

AL-SALĀM REIT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the First Quarter Ended 31 March 2018

Note	Individual Quarter			Cumulative Quarter		
	Current Year Quarter	Preceding Year Corresponding Quarter	Change	Current Year To Date	Preceding Year Corresponding To Date	Change
	31-03-2018	31-03-2017		31-03-2018	31-03-2017	
	RM	RM	%	RM	RM	%
	17,540,100	18,105,940	(3.1)	17,540,100	18,105,940	(3.1)
	1,442,198	1,647,116	(12.4)	1,442,198	1,647,116	(12.4)
Total revenue	18,982,298	19,753,056	(3.9)	18,982,298	19,753,056	(3.9)
Utilities expenses	(1,531,966)	(1,572,747)	(2.6)	(1,531,966)	(1,572,747)	(2.6)
Maintenance expenses	(970,623)	(769,812)	26.1	(970,623)	(769,812)	26.1
Quit rent and assessment	(363,109)	(363,109)	-	(363,109)	(363,109)	-
Other operating expenses	(2,534,563)	(2,515,016)	0.8	(2,534,563)	(2,515,016)	0.8
Property manager fee	(67,500)	(67,500)	-	(67,500)	(67,500)	-
Property operating expenses	(5,467,761)	(5,288,184)	3.4	(5,467,761)	(5,288,184)	3.4
Net property income	13,514,537	14,464,872	(6.6)	13,514,537	14,464,872	(6.6)
Investment income	238,090	300,014	(20.6)	238,090	300,014	(20.6)
Gain in fair value adjustment	-	-	-	-	-	-
Net investment income	13,752,627	14,764,886	(6.9)	13,752,627	14,764,886	(6.9)
Manager's management fees	(593,339)	(585,306)	1.4	(593,339)	(585,306)	1.4
Trustee's fees	(30,578)	(30,418)	0.5	(30,578)	(30,418)	0.5
Shariah advisors' fee	-	-	-	-	-	-
Islamic financing costs	(4,760,174)	(4,530,929)	5.1	(4,760,174)	(4,530,929)	5.1
Other trust expenses	(340,852)	(352,516)	(3.3)	(340,852)	(352,516)	(3.3)
Net income before tax	8,027,684	9,265,717	(13.4)	8,027,684	9,265,717	(13.4)
Taxation	-	-	-	-	-	-
Net income for the period	8,027,684	9,265,717	(13.4)	8,027,684	9,265,717	(13.4)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the period	8,027,684	9,265,717	(13.4)	8,027,684	9,265,717	(13.4)
Net income for the period is made up as follow:						
Realised	8,027,684	9,265,717	(13.4)	8,027,684	9,265,717	(13.4)
Unrealised	-	-	-	-	-	-
	8,027,684	9,265,717	(13.4)	8,027,684	9,265,717	(13.4)
Earnings per unit (sen)	1.38	1.60	(13.4)	1.38	1.60	(13.4)

The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED STATEMENT OF FINANCIAL POSITION
as at 31 March 2018

	Note	Unaudited As At End Of Current Quarter 31-03-2018	Audited As at preceding year ended 31-12-2017
		RM	RM
ASSETS			
Non-current assets			
Investment properties	A9	927,470,000	927,470,000
Property, plant & equipment		549,792	557,188
Current Assets			
Trade receivables		4,151,542	4,523,787
Other receivables & prepayments		14,895,161	8,745,852
Cash and bank balances		8,921,097	12,651,281
Fixed deposits with licensed banks		22,499,000	32,415,000
Amount due from related companies		2,098,214	2,392,790
		<u>52,565,014</u>	<u>60,728,710</u>
TOTAL ASSETS		<u>980,584,806</u>	<u>988,755,898</u>
LIABILITIES			
Non-current liabilities			
Islamic financing	B10	347,922,470	347,698,967
Other payables and accruals		14,213,638	14,349,488
		<u>362,136,108</u>	<u>362,048,455</u>
Current Liabilities			
Islamic financing	B10	3,100,000	3,100,000
Other payables and accruals		9,230,946	6,945,237
Amount due to related companies		64,368	366,571
		<u>12,395,314</u>	<u>10,411,808</u>
TOTAL LIABILITIES		<u>374,531,422</u>	<u>372,460,263</u>
NET ASSETS VALUE		<u>606,053,384</u>	<u>616,295,635</u>
REPRESENTED BY:			
Unitholders' capital		572,545,319	572,545,319
Undistributed income		33,508,065	43,750,316
TOTAL UNITHOLDERS' FUND		<u>606,053,384</u>	<u>616,295,635</u>
NUMBER OF UNITS IN CIRCULATION		<u>580,000,000</u>	<u>580,000,000</u>
NET ASSETS VALUE (NAV) PER UNIT (RM)		1.0449	1.0626

The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED STATEMENT OF CHANGES
IN NET ASSETS VALUE
For the First Quarter Ended 31 March 2018

	Unitholders' Capital RM	Distributable Undistributed Income Realised RM	Non-distributable Undistributed Income Unrealised RM	Total Unitholders' Fund RM
As at 1 January 2018	572,545,319	20,344,661	23,405,655	616,295,635
Total comprehensive income for the period	-	8,027,684	-	8,027,684
Unitholders' transactions				
Issuance of new units	-	-	-	-
Distribution to unitholders#	-	(18,269,935)	-	(18,269,935)
Issuing expenses	-	-	-	-
<i>Increase/(Decrease) in net assets resulting from unitholders' transactions</i>	-	(18,269,935)	-	(18,269,935)
As at 31 March 2018	<u>572,545,319</u>	<u>10,102,410</u>	<u>23,405,655</u>	<u>606,053,384</u>
As at 1 January 2017	572,545,319	21,052,037	18,342,505	611,939,861
Total comprehensive income for the period	-	9,265,717	-	9,265,717
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 31 March 2017	<u>572,545,319</u>	<u>10,597,830</u>	<u>18,342,505</u>	<u>601,485,654</u>

Include :

- i) Payment of final income distribution of 3.15 sen per unit for financial year ended 31 December 2017 (of which 3.11 sen is taxable and 0.04 sen per unit is non taxable in the hand of unitholders) for financial period from 1 July 2017 to 31 December 2017 which was paid on 28 February 2018.

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 2017 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED STATEMENT OF CASH FLOWS
For the First Quarter Ended 31 March 2018

	31-03-2018	To Date 31-03-2017
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before tax	8,027,684	9,265,717
Adjustment for:		
Islamic financing costs	4,760,174	4,530,929
Investment income	(238,090)	(300,014)
Depreciation	10,021	3,807
Gain on fair value adjustment	-	-
Operating profit before working capital changes	12,559,789	13,500,439
Decrease in trade receivables	372,245	1,749,515
Increase in other receivables and prepayments	(6,183,767)	(3,508,367)
(Increase)/Decrease in amount owing by related parties	294,576	(586,872)
Increase in payables and accruals	2,151,234	1,321,492
Increase / (Decrease) in amount owing to related parties	(302,203)	64,368
Cash generated from operations	8,891,874	12,540,575
Taxes paid	-	-
Net cash generated from operating activities	8,891,874	12,540,575
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant & equipment	(2,625)	(97,576)
Investment income	253,798	300,007
Increase in pledged deposits with licensed banks	(84,000)	(81,000)
Net cash generated from investing activities	167,173	121,431
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic financing costs paid	(4,519,296)	(4,281,599)
Income distribution paid	(18,269,935)	(19,719,924)
Net cash used in financing activities	(22,789,231)	(24,001,523)

AL-SALĀM REIT
CONDENSED STATEMENT OF CASH FLOWS (CONTINUED)
For the First Quarter Ended 31 March 2018

	31-03-2018	To Date 31-03-2017
	<u>RM</u>	<u>RM</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(13,730,184)	(11,339,517)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	35,151,281	37,855,659
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>21,421,097</u>	<u>26,516,142</u>
DEPOSITS, CASH AND BANK BALANCES		
Cash and bank balances	8,921,097	4,016,142
Fixed deposits with licensed banks	22,499,000	32,166,000
	<u>31,420,097</u>	<u>36,182,142</u>
Less : Pledged deposits with licensed banks	(9,999,000)	(9,666,000)
CASH AND CASH EQUIVALENTS	<u>21,421,097</u>	<u>26,516,142</u>

The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the First Quarter Ended 31 March 2018

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 2017 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 2017.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The Audited Financial Statements of Al-Salām REIT for the financial year ended 31 December 2017 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 29 January 2018, the Fund declared a final income distribution of 3.15 sen per unit for financial period from 1 July to 31 December 2017 (of which 3.11 sen is taxable and 0.04 sen per unit is non taxable in the hand of unitholders). The income distribution was paid on 28 February 2018.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the First Quarter Ended 31 March 2018

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

A8. SEGMENTAL REPORTING

As at 31 March 2018

	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	11,497	2,336	2,451	2,698	-	18,982
Property operating expenses	(4,450)	(886)	(4)	(60)	(67)	(5,467)
Net property income	7,047	1,450	2,447	2,638	(67)	13,515
Fair value gain on investment properties	-	-	-	-	-	-
Investment income	-	-	-	-	238	238
Net investment income	7,047	1,450	2,447	2,638	171	13,753
Total trust expenses	-	-	-	-	(965)	(965)
Islamic financing costs	-	-	-	-	(4,760)	(4,760)
Net income before tax	7,047	1,450	2,447	2,638	(5,554)	8,028
Income tax expenses	-	-	-	-	-	-
Net income for the period	7,047	1,450	2,447	2,638	(5,554)	8,028
Total assets	624,437	89,279	161,670	168,854	(63,655)	980,585
Total liabilities	18,514	2,788	-	674	352,555	374,531

As at 31 March 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	12,336	2,260	2,451	2,706	-	19,753
Property operating expenses	(4,215)	(937)	(4)	(65)	(67)	(5,288)
Net property income	8,121	1,323	2,447	2,641	(67)	14,465
Fair value gain on investment properties	-	-	-	-	-	-
Investment income	-	-	-	-	300	300
Net investment income	8,121	1,323	2,447	2,641	233	14,765
Total trust expenses	-	-	-	-	(968)	(968)
Islamic financing costs	-	-	-	-	(4,531)	(4,531)
Net income before tax	8,121	1,323	2,447	2,641	(5,266)	9,266
Income tax expenses	-	-	-	-	-	-
Net income for the period	8,121	1,323	2,447	2,641	(5,266)	9,266
Total assets	592,293	85,886	158,590	165,551	(32,976)	969,344
Total liabilities	19,208	3,232	-	858	344,561	367,859

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the First Quarter Ended 31 March 2018

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

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 19 April 2018, 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 FINANCIAL STATEMENTS

For the First Quarter Ended 31 March 2018

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 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:

	As at 31-03-2018 RM'000	As at 31-03-2017 RM'000
Rental income received/receivable from related parties	7,394,797	7,278,385
Other property management fees charged by related parties of the Manager (including other operating expenses)	1,101,313	929,449

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 First Quarter Ended 31 March 2018

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

B1. REVIEW OF PERFORMANCE

	Quarter ended			Cumulative period ended		
	31-03-2018 RM'000	31-03-2017 RM'000	Change %	31-03-2018 RM'000	31-03-2017 RM'000	Change %
Total revenue						
Retail outlets	11,497	12,336	(6.8)	11,497	12,336	(6.8)
Office buildings	2,336	2,260	3.4	2,336	2,260	3.4
F&B restaurants	2,451	2,451	-	2,451	2,451	-
F&B non-restaurants	2,698	2,706	(0.3)	2,698	2,706	(0.3)
Total	18,982	19,753	(3.9)	18,982	19,753	(3.9)
Net property income ("NPI")						
Retail outlets	7,047	8,121	(13.2)	7,047	8,121	(13.2)
Office buildings	1,450	1,323	9.6	1,450	1,323	9.6
F&B restaurants	2,447	2,447	-	2,447	2,447	-
F&B non-restaurants	2,638	2,641	(0.1)	2,638	2,641	(0.1)
Property manager fee	(67)	(67)	-	(67)	(67)	-
Total	13,515	14,465	(6.6)	13,515	14,465	(6.6)
Investment income	238	300	(20.7)	238	300	(20.7)
Trust expenses	(5,725)	(5,499)	4.1	(5,725)	(5,499)	4.1
Net income before tax	8,028	9,266	(13.4)	8,028	9,266	(13.4)

Review of Current/Cumulative Quarter Results

Retail outlets

The retail segment reported a total revenue of RM11.5 million for the current quarter ended 31 March 2018 (Q1 2018), a decrease of 6.8% compared to the preceding year corresponding quarter (Q1 2017). Occupancy rate for KOMTAR JBCC is 95% for the current quarter as compared to 94% in the preceding year corresponding quarter. Even though the occupancy rate has increased, rental adjustment to the several tenants of KOMTAR JBCC has resulted in the decrease of total revenue. Net property income (NPI) of RM7.0 million represented a decrease of 13.2% due to an increase in operating expenses for the current quarter.

Office building

For Q1 2018, total revenue of RM2.3 million was reported, an increase of 3.4% due to higher rental renewal rate. NPI increase by 9.6% due to lower operating expenses as compared to preceding year's corresponding quarter.

F&B restaurants

For Q1 2018 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 (Q1 2017:100%).

F&B non-restaurant

For Q1 2018, there isn't much changes in total revenue and NPI between Q1 2018 and Q1 2017 as occupancy rate remains the same.

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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the First Quarter Ended 31 March 2018

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

B1. REVIEW OF PERFORMANCE (continued)

Net income before tax

For the current quarter ended 31 March 2018, Al-Salām REIT recorded a total revenue of RM19.0 million representing a decrease of RM0.8 million from RM19.8 million recorded in previous corresponding quarter. After taking into consideration Islamic financing costs and trust expenses totalling RM5.7 million, the net income before tax for the current quarter ended 31 March 2018 was RM8.0 million, which is RM1.3 million lower than the previous corresponding quarter of RM9.3 million. This was due to rental adjustment and higher operating expenses for the current quarter.

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

	Quarter ended		Change %
	31-03-2018 RM'000	31-12-2017 RM'000	
Total revenue			
Retail outlets	11,497	12,812	(10.3)
Office buildings	2,336	2,309	1.2
F&B restaurants	2,451	2,451	-
F&B non-restaurants	2,698	2,677	0.8
	18,982	20,249	(6.3)
Net property income ("NPI") :			
Retail outlets	7,047	7,631	(7.7)
Office buildings	1,450	1,383	4.8
F&B restaurants	2,447	2,447	-
F&B non-restaurants	2,638	2,585	2.1
Property manager fee	(67)	(65)	3.1
	13,515	13,981	(3.3)
Investment income	238	267	(10.9)
Gain in fair value adjustment	-	5,063	(100.0)
Trust expenses	(5,725)	(5,648)	1.4
Net income before tax	8,028	13,663	(41.2)

Total revenue and net income before tax reported a decrease of 6.3% and 41.2% respectively due to rental adjustment to the few tenants of KOMTAR JBCC and lower percentage rental for KOMTAR JBCC. Furthermore, no fair value gain on investment properties recorded for the current quarter (Q4 2017:RM5.1 million).

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the First Quarter Ended 31 March 2018

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%. The uncertainties in the economic outlook are expected to adversely impact customer spending thus the Manager will increase the marketing efforts and 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. The Ibrahim International Business District (IIBD) which was launched in November 2015 is set to upgrade the public infrastructures in the heart of Johor Bahru. The project involved among others, the construction of a link bridge that connects JB Sentral CIQ to Persada Annexe through KOMTAR JBCC, which will enhance its economic opportunity. KOMTAR JBCC also can expect direct impact from the completion of Menara JLand which provide 30-storey office space this year as well as the proposed construction of Holiday Inn Hotel on top of KOMTAR JBCC. Apart from that, the proposed linkage of the upcoming Johor Bahru Rapid Transit System (RTS) with KOMTAR JBCC will further enhance the accessibility and connectivity for KOMTAR JBCC. KOMTAR JBCC has increased its occupancy rate at 95% (FY2017: 94%) in the current quarter.

With regards to the office sector, Menara KOMTAR maintained its occupancy rate of 91%. The long term tenancies by the sponsor of Al-Salām REIT, Johor Corporation Group, provides a long term occupancy reliability for Menara KOMTAR.

@Mart Kempas recorded an average occupancy rate of 96% (FY2017: 92%) 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% (FY2017: 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.

Malaysian College of Hospitality and Management 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.

It is expected that the cost of financing is to be higher following the increase of Overnight Policy Rate (OPR) by 25 points as announced by Bank Negara Malaysia on 25 January 2018, given that the current Islamic financing is on a floating basis.

The Manager warrants the existing assets within the portfolio are well maintained to ensure the stability of rental income, stable income distributions for Al-Salām REIT and create long-term value for its unitholders. In addition, the Manager is always on the lookout for potential acquisitions including pipeline assets from the Johor Corporation Group to achieve sustainable growth of Al-Salām REIT.

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 First Quarter Ended 31 March 2018

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. Subsequently, on 29 March 2018, Al-Salām REIT had announced that the parties to the SPA had, vide the letters dated 27 March 2018 and 28 March 2018 respectively, mutually agreed to an extension of time up to 1 June 2018 for the fulfillment of the Conditions Precedent to the SPA.

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

	As at 31-03-2018 RM'000	As at 31-03-2017 RM'000
Trade receivables	4,152	2,075

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 (2017: 30 to 60 days).

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2018

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 31-03-2018 RM'000	As at 31-03-2017 RM'000
0 - 30 days	934	880
31 - 60 days	859	362
61 - 90 days	537	267
91 - 120 days	1,822	566
	4,152	2,075

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 31-03-2018 RM'000	As at 31-03-2017 RM'000
<u>Non-current</u>		
<u>Secured</u>		
- Commodity Murabahah Term Financing-i ("CMTF-i")	347,922	347,028
<u>Current</u>		
<u>Secured</u>		
- Commodity Murabahah Revolving Credit-i ("CMRC-i")	3,100	-
	351,022	347,028

The CMTF-i is secured against investment properties totalling RM715.2 million (2017: RM715.2 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 (2017: 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 First Quarter Ended 31 March 2018

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 31-03-2018	Immediate Preceding Quarter ended 31-12-2017
Number of units in issue (units)	580,000,000	580,000,000
Earning per unit (EPU) - sen	1.38	2.36
Net income distribution to unitholders (RM'000)	18,270	-
Distribution per unit (DPU) - sen	3.15	-
Net Asset Value (NAV) - RM'000	606,053	616,296
NAV per unit (RM)	1.0449	1.0626
Market Value Per Unit (RM)	0.9000	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 March 2018 and of its financial performance and cash flows for the period then ended.