

AL-SALĀM REIT

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the First Quarter Ended 31 March 2019

Note	Individual Quarter			Cumulative Quarter		
	Current Year Quarter	Preceding Year Corresponding Quarter	Change	Current Year To Date	Preceding Year Corresponding Period to Date	Change
	31-03-2019	31-03-2018		31-03-2019	31-03-2018	
	RM	RM	%	RM	RM	%
	21,534,850	17,540,100	22.8	21,534,850	17,540,100	22.8
	1,657,526	1,442,198	14.9	1,657,526	1,442,198	14.9
Total revenue	23,192,376	18,982,298	22.2	23,192,376	18,982,298	22.2
Utilities expenses	(1,513,874)	(1,531,966)	(1.2)	(1,513,874)	(1,531,966)	(1.2)
Maintenance expenses	(1,042,183)	(970,623)	7.4	(1,042,183)	(970,623)	7.4
Quit rent and assessment	(402,882)	(363,109)	11.0	(402,882)	(363,109)	11.0
Other operating expenses	(3,146,180)	(2,534,563)	24.1	(3,146,180)	(2,534,563)	24.1
Property manager fee	(89,100)	(67,500)	32.0	(89,100)	(67,500)	32.0
Property operating expenses	(6,194,219)	(5,467,761)	13.3	(6,194,219)	(5,467,761)	13.3
Net property income	16,998,157	13,514,537	25.8	16,998,157	13,514,537	25.8
Investment income	260,904	238,090	9.6	260,904	238,090	9.6
Gain in fair value adjustment	456,121	-	100.0	456,121	-	100.0
Net investment income	17,715,182	13,752,627	28.8	17,715,182	13,752,627	28.8
Manager's management fees	(424,809)	(593,339)	(28.4)	(424,809)	(593,339)	(28.4)
Trustee's fees	(30,655)	(30,578)	0.3	(30,655)	(30,578)	0.3
Shariah advisors' fee	-	-	-	-	-	-
Islamic financing costs	(7,766,070)	(4,760,174)	63.1	(7,766,070)	(4,760,174)	63.1
Other trust expenses	(420,701)	(340,852)	23.4	(420,701)	(340,852)	23.4
Net income before tax	9,072,947	8,027,684	13.0	9,072,947	8,027,684	13.0
Taxation	-	-	-	-	-	-
Net income for the period	9,072,947	8,027,684	13.0	9,072,947	8,027,684	13.0
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the period	9,072,947	8,027,684	13.0	9,072,947	8,027,684	13.0
Net income for the period is made up as follow:						
Realised	7,563,159	8,027,684	(5.8)	7,563,159	8,027,684	(5.8)
Unrealised	1,509,788	-	100.0	1,509,788	-	100.0
	9,072,947	8,027,684	13.0	9,072,947	8,027,684	13.0
Earnings per unit (sen)	1.56	1.38	13.0	1.56	1.38	13.0

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2019

	Note	Unaudited As At End Of Current Quarter 31-03-2019	Audited As at preceding year ended 31-12-2018
		RM	RM
ASSETS			
Non-current assets			
Investment properties	A9	1,182,856,000	1,092,686,000
Property, plant & equipment		2,189,987	895,143
Current Assets			
Trade receivables		2,301,232	4,853,859
Other receivables & prepayments		9,936,730	7,920,284
Cash and bank balances		9,005,632	12,489,624
Fixed deposits with licensed banks		28,593,500	34,273,000
Amount due from related companies		2,734,278	3,321,296
		<u>52,571,372</u>	<u>62,858,063</u>
TOTAL ASSETS		<u>1,237,617,359</u>	<u>1,156,439,206</u>
LIABILITIES			
Non-current liabilities			
Islamic financing	B10	595,968,486	509,527,596
Other payables and accruals		14,034,757	13,974,324
		<u>610,003,243</u>	<u>523,501,920</u>
Current Liabilities			
Other payables and accruals		11,179,626	5,129,645
Provision for income distribution		-	5,800,000
Amount due to related companies		64,368	1,080,530
		<u>11,243,994</u>	<u>12,010,175</u>
TOTAL LIABILITIES		<u>621,247,237</u>	<u>535,512,095</u>
NET ASSETS VALUE		<u>616,370,122</u>	<u>620,927,111</u>
REPRESENTED BY:			
Unitholders' capital		572,545,319	572,545,319
Undistributed income		43,824,803	48,381,792
TOTAL UNITHOLDERS' FUND		<u>616,370,122</u>	<u>620,927,111</u>
NUMBER OF UNITS IN CIRCULATION		<u>580,000,000</u>	<u>580,000,000</u>
NET ASSETS VALUE (NAV) PER UNIT (RM)		1.0627	1.0706

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED CONSOLIDATED STATEMENT OF CHANGES
IN NET ASSETS VALUE
For the First Quarter Ended 31 March 2019

	Unitholders' Capital RM	Undistributed income Realised RM	Unrealised RM	Total 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 2019	572,545,319	16,541,448	31,840,344	620,927,111
Total comprehensive income for the period	-	7,563,159	1,509,788	9,072,947
Unitholders' transactions				
Issuance of new units	-	-	-	-
Distribution to unitholders#	-	(13,629,936)	-	(13,629,936)
Issuing expenses	-	-	-	-
<i>Increase/(Decrease) in net assets resulting from unitholders' transactions</i>	-	(13,629,936)	-	(13,629,936)
As at 31 March 2019	<u>572,545,319</u>	<u>10,474,671</u>	<u>33,350,132</u>	<u>616,370,122</u>

Include :

- i) Payment of final income distribution of 2.35 sen per unit for the financial year ended 31 December 2018 (of which 1.90 sen is taxable and 0.45 sen per unit is non taxable in the hand of unitholders) in respect of the period from 1 October 2018 to 31 December 2018 which was paid on 28 February 2019.

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 2018 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the First Quarter Ended 31 March 2019

	31-03-2019	To Date 31-03-2018
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before tax	9,072,947	8,027,684
Adjustment for:		
Islamic financing costs	7,766,070	4,760,174
Investment income	(260,904)	(238,090)
Depreciation	29,476	10,021
Unbilled rental income	(1,053,667)	-
Gain on fair value adjustment	(456,121)	-
Operating profit before working capital changes	15,097,801	12,559,789
Decrease in trade receivables	2,552,627	372,245
Increase in other receivables and prepayments	(1,524,372)	(6,183,767)
Decrease in amount owing by related parties	3,096,273	294,576
(Decrease) / Increase in payables and accruals	(334,128)	2,151,234
Decrease in amount owing to related parties	(3,518,984)	(302,203)
Cash generated from operations	15,369,217	8,891,874
Taxes paid	-	-
Net cash generated from operating activities	15,369,217	8,891,874
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to investment properties	(89,713,879)	-
Purchase of equipment	(1,324,320)	(2,625)
Income received from other investments	263,829	253,798
Increase in pledged deposits with licensed banks	(68,038)	(84,000)
Net cash generated from investing activities	(90,842,408)	167,173
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from Islamic financing	87,026,400	-
Islamic financing costs paid	(7,154,786)	(4,519,296)
Income distribution paid	(13,629,936)	(18,269,935)
Net cash (used in) / generated from financing activities	66,241,678	(22,789,231)

AL-SALĀM REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the First Quarter Ended 31 March 2019

	31-03-2019	To Date 31-03-2018
	RM	RM
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,231,513)	(13,730,184)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	34,071,217	35,151,281
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	24,839,704	21,421,097
 DEPOSITS, CASH AND BANK BALANCES		
Cash and bank balances	9,005,632	8,921,097
Fixed deposits with licensed banks	28,593,500	22,499,000
	37,599,132	31,420,097
Less : Pledged deposits with licensed banks	(12,759,428)	(9,999,000)
CASH AND CASH EQUIVALENTS	24,839,704	21,421,097

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the financial statements.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2019

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

A1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Malaysia Financial Reporting Standard (MFRS) 134 and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation adopted by the Fund in this interim financial statements are consistent with those adopted in its most recent Audited Financial Statements for the financial year ended 31 December 2018.

Adoption of new MFRSs, amendments to MFRSs, and Issues Committee Interpretation ("IC Interpretation")

The Group has adopted the following new MFRSs, amendments to MFRSs and IC Interpretation for the financial year beginning on 1 January 2019:

- MFRS 16 'Leases' (effective from 1 January 2019)
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation' (effective 1 January 2019)
- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective 1 January 2019)
- Amendments to MFRSs 'Annual Improvements to MFRSs 2015–2017 Cycle' (effective 1 January 2019)
- IC Interpretation 23 'Uncertainty over Income Tax Payments' (effective 1 January 2019)

The adoption of these new MFRSs, amendments to MFRSs, and IC Interpretation did not result in significant changes to the accounting policies of the Group and had no significant effect on the financial performance or position of the Group.

Standards, amendments to MFRSs and IC Interpretation that have been issued but not yet effective

The Group did not early adopt these new standards:

- MFRS 17 'Insurance Contracts' (effective from 1 January 2021)
- MFRSs 'Amendments to References to the Conceptual Framework in MFRS Standards' (effective 1 January 2020)
- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material' (effective 1 January 2020)
- Amendments to MFRS 10 and MFRS 128 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (effective date deferred to a date to be announced by MASB)

The abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Group in the period of initial application.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The Audited Financial Statements of Al-Salām REIT for the financial year ended 31 December 2018 was not subject to any audit qualification.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2019

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

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 MFRSs, amendments to MFRSs and IC Interpretation that have a material effect during the quarter under review.

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

On 27 February 2019, Al-Salām REIT obtained an Islamic Term Financing facility ("TF-i") of up to RM118 million from CIMB Islamic Bank Berhad ("CIMB") to finance the Proposed Acquisition of 22 QSR Properties (kindly refer note B8).

A7. INCOME DISTRIBUTION

On 30 January 2019, the Fund declared the final income distribution of 2.35 sen per unit for the financial year ended 31 December 2018 (of which 1.90 sen is taxable and 0.45 sen per unit is non taxable in the hand of unitholders) in respect of the period from 1 October 2018 to 31 December 2018. The said distribution has been paid on 28 February 2019.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2019

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

A8. SEGMENTAL REPORTING

Segmental information is presented in respect of the Group's business segments based on the nature of the industry of the Group's investment properties which reflect the Group's internal reporting structure that are regularly reviewed by the Group's chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

For management purposes, the Group 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.

31 March 2019

	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	15,355	2,331	2,673	2,833	-	23,192
Property operating expenses	(5,147)	(889)	(3)	(66)	(89)	(6,194)
Net property income	10,208	1,442	2,670	2,767	(89)	16,998
Fair value gain on investment properties	-	-	456	-	-	456
Investment income	-	-	-	-	261	261
Net investment income	10,208	1,442	3,126	2,767	172	17,715
Total trust expenses	-	-	-	-	(876)	(876)
Islamic financing costs	-	-	-	-	(7,766)	(7,766)
Net income before tax	10,208	1,442	3,126	2,767	(8,470)	9,073
Income tax expenses	-	-	-	-	-	-
Net income for the period	10,208	1,442	3,126	2,767	(8,470)	9,073
Total assets	813,839	94,651	252,367	177,913	(101,153)	1,237,617
Total liabilities	19,466	2,589	-	786	598,406	621,247

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2019

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

A8. SEGMENTAL REPORTING

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

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.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2019

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

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 17 April 2019, 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 Group if the Group have 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 Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

	The Group	The Fund	
	31-03-2019	31-03-2019	31-03-2018
	RM'000	RM'000	RM'000
Rental income	7,750	7,782	7,395
Other property management and fees charged	1,547	1,547	1,101
Finance cost paid/payable to a subsidiary	-	2,284	-

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 CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2019

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

B1. REVIEW OF PERFORMANCE

	Quarter ended			Cumulative period ended		
	31-03-2019 RM'000	31-03-2018 RM'000	Change %	31-03-2019 RM'000	31-03-2018 RM'000	Change %
Total revenue						
Retail outlets	15,355	11,497	33.6	15,355	11,497	33.6
Office buildings	2,331	2,336	(0.2)	2,331	2,336	(0.2)
F&B restaurants	2,673	2,451	9.1	2,673	2,451	9.1
F&B non-restaurants	2,833	2,698	5.0	2,833	2,698	5.0
Total	<u>23,192</u>	<u>18,982</u>	22.2	<u>23,192</u>	<u>18,982</u>	22.2
Net property income ("NPI")						
Retail outlets	10,208	7,047	44.9	10,208	7,047	44.9
Office buildings	1,442	1,450	(0.6)	1,442	1,450	(0.6)
F&B restaurants	2,670	2,447	9.1	2,670	2,447	9.1
F&B non-restaurants	2,767	2,638	4.9	2,767	2,638	4.9
Property manager fee	(89)	(67)	32.8	(89)	(67)	32.8
Total	<u>16,998</u>	<u>13,515</u>	25.8	<u>16,998</u>	<u>13,515</u>	25.8
Investment income	261	238	9.7	261	238	9.7
Gain in fair value adjustment	456	-	100.0	456	-	100.0
Trust expenses	(8,642)	(5,725)	51.0	(8,642)	(5,725)	51.0
Net income before tax	<u>9,073</u>	<u>8,028</u>	13.0	<u>9,073</u>	<u>8,028</u>	13.0

Review of Current/Cumulative Quarter Results

Retail outlets

The retail segment reported a total revenue of RM15.4 million for the current quarter ended 31 March 2019 (Q1 2019) and cumulative period to-date, an increase of 33.6% compared to the preceding year corresponding quarter (Q1 2018). The addition of Mydin Hypermart Gong Badak resulted in the increase of total revenue of RM3.5 million. Net property income (NPI) of RM10.2 million represented an increase of 44.9% due to the increase in total revenue as stated earlier.

Office building

For Q1 2019 and cumulative period to-date, total revenue of RM2.3 million was reported, decrease of 0.2% due to lower parking income. NPI decreased by 0.6% due to higher operating expenses incurred in the current quarter as compared to Q1 2018.

F&B restaurants

For Q1 2019 and cumulative period to-date, total revenue and NPI for F&B restaurants increased by 9.1% as compared to 2018. This was due to upward rental revision of 3.71% on the 22 existing properties in May and September 2018 respectively and the addition of 16 QSR Properties in March 2019. The properties are on a Triple Net arrangement with 100% occupancy rate (Q1 2018:100%).

F&B non-restaurant

For Q1 2019 and cumulative period to-date, there was an increase of 5.0% in total revenue and 4.9% in NPI between Q1 2019 and Q1 2018 due to upward rental revision of 3.71% on the 5 existing properties in May and September 2018 respectively and the addition of 1 QSR Property in March 2019. The occupancy rate are 100% (Q1 2018:100%).

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2019

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

B1. REVIEW OF PERFORMANCE (continued)

Net income before tax

For Q1 2019, higher net income before tax of RM9.1 million (Q1 2018: RM8.0 million) was reported. This was mainly due to higher rental income and higher fair value gain on investment properties despite 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 and Term Financing-i for the acquisition of 17 QSR Properties.

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

	Quarter ended		Change %
	31-03-2019 RM'000	31-12-2018 RM'000	
Total revenue			
Retail outlets	15,355	15,939	(3.7)
Office buildings	2,331	2,345	(0.6)
F&B restaurants	2,673	2,489	7.4
F&B non-restaurants	2,833	2,830	0.1
	23,192	23,603	(1.7)
Net property income ("NPI") :			
Retail outlets	10,208	11,289	(9.6)
Office buildings	1,442	1,266	13.9
F&B restaurants	2,670	2,485	7.4
F&B non-restaurants	2,767	2,747	0.7
Property manager fee	(89)	(68)	30.9
	16,998	17,719	(4.1)
Investment income	261	316	(17.4)
Gain in fair value adjustment	456	6,834	(93.3)
Trust expenses	(8,642)	(8,609)	0.4
Net income before tax	9,073	16,260	(44.2)

Total revenue reported a decrease of 1.7% due to lower rental income from retail segment compensated by additional rental from 17 F&B restaurants and non-restaurants as well as upward rent revision for existing 27 F&B restaurants and non-restaurants. Net income before tax reported a decrease of 44.2% mainly due to lower gain in fair value adjustment of investment properties recorded in the current quarter.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2019

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

B3. PROSPECTS

Retail Group Malaysia Association ("RGM") forecast a 4.5% growth for Malaysia's retail industry to RM108.3 billion in 2019, despite a lacklustre start in January-February, due to the Hari Raya Aidilfitri festivities and an increase in economic activities in the later part of the year.

In the Johor Bahru retail scene, newly completed and upcoming shopping malls are expected to add more pressure in 2019. Malls with good concepts and diverse tenant mix will continue to attract high footfalls. Nonetheless, 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 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 62% for the current quarter as compared to 95% in the preceding year corresponding quarter.

The Tenancy Agreement between Al-Salam REIT and Metrojaya Department Stores Sdn Bhd ("MJ") has been terminated on 31 December 2018. With the departure of MJ from KOMTAR JBCC, the revenue of Al-Salām REIT is expected to be slightly affected in 2019 as MJ currently contribute about 3% of Al-Salām REIT's total revenue for financial year ended 31 December 2018. Though the loss of anchor tenant will cause the occupancy rate to drop substantially, it will now give Al-Salām REIT the opportunity to review KOMTAR JBCC's tenant mix to cater for the needs of the visitors and shoppers in the competitive environment. The vacant area will undergo reconfiguration exercise that eventually will offer the chance to create more space for mini anchors and specialty stores. The reconfiguration will also include improving the circulation areas of the mall, creating more inviting retail space with better visibility and providing a better shopping experience while driving per-square-foot productivity of the mall.

With regards to the office sector, Menara KOMTAR maintained its occupancy rate of 89%. The long term tenancy by Johor Corporation, provides a long term occupancy reliability for Menara KOMTAR.

@Mart Kempas recorded an average occupancy rate of 99% (FY2018: 96%) 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 necessity household products.

The QSR Properties which are on a Triple Net arrangement with 100% (FY2018: 100%) occupancy rate and the resilience of food and beverages industry provides stability to Al-Salām REIT. The completed acquisition of 17 QSR Properties on 19 March 2019 and 5 another QSR Properties is anticipated to add to the stability of Al-Salām REIT.

Malaysian College of Hospitality and Management is being 100% tenanted by the education and hospitality division of KPJ group of companies and Mydin Hypermart Gong Badak which is on a Triple Net arrangement with Mydin Mohamed Holdings Bhd provide long term occupancy and further stability to the Fund.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2019

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

B3. PROSPECTS (continued)

On 7 May 2019, at its meeting, the Monetary Policy Committee ("MPC") of Bank Negara Malaysia decided to reduce the Overnight Policy Rate ("OPR") from 3.25% to 3.00%. Currently, all Al-Salām REIT's financing which totaling up close to RM600 million are on floating basis. It is expected that Al-Salām REIT will benefit in terms of lower profit rate during such period.

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.

B5. TAXATION

Pursuant to the amendment of Section 61A of the Income Tax Act, 1967, under the Finance Act 2006 which was gazetted on 31 December 2006, where in the basis period for a year assessment, 90% or more of the total income of the trust is distributed to unitholders, the total income of the trust for that year of assessment shall be exempted from tax.

In accordance with the Deed, the Fund is required to distribute at least 90% of its distributable income. The Manager also expects to distribute the net income within 2 months from the end of each financial year and accordingly, no estimated current tax payable or deferred tax is required to be provided in the financial statements.

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.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2019

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

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

i) Proposed Acquisition of 22 QSR Properties ("Proposed Acquisition")

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

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 ("Vendors") 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.

In view of weak market sentiments and the expiry of the extended conditional period of the SPAs on 28 February 2019, the Board had resolved not to implement the Proposed Placement and to vary the source of funding for the Purchase Consideration to entirely borrowings ("Variation").

As a result of the Variation, state authorities' consents are required to be obtained to charge the 5 properties under SPA 3 in favour of the Trustee's financier. For avoidance of doubt, state authorities' consents to charge are not required for the properties under SPA 1 and SPA 2. In view of the above, the parties to SPA 3 have amended one of the Conditions Precedent of SPA 3 and extended the conditional period of SPA 3. As SPA 1 and SPA 2 do not require state authorities' consent, the Trustee and the Vendors have agreed to waive the inter-conditionality of the SPAs to allow SPA 1 and SPA 2 to become unconditional on or before the expiry of the extended conditional period of the SPAs.

The acquisition of 17 properties under SPA 1 and SPA 2 has been completed on 19 March 2019.

B9. TRADE RECEIVABLES

	The Group	
	As at 31-03-2019 RM'000	As at 31-03-2018 RM'000
Trade receivables	2,301	4,152

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 (2018: 30 to 60 days).

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

	As at 31-03-2019 RM'000	As at 31-03-2018 RM'000
	0 - 30 days	1,649
31 - 60 days	595	859
61 - 90 days	37	537
91 - 120 days	20	1,822
	2,301	4,152

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

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2019

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

B10. ISLAMIC FINANCING

	The Group	
	As at 31-03-2019 RM'000	As at 31-03-2018 RM'000
<u>Current</u>		
<u>Secured</u>		
- Commodity Murabahah Revolving Credit-i ("CMRC-i")	-	3,100
<u>Non-current</u>		
<u>Secured</u>		
- Commodity Murabahah Term Financing-i ("CMTF-i")	350,000	350,000
- Sukuk Ijarah - Islamic Medium Term Notes ("IMTN")	162,785	-
- Term Financing-i ("TF-i")	87,026	-
- Transaction costs	(3,843)	(2,078)
	<u>595,968</u>	<u>351,022</u>
<u>Current</u>		

Islamic financing - current facility is a Commodity Murabahah Revolving Credit-I ("CMRC-i") dated 14 June 2017 where the facility amount given up to the aggregate principal limit of RM10 million from RHB Islamic Bank Berhad to part finance the general working capital requirements of the Fund. The effective rate for the CMRC-i will be based on Costs of Funds ("COF") + 1.50% per annum.

Non-current

Islamic financing - non-current facility is a Commodity Murabahah Term Financing-i ("CMTF-i") dated 14 April 2015 amounting to RM350.0 million from RHB Islamic Bank Berhad and Maybank Islamic Berhad (collectively "the Banks") to part finance the acquisition of the investment properties of the Fund in 2015. The nominal value of the CMTF-i comprised Tranche 1 and Tranche 2, amounting to RM136.04 million and RM213.96 million, respectively. The CMTF-i profit is payable over a period of 60 months from the date of first disbursement with full repayment of principal sum on the 60th month. The effective profit rate for the CMTF-i will be based on COF + 1.35% per annum for the first 16 months, COF + 1.40% per annum for the next 8 months and COF + 1.50% per annum for the remaining duration of the CMTF-i. The COF is based on each respective Banks' COF. The average effective profit rate for the CMTF-i is 5.54% (2018: 5.38%).

The total transaction costs of RM4.5 million incurred in 2015 were debited against the amount of the Islamic financing facility on drawdown date comprising, amongst others, processing and stamping fees, legal advisory fees and other establishment fees.

On 24 August 2018, the Group through its subsidiary, ALSREIT Capital Sdn Bhd, established a Sukuk Ijarah Programme comprising Islamic Medium Term Notes ("IMTN") of up to RM1.5 billion in nominal value and issued RM162.79 million in nominal value of IMTNs ("Issue 1") with transaction cost amounting RM1.85 million.

On 27 February 2019, Al-Salām REIT obtained the Term Financing ("TF-i") of up to RM118 million CIMB to finance the Proposed Acquisition of 22 QSR Properties. On 19 March 2019, the Fund drawdown RM87.03 million to complete the acquisition of 17 properties under SPA 1 and SPA 2. The TF-i profit is payable over a period of 60 months from the date of first disbursement.

The Islamic financing facilities are secured against investment properties totaling RM1.15 billion (2018: RM1.06 billion). All Islamic financings are denominated in Ringgit Malaysia.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the First Quarter Ended 31 March 2019

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

B11. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B12. MATERIAL LITIGATION

There was no material litigation as at the date of the current quarter.

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 31-03-2019	Immediate Preceding Quarter ended 31-12-2018
Number of units in issue (units)	580,000,000	580,000,000
Earnings per unit (EPU) - sen	1.56	2.80
Net income distribution to unitholders (RM'000)	13,630	5,800
Distribution per unit (DPU) - sen	2.35	1.00
Net Asset Value (NAV) - RM'000	616,370	620,927
NAV per unit (RM)	1.0627	1.0706
Market Value Per Unit (RM)	0.8400	0.8100

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 2018 and of its financial performance and cash flows for the period then ended.