611,939,861</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) Payment 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 paid on 13 October 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 Fourth Quarter Ended 31 December 2017**

	To Date	
	31-12-2017	31-12-2016 (restated)
	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before tax	40,605,632	46,667,408
Adjustment for:		
Islamic financing costs	18,471,316	18,817,697
Investment income	(1,187,792)	(943,064)
Depreciation	21,327	8,306
Gain on fair value adjustment	(5,063,150)	(10,630,000)
Operating profit before working capital changes	<u>52,847,333</u>	<u>53,920,347</u>
Increase in trade receivables	(699,577)	(2,809,349)
Increase in other receivables and prepayments	(5,698,325)	(1,396,200)
(Increase)/Decrease in amount owing by related parties	(825,998)	247,031
Increase in payables and accruals	1,819,493	3,435,987
Increase / (Decrease) in amount owing to related parties	366,571	(535,630)
Cash generated from operations	<u>47,809,497</u>	<u>52,862,186</u>
Taxes paid	-	-
Net cash generated from operating activities	<u>47,809,497</u>	<u>52,862,186</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investment property	(316,850)	-
Acquisition of property, plant & equipment	(434,531)	(152,290)
Investment income	1,181,609	910,215
Increase in pledged deposits with licensed banks	(330,000)	(343,000)
Decrease in goods and services tax recoverable	-	8,270,315
Net cash generated from investing activities	<u>100,228</u>	<u>8,685,240</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of long term Islamic financing	3,100,000	-
Islamic financing costs paid	(17,464,245)	(17,849,508)
Income distribution paid	(36,249,858)	(22,039,901)
Net cash used in financing activities	<u>(50,614,103)</u>	<u>(39,889,409)</u>

**AL-SALĀM REIT**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**For the Fourth Quarter Ended 31 December 2017**

	31-12-2017	To Date 31-12-2016 (restated)
	RM	RM
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	(2,704,378)	21,658,017
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	37,855,659	16,197,642
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<u>35,151,281</u>	<u>37,855,659</u>
<b>DEPOSITS, CASH AND BANK BALANCES</b>		
Cash and bank balances	12,651,281	6,355,659
Fixed deposits with licensed banks	32,415,000	41,085,000
	<u>45,066,281</u>	<u>47,440,659</u>
Less : Pledged deposits with licensed banks	(9,915,000)	(9,585,000)
<b>CASH AND CASH EQUIVALENTS</b>	<u>35,151,281</u>	<u>37,855,659</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 Fourth Quarter Ended 31 December 2017**

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#### **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 Fourth Quarter Ended 31 December 2017

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

##### A8. SEGMENTAL REPORTING

As at 31 December 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	50,299	9,136	9,803	10,795	-	80,033
Property operating expenses	(18,811)	(3,685)	(13)	(367)	(270)	(23,146)
Net property income	31,488	5,451	9,790	10,428	(270)	56,887
Fair value gain on investment properties	-	683	3,080	1,300	-	5,063
Investment income	-	-	-	-	1,188	1,188
Net investment income	31,488	6,134	12,870	11,728	918	63,138
Total trust expenses	-	-	-	-	(4,061)	(4,061)
Islamic financing costs	-	-	-	-	(18,471)	(18,471)
Net income before tax	31,488	6,134	12,870	11,728	(21,614)	40,606
Income tax expenses	-	-	-	-	-	-
Net income for the period	31,488	6,134	12,870	11,728	(21,614)	40,606
Total assets	615,162	91,611	161,670	168,317	(48,004)	988,756
Total liabilities	16,670	2,496	-	721	352,573	372,460

As at 31 December 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	46,696	9,033	9,803	10,603	-	76,135
Property operating expenses	(15,457)	(3,193)	(16)	(286)	(270)	(19,222)
Net property income	31,239	5,840	9,787	10,317	(270)	56,913
Fair value gain on investment properties	3,000	2,000	3,270	2,360	-	10,630
Investment income	-	-	-	-	943	943
Net investment income	34,239	7,840	13,057	12,677	673	68,486
Total trust expenses	-	-	-	-	(3,000)	(3,000)
Islamic financing costs	-	-	-	-	(18,818)	(18,818)
Net income before tax	34,239	7,840	13,057	12,677	(21,145)	46,668
Income tax expenses	-	-	-	-	-	-
Net income for the period	34,239	7,840	13,057	12,677	(21,145)	46,668
Total assets	584,351	82,206	158,590	164,952	(11,917)	978,182
Total liabilities	16,964	3,101	-	841	345,336	366,242

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Fourth Quarter Ended 31 December 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

During financial period under review, a valuation exercise was undertaken for all thirty-one (31) properties of Al-Salām REIT pursuant to FRS 140 and Clause 10.03 of the Securities Commission's REIT Guidelines. The revaluation has resulted in a surplus of RM5.1 million and has been incorporated into the financial statements of Al-Salām REIT as at 31 December 2017. The details of the said valuation carried out are tabled as follows:

Description of Property	Date of Valuation	2017 Fair Value (RM)
1. KOMTAR JBCC	31.12.2017	465,000,000
2. Menara KOMTAR	31.12.2017	73,000,000
3. @Mart Kempas Community Hypermarket	31.12.2017	65,000,000
4. KFCH International College	31.12.2017	29,000,000
5. Premises No. 34, Jalan Mahsuri, Bandar Bayan Baru, 11950 Bayan Lepas, Pulau Pinang	31.12.2017	3,900,000
6. Premises Nos. 60 & 62, Jalan PJS 11/28A, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan	31.12.2017	9,300,000
7. Premises No. 5, Bangunan Joota Brothers, Jalan Sungai Korok, 06000 Jitra, Kedah Darul Aman	31.12.2017	520,000
8. Premises No. 1 & 1-1, Jalan Niaga, 81900 Kota Tinggi, Johor Darul Takzim	31.12.2017	820,000
9. Premises No. 3, 3A & 3B, Jalan Resam 13, Taman Bukit Tiram, 81800 Ulu Tiram, Johor Darul Takzim	31.12.2017	860,000
10. Premises No. 1, Jalan Baru Bandar 1, Pusat Bandar Baru Ayer Hitam, 86100 Ayer Hitam, Johor	31.12.2017	2,000,000
11. Premises No. 1, Jalan Mahajaya, Kawasan Penambakan Laut, Bandar Port Dickson, 71000 Port Dickson, Negeri Sembilan	31.12.2017	1,700,000
12. Premises No. 9, Persiaran Putra Timur 1, 02000 Kuala Perlis, Perlis Indera Kayangan	31.12.2017	470,000



## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For the Fourth Quarter Ended 31 December 2017

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

##### A9. VALUATION OF INVESTMENT PROPERTIES (Continued)

Description of Property	Date of Valuation	2017 Fair Value (RM)
13. Premises Nos. 18 & 20, Jalan Sulaiman, 43000 Kajang, Selangor Darul Ehsan	31.12.2017	9,700,000
14. Unit No. GF-12A, Queensbay Mall, 100, Persiaran Bayan Indah, 11900 Bayan Lepas, Pulau Pinang	31.12.2017	13,100,000
15. Unit No. 3A-G-18, Kompleks Bukit Jambul, Jalan Rumbia, 11900 Bayan Lepas, Pulau Pinang	31.12.2017	2,800,000
16. Unit No. G-103, Megamall Pinang Shopping Complex, No. 2828, Jalan Baru, Bandar Perai Jaya, 13600 Perai, Pulau Pinang	31.12.2017	2,700,000
17. Unit No. G-104, Megamall Pinang Shopping Complex, No. 2828, Jalan Baru, Bandar Perai Jaya, 13600 Perai, Pulau Pinang	31.12.2017	2,000,000
18. Lot 5, Lorong Tembaga 3, Kawasan MIEL, KKIP Selatan, Kota Kinabalu Industrial Park, Menggatal, 88450 Kota Kinabalu, Sabah	31.12.2017	3,000,000
19. Premises No. 31, Lorong IKS Juru 3, Taman IKS Juru, 14100 Simpang Ampat, Pulau Pinang	31.12.2017	1,400,000
20. Premises No. 3, Lorong Gerudi 1, Off Jalan Pelabuhan Utara, 42000 Pelabuhan Klang, Selangor Darul Ehsan	31.12.2017	47,000,000
21. Premises No. 6, Jalan Gerudi, Off Jalan Pelabuhan Utara, 42000 Pelabuhan Klang, Selangor Darul Ehsan	31.12.2017	27,000,000
22. Premises Nos. 17, 19 & 21, Jalan Pemaju U1/15, Sek U1, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan	31.12.2017	55,400,000
23. Lot 14083, Jalan Kuchai Lama, 58200 Kuala Lumpur	31.12.2017	14,300,000
24. Lot 59060, Jalan Prima 1, Metro Prima, Off Jalan Kepong, 52100 Kuala Lumpur	31.12.2017	15,500,000
25. PT No. 6878, Jalan 8/27A, Pusat Bandar Wangsa Maju, 53300 Kuala Lumpur	31.12.2017	26,000,000
26. PT No. 2281, Jalan Kuala Ketil, Bandar Puteri Jaya, 08000 Sungai Petani, Kedah Darul Aman	31.12.2017	5,200,000
27. PT No. 217643, Jalan Kuala Kangsar, Taman Tasek Mutiara, 31400 Ipoh, Perak Darul Ridzuan	31.12.2017	8,600,000
28. PTD No. 171459, Jalan Persiaran Perling, Taman Perling, 81200 Johor Bahru, Johor Darul Takzim	31.12.2017	13,500,000
29. PTD 153154, Jalan Tampoi, Taman Damansara Aliff, 81200 Johor Bahru, Johor Darul Takzim	31.12.2017	12,000,000
30. PT No. 19503, Lebuhraya Ayer Keroh, 75450 Hang Tuah Jaya, Melaka	31.12.2017	8,300,000
31. PTD 103231, Taman Impian Senai, 81400 Senai, Johor Darul Takzim	31.12.2017	8,400,000
		927,470,000

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Fourth Quarter Ended 31 December 2017

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

##### A10. SUBSEQUENT MATERIAL EVENTS

On 29 January 2018, the Manager, after consultation with the Trustee had announced a final income distribution of 3.15 sen per unit totaling RM18,270,000 for financial year ended 31 December 2017. The final income distribution will be paid on 28 February 2017 and has not been included as a liability in the financial statements.

##### 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.

##### A14. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Fund if the Fund has 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 Fund and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. Significant related party transactions are as follows:

	2017	2016
Rental income received/receivable from related parties	27,860,572	29,588,047
Other property management fees charged by related parties of the Manager (including other operating expenses)	4,487,125	4,117,620

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 FINANCIAL STATEMENTS

For the Fourth Quarter Ended 31 December 2017

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

##### B1. REVIEW OF PERFORMANCE

	Quarter ended			Cumulative period ended		
	31-12-2017	31-12-2016	Change	31-12-2017	31-12-2016	Change
	RM'000	RM'000	%	RM'000	RM'000	%
<b>Total revenue</b>						
Retail outlets	12,812	14,052	(8.8)	50,299	46,696	7.7
Office buildings	2,309	2,301	0.3	9,136	9,033	1.1
F&B restaurants	2,451	2,451	-	9,803	9,803	-
F&B non-restaurants	2,677	2,679	(0.1)	10,795	10,603	1.8
Total	<u>20,249</u>	<u>21,483</u>	<u>(5.7)</u>	<u>80,033</u>	<u>76,135</u>	<u>5.1</u>
<b>Net property income ("NPI")</b>						
Retail outlets	7,631	10,017	(23.8)	31,488	31,239	0.8
Office buildings	1,383	1,480	(6.6)	5,451	5,840	(6.7)
F&B restaurants	2,447	2,447	-	9,790	9,787	0.0
F&B non-restaurants	2,585	2,580	0.2	10,428	10,317	1.1
Property manager fee	(65)	(68)	(4.4)	(270)	(270)	-
Total	<u>13,981</u>	<u>16,456</u>	<u>(15.0)</u>	<u>56,887</u>	<u>56,913</u>	<u>(0.0)</u>
Investment income	267	287	(7.0)	1,188	943	26.0
Gain in fair value adjustment	5,063	10,630	(52.4)	5,063	10,630	(52.4)
Trust expenses	(5,648)	(5,763)	(2.0)	(22,532)	(21,818)	3.3
<b>Net income before tax</b>	<u>13,663</u>	<u>21,610</u>	<u>(36.8)</u>	<u>40,606</u>	<u>46,668</u>	<u>(13.0)</u>

#### Review of Current/Cumulative Quarter Results

##### **Retail outlets**

The retail segment reported a total revenue of RM12.8 million for the current quarter ended 31 December 2017 (Q4 2017), a decrease of 8.8% compared to the preceding year corresponding quarter (Q4 2016). The decrease was mainly attributable to decrease in percentage rental income as percentage rental income for 2015 of RM0.7 million was recognised in Q4 2016. Net property income (NPI) of RM7.6 million represented a decrease of 23.8% due to an increase in operating expenses for the current quarter.

For the cumulative period ended 31 December 2017, the retail segment total revenue and net property income were reported an increase of RM3.6 million and RM0.3 million respectively due to an increase in occupancy rate for KOMTAR JBCC of 95% (FY2016:93%).

##### **Office building**

For Q4 2017, total revenue of RM2.3 million was reported, an increase of 0.3% due to higher rental renewal rate. However, NPI decrease by 6.6% affected by higher operating expenses as compared to preceding year's corresponding quarter.

For the cumulative period to-date, total revenue reported an increase of 1.1% on the back of higher rental renewal rate despite lower occupancy rate of 91% (FY2016:93%). However, NPI was lower by 6.7% due to higher operating expenses.

##### **F&B restaurants**

For Q4 2017 and cumulative period to-date, total revenue and NPI remain the same as per preceding year corresponding quarter as the properties are on a Triple Net arrangement with 100% occupancy rate (FY2016:100%).

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Fourth Quarter Ended 31 December 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 Q4 2017, there isn't much changes in total revenue and NPI between Q4 2017 and Q4 2016 as occupancy rate remains the same.

For cumulative period to-date, total revenue and NPI reported an increase of 1.8% and 1.1% due to lower operating expenses throughout the year.

###### Net income before tax

For Q4 2017, lower net income before tax of RM13.7 million (FY2016: RM21.6 million) was reported. This was due to lower rental income and lower fair value gain on investment properties.

For the financial year period ended 31 December 2017, Al-Salām REIT recorded a total revenue of RM80.0 million representing an increase of RM3.9 million from RM76.1 million recorded in previous corresponding period. After taking into consideration Islamic financing costs and trust expenses totalling RM22.5 million, the net income before tax for the current financial year ended 31 December 2017 was RM40.6 million, which is RM6.1 million lower than the previous corresponding period of RM46.7 million. This was due to lower fair value gain on investment properties of RM5.1 million (2016: RM10.6 million).

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

	Quarter ended		Change %
	31-12-2017 RM'000	30-09-2017 RM'000	
<b>Total revenue</b>			
Retail outlets	12,812	12,327	3.9
Office buildings	2,309	2,302	0.3
F&B restaurants	2,451	2,451	-
F&B non-restaurants	2,677	2,706	(1.1)
	<b>20,249</b>	<b>19,786</b>	<b>2.3</b>
<b>Net property income ("NPI") :</b>			
Retail outlets	7,631	7,598	0.4
Office buildings	1,383	1,391	(0.6)
F&B restaurants	2,447	2,447	-
F&B non-restaurants	2,585	2,568	0.7
Property manager fee	(65)	(68)	(4.4)
	<b>13,981</b>	<b>13,936</b>	<b>0.3</b>
Investment income	267	343	(22.2)
Gain in fair value adjustment	5,063	-	100.0
Trust expenses	(5,648)	(5,667)	(0.3)
<b>Net income before tax</b>	<b>13,663</b>	<b>8,612</b>	<b>58.7</b>

Total revenue and net income before tax reported an increase of 2.3% and 58.7% respectively due to higher performance from retail outlets as the renewal of tenancy was mostly due in third quarter 2017. Furthermore, the non-renewal of tenancies which represent less than 5% of the net lettable area in KOMTAR JBCC has been progressively filled up with new tenants.

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Fourth Quarter Ended 31 December 2017

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

##### **B3. PROSPECTS**

According to Retail Group Malaysia Association, the sentiment for FY2018 is likely to be positive with retail sales are expected to grow by 6%. However, it will be very much dependent on the external economic demand, general election and the performance of Ringgit. The uncertainties in the economic outlook are expected to adversely impact customer spending thus the Manager will increase the marketing effort and re-strategies to continue to attract customers.

The strategic location of KOMTAR JBCC will remain its key selling points to continue taking the lead as the preferred shopping destination. KOMTAR JBCC has maintained its occupancy rate at 95% (FY2016: 93%) in the current quarter. Revenue has increased by 8% on a year-to-year basis contributed by better rental income and percentage rental income, reflecting the confidence of the retailers on the prospect of KOMTAR JBCC going forward in the crowded market of Johor Bahru.

While, Menara KOMTAR recorded an occupancy rate of 91% (FY2016: 93%). The long term tenancies by the sponsor of Al-Salām REIT, Johor Corporation Group, provide a long term occupancy reliability for Menara KOMTAR.

@Mart Kempas recorded an average occupancy rate of 92% (FY2016: 90%) as at the end of the current quarter. @Mart Kempas is expected to remain resilient in the challenging economic situation by virtue of being a community mart that targets the lower and middle income market and offers shoppers a wide range of necessary household products.

The QSR Properties which are on a Triple Net arrangement with 100% (FY2016: 100%) occupancy rate and the resilience of food and beverages industry provides stability to Al-Salām REIT. The proposed acquisition of another 22 QSR Properties which is anticipated to add to the stability of Al-Salām REIT and be completed in the 2nd quarter of FY2018 is expected to be yield-accretive.

KFCH College Building is being 100% tenanted by the education and hospitality division of KPJ group of companies which provide long term occupancy and further stability to the Fund.

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. In addition, the Manager is always on the lookout for potential acquisitions including pipeline assets from the Johor Corporation Group to achieve sustainable growth of Al-Salām REIT.

##### **B4. UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS**

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

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For the Fourth Quarter Ended 31 December 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**

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.

On 30 November 2017, Al-Salām REIT had entered into 3 conditional sale and purchase agreements with Kentucky Fried Chicken (Malaysia) Sdn Bhd, KFC (Peninsular Malaysia) Sdn Bhd, KFC (Sabah) Sdn Bhd and SPM Restaurants Sdn Bhd for the acquisition of 22 properties located across Malaysia for a total cash consideration of RM115.0 million to be funded via proceeds from the Proposed Placement and borrowings. The announcement was made on 4 December 2017.

##### **B9. TRADE RECEIVABLES**

	<b>As at 31-12-2017 RM'000</b>	<b>As at 31-12-2016 RM'000</b>
Trade receivables	4,524	3,824

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).

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Fourth Quarter Ended 31 December 2017

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

##### **B9. TRADE RECEIVABLES (continued)**

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

	As at 31-12-2017 RM'000	As at 31-12-2016 RM'000
0 - 30 days	3,789	3,471
31 - 60 days	215	148
61 - 90 days	-	13
91 - 120 days	520	192
	<u>4,524</u>	<u>3,824</u>

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

##### **B10. ISLAMIC FINANCING**

	As at 31-12-2017 RM'000	As at 31-12-2016 RM'000
<b><u>Non-current</u></b>		
<b><u>Secured</u></b>		
- Commodity Murabahah Term Financing-i ("CMTF-i")	347,699	346,805
<b><u>Current</u></b>		
<b><u>Secured</u></b>		
- Commodity Murabahah Revolving Credit-i ("CMRC-i")	3,100	-
	<u>350,799</u>	<u>346,805</u>

The CMTF-i is secured against investment properties totalling RM715.2 million (2016: RM712.97 million).

On 14 June 2017, the Fund secured a working capital financing facility of up to RM10 million 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 million has been drawn down from the CMRC-i. The CMRC-i is secured against an investment property of RM15.3 million.

All Islamic financings are denominated in Ringgit Malaysia.

##### **B11. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

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

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Fourth Quarter Ended 31 December 2017

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

##### B12. MATERIAL LITIGATION

There was no material litigation for the current quarter under review.

##### B13. SOFT COMMISSION RECEIVED

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

##### B14. SUMMARY OF DPU, EPU AND NAV

	Current Quarter ended 31-12-2017	Immediate Preceding Quarter ended 30-09-2017
Number of units in issue (units)	580,000,000	580,000,000
Earning per unit (EPU) - sen	2.36	1.48
Net income distribution to unitholders (RM'000)	-	16,530
Distribution per unit (DPU) - sen	-	2.85
Net Asset Value (NAV) - RM'000	616,296	602,633
NAV per unit (RM)	1.0626	1.0390
Market Value Per Unit (RM)	1.0000	1.0000

##### B15. RESPONSIBILITY STATEMENT

This quarterly report has been prepared in accordance with MFRS 134 : Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Al-Salām REIT as at 31 December 2017 and of its financial performance and cash flows for the period then ended.