

AL-SALĀM REIT

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Second Quarter Ended 30 June 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 |
| | 30-06-2019 | 30-06-2018 | | 30-06-2019 | 30-06-2018 | |
| | RM | RM | % | RM | RM | % |
| | 22,244,423 | 17,827,800 | 24.8 | 43,779,273 | 35,367,900 | 23.8 |
| | 1,685,693 | 1,678,195 | 0.4 | 3,343,219 | 3,120,393 | 7.1 |
| Total revenue | 23,930,116 | 19,505,995 | 22.7 | 47,122,492 | 38,488,293 | 22.4 |
| Utilities expenses | (1,662,526) | (1,711,298) | (2.9) | (3,176,400) | (3,243,264) | (2.1) |
| Maintenance expenses | (997,105) | (989,655) | 0.8 | (2,039,288) | (1,960,278) | 4.0 |
| Quit rent and assessment | (435,878) | (363,109) | 20.0 | (838,760) | (726,218) | 15.5 |
| Other operating expenses | (3,111,200) | (3,011,096) | 3.3 | (6,257,380) | (5,545,659) | 12.8 |
| Property manager fee | (105,527) | (67,500) | 56.3 | (194,627) | (135,000) | 44.2 |
| Property operating expenses | (6,312,236) | (6,142,658) | 2.8 | (12,506,455) | (11,610,419) | 7.7 |
| Net property income | 17,617,880 | 13,363,337 | 31.8 | 34,616,037 | 26,877,874 | 28.8 |
| Investment income | 267,319 | 219,004 | 22.1 | 528,223 | 457,094 | 15.6 |
| Gain in fair value adjustment | 331,936 | - | 100.0 | 788,057 | - | 100.0 |
| Net investment income | 18,217,135 | 13,582,341 | 34.1 | 35,932,317 | 27,334,968 | 31.5 |
| Manager's management fees | (519,651) | (594,154) | (12.5) | (944,460) | (1,187,493) | (20.5) |
| Trustee's fees | (31,043) | (30,551) | 1.6 | (61,698) | (61,129) | 0.9 |
| Shariah advisors' fee | - | - | - | - | - | - |
| Islamic financing costs | (8,787,359) | (4,934,389) | 78.1 | (16,553,429) | (9,694,563) | 70.7 |
| Other trust expenses | (517,483) | (348,679) | 48.4 | (938,184) | (689,531) | 36.1 |
| Net income before tax | 8,361,599 | 7,674,568 | 9.0 | 17,434,546 | 15,702,252 | 11.0 |
| Taxation | - | - | - | - | - | - |
| Net income for the period | 8,361,599 | 7,674,568 | 9.0 | 17,434,546 | 15,702,252 | 11.0 |
| Other comprehensive income, net of tax | - | - | - | - | - | - |
| Total comprehensive income for the period | 8,361,599 | 7,674,568 | 9.0 | 17,434,546 | 15,702,252 | 11.0 |
| Net income for the period is made up as follow: | | | | | | |
| Realised | 6,975,996 | 7,674,568 | (9.1) | 14,539,155 | 15,702,252 | (7.4) |
| Unrealised | 1,385,603 | - | 100.0 | 2,895,391 | - | 100.0 |
| | 8,361,599 | 7,674,568 | 9.0 | 17,434,546 | 15,702,252 | 11.0 |
| Earnings per unit (sen) | 1.44 | 1.32 | 9.0 | 3.01 | 2.71 | 11.0 |

The Condensed Consolidated Statements 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 30 June 2019

| | Note | Unaudited As At End Of Current Quarter 30-06-2019 | 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 | | 2,958,650 | 895,143 |
| Current Assets | | | |
| Trade receivables | | 2,435,846 | 4,853,859 |
| Other receivables & prepayments | | 11,728,825 | 7,920,284 |
| Cash and bank balances | | 10,491,375 | 12,489,624 |
| Fixed deposits with licensed banks | | 31,786,500 | 34,273,000 |
| Amount due from related companies | | 2,536,818 | 3,321,296 |
| | | <u>58,979,364</u> | <u>62,858,063</u> |
| TOTAL ASSETS | | <u>1,244,794,014</u> | <u>1,156,439,206</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Islamic financing | B10 | 596,409,875 | 509,527,596 |
| Other payables and accruals | | 14,135,217 | 13,974,324 |
| | | <u>610,545,092</u> | <u>523,501,920</u> |
| Current Liabilities | | | |
| Other payables and accruals | | 9,452,787 | 5,129,645 |
| Provision for income distribution | | 6,844,045 | 5,800,000 |
| Amount due to related companies | | 64,368 | 1,080,530 |
| | | <u>16,361,200</u> | <u>12,010,175</u> |
| TOTAL LIABILITIES | | <u>626,906,292</u> | <u>535,512,095</u> |
| NET ASSETS VALUE | | <u>617,887,722</u> | <u>620,927,111</u> |
| REPRESENTED BY: | | | |
| Unitholders' capital | | 572,545,319 | 572,545,319 |
| Undistributed income | | 45,342,403 | 48,381,792 |
| TOTAL UNITHOLDERS' FUND | | <u>617,887,722</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) | | 1.0653 | 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 Second Quarter Ended 30 June 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 | - | 15,702,252 | - | 15,702,252 |
| Unitholders' transactions | | | | |
| Issuance of new units | - | - | - | - |
| Distribution to unitholders | - | (24,069,935) | - | (24,069,935) |
| Issuing expenses | - | - | - | - |
| <i>(Decrease) in net assets resulting from unitholders' transactions</i> | - | (24,069,935) | - | (24,069,935) |
| As at 30 June 2018 | <u>572,545,319</u> | <u>11,976,978</u> | <u>23,405,655</u> | <u>607,927,952</u> |
| As at 1 January 2019 | 572,545,319 | 16,541,448 | 31,840,344 | 620,927,111 |
| Total comprehensive income for the period | - | 14,539,155 | 2,895,391 | 17,434,546 |
| Unitholders' transactions | | | | |
| Issuance of new units | - | - | - | - |
| Distribution to unitholders# | - | (20,473,935) | - | (20,473,935) |
| Issuing expenses | - | - | - | - |
| <i>(Decrease) in net assets resulting from unitholders' transactions</i> | - | (20,473,935) | - | (20,473,935) |
| As at 30 June 2019 | <u>572,545,319</u> | <u>10,606,668</u> | <u>34,735,735</u> | <u>617,887,722</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.
- ii) Provision of the first interim income distribution of 1.18 sen per unit for the financial period from 1 January 2019 to 31 March 2019 (of which 1.15 sen is taxable and 0.03 sen per unit is non taxable in the hand of unitholders) which was announced on 29 May 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 Second Quarter Ended 30 June 2019

| | 30-06-2019 | To Date 30-06-2018 |
|--|--------------|-----------------------|
| | RM | RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income before tax | 17,434,546 | 15,702,252 |
| Adjustment for: | | |
| Islamic financing costs | 16,553,429 | 8,043,165 |
| Investment income | (528,223) | (373,203) |
| Depreciation | 65,279 | 22,017 |
| Unbilled rental income | (2,107,334) | - |
| Gain on fair value adjustment | (788,057) | - |
| Operating profit before working capital changes | 30,629,640 | 23,394,231 |
| Decrease / (Increase) in trade receivables | 2,418,013 | (1,834,297) |
| Increase in other receivables and prepayments | (2,547,713) | (5,340,502) |
| Decrease / (Increase) in amount owing by related parties | 3,293,732 | (225,970) |
| (Decrease) / Increase in payables and accruals | (1,540,417) | 3,164,730 |
| Decrease in amount owing to related parties | (3,518,984) | (302,203) |
| Cash generated from operations | 28,734,271 | 18,855,989 |
| Taxes paid | - | - |
| Net cash generated from operating activities | 28,734,271 | 18,855,989 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Addition to investment properties | (89,381,943) | - |
| Purchase of equipment | (2,128,786) | (56,309) |
| Income received from other investments | 263,829 | 475,370 |
| Increase in pledged deposits with licensed banks | (168,962) | (175,000) |
| Net cash (used in) / generated from investing activities | (91,415,862) | 244,061 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net proceeds from Islamic financing | 87,026,400 | - |
| Islamic financing costs paid | (15,368,567) | (7,555,574) |
| Income distribution paid | (13,629,936) | (18,269,935) |
| Net cash (used in) / generated from financing activities | 58,027,897 | (25,825,509) |

AL-SALĀM REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the Second Quarter Ended 30 June 2019

| | 30-06-2019 | To Date 30-06-2018 |
|---|-------------------|-------------------------------|
| | RM | RM |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (4,653,694) | (6,725,459) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD | 34,071,217 | 35,151,281 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD | 29,417,523 | 28,425,822 |
| DEPOSITS, CASH AND BANK BALANCES | | |
| Cash and bank balances | 10,491,375 | 5,025,822 |
| Fixed deposits with licensed banks | 31,786,500 | 33,490,000 |
| | 42,277,875 | 38,515,822 |
| Less : Pledged deposits with licensed banks | (12,860,352) | (10,090,000) |
| CASH AND CASH EQUIVALENTS | 29,417,523 | 28,425,822 |

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 Second Quarter Ended 30 June 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 Second Quarter Ended 30 June 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

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 May 2019, the Fund declared the first interim income distribution of 1.18 sen per unit for the financial period ended 31 March 2019 (of which 1.15 sen is taxable and 0.03 sen per unit is non taxable in the hand of unitholders) in respect of the period from 1 January 2019 to 31 March 2019. The said distribution has been paid on 12 July 2019.

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.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Second Quarter Ended 30 June 2019

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

A8. SEGMENTAL REPORTING

30 June 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 | 30,306 | 4,639 | 6,562 | 5,616 | - | 47,123 |
| Property operating expenses | (10,415) | (1,749) | (12) | (136) | (195) | (12,507) |
| Net property income | 19,891 | 2,890 | 6,550 | 5,480 | (195) | 34,616 |
| Fair value gain on investment properties | - | - | 788 | - | - | 788 |
| Investment income | - | - | - | - | 528 | 528 |
| Net investment income | 19,891 | 2,890 | 7,338 | 5,480 | 333 | 35,932 |
| Total trust expenses | - | - | - | - | (1,944) | (1,944) |
| Islamic financing costs | - | - | - | - | (16,553) | (16,553) |
| Net income before tax | 19,891 | 2,890 | 7,338 | 5,480 | (18,164) | 17,435 |
| Income tax expenses | - | - | - | - | - | - |
| Net income for the period | 19,891 | 2,890 | 7,338 | 5,480 | (18,164) | 17,435 |
| Total assets | 819,824 | 95,816 | 252,367 | 178,398 | (101,611) | 1,244,794 |
| Total liabilities | 18,166 | 2,307 | - | 704 | 605,729 | 626,906 |

30 June 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 | 23,510 | 4,680 | 4,901 | 5,397 | - | 38,488 |
| Property operating expenses | (9,481) | (1,862) | (8) | (124) | (135) | (11,610) |
| Net property income | 14,029 | 2,818 | 4,893 | 5,273 | (135) | 26,878 |
| Fair value gain on investment properties | - | - | - | - | - | - |
| Investment income | - | - | - | - | 457 | 457 |
| Net investment income | 14,029 | 2,818 | 4,893 | 5,273 | 322 | 27,335 |
| Total trust expenses | - | - | - | - | (1,938) | (1,938) |
| Islamic financing costs | - | - | - | - | (9,695) | (9,695) |
| Net income before tax | 14,029 | 2,818 | 4,893 | 5,273 | (11,311) | 15,702 |
| Income tax expenses | - | - | - | - | - | - |
| Net income for the period | 14,029 | 2,818 | 4,893 | 5,273 | (11,311) | 15,702 |
| Total assets | 632,110 | 90,972 | 161,670 | 169,431 | (64,682) | 989,501 |
| Total liabilities | 19,206 | 3,113 | - | 676 | 358,578 | 381,573 |

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Second Quarter Ended 30 June 2019

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

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 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.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Second Quarter Ended 30 June 2019

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 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 | |
|--|-------------------|-------------------|-------------------|
| | 30-06-2019 | 30-06-2019 | 30-06-2018 |
| | RM'000 | RM'000 | RM'000 |
| Rental income | 16,010 | 16,079 | 14,820 |
| Other property management and fees charged | 3,150 | 3,150 | 3,619 |
| Finance cost paid/payable to a subsidiary | - | 4,555 | - |

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 Second Quarter Ended 30 June 2019

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

B1. REVIEW OF PERFORMANCE

| | Quarter ended | | | Cumulative period ended | | |
|------------------------------------|---------------|---------------|--------|-------------------------|---------------|--------|
| | 30-06-2019 | 30-06-2018 | Change | 30-06-2019 | 30-06-2018 | Change |
| | RM'000 | RM'000 | % | RM'000 | RM'000 | % |
| Total revenue | | | | | | |
| Retail outlets | 14,951 | 12,013 | 24.5 | 30,306 | 23,510 | 28.9 |
| Office buildings | 2,307 | 2,344 | (1.6) | 4,639 | 4,680 | (0.9) |
| F&B restaurants | 3,889 | 2,451 | 58.7 | 6,562 | 4,901 | 33.9 |
| F&B non-restaurants | 2,783 | 2,699 | 3.1 | 5,616 | 5,397 | 4.1 |
| Total | <u>23,930</u> | <u>19,507</u> | 22.7 | <u>47,123</u> | <u>38,488</u> | 22.4 |
| Net property income ("NPI") | | | | | | |
| Retail outlets | 9,684 | 6,982 | 38.7 | 19,891 | 14,029 | 41.8 |
| Office buildings | 1,447 | 1,367 | 5.9 | 2,890 | 2,818 | 2.6 |
| F&B restaurants | 3,880 | 2,447 | 58.6 | 6,550 | 4,893 | 33.9 |
| F&B non-restaurants | 2,713 | 2,635 | 3.0 | 5,480 | 5,273 | 3.9 |
| Property manager fee | (106) | (68) | 55.9 | (195) | (135) | 44.4 |
| Total | <u>17,618</u> | <u>13,363</u> | 31.8 | <u>34,616</u> | <u>26,878</u> | 28.8 |
| Investment income | 267 | 219 | 21.9 | 528 | 457 | 15.5 |
| Gain in fair value adjustment | 332 | - | 100.0 | 788 | - | 100.0 |
| Trust expenses | (9,855) | (5,907) | 66.8 | (18,497) | (11,633) | 59.0 |
| Net income before tax | <u>8,362</u> | <u>7,675</u> | 9.0 | <u>17,435</u> | <u>15,702</u> | 11.0 |

Review of Individual/Cumulative Quarter Results

Retail outlets

The retail segment reported a total revenue of RM14.9 million for the current quarter ended 30 June 2019 (Q2 2019), an increase of RM2.9 million compared to the preceding year corresponding quarter (Q2 2018) of RM12.0 million. This was due to higher rental income from Mydin Hypermart Gong Badak of RM3.5 million and from @Mart of RM0.1 million offsetted by lower rental income of RM0.7 million from KOMTAR JBCC. Net property income (NPI) of RM9.7 million represented an increase of RM2.7 million due to the increase in total revenue as stated earlier while offsetted by higher operating expenses of RM0.2 million from all retail outlets.

For the cumulative period to-date, total revenue and net property income of the retail segment had experienced an increase of RM6.8 million and RM5.9 million respectively due to rental income from Mydin Hypermart Gong Badak of RM6.9 million and @Mart of RM0.2 million offsetted by lower rental income from KOMTAR JBCC of RM0.3 million and higher operating expenses of RM0.9 million from all retail outlets.

Office building

Despite the challenging office market environment, the office segment managed to record a total revenue of RM2.3 million for Q2 2019, a decrease of RM36,327 compared to Q2 2018. This was mainly contributed by a decrease in occupancy rate of Menara KOMTAR. NPI of the office segment in Q2 2019 was RM1.4 million, higher by RM79,444 compared to the preceding year corresponding quarter due to lower operating expenses.

For the cumulative period to-date, total revenue reported a decrease of RM41,254 while NPI reported an increase of RM72,286 due to lower operating expenses incurred despite lower occupancy rate of 88% (Q2 2018:91%).

**B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S
MAIN MARKET LISTING REQUIREMENTS****B1. REVIEW OF PERFORMANCE (continued)****F&B restaurants**

For Q2 2019, total revenue and NPI recorded an increase of RM1.4 million compared to Q2 2018. This was due to upward rental revision of 3.71% of RM0.1 million on the 27 existing properties in May and September 2018 respectively and RM1.3 million for the addition of 16 QSR Properties in March 2019.

For cumulative period to-date, total revenue and NPI recorded an increase of RM1.7 million compared to Q2 2018. This was due to upward rental revision of 3.71% of RM0.2 million on the 27 existing properties in May and September 2018 respectively and RM1.5 million for 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

There was an increase of 3.1% or RM0.1 million in total revenue and NPI between Q2 2019 and Q2 2018 due to upward rental revision of 3.71% or RM0.1 million on the 5 existing properties in May and September 2018 respectively and RM57 thousand from the addition of 1 QSR Property in March 2019.

For cumulative period to-date, there was an increase of RM0.2 million in total revenue and NPI between Q2 2019 and Q2 2018 due to upward rental revision of 3.71% or RM0.2 million on the 5 existing properties in May and September 2018 respectively and RM65 thousand from the addition of 1 QSR Property in March 2019. The occupancy rate are 100% (Q1 2018:100%).

Net income before tax

For Q2 2019, higher net income before tax of RM8.4 million (Q2 2018: RM7.7 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.

For the financial period ended 30 June 2019, Al-Salām REIT recorded a total revenue of RM47.1 million representing an increase of RM8.6 million from RM38.5 million recorded in previous corresponding period. After taking into consideration Islamic financing costs and trust expenses totalling RM18.5 million, the net income before tax was RM17.4 million compared to RM15.7 million in the previous corresponding period. The increase was mainly due to higher Islamic financing costs compensated by additional rental income from Mydin Hypermart Gong Badak and 17 QSR Properties and higher fair value on investment properties as mentioned above.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Second Quarter Ended 30 June 2019

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

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

| | Quarter ended | | Change % |
|--------------------------------------|----------------------|----------------------|--------------|
| | 30-06-2019 RM'000 | 31-03-2019 RM'000 | |
| Total revenue | | | |
| Retail outlets | 14,951 | 15,355 | (2.6) |
| Office buildings | 2,307 | 2,331 | (1.0) |
| F&B restaurants | 3,889 | 2,673 | 45.5 |
| F&B non-restaurants | 2,783 | 2,833 | (1.8) |
| | 23,930 | 23,192 | 3.2 |
| Net property income ("NPI") : | | | |
| Retail outlets | 9,684 | 10,208 | (5.1) |
| Office buildings | 1,447 | 1,442 | 0.3 |
| F&B restaurants | 3,880 | 2,670 | 45.3 |
| F&B non-restaurants | 2,713 | 2,767 | (2.0) |
| Property manager fee | (106) | (89) | 19.1 |
| | 17,618 | 16,998 | 3.6 |
| Investment income | 267 | 261 | 2.3 |
| Gain in fair value adjustment | 332 | 456 | (27.2) |
| Trust expenses | (9,855) | (8,642) | 14.0 |
| Net income before tax | 8,362 | 9,073 | (7.8) |

Total revenue recorded an increase of 3.2% due to higher rental income of RM1.4 million from additional rental from 17 F&B restaurants and non-restaurants as well as RM0.3 million from upward rent revision for existing 27 F&B restaurants and non-restaurants compensated by lower rental income from other segments. Net income before tax reported a decrease of 7.8% mainly due to higher Islamic financing costs of RM1.2 million from the acquisition of 17 QSR Properties.

B3. PROSPECTS

Malaysia's economy swung into deflation in January for the first time since the aftermath of the global financial crisis in 2009 (Source: Bloomberg). However, latest indicators suggest the economy appears to have gained some steam in the second quarter with Consumer Price Index (CPI) rose in June at their fastest pace in more than a year. Moreover, Bank Negara Malaysia's decision to cut rates in late May likely fueled domestic demand.

The Manager expects performance of Al-Salam REIT towards the end of FY2019 will take a hit due to no contribution from the former anchor tenant, Metrojaya in KOMTAR JBCC effective from 1 January 2019. However, it will be slightly compensated by effect from the 25bps cut in the Overnight Policy Rate (OPR) in May 2019. Since all the fund's borrowings are on floating rate basis, Al-Salam's cost of debt is expected to reduce by approximately RM850,000 by year end 2019 and this in turn would consequently have positive impact on EPU. There is an expectation that there will be the Bank Negara Malaysia (BNM) may opt for further rate cut in Q4 2019 to prevent growth falling below potential, and to uphold underlying inflation which already low at 1.6% (Source: The Business Times). Nonetheless, Al-Salam REIT will undertake profit rate swap from significant percentage of its borrowings to a fixed rate to reduce the risks of interest rate movements in the future.

**B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S
MAIN MARKET LISTING REQUIREMENTS****B3. PROSPECTS (continued)****Retail segment**

Retail Group Malaysia Association ("RGM") has made an upward revision in its 2019 growth forecast for the country's sales to 4.9% from 4.5% previously, following the better-than-expected growth rate in the first quarter and a pick-up in the second quarter. Despite weak internal and external economic environment, the higher growth expected during the second quarter of 2019 was mainly due to the Hari Raya period.

In the Johor Bahru retail scene, it remains competitive with new entrants offering various incentives to attract tenants. With the increasing number of new concept retail malls coming into the market, existing malls are experiencing additional pressure to stay competitive in the market. The opening of malls and hypermarket have added 2.5 mil sqft to the existing stock with another 1.8 mil sqft scheduled for completion in 2H2019. Due to the very competitive market, KOMTAR JBCC needs to have unique selling proposition. The exit of the mall's anchor tenant will allow the Manager to reconfigure the tenant mix by having more experiential kind of tenants e.g. F&B, services etc. In order to cater to changing shoppers preference for communal space and experiential kind of tenants, KOMTAR JBCC will increase F&B/entertainment outlets as replacement for the vacated space by previous anchor tenant.

The strategic location of KOMTAR JBCC will remain the key selling points to continue taking the lead as the preferred shopping destination. KOMTAR JBCC will have better prospects in the immediate future as higher footfalls is expected with upcoming Menara JLand, Holiday Inn Hotel and direct linkage with Ibrahim International Business District (IIBD).

@Mart Kempas recorded a higher occupancy rate of 99% (FY2018: 97%) 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 Manager is undertaking research to increase the net lettable area ("NLA") in view of the good demand for @Mart Kempas' space.

Mydin Hypermart Gong Badak continues to enjoy stable performance in view of its standing as the prominent mall in the Kuala Terengganu area. The Triple Net arrangement with Mydin Mohamed Holdings Bhd provides long term occupancy and further stability to the Fund.

Office segment

According to Knight Frank Malaysia, stable rentals for purpose-built office space although overall occupancy level is expected to take a dip following the entry of new supply in 2018 which have yet to achieve significant leasing. For Menara KOMTAR, the long term tenancy by Johor Corporation provides a long term occupancy reliability as shown by its occupancy rate of 88%.

Food & Beverages segment

The outlook of Food & Beverages (F&B) segment looks healthy with QSR Brands planned to expand its network of KFC outlets, rationalising its network of Pizza Hut outlets, as well as enhancing its technology and digital capabilities to improve customer reach and drive growth. Malaysian College of Hospitality and Management is being 100% tenanted via Triple Net Lease arrangement by the education and hospitality division of KPJ group of companies. With the resilience of Food & Beverages industry, it will continue to provide income stability to Al-Salām REIT. The completed acquisition of 17 QSR Properties on 19 March 2019 is anticipated to have positive impact for the full year earnings of FY2019 to Al-Salām REIT.

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 Second Quarter Ended 30 June 2019

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

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.

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) Sendirian Berhad, 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. On 28 August 2019, Al-Salām REIT requesting for a further extension period of 6 months from 28 August 2019 to 20 February 2020 to fulfil the said condition precedent.

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

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Second Quarter Ended 30 June 2019

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

B9. TRADE RECEIVABLES

| | The Group | |
|-------------------|---------------------|---------------------|
| | As at 30-06-2019 | As at 30-06-2018 |
| | RM'000 | RM'000 |
| Trade receivables | 2,436 | 6,358 |

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 30-06-2019 | As at 30-06-2018 |
|---------------|---------------------|---------------------|
| | RM'000 | RM'000 |
| 0 - 30 days | 1,896 | 1,735 |
| 31 - 60 days | 234 | 1,330 |
| 61 - 90 days | 89 | 615 |
| 91 - 120 days | 217 | 2,678 |
| | 2,436 | 6,358 |

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.

B10. ISLAMIC FINANCING

| | The Group | |
|---|---------------------|---------------------|
| | As at 30-06-2019 | As at 30-06-2018 |
| | RM'000 | 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 | (3,401) | (1,854) |
| | 596,410 | 351,246 |
| <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.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Second Quarter Ended 30 June 2019

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

B10. ISLAMIC FINANCING (continued)

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.

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.

AL-SALĀM REIT

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Second Quarter Ended 30 June 2019

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

B14. SUMMARY OF DPU, EPU AND NAV

| | Current Quarter ended 30-06-2019 | Immediate Preceding Quarter ended 31-03-2019 |
|---|---|---|
| Number of units in issue (units) | 580,000,000 | 580,000,000 |
| Earnings per unit (EPU) - sen | 1.44 | 1.56 |
| Net income distribution to unitholders (RM'000) | 6,844 | 13,630 |
| Distribution per unit (DPU) - sen | 1.18 | 2.35 |
| Net Asset Value (NAV) - RM'000 | 617,888 | 616,370 |
| NAV per unit (RM) | 1.0653 | 1.0627 |
| Market Value Per Unit (RM) | 0.9250 | 0.8400 |

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 June 2019 and of its financial performance and cash flows for the period then ended.