

CAPITALAND MALAYSIA MALL TRUST
CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

CAPITALAND MALAYSIA MALL TRUST
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 30 SEPTEMBER 2018 (UNAUDITED) RM'000	AS AT 31 DECEMBER 2017 (AUDITED) RM'000
Assets		
Plant and equipment	1,571	2,039
Investment properties	3,985,532	3,966,000
Total non-current assets	<u>3,987,103</u>	<u>3,968,039</u>
Trade and other receivables	23,516	23,512
Cash and cash equivalents	109,484	186,323
Total current assets	<u>133,000</u>	<u>209,835</u>
Total assets	<u>4,120,103</u>	<u>4,177,874</u>
Equity		
Unitholders' capital	2,181,132	2,172,216
Undistributed profit	450,808	514,980
Total unitholders' funds	<u>2,631,940</u>	<u>2,687,196</u>
Liabilities		
Borrowings	1,276,649	1,279,081
Tenants' deposits	43,521	38,381
Total non-current liabilities	<u>1,320,170</u>	<u>1,317,462</u>
Borrowings	62,860	58,200
Tenants' deposits	45,946	54,944
Trade and other payables	59,187	60,072
Total current liabilities	<u>167,993</u>	<u>173,216</u>
Total liabilities	<u>1,488,163</u>	<u>1,490,678</u>
Total equity and liabilities	<u>4,120,103</u>	<u>4,177,874</u>
Number of units in circulation ('000 units)	2,044,176	2,037,753
Net asset value (NAV)		
- before income distribution	2,631,940	2,687,196
- after income distribution	2,593,101	2,604,056
NAV per unit (RM)		
- before income distribution	1.2875	1.3187
- after income distribution	1.2685	1.2779

The unaudited condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and the audited financial statements for the year ended 31 December 2017.

CAPITALAND MALAYSIA MALL TRUST
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	CURRENT QUARTER			YEAR TO DATE		
	30 SEPTEMBER		Change	30 SEPTEMBER		Change
	2018 (UNAUDITED) RM'000	2017 (UNAUDITED) RM'000		2018 (UNAUDITED) RM'000	2017 (UNAUDITED) RM'000	
		%			%	
Gross rental income	66,290	72,459	(8.5)	204,096	217,365	(6.1)
Car park income	6,376	6,133	4.0	18,315	18,352	(0.2)
Other revenue	13,484	14,076	(4.2)	40,826	41,209	(0.9)
Gross revenue	86,150	92,668	(7.0)	263,237	276,926	(4.9)
Maintenance expenses	(8,512)	(7,973)	6.8	(24,640)	(24,360)	1.1
Utilities	(13,291)	(13,118)	1.3	(38,238)	(38,542)	(0.8)
Other operating expenses ¹	(12,609)	(11,511)	9.5	(38,217)	(34,452)	10.9
Property operating expenses	(34,412)	(32,602)	5.6	(101,095)	(97,354)	3.8
Net property income	51,738	60,066	(13.9)	162,142	179,572	(9.7)
Interest income	1,213	1,382	(12.2)	3,834	4,128	(7.1)
Fair value loss of investment properties (net)	-	-	-	(1,245)	(11,773)	(89.4)
Net investment income	52,951	61,448	(13.8)	164,731	171,927	(4.2)
Manager's management fee	(5,467)	(5,855)	(6.6)	(16,679)	(17,464)	(4.5)
Trustee's fee	(101)	(100)	1.0	(300)	(300)	-
Auditor's fee	(52)	(47)	10.6	(153)	(143)	7.0
Tax agent's fee	(7)	(6)	16.7	(20)	(20)	-
Valuation fee	(73)	(73)	-	(220)	(220)	-
Finance costs	(15,420)	(15,049)	2.5	(45,623)	(44,577)	2.3
Other non-operating expenses ¹	(275)	(242)	13.6	(734)	(749)	(2.0)
	(21,395)	(21,372)	0.1	(63,729)	(63,473)	0.4
Profit before taxation	31,556	40,076	(21.3)	101,002	108,454	(6.9)
Taxation	-	-	-	-	-	-
Profit for the period	31,556	40,076	(21.3)	101,002	108,454	(6.9)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the period	31,556	40,076	(21.3)	101,002	108,454	(6.9)
Distribution adjustments ²	7,298	2,418	>100.0	19,920	18,341	8.6
Income available for distribution	38,854	42,494	(8.6)	120,922	126,795	(4.6)
Distributable income³	38,839	42,385	(8.4)	120,873	126,619	(4.5)
Realised	31,556	40,076	(21.3)	102,247	120,227	(15.0)
Unrealised ⁴	-	-	-	(1,245)	(11,773)	(89.4)
	31,556	40,076	(21.3)	101,002	108,454	(6.9)

CAPITALAND MALAYSIA MALL TRUST
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONTINUED)

	CURRENT QUARTER 30 SEPTEMBER			YEAR TO DATE 30 SEPTEMBER		
	2018	2017	Change %	2018	2017	Change %
	(UNAUDITED) RM'000	(UNAUDITED) RM'000		(UNAUDITED) RM'000	(UNAUDITED) RM'000	
Earnings per unit (sen)⁵						
- before Manager's management fee	1.81	2.26	(19.9)	5.77	6.19	(6.8)
- after Manager's management fee	1.55	1.97	(21.3)	4.95	5.33	(7.1)
Distribution per unit (DPU) (sen)	1.90	2.08	(8.7)	5.92	6.22	(4.8)
DPU (sen) – annualised	7.54	8.25	(8.6)	7.92	8.32	(4.8)

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and the audited financial statements for the year ended 31 December 2017.

1. Included in the other operating expenses and other non-operating expenses are the following:

	CURRENT QUARTER 30 SEPTEMBER			YEAR TO DATE 30 SEPTEMBER		
	2018	2017	Change %	2018	2017	Change %
	(UNAUDITED) RM'000	(UNAUDITED) RM'000		(UNAUDITED) RM'000	(UNAUDITED) RM'000	
Allowance for impairment losses of trade receivables	(534)	(440)	21.4	(1,082)	(902)	20.0
Foreign exchange gain/(loss):						
- Unrealised	*	*	-	*	*	-
- Realised	2	(2)	>100.0	-	(6)	100.0

* less than RM1,000

CAPITALAND MALAYSIA MALL TRUST
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONTINUED)

2. Included in the distribution adjustments are the following:

	CURRENT QUARTER 30 SEPTEMBER			YEAR TO DATE 30 SEPTEMBER		
	2018	2017	Change	2018	2017	Change
	(UNAUDITED) RM'000	(UNAUDITED) RM'000	%	(UNAUDITED) RM'000	(UNAUDITED) RM'000	%
Fair value loss of investment properties (net)	-	-	-	1,245	11,773	(89.4)
Manager's management fee payable in units *	1,970	2,367	(16.8)	6,266	7,142	(12.3)
Depreciation	286	321	(10.9)	899	1,010	(11.0)
Amortisation of transaction costs on borrowings	215	236	(8.5)	658	935	(29.5)
Tax and other adjustments	4,827	(506)	>100.0	10,852	(2,519)	>100.0
	<u>7,298</u>	<u>2,418</u>	<u>>100.0</u>	<u>19,920</u>	<u>18,341</u>	<u>8.6</u>

* This is calculated with reference to the net property income of all properties except for East Coast Mall which is payable in cash.

3. The difference between distributable income and income available for distribution is due to rollover adjustment for rounding effect of DPU.

4. This refers to unrealised profit, if any, which is not available for income distribution.

5. Earnings per unit (EPU) is computed based on profit for the quarter/period divided by the weighted average number of units at the end of the quarter/period. The computation of EPU after Manager's management fee for the current quarter is set out in B12.

**CAPITALAND MALAYSIA MALL TRUST
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital RM'000	Undistributed Profit		Total Unitholders' Funds RM'000
		Realised RM'000	Unrealised RM'000	
As at 1 January 2017	2,162,544	16,673	506,372	2,685,589
Total comprehensive income for the financial period	-	120,227	(11,773)	108,454
Unitholders' transactions				
- Units issued as part satisfaction of the Manager's management fee	9,672	-	-	9,672
- Distribution paid to unitholders ¹	-	(170,165)	-	(170,165)
Increase/(Decrease) in net assets resulting from unitholders' transactions	9,672	(170,165)	-	(160,493)
As at 30 September 2017 (Unaudited)	2,172,216	(33,265)	494,599	2,633,550
As at 1 January 2018	2,172,216	4,365	510,615	2,687,196
Total comprehensive income for the financial period	-	102,247	(1,245)	101,002
Unitholders' transactions				
- Units issued as part satisfaction of the Manager's management fee	8,916	-	-	8,916
- Distribution paid to unitholders ²	-	(165,174)	-	(165,174)
Increase/(Decrease) in net assets resulting from unitholders' transactions	8,916	(165,174)	-	(156,258)
As at 30 September 2018 (Unaudited)	2,181,132	(58,562)	509,370	2,631,940

The unaudited condensed consolidated statement of changes in net asset value should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and the audited financial statements for the year ended 31 December 2017.

1. This refers to the (i) 2016 final income distribution of 4.23 sen per unit for the period from 1 July 2016 to 31 December 2016 paid on 28 February 2017, and (ii) first income distribution of 4.14 sen per unit for the period 1 January 2017 to 30 June 2017 paid on 25 August 2017.
2. This refers to the (i) 2017 final income distribution of 4.08 sen per unit for the period from 1 July 2017 to 31 December 2017 paid on 28 February 2018, and (ii) first income distribution of 4.02 sen per unit for the period 1 January 2018 to 30 June 2018 paid on 30 August 2018.

CAPITALAND MALAYSIA MALL TRUST
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	30 SEPTEMBER 2018	NINE MONTHS ENDED
	(UNAUDITED)	30 SEPTEMBER 2017
	RM'000	(UNAUDITED)
		RM'000
Cash Flows From Operating Activities		
Profit before taxation	101,002	108,454
Adjustments for:-		
Manager's management fee payable in units	6,266	7,142
Depreciation	899	1,010
Fair value loss/(gain) of investment properties (net)	1,245	11,773
Finance costs	45,623	44,577
Interest income	(3,834)	(4,128)
Plant and equipment written off	2	3
Operating profit before changes in working capital	151,203	168,831
Changes in working capital:		
Trade and other receivables	(4)	(11,346)
Trade and other payables	1,714	(387)
Tenants' deposits	(3,858)	(1,078)
Net cash generated from operating activities	149,055	156,020
Cash Flows From Investing Activities		
Acquisition of plant and equipment	(433)	(414)
Capital expenditure on investment properties	(23,990)	(15,946)
Interest received	3,834	4,128
Net cash used in investing activities	(20,589)	(12,232)
Cash Flows From Financing Activities		
Distribution paid to unitholders	(165,174)	(170,165)
Interest paid	(41,592)	(40,162)
Payment of financing expenses	(109)	(80)
Placement of pledged deposits with a licensed bank	-	(3,243)
Proceeds from interest bearing borrowings	10,700	16,200
Repayment of interest bearing borrowings	(9,130)	-
Net cash used in financing activities	(205,305)	(197,450)
Net decrease in cash and cash equivalents	(76,839)	(53,662)
Cash and cash equivalents at beginning of the period	179,840	188,857
Cash and cash equivalents at end of the period	103,001	135,195
Cash and cash equivalents at end of the period comprise :		
Deposits placed with licensed banks	82,625	104,241
Cash and bank balances	26,859	37,437
	109,484	141,678
Less: Pledged deposits	(6,483)	(6,483)
	103,001	135,195

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and the audited financial statements for the year ended 31 December 2017.

CAPITALAND MALAYSIA MALL TRUST

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 (UNAUDITED)

Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134 and International Accounting Standards (“IAS”) 34

A1. Basis of Preparation

The condensed consolidated interim financial statements of the Group as at and for the third quarter ended 30 September 2018 comprise CMMT and its subsidiary. These interim financial statements have been prepared on the historical cost basis except for investment properties which are stated at fair value.

The condensed consolidated interim financial statements have been prepared in compliance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and with IAS 34: Interim Financial Reporting, Paragraph 9.44 of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities), provisions of the amended and restated trust deed dated 15 September 2015 (the Trust Deed) and the Securities Commission’s Guidelines on Listed Real Estate Investment Trusts (the REITs Guidelines).

The condensed consolidated interim financial statements should be read in conjunction with the accompanying explanatory notes attached to the condensed consolidated interim financial statements and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

A2. Changes in Accounting Policies

On 1 January 2018, the Group and CMMT adopted the following MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018:

MFRS 9, Financial Instruments (2014)

MFRS 15, Revenue from Contracts with Customers

Clarification to MFRS 15, Revenue from Contracts with Customers

IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)

Amendments to MFRS 140, Investment Property – Transfers of Investment Property

The adoption of the above MFRSs, Interpretations and amendments do not have significant impact on the financial results of the Group and of CMMT.

A3. Audit Report of Preceding Financial Year

The audit report for the financial year ended 31 December 2017 was not qualified.

A4. Comment on Seasonality or Cyclicity of Operations

The business operations of the Group and of CMMT may be affected by seasonal or cyclical factors, including but not limited to changes in demand and supply of retail properties which depend on market conditions, economic cycle, financial performance of its tenants, availability of credit facilities and interest rate environment.

A5. Unusual Items Due To Their Nature, Size or Incidence

Nil.

A6. Changes in Estimates Of Amount Reported

Nil.

CAPITALAND MALAYSIA MALL TRUST
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 (UNAUDITED)

A7. Debt and Equity Securities

CMMT issued 3,541,200 new units in CMMT at approximately RM1.213* per unit to the Manager during the financial period under review being part payment of management fee for the financial period from 1 January 2018 to 30 June 2018. The units were listed on the Main Market of Bursa Securities on 14 September 2018.

* Based on the 10-day volume weighted average price of the units up to and including 29 June 2018.

A8. Income Distribution Policy

In line with the distribution policy as set out in the Trust Deed, the Manager will distribute at least 90.0% of its distributable income to its unitholders in each financial year. CMMT will make distributions to its unitholders on a semi-annual basis for each six-month period ending 30 June and 31 December of each year.

A9. Segmental Reporting

Segmental results for the quarter/period ended 30 September 2018 are as follows:

Business Segment	3Q 2018			3Q 2017		
	Retail RM'000	Office RM'000	Total RM'000	Retail RM'000	Office RM'000	Total RM'000
Gross revenue	84,487	1,663	86,150	91,082	1,586	92,668
Net property income	50,646	1,092	51,738	59,076	990	60,066
Interest income			1,213			1,382
Unallocated expenses			(5,975)			(6,323)
Finance costs			(15,420)			(15,049)
Profit before taxation			31,556			40,076
Taxation			-			-
Profit for the quarter			31,556			40,076

Business Segment	YTD 2018			YTD 2017		
	Retail RM'000	Office RM'000	Total RM'000	Retail RM'000	Office RM'000	Total RM'000
Gross revenue	258,990	4,247	263,237	272,013	4,913	276,926
Net property income	159,454	2,688	162,142	176,459	3,113	179,572
Interest income			3,834			4,128
Fair value loss of investment properties (net)			(1,245)			(11,773)
Unallocated expenses			(18,106)			(18,896)
Finance costs			(45,623)			(44,577)
Profit before taxation			101,002			108,454
Taxation			-			-
Profit for the period			101,002			108,454

**CAPITALAND MALAYSIA MALL TRUST
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 (UNAUDITED)**

A10. Valuation of Investment Properties

The investment properties are valued by independent professional valuers and the differences between the valuation and the carrying values of the respective investment properties are charged or credited to the profit or loss for the period in which they arise.

There was no valuation performed during the current quarter.

A11. Subsequent Events

Nil.

A12. Changes in Composition of the Trust

The changes to the composition of CMMT during the current quarter are as follows:

	Units
Balance at beginning of period	2,040,635,000
Units issued as satisfaction of the Manager's management fee payable in units	3,541,200
Total units in issue	<u>2,044,176,200</u>

A13. Changes in Contingent Liabilities and Contingent Assets

Nil.

A14. Capital Commitments

Capital commitments in relation to capital expenditure are as follows:

	RM'000
Contracted but not provided for	<u>55,564</u>

**CAPITALAND MALAYSIA MALL TRUST
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 (UNAUDITED)**

Part B - Additional Information Pursuant to Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

B1. Review of Performance

	3Q 2018 (Unaudited) RM'000	3Q 2017 (Unaudited) RM'000	Change %	YTD 2018 (Unaudited) RM'000	YTD 2017 (Unaudited) RM'000	Change %
(a) Breakdown of Gross Revenue						
Gurney Plaza	36,820	36,752	0.2	109,986	108,630	1.2
Sungei Wang	6,580	9,453	(30.4)	22,154	29,530	(25.0)
The Mines	16,290	18,869	(13.7)	51,521	57,088	(9.8)
3 Damansara Property ¹	11,237	12,418	(9.5)	34,404	37,757	(8.9)
East Coast Mall	15,223	15,176	0.3	45,172	43,921	2.8
Total Gross Revenue	86,150	92,668	(7.0)	263,237	276,926	(4.9)
(b) Breakdown of Property Operating Expenses						
Gurney Plaza	10,161	10,287	(1.2)	32,053	30,193	6.2
Sungei Wang	5,743	5,389	6.6	15,261	15,926	(4.2)
The Mines	7,108	6,830	4.1	20,960	20,638	1.6
3 Damansara Property	6,446	5,153	25.1	17,881	15,890	12.5
East Coast Mall	4,954	4,943	0.2	14,940	14,707	1.6
Total Property Operating Expenses	34,412	32,602	5.6	101,095	97,354	3.8
(c) Breakdown of Net Property Income						
Gurney Plaza	26,659	26,465	0.7	77,933	78,437	(0.6)
Sungei Wang	837	4,064	(79.4)	6,893	13,604	(49.3)
The Mines	9,182	12,039	(23.7)	30,561	36,450	(16.2)
3 Damansara Property	4,791	7,265	(34.1)	16,523	21,867	(24.4)
East Coast Mall	10,269	10,233	0.4	30,232	29,214	3.5
Total Net Property Income	51,738	60,066	(13.9)	162,142	179,572	(9.7)

¹ 3 Damansara (formerly Tropicana City Mall) and Tropicana City Office Tower (collectively known as 3 Damansara Property (formerly Tropicana City Property)).

CAPITALAND MALAYSIA MALL TRUST FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 (UNAUDITED)

B1. Review of Performance (cont'd)

Quarter Results (3Q 2018 vs 3Q 2017)

The Group recorded gross revenue of RM86.1 million in 3Q 2018, a decrease of RM6.5 million or 7.0% against 3Q 2017. The decrease was mainly due to lower occupancy at Sungei Wang (SW), The Mines (TM) and 3 Damansara (3D), downtime from asset enhancement works at SW as well as lower rental rates at TM. The decrease was mitigated by better performance from Gurney Plaza (GP) and higher rental contribution upon completion of asset enhancement works at East Coast Mall (ECM).

Property operating expenses for 3Q 2018 were RM34.4 million, an increase of RM1.8 million or 5.6% against 3Q 2017. This was mainly attributed to the increase in current year's property assessment fees at GP, higher utility expenses due to the electricity tariff surcharge, higher property maintenance and reimbursable staff costs.

The net property income for 3Q 2018 of RM51.7 million was 13.9% lower than 3Q 2017.

Finance costs for 3Q 2018 of RM15.4 million were RM0.4 million or 2.5% higher than 3Q 2017. The increase was mainly due to higher interest expenses from additional revolving credit facilities (RCF) drawn down for capital expenditure works and higher average cost of debt post the Overnight Policy Rate hike of 0.25% by Bank Negara Malaysia on 25 January 2018. Average cost of debt for 3Q 2018 was 4.48% p.a. (3Q 2017: 4.41% p.a.).

CMMT has incurred RM10.5 million of capital expenditure during the quarter. This included enhancement works of an anchor space on Level 1 and new escalator installations on the Ground Floor at ECM, Jumpa retail layout design and reconfiguration works at SW, enhancement works of the mini anchor space on Level 2 at TM as well as the restroom upgrading works at 3D.

Overall, distributable income to unitholders for 3Q 2018 was RM38.8 million, a decrease of RM3.5 million or 8.4% against 3Q 2017.

Financial Year-to-date Results (YTD 2018 vs YTD 2017)

The Group recorded gross revenue of RM263.2 million, a decrease of RM13.7 million or 4.9% against the previous financial period. The decrease was mainly due to lower occupancy at SW, TM and 3D, downtime from asset enhancement works at SW, TM and ECM, lower rental rates at SW and TM as well as tenant renovation downtime at Tropicana City Office Tower. The decrease was mitigated by better performance from GP and ECM on the back of higher rental rates as well as by the one-off compensation and forfeiture of rental deposit for premature termination of a mini anchor tenant at SW.

Property operating expenses for YTD 2018 were RM101.1 million, an increase of RM3.7 million or 3.8% against the previous financial period. This was mainly attributed to the one-off additional property assessment fees for prior years as well as increase in current year's assessment fees at GP, marketing expenses incurred for the renaming exercise at 3D and higher reimbursable staff costs. The increase was offset by one-off service charge rebate at SW.

The net property income for YTD 2018 of RM162.1 million was 9.7% lower than YTD 2017.

CMMT registered a net fair value loss of RM1.2 million on investment properties in YTD 2018.

Finance costs for YTD 2018 of RM45.6 million were RM1.0 million or 2.3% higher than YTD 2017. The increase was mainly due to higher interest expenses from additional RCF drawn down for capital expenditure works and higher average cost of debt post the Overnight Policy Rate hike of 0.25% by Bank Negara Malaysia on 25 January 2018. Average cost of debt for YTD 2018 was 4.47% p.a. (YTD 2017: 4.40% p.a.).

**CAPITALAND MALAYSIA MALL TRUST
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 (UNAUDITED)**

B1. Review of Performance (cont'd)

Financial Year-to-date Results (YTD 2018 vs YTD 2017) (cont'd)

CMMT has incurred RM20.7 million of capital expenditure during the period. This was mainly attributed to tenancy works mainly at GP, enhancement works of an anchor space on Level 1 and new escalator installations on the Ground Floor at ECM, Jumpa retail layout design and reconfiguration works at SW, enhancement works of the mini anchor space on Level 2 at TM as well as the restroom upgrading works and the replacement of the directional signages with new mall logo at 3D.

Overall, distributable income to unitholders for the financial period was RM120.9 million, a decrease of RM5.7 million or 4.5% against YTD 2017.

B2. Material Changes in Quarter Results

	Quarter ended 30 September 2018 RM'000	Quarter ended 30 June 2018 RM'000	Change %
Profit before taxation	31,556	32,193	(2.0)
Add/(Less) : Fair value loss of investment properties (net)	-	1,245	(100.0)
Profit before taxation, excluding net fair value loss of investment properties	31,556	33,438	(5.6)

Other than the net fair value loss of RM1.2 million resulting from the valuation as at 30 June 2018, the change in the financial results of 3Q 2018 as compared to 2Q 2018 was mainly due to lower net property income as disclosed in B1.

B3. Investment Objectives and Strategies

The investment objectives and strategies of the Group remain unchanged, i.e. to invest on a long term basis, in a portfolio of income-producing real estate primarily used for retail purposes and located primarily in Malaysia or such other non-real estate investments as may be permitted under the Trust Deed, the REITs Guidelines or by the Securities Commission of Malaysia, with a view to providing unitholders with long-term and sustainable distribution of income and potential capital growth.

B4. Commentary on Prospects

Notwithstanding the Malaysian economy grew at a slower pace of 4.5% in the second quarter of 2018, private consumption and investment activities remained the primary drivers of growth. Given the lower rates of expansion in the first two quarters, GDP growth for the whole of 2018 has been revised to 5.0%, from the initial range of 5.5% to 6.0% (source: Bank Negara Malaysia). Despite the three-month tax holiday from June, retail sales in 2Q 2018 only recorded a slight year-on-year growth of 2.1% as consumer spending remained cautious (source: Malaysia Retail Group Industry Report, September 2018).

In view of uncertainties on the global economic front, the Manager continues to hold a cautious business outlook despite improvements recorded in the Malaysia Institute of Economic Research's Consumer Sentiments Index and Business Conditions Index. With growing competition from e-commerce and an increasing shopping mall supply, the operating environment remains challenging. To mitigate these challenges, the Manager has embarked on asset enhancement initiatives at Sungei Wang and The Mines to increase their appeal. To enhance convenience and further engage shoppers, the CapitaStar mobile application was introduced in 3Q 2018 to keep abreast of shopper lifestyle changes.

The Manager is confident that the underlying strength of CMMT's portfolio of quality assets located in key urban centres across Malaysia will sustain its performance through different economic cycles and remains committed to deliver sustainable income distributions to unitholders.

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B5. Profit Guarantee(s)

CMMT is not involved in any arrangement whereby it provides profit guarantee(s).

B6. Tax Expense

Pursuant to the amendment of Section 61A of the Income Tax Act, 1967, effective from the Year of Assessment 2007, the total income of a REIT for a year of assessment will be exempted from income tax provided that the REIT distributes 90.0% or more of its total income for that year of assessment. If the REIT is unable to meet the 90.0% distribution criterion, the entire taxable income of the REIT for the year would be subject to income tax.

As CMMT intends to distribute at least 90.0% of its distributable income for the financial year ended 31 December 2018 to its unitholders, no provision for tax has been made for the current quarter.

B7. Status of Corporate Proposals

Nil

B8. Borrowings and Debt Securities

	As at 30 September 2018 (Unaudited) RM'000	As at 31 December 2017 (Audited) RM'000
Long term borrowings		
Secured revolving credit	61,310	64,400
Secured term loans	918,430	918,430
Unrated medium term notes	300,000	300,000
Less: Unamortised transaction costs	(3,091)	(3,749)
	<u>1,276,649</u>	<u>1,279,081</u>
Short term borrowings		
Unsecured revolving credit	62,860	58,200
	<u>62,860</u>	<u>58,200</u>
Total borrowings	<u>1,339,509</u>	<u>1,337,281</u>

All the borrowings are denominated in Ringgit Malaysia.

CMMT obtained additional uncommitted unsecured RCF of RM50.0 million from a licensed bank in 3Q 2018 bringing the total uncommitted unsecured RCF with the same licensed bank to RM100.0 million. The RCF will be utilised for future funding requirements.

During the period, the net increase in total gross borrowings (before deducting unamortised transaction costs) by RM1.6 million was mainly due to the additional RCF of RM10.7 million drawn down to finance capital expenditure works offset by the partial repayment of RCF totalling RM9.1 million.

As of to date, two out of five properties of the Group, namely Sungei Wang and East Coast Mall, remain unencumbered. The interest rate profile of the fixed and floating rate borrowings stood at 86% and 14% respectively.

B9. Change in Material Litigation

Nil.

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B10. Income Distribution

On 30 August 2018, CMMT paid its first income distribution of RM82.0 million or 4.02 sen per unit for the period from 1 January 2018 to 30 June 2018.

No income distribution was proposed for the current quarter as CMMT's distribution of income is paid on a half yearly basis.

Pursuant to Section 109D(2) of the Income Tax Act, 1967, the applicable final withholding tax on distributions of income which is tax exempt at CMMT level is as follows:

Resident unitholders:

(a)	Corporate	Tax flow through, no withholding tax
(b)	Other than corporate	Withholding tax at 10.0%

Non-resident unitholders:

(c)	Corporate	Withholding tax at 24.0%
(d)	Institutional investors	Withholding tax at 10.0%
(e)	Individuals	Withholding tax at 10.0%

B11. Composition of Investment Portfolio as at 30 September 2018

As at 30 September 2018, CMMT's portfolio comprised the following investment properties:

Investment properties	Cost of Investment¹ RM'000	Net Book Value² RM'000	Market Value RM'000	Market Value as % of NAV³ %
Gurney Plaza	1,135,926	1,610,621	1,610,000	61.2
Sungei Wang	763,458	546,841	545,000	20.7
The Mines	591,223	730,090	728,000	27.7
3 Damansara Property	582,717	558,808	556,000	21.1
East Coast Mall	402,838	539,172	536,000	20.4
Total	3,476,162	3,985,532	3,975,000	

The market value of Sungei Wang, The Mines and East Coast Mall were stated at valuations conducted by PPC International Sdn. Bhd. as at 30 June 2018. The market value of Gurney Plaza and 3 Damansara Property were stated at valuations performed by Savills (Malaysia) Sdn. Bhd. and Henry Butcher Malaysia Sdn. Bhd. respectively as at 30 June 2018.

¹ Cost of investment comprises purchase consideration and capital expenditure incurred from inception up to the end of the reporting date.

² Net book value (NBV) comprises of market value of the investment properties as at 30 June 2018 and subsequent capital expenditure incurred up to the reporting date.

³ This is computed based on market value of the investment properties over the NAV before income distribution of RM2,631,940,000 as at 30 September 2018. This is calculated in accordance with the REITs Guidelines.

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B12. Changes in NAV, EPU, DPU and Market Price

	Quarter ended 30 September 2018	Quarter ended 30 June 2018
Number of units in circulation (units)	2,044,176,200	2,040,635,000
NAV before income distribution (RM'000)	2,631,940	2,678,122
NAV after income distribution (RM'000)	2,593,101	2,596,088
NAV per unit ¹ (RM)	1.2685	1.2722
Total comprehensive income (RM'000)	31,556	32,193
Weighted average number of units in issue ² (units)	2,041,289,352	2,040,635,000
EPU after manager's management fee (sen)	1.55	1.58
Distributable income (RM'000)	38,839	40,813
DPU (sen)	1.90	2.00
Market price (RM)	1.14	1.20
DPU yield (%)	1.67	1.67

¹ NAV per unit is arrived at by dividing the NAV after income distribution/distributable income with the number of units in circulation at the end of the period.

² Weighted average of units in issue for YTD 2018 is 2,040,010,884.

B13. Soft Commission Received By The Manager And Its Delegates

Nil.

B14. Manager's Fees

For the period ended 30 September 2018, the Manager has accounted for a base fee of 0.29% per annum of the total asset value and a performance fee of 4.75% per annum of net property income. Total fees accrued to the Manager were as follows:

	3Q 2018 Actual (Unaudited) RM'000	YTD 2018 Actual (Unaudited) RM'000
Base management fee	3,009	8,978
Performance fee	2,458	7,701
Total fees	5,467	16,679

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B15. Unitholdings of the Manager and Parties Related to the Manager

	No of units	Percentage of Unitholdings ⁴	Market value ³ at 30 September 2018
	units	%	RM
CMMT Investment Limited ¹	710,973,600	34.78	810,509,904
Menang Investment Limited ¹	40,255,700	1.97	45,891,498
Direct unitholdings of the Directors of the Manager:			
Ms Low Peck Chen	12,000	N.M.	13,680
Ms Tan Siew Bee	100,000	N.M.	114,000
Dr Peter Tay Buan Huat ²	100,000	N.M.	114,000
Mr Lim Cho Pin Andrew Geoffrey ²	47,000	N.M.	53,580
	<u>751,488,300</u>	<u>36.76</u>	<u>856,696,662</u>

N.M. - Not meaningful

¹ An indirect wholly-owned subsidiary of CapitaLand Mall Asia Limited.

² Units held through nominees.

³ The market value of the units is computed based on the closing price of RM1.14 per unit as at 28 September 2018.

⁴ Approximation.

The Manager disposed 3,541,200 units in CMMT at cost to a related party, Menang Investments Limited, on 20 September 2018.

B16. Responsibility Statement and Statement by the Directors of the Manager

In the opinion of the Directors of the Manager, the quarterly condensed consolidated interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting and with IAS 34: Interim Financial Reporting, Paragraph 9.44 of the Listing Requirements of Bursa Securities, provisions of the Trust Deed and the REITs Guidelines so as to give a true and fair view of the financial position of the Group and of CMMT as at 30 September 2018 and of their financial performance and cash flows for the quarter/period ended on that date and duly authorised for release by the Board of Directors of the Manager on 24 October 2018.

BY ORDER OF THE BOARD

KHOO MING SIANG
COMPANY SECRETARY (MAICSA No. 7034037)
CapitaLand Malaysia Mall REIT Management Sdn. Bhd. (819351-H)
(As Manager of CapitaLand Malaysia Mall Trust)
Kuala Lumpur

Date: 24 October 2018