

## AL-SALĀM REIT

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Third Quarter Ended 30 September 2018

Note	Individual Quarter			Cumulative Quarter		
	Current Year Quarter	Preceding Year Corresponding Quarter	Change	Current Year To Date	Preceding Year Corresponding To Date	Change
	30-09-2018	30-09-2017		30-09-2018	30-09-2017	
	RM	RM	%	RM	RM	%
	18,414,406	18,174,647	1.3	53,782,306	54,847,441	(1.9)
	1,645,524	1,611,050	2.1	4,765,917	4,936,825	(3.5)
Total revenue	20,059,930	19,785,697	1.4	58,548,223	59,784,266	(2.1)
Utilities expenses	(1,740,644)	(1,696,239)	2.6	(4,983,908)	(5,003,995)	(0.4)
Maintenance expenses	(1,439,472)	(1,337,070)	7.7	(3,399,750)	(3,281,465)	3.6
Quit rent and assessment	(363,108)	(363,110)	(0.0)	(1,089,326)	(1,089,328)	(0.0)
Other operating expenses	(2,800,963)	(2,385,715)	17.4	(8,346,622)	(7,301,121)	14.3
Property manager fee	(67,500)	(67,500)	-	(202,500)	(202,500)	-
Property operating expenses	(6,411,687)	(5,849,634)	9.6	(18,022,106)	(16,878,409)	6.8
Net property income	13,648,243	13,936,063	(2.1)	40,526,117	42,905,857	(5.5)
Investment income	252,564	342,974	(26.4)	709,658	921,121	(23.0)
Gain in fair value adjustment	747,448	-	-	747,448	-	-
Net investment income	14,648,255	14,279,037	2.6	41,983,223	43,826,978	(4.2)
Manager's management fees	118,126	(585,106)	(120.2)	(1,069,367)	(1,753,563)	(39.0)
Trustee's fees	(30,646)	(30,821)	(0.6)	(91,775)	(91,623)	0.2
Shariah advisors' fee	(3,000)	(3,000)	-	(3,000)	(3,000)	-
Islamic financing costs	(6,067,498)	(4,641,305)	30.7	(15,762,061)	(13,752,069)	14.6
Other trust expenses	(326,001)	(406,696)	(19.8)	(1,015,532)	(1,283,964)	(20.9)
Net income before tax	8,339,236	8,612,109	(3.2)	24,041,488	26,942,759	(10.8)
Taxation	-	-	-	-	-	-
<b>Net income for the period</b>	<b>8,339,236</b>	<b>8,612,109</b>	<b>(3.2)</b>	<b>24,041,488</b>	<b>26,942,759</b>	<b>(10.8)</b>
Other comprehensive income, net of tax	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>8,339,236</b>	<b>8,612,109</b>	<b>(3.2)</b>	<b>24,041,488</b>	<b>26,942,759</b>	<b>(10.8)</b>
Net income for the period is made up as follow:						
Realised	7,591,788	8,612,109	(11.8)	23,294,040	26,942,759	(13.5)
Unrealised	747,448	-	-	747,448	-	-
	8,339,236	8,612,109	(3.2)	24,041,488	26,942,759	(10.8)
Earnings per unit (sen)	1.44	1.48	(3.2)	4.15	4.65	(10.8)

The Condensed Consolidated 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 CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 30 September 2018**

	Note	Unaudited As At End Of Current Quarter 30-09-2018	Audited As at preceding year ended 31-12-2017
		RM	RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	A9	1,085,470,000	927,470,000
Property, plant & equipment		702,091	557,188
<b>Current Assets</b>			
Trade receivables		4,770,490	4,523,787
Other receivables & prepayments		11,618,107	8,745,852
Cash and bank balances		11,450,349	12,651,281
Fixed deposits with licensed banks		36,381,000	32,415,000
Amount due from related companies		2,098,214	2,392,790
		<u>66,318,160</u>	<u>60,728,710</u>
<b>TOTAL ASSETS</b>		<u>1,152,490,251</u>	<u>988,755,898</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Islamic financing	B10	509,026,535	347,698,967
Other payables and accruals		14,612,357	14,349,488
		<u>523,638,892</u>	<u>362,048,455</u>
<b>Current Liabilities</b>			
Islamic financing	B10	-	3,100,000
Other payables and accruals		12,519,753	6,945,237
Provision for income distribution		5,800,000	-
Amount due to related companies		64,418	366,571
		<u>18,384,171</u>	<u>10,411,808</u>
<b>TOTAL LIABILITIES</b>		<u>542,023,063</u>	<u>372,460,263</u>
<b>NET ASSETS VALUE</b>		<u>610,467,188</u>	<u>616,295,635</u>
<b>REPRESENTED BY:</b>			
Unitholders' capital		572,545,319	572,545,319
Undistributed income		37,921,869	43,750,316
<b>TOTAL UNITHOLDERS' FUND</b>		<u>610,467,188</u>	<u>616,295,635</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>		1.0525	1.0626

The Condensed Consolidated 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 CONSOLIDATED STATEMENT OF CHANGES**  
**IN NET ASSETS VALUE**  
**For the Third Quarter Ended 30 September 2018**

	<b>Unitholders' Capital RM</b>	<b>Distributable Undistributed Income Realised RM</b>	<b>Non-distributable Undistributed Income Unrealised RM</b>	<b>Total Unitholders' Fund RM</b>
<b>As at 1 January 2018</b>	572,545,319	20,344,661	23,405,655	616,295,635
<b>Total comprehensive income for the period</b>	-	23,294,040	747,448	24,041,488
<b>Unitholders' transactions</b>				
Issuance of new units	-	-	-	-
Distribution to unitholders#	-	(29,869,935)	-	(29,869,935)
Issuing expenses	-	-	-	-
<i>Increase/(Decrease) in net assets resulting from unitholders' transactions</i>	-	(29,869,935)	-	(29,869,935)
<b>As at 30 September 2018</b>	<u>572,545,319</u>	<u>13,768,766</u>	<u>24,153,103</u>	<u>610,467,188</u>
<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>	-	26,942,759	-	26,942,759
<b>Unitholders' transactions</b>				
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)
<b>As at 30 September 2017</b>	<u>572,545,319</u>	<u>11,744,872</u>	<u>18,342,505</u>	<u>602,632,696</u>

# Include :

- i) Payment of final income distribution of 3.15 sen per unit for the 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) in respect of the period from 1 July 2017 to 31 December 2017 which was paid on 28 February 2018.
- ii) Payment of first interim income distribution of 1.00 sen per unit for the financial year ending 31 December 2018 (taxable in the hand of unitholders) in respect of the period from 1 January 2018 to 31 March 2018 which was paid on 9 July 2018.
- iii) Provision of second interim income distribution of 1.00 sen per unit for the financial year ending 31 December 2018 (taxable in the hand of unitholders) in respect of the period from 1 April 2018 to 30 June 2018 which was announced on 29 August 2018.

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

**AL-SALĀM REIT**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Third Quarter Ended 30 September 2018**

	30-09-2018	To Date 30-09-2017
	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before tax	24,041,488	26,942,759
Adjustment for:		
Islamic financing costs	15,762,061	13,752,069
Investment income	(709,658)	(921,121)
Depreciation	34,655	15,478
Gain on fair value adjustment	(747,448)	-
Operating profit before working capital changes	38,381,098	39,789,185
(Increase) / Decrease in trade receivables	(246,703)	842,889
(Increase) / Decrease in other receivables and prepayments	(5,175,962)	(4,639,636)
(Increase) / Decrease in amount owing by related parties	294,576	(587,372)
Increase / (Decrease) in payables and accruals	5,802,268	2,755,956
Increase / (Decrease) in amount owing to related parties	(302,153)	64,368
Cash generated from operations	38,753,124	38,225,390
Taxes paid	-	-
Net cash generated from operating activities	38,753,124	38,225,390
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investment property	(157,252,552)	-
Acquisition of property, plant & equipment	(179,558)	(464,746)
Investment income	726,238	918,853
Increase in pledged deposits with licensed banks	(266,000)	(246,000)
Net cash (used in) / generated from investing activities	(156,971,872)	208,107
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of long term Islamic financing	159,685,000	3,100,000
Islamic financing costs paid	(14,897,249)	(13,115,964)
Income distribution paid	(24,069,935)	(19,719,924)
Net cash (used) / generated from financing activities	120,717,816	(29,735,888)

**AL-SALĀM REIT**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
**For the Third Quarter Ended 30 September 2018**

	30-09-2018	To Date 30-09-2017
	<u>RM</u>	<u>RM</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,499,068	8,697,609
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	35,151,281	37,855,659
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<u>37,650,349</u>	<u>46,553,268</u>
<b>DEPOSITS, CASH AND BANK BALANCES</b>		
Cash and bank balances	11,450,349	8,053,268
Fixed deposits with licensed banks	36,381,000	48,331,000
	47,831,349	56,384,268
Less : Pledged deposits with licensed banks	(10,181,000)	(9,831,000)
<b>CASH AND CASH EQUIVALENTS</b>	<u>37,650,349</u>	<u>46,553,268</u>

The Condensed Consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2018

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

##### A1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with Listing Requirements of the Bursa Malaysia Securities Berhad, Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The interim financial report should be read in conjunction with the audited financial statements of the Fund for the financial year ended 31 December 2017.

The accounting policies and methods of computation adopted by the Fund in this interim financial report are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2017.

##### Standards, amendments to published standards and interpretations that are effective

The Fund has applied the following amendments for the financial year beginning on 1 January 2018:

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers' and 'Clarifications to MFRS 15'
- Amendments to MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards' (Annual Improvements to MFRS Standards 2014–2016 Cycle)
- Amendments to MFRS 2 'Classification and Measurement of Share-based Payment'
- Amendments to MFRS 3 'Business Combinations' (Annual Improvements to MFRS Standards 2015–2017 Cycle)
- Amendments to MFRS 128 'Investments in Associates and Joint Ventures' (Annual Improvements to MFRS Standards 2014–2016 Cycle)
- Amendments to MFRS 140 'Transfers of Investment Property'

##### Standards that have been issued but not yet effective

The Fund did not early adopt these new standards:

- MFRS 16 'Leases' (effective from 1 January 2019)
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation' (effective 1 January 2019)
- Amendments to MFRS 11 'Joint Arrangements' (Annual Improvements to MFRS Standards 2015–2017 Cycle) (effective 1 January 2019)
- Amendments to MFRS 112 'Income Taxes' (Annual Improvements to MFRS Standards 2015–2017 Cycle) (effective 1 January 2019)
- Amendments to MFRS 119 'Plan Amendment, Curtailment or Settlement' (effective 1 January 2019)
- Amendments to MFRS 123 'Borrowing Costs' (Annual Improvements to MFRS Standards 2015–2017 Cycle) (effective 1 January 2019)
- Amendments to MFRS 2 'Share-based Payment' (effective 1 January 2020)
- Amendment to MFRS 3 'Business Combinations' (effective 1 January 2020)
- Amendments to MFRS 101 Presentation of Financial Statements (effective 1 January 2020)
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (effective 1 January 2020)
- Amendments to MFRS 134 Interim Financial Reporting (effective 1 January 2020)

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2018

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

##### A1. BASIS OF PREPARATION (continued)

###### Standards that have been issued but not yet effective (continued)

The Fund did not early adopt these new standards: (continued)

- Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets (effective 1 January 2020)
- Amendment to MFRS 138 Intangible Assets (effective 1 January 2020)
- Amendment to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 January 2020)
- Amendment to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2020)
- Amendment to IC Interpretation 132 Intangible Assets–Web Site Costs (effective 1 January 2020)

##### 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 is no change in the estimates of amounts reported in prior financial years that has a material effect in the current financial period under review.

Except, as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Fund's consolidated financial statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Fund's consolidated financial statements as at and for the year ending 31 December 2018.

The Fund has adopted MFRS 15 'Revenue from Contracts with Customers' and MFRS 9 'Financial Instruments' from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amount recognised in the financial statements. In accordance with the transition provision, the Fund has adopted new rules retrospectively and its comparative may be restated for the 2017 financial year. A number of new standards are effective from 1 January 2018 but they do not have a material effect on the Fund's financial statements.

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2018

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

##### A5. CHANGES IN ACCOUNTING ESTIMATES (continued)

###### i. MFRS 15 'Revenue from Contracts with Customers'

MFRS 15 replaces the guidance in MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfer of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services. The standard provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The adoption of MFRS 15 does not have a material effect on the Fund's financial statements.

###### ii. MFRS 9 'Financial Instruments'

MFRS 9 replaces the provisions of MFRS 139 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of the new standard has not had a significant effect on the Fund's accounting policies related to financial liabilities. The classification of financial assets under MFRS 9 is generally based on the business model in which a financial asset is managed based on its contractual cash flow characteristics.

##### Classification and measurement of financial assets

The following table and the accompanying notes below explain the original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's financial assets:

	Original classification under <u>MFRS 139</u>	New classification under <u>MFRS 9</u>	Original carrying amount under <u>MFRS 139</u>	New carrying amount under <u>MFRS 9</u>
<u>Financial assets</u> <u>31.12.2017</u>			<u>RM'000</u>	<u>RM'000</u>
Trade receivables	Loans and receivables	Amortised cost	4,770	4,770
Other receivables	Loans and receivables	Amortised cost	5,659	5,659
Cash and bank balances	Loans and receivables	Amortised cost	11,450	11,450
Fixed deposits with licensed banks	Loans and receivables	Amortised cost	36,381	36,381

##### Impairment of financial assets

MFRS 9 requires the Fund to record expected credit losses on all its trade receivables and other receivables either on a 12-month or lifetime basis. The Fund applies simplified approach and record lifetime expected losses on all receivables. Upon application of the expected credit loss model, the Fund expects that due to the low credit risk of the receivables given the strong external credit rating, the loss allowance will have no material impact on the financial statements of the Fund.

From the assessment above, the Fund deems that no retrospective adjustment is required. As a consequence, it is not necessary to provide an additional statement of financial position as at the beginning of the earliest comparative period presented where an entity has made a retrospective change in accounting policies and/or a retrospective reclassification.



## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2018

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

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

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

#### A7. INCOME DISTRIBUTION

On 29 August 2018, the Fund declared the second interim income distribution of 1.00 sen per unit for the financial year ending 31 December 2018 (taxable in the hands of unit holders) in respect of the period from 1 April 2018 to 30 June 2018.

#### A8. SEGMENTAL REPORTING

As at 30 September 2018

	<b>Retail outlets RM'000</b>	<b>Office buildings RM'000</b>	<b>F&amp;B Restaurants RM'000</b>	<b>F&amp;B Non- restaurants RM'000</b>	<b>Other- Fund level operations RM'000</b>	<b>Total RM'000</b>
Total revenue	35,953	7,025	7,474	8,096	-	58,548
Property operating expenses	(14,883)	(2,714)	(12)	(211)	(202)	(18,022)
Net property income	21,070	4,311	7,462	7,885	(202)	40,526
Fair value gain on investment properties	-	-	-	-	747	747
Investment income	-	-	-	-	710	710
Net investment income	21,070	4,311	7,462	7,885	1,255	41,983
Total trust expenses	-	-	-	-	(2,180)	(2,180)
Islamic financing costs	-	-	-	-	(15,762)	(15,762)
Net income before tax	21,070	4,311	7,462	7,885	(16,687)	24,041
Income tax expenses	-	-	-	-	-	-
Net income for the period	21,070	4,311	7,462	7,885	(16,687)	24,041
Total assets	797,879	91,978	161,670	170,003	(69,040)	1,152,490
Total liabilities	20,174	2,625	-	695	518,529	542,023

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2018

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

#### A8. SEGMENTAL REPORTING

As at 30 September 2017

	<b>Retail outlets RM'000</b>	<b>Office buildings RM'000</b>	<b>F&amp;B Restaurants RM'000</b>	<b>F&amp;B Non- restaurants RM'000</b>	<b>Other- Fund level operations RM'000</b>	<b>Total RM'000</b>
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
Fair value gain on 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

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.

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2018

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

##### A10. SUBSEQUENT MATERIAL EVENTS

Except for those disclosed in Note B8, there were no other 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.

##### 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:

	<b>As at 30-09-2018 RM'000</b>	<b>As at 30-09-2017 RM'000</b>
Rental income received/receivable from related parties	22,240,051	21,835,155
Other property management and fees charged by related parties of the Manager (including other operating expenses)	4,537,666	5,087,194

The related party transactions described above were entered into in the normal course of business and are based on negotiated and mutually agreed terms (based on the agreements signed prior to the amendments in the Bursa Malaysia main market listing requirements issued on 9 April 2018).

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2018

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

##### B1. REVIEW OF PERFORMANCE

	Quarter ended			Cumulative period ended		
	30-09-2018 RM'000	30-09-2017 RM'000	Change %	30-09-2018 RM'000	30-09-2017 RM'000	Change %
<b>Total revenue</b>						
Retail outlets	12,443	12,327	0.9	35,953	37,487	(4.1)
Office buildings	2,345	2,302	1.9	7,025	6,827	2.9
F&B restaurants	2,573	2,451	5.0	7,474	7,352	1.7
F&B non-restaurants	2,699	2,706	(0.3)	8,096	8,118	(0.3)
Total	<u>20,060</u>	<u>19,786</u>	1.4	<u>58,548</u>	<u>59,784</u>	(2.1)
<b>Net property income ("NPI")</b>						
Retail outlets	7,041	7,598	(7.3)	21,070	23,857	(11.7)
Office buildings	1,494	1,391	7.4	4,311	4,068	6.0
F&B restaurants	2,569	2,447	5.0	7,462	7,340	1.7
F&B non-restaurants	2,612	2,568	1.7	7,885	7,843	0.5
Property manager fee	(68)	(68)	-	(202)	(202)	-
Total	<u>13,648</u>	<u>13,936</u>	(2.1)	<u>40,526</u>	<u>42,906</u>	(5.5)
Investment income	253	343	(26.2)	710	921	(22.9)
Gain in fair value adjustment	747	-	100.0	747	-	100.0
Trust expenses	(6,309)	(5,667)	11.3	(17,942)	(16,884)	6.3
<b>Net income before tax</b>	<u>8,339</u>	<u>8,612</u>	(3.2)	<u>24,041</u>	<u>26,943</u>	(10.8)

#### Review of Current/Cumulative Quarter Results

##### **Retail outlets**

The retail segment reported a total revenue of RM12.4 million for the current quarter ended 30 September 2018 (Q3 2018), an increase of 0.9% compared to the preceding year corresponding quarter (Q3 2017). Occupancy rate for KOMTAR JBCC is 96% for the current quarter as compared to 95% in Q3 2017. Higher occupancy rate of KOMTAR JBCC has resulted in the increase of total revenue. Net property income (NPI) of RM7.0 million represented a decrease of 7.3% due to an increase in operating expenses for the current quarter.

For the cumulative period ended 30 September 2018, total revenue and net property income of the retail segment had experienced a decrease of RM1.53 million and RM2.79 million respectively due to rental adjustment and an increase in operating expenses.

##### **Office building**

For Q3 2018, total revenue of RM2.3 million was reported, an increase of 1.9% due to higher rental renewal rate. NPI increased by 7.4% due to lower operating expenses as compared to Q3 2017.

For the cumulative period to-date, total revenue and net property income reported an increase of 2.9% and 6.0% on the back of higher rental renewal rate despite the same occupancy rate of 91% (Q3 2017:91%).

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

For Q3 2018 and cumulative period to-date, total revenue and NPI for F&B restaurants were increased by 5.0% and 1.7% respectively. This was due to higher rental renewal rate of the restaurants. The properties are on a Triple Net arrangement with 100% occupancy rate (Q3 2017:100%).

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### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2018

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##### B1. REVIEW OF PERFORMANCE (continued)

###### F&B non-restaurant

For Q3 2018 and cumulative period to-date, there was no material change in total revenue and NPI between Q3 2018 and Q3 2017 as occupancy rate remains the same.

###### Net income before tax

For Q3 2018, lower net income before tax of RM8.3 million (Q3 2017: RM8.6 million) was reported. This was mainly due to an increase in operating expenses from retail segment as well as higher Islamic financing costs due to issuance of Sukuk for the acquisition of Mydin Hypermart Gong Badak.

For the financial year period ended 30 September 2018, Al-Salām REIT recorded a total revenue of RM58.5 million representing a decrease of RM1.3 million from RM59.8 million recorded in previous year's corresponding period. After taking into consideration Islamic financing costs and trust expenses totalling RM17.9 million, the net income before tax for the cumulative period ended 30 September 2018 was RM24.0 million, which is RM2.9 million lower than the previous corresponding quarter of RM26.9 million. This was mainly due to lower contribution from retail segment and higher Islamic financing costs as mentioned above.

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

	Quarter ended		Change %
	30-09-2018 RM'000	30-06-2018 RM'000	
<b>Total revenue</b>			
Retail outlets	12,443	12,013	3.6
Office buildings	2,345	2,344	0.0
F&B restaurants	2,573	2,451	5.0
F&B non-restaurants	2,699	2,699	-
	<b>20,060</b>	<b>19,507</b>	<b>2.8</b>
<b>Net property income ("NPI") :</b>			
Retail outlets	7,041	6,982	0.8
Office buildings	1,494	1,367	9.3
F&B restaurants	2,569	2,447	5.0
F&B non-restaurants	2,612	2,635	(0.9)
Property manager fee	(68)	(68)	-
	<b>13,648</b>	<b>13,363</b>	<b>2.1</b>
Investment income	253	219	15.5
Gain in fair value adjustment	747	-	100.0
Trust expenses	(6,309)	(5,907)	6.8
<b>Net income before tax</b>	<b>8,339</b>	<b>7,675</b>	<b>8.7</b>

Total revenue reported an increase of 2.8% due to additional rental income from Mydin Gong Badak and higher rental renewal for 13 F&B restaurants and non-restaurants. Net income before tax reported an increase of 8.7% mainly due to gain in fair value adjustment of investment properties.

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

**B3. PROSPECTS**

According to Retail Group Malaysia Association ("RGM"), the sentiment for FY2018 is likely to be positive with retail sales are expected to grow by 6%. However, RGM has revised its 2018 retail sales growth rate forecast for Malaysia's retail industry for the second time this year – lower to 4.1% this time around from its 5.3% estimate released in June, based on its latest quarterly adjustments.

The strategic location of KOMTAR JBCC will remain the 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 occupancy rate is at 95% for the current quarter as compared to 96% in the preceding year corresponding quarter.

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

@Mart Kempas recorded an average occupancy rate of 97% (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 is anticipated to add to the stability of Al-Salām REIT and be completed in the 1st quarter of FY2019 which are 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.

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.

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2018

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

##### **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 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**

###### **(a) Proposed Acquisition of Mydin Hypermarket Gong Badak ("Proposed Acquisition")**

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 8 August 2018, on behalf of the Manager, RHB Investment Bank announced that the parties to the SPA had confirmed that all conditions precedent in the SPA have been fulfilled on 7 August 2018. Accordingly the SPA has become unconditional on 7 August 2018. The proposed acquisition was completed on 21 September 2018.

###### **(b) i) Proposed Acquisition of 22 QSR Properties ("Proposed Acquisition")**

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. The Vendors, through its solicitors (via a letter dated 14 September 2018), have informed the Purchaser that they are agreeable to its request for an extension of the Conditional Period for 6 months until 28 February 2019.

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2018

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

#### **B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED (continued)**

##### **(b) ii) Proposed Placement of new units of up to RM60 million ("Proposed Placement")**

On 6 April 2018, on behalf of the Manager, Affin Hwang IB announced that Bursa Securities has granted its approval for the listing of and quotation for up to 116,000,000 new Units to be issued pursuant to the Proposed Placement on the Main Market of Bursa Securities via its letter dated 5 April 2018. Subsequently, the resolution dated 8 May 2018 were duly passed by the unitholders of Al-Salām REIT at the Extraordinary General Meeting on 6 June 2018. Al-Salām REIT had, on 7 September 2018 received the approval of the SC via its letter dated 6 September 2018 for the application for an extension of time of 6 months, i.e. until 22 March 2019 to complete the issuance and listing of new units. Bursa Securities via its letter dated 25 September 2018 approved Al-Salām REIT's application for an extension of time until 22 March 2019 to complete the implementation of the Proposed Placement.

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

	<b>As at 30-09-2018 RM'000</b>	<b>As at 30-09-2017 RM'000</b>
Trade receivables	4,770	2,981

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).

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

	<b>As at 30-09-2018 RM'000</b>	<b>As at 30-09-2017 RM'000</b>
0 - 30 days	1,019	915
31 - 60 days	648	503
61 - 90 days	217	160
91 - 120 days	2,886	1,403
	<b>4,770</b>	<b>2,981</b>

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.



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### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Third Quarter Ended 30 September 2018

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

##### B10. ISLAMIC FINANCING

	As at 30-09-2018 RM'000	As at 30-09-2017 RM'000
<b><u>Non-current</u></b>		
<b>Secured</b>		
- Commodity Murabahah Term Financing-i ("CMTF-i")	348,370	347,475
- Sukuk Ijarah - Islamic Medium Term Notes ("IMTN")	160,657	-
<b><u>Current</u></b>		
<b>Secured</b>		
- Commodity Murabahah Revolving Credit-i ("CMRC-i")	-	3,100
	<u>509,027</u>	<u>350,575</u>

The CMTF-i is secured against investment properties totalling RM715.2 million (2017: RM715.2 million). The CMRC-i is secured against an investment property of RM15.3 million (2017: RM15.3 million).

Alsreit Capital Sdn Bhd is a Special Purpose Vehicle (SPV) which was incorporated on 1 March 2018 for the purpose of raising Islamic financing for its holding company, Al-Salām REIT. On 24th August 2018, Alsreit Capital Sdn Bhd issued RM162.8 million in nominal value of 2 years IMTN being Issue 1 under its Sukuk Ijarah Programme of up to RM1.5 billion.

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.

##### 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.

## AL-SALĀM REIT

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Third Quarter Ended 30 September 2018

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

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

	<b>Current Quarter ended 30-09-2018</b>	<b>Immediate Preceding Quarter ended 30-06-2018</b>
Number of units in issue (units)	580,000,000	580,000,000
Earning per unit (EPU) - sen	1.44	1.32
Net income distribution to unitholders (RM'000)	5,800	5,800
Distribution per unit (DPU) - sen	1.00	1.00
Net Asset Value (NAV) - RM'000	610,467	607,928
NAV per unit (RM)	1.0525	1.0482
Market Value Per Unit (RM)	0.8400	0.8300

##### **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 30 September 2018 and of its financial performance and cash flows for the period then ended.