

CAPITALAND MALAYSIA MALL TRUST
CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

CAPITALAND MALAYSIA MALL TRUST
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31 DECEMBER 2018 (UNAUDITED) RM'000	AS AT 31 DECEMBER 2017 (AUDITED) RM'000
Assets		
Plant and equipment	1,429	2,039
Investment properties	4,019,000	3,966,000
Total non-current assets	<u>4,020,429</u>	<u>3,968,039</u>
Trade and other receivables	21,154	23,512
Cash and cash equivalents	101,380	186,323
Total current assets	<u>122,534</u>	<u>209,835</u>
Total assets	<u>4,142,963</u>	<u>4,177,874</u>
Equity		
Unitholders' capital	2,181,132	2,172,216
Undistributed profit	485,434	514,980
Total unitholders' funds	<u>2,666,566</u>	<u>2,687,196</u>
Liabilities		
Borrowings	949,131	1,279,081
Tenants' deposits	41,817	38,381
Total non-current liabilities	<u>990,948</u>	<u>1,317,462</u>
Borrowings	369,928	58,200
Tenants' deposits	47,480	54,944
Trade and other payables	68,041	60,072
Total current liabilities	<u>485,449</u>	<u>173,216</u>
Total liabilities	<u>1,476,397</u>	<u>1,490,678</u>
Total equity and liabilities	<u>4,142,963</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	2,666,566	2,687,196
- after income distribution	2,587,252	2,604,056
NAV per unit (RM)		
- before income distribution	1.3045	1.3187
- after income distribution	1.2657	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 FOURTH QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	CURRENT QUARTER			YEAR TO DATE		
	31 DECEMBER		Change	31 DECEMBER		Change
	2018 (UNAUDITED) RM'000	2017 (UNAUDITED) RM'000		2018 (UNAUDITED) RM'000	2017 (AUDITED) RM'000	
		%			%	
Gross rental income	67,069	72,072	(6.9)	271,165	289,437	(6.3)
Car park income	5,932	6,179	(4.0)	24,247	24,531	(1.2)
Other revenue	13,908	13,757	1.1	54,734	54,966	(0.4)
Gross revenue	86,909	92,008	(5.5)	350,146	368,934	(5.1)
Maintenance expenses	(8,385)	(8,557)	(2.0)	(33,025)	(32,917)	0.3
Utilities	(13,284)	(13,263)	0.2	(51,522)	(51,805)	(0.5)
Other operating expenses ¹	(12,413)	(12,614)	(1.6)	(50,630)	(47,066)	7.6
Property operating expenses	(34,082)	(34,434)	(1.0)	(135,177)	(131,788)	2.6
Net property income	52,827	57,574	(8.2)	214,969	237,146	(9.4)
Interest income	936	1,292	(27.6)	4,770	5,420	(12.0)
Fair value gain of investment properties (net)	2,354	16,016	(85.3)	1,109	4,243	(73.9)
Net investment income	56,117	74,882	(25.1)	220,848	246,809	(10.5)
Manager's management fee	(5,538)	(5,789)	(4.3)	(22,217)	(23,253)	(4.5)
Trustee's fee	(100)	(100)	-	(400)	(400)	-
Auditor's fee	(53)	(62)	(14.5)	(206)	(205)	0.5
Tax agent's fee	(6)	5	>100.0	(26)	(15)	73.3
Valuation fee	(73)	19	>100.0	(293)	(201)	45.8
Finance costs	(15,493)	(15,113)	2.5	(61,116)	(59,690)	2.4
Other non-operating expenses ¹	(228)	(196)	16.3	(962)	(945)	1.8
	(21,491)	(21,236)	1.2	(85,220)	(84,709)	0.6
Profit before taxation	34,626	53,646	(35.5)	135,628	162,100	(16.3)
Taxation	-	-	-	-	-	-
Profit for the period/year	34,626	53,646	(35.5)	135,628	162,100	(16.3)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the period/year	34,626	53,646	(35.5)	135,628	162,100	(16.3)
Distribution adjustments ²	5,800	(13,051)	>100.0	25,720	5,290	>100.0
Income available for distribution	40,426	40,595	(0.4)	161,348	167,390	(3.6)
Distributable income³	40,475	40,755	(0.7)	161,348	167,374	(3.6)
Realised	32,272	37,630	(14.2)	134,519	157,857	(14.8)
Unrealised ⁴	2,354	16,016	(85.3)	1,109	4,243	(73.9)
	34,626	53,646	(35.5)	135,628	162,100	(16.3)

CAPITALAND MALAYSIA MALL TRUST
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONTINUED)

	CURRENT QUARTER 31 DECEMBER			YEAR TO DATE 31 DECEMBER		
	2018	2017	Change %	2018	2017	Change %
	(UNAUDITED) RM'000	(UNAUDITED) RM'000		(UNAUDITED) RM'000	(AUDITED) RM'000	
Earnings per unit (sen)⁵						
- before Manager's management fee	1.96	2.92	(32.9)	7.73	9.11	(15.1)
- after Manager's management fee	1.69	2.63	(35.7)	6.64	7.97	(16.7)
Distribution per unit (DPU) (sen)	1.98	2.00	(1.0)	7.90	8.22	(3.9)
DPU (sen) – annualised	7.86	7.93	(0.9)	7.90	8.22	(3.9)

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 31 DECEMBER			YEAR TO DATE 31 DECEMBER		
	2018	2017	Change %	2018	2017	Change %
	(UNAUDITED) RM'000	(UNAUDITED) RM'000		(UNAUDITED) RM'000	(AUDITED) RM'000	
Write back of /(Allowance for) impairment losses of trade receivables	389	(90)	>100.0	(693)	(992)	(30.1)
Bad Debts written off – trade receivables	8	-	100.0	8	-	100.0
Foreign exchange gain/(loss):						
- Unrealised	*	*	(63.9)	*	*	(>100.0)
- Realised	(1)	(1)	-	(1)	(7)	(85.7)

* less than RM1,000

CAPITALAND MALAYSIA MALL TRUST
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONTINUED)

2. Included in the distribution adjustments are the following:

	CURRENT QUARTER			YEAR TO DATE		
	31 DECEMBER		Change	31 DECEMBER		Change
	2018 (UNAUDITED) RM'000	2017 (UNAUDITED) RM'000		2018 (UNAUDITED) RM'000	2017 (AUDITED) RM'000	
Fair value gain of investment properties (net)	(2,354)	(16,016)	(85.3)	(1,109)	(4,243)	(73.9)
Manager's management fee payable in units *	2,031	2,253	(9.9)	8,297	9,395	(11.7)
Depreciation	263	331	(20.5)	1,162	1,341	(13.3)
Amortisation of transaction costs on borrowings	217	238	(8.8)	875	1,173	(25.4)
Tax and other adjustments	5,643	143	>100.0	16,495	(2,376)	>100.0
	<u>5,800</u>	<u>(13,051)</u>	<u>>100.0</u>	<u>25,720</u>	<u>5,290</u>	<u>>100.0</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/year divided by the weighted average number of units at the end of the quarter/year. The computation of EPU after Manager's management fee for the current quarter is set out in B12.

**CAPITALAND MALAYSIA MALL TRUST
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 year	-	157,857	4,243	162,100
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 31 December 2017 (Audited)	2,172,216	4,365	510,615	2,687,196
As at 1 January 2018	2,172,216	4,365	510,615	2,687,196
Total comprehensive income for the financial year	-	134,519	1,109	135,628
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 31 December 2018 (Unaudited)	2,181,132	(26,290)	511,724	2,666,566

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 FOURTH QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	TWELVE MONTHS ENDED	
	31 DECEMBER 2018 (UNAUDITED) RM'000	31 DECEMBER 2017 (AUDITED) RM'000
Cash Flows From Operating Activities		
Profit before taxation	135,628	162,100
Adjustments for:-		
Manager's management fee payable in units	8,297	9,395
Depreciation	1,162	1,341
Fair value gain of investment properties (net)	(1,109)	(4,243)
Finance costs	61,116	59,690
Interest income	(4,770)	(5,420)
Plant and equipment written off	2	3
Operating profit before changes in working capital	200,326	222,866
Changes in working capital:		
Trade and other receivables	2,358	(7,477)
Trade and other payables	(7,744)	861
Tenants' deposits	(4,028)	(1,021)
Net cash generated from operating activities	190,912	215,229
Cash Flows From Investing Activities		
Acquisition of plant and equipment	(554)	(624)
Capital expenditure on investment properties	(35,717)	(21,678)
Interest received	4,770	5,420
Net cash used in investing activities	(31,501)	(16,882)
Cash Flows From Financing Activities		
Distribution paid to unitholders	(165,174)	(170,165)
Interest paid	(59,780)	(57,955)
Payment of financing expenses	(303)	(301)
Placement of pledged deposits with a licensed bank	-	(3,243)
Proceeds from interest bearing borrowings	20,600	24,300
Repayment of interest bearing borrowings	(39,697)	-
Net cash used in financing activities	(244,354)	(207,364)
Net decrease in cash and cash equivalents	(84,943)	(9,017)
Cash and cash equivalents at beginning of the year	179,840	188,857
Cash and cash equivalents at end of the year	94,897	179,840
Cash and cash equivalents at end of the year comprise :		
Deposits placed with licensed banks	81,855	151,946
Cash and bank balances	19,525	34,377
	101,380	186,323
Less: Pledged deposits	(6,483)	(6,483)
	94,897	179,840

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 FOURTH QUARTER ENDED 31 DECEMBER 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 fourth quarter ended 31 December 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 5 October 2018 (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.

A7. Debt and Equity Securities

Save as disclosed in B8, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities in the current quarter.

CAPITALAND MALAYSIA MALL TRUST
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

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/year ended 31 December 2018 are as follows:

Business Segment	4Q 2018			4Q 2017		
	Retail RM'000	Office RM'000	Total RM'000	Retail RM'000	Office RM'000	Total RM'000
Gross revenue	85,242	1,667	86,909	90,455	1,553	92,008
Net property income	51,776	1,051	52,827	56,616	958	57,574
Interest income			936			1,292
Fair value gain of investment properties (net)			2,354			16,016
Unallocated expenses			(5,998)			(6,123)
Finance costs			(15,493)			(15,113)
Profit before taxation			34,626			53,646
Taxation			-			-
Profit for the quarter			34,626			53,646

Business Segment	FY 2018			FY 2017		
	Retail RM'000	Office RM'000	Total RM'000	Retail RM'000	Office RM'000	Total RM'000
Gross revenue	344,232	5,914	350,146	362,468	6,466	368,934
Net property income	211,230	3,739	214,969	233,075	4,071	237,146
Interest income			4,770			5,420
Fair value gain of investment properties (net)			1,109			4,243
Unallocated expenses			(24,104)			(25,019)
Finance costs			(61,116)			(59,690)
Profit before taxation			135,628			162,100
Taxation			-			-
Profit for the year			135,628			162,100

**CAPITALAND MALAYSIA MALL TRUST
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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.

For the quarter ended 31 December 2018, the investment properties were valued based on valuations performed by independent professional valuers on 31 December 2018. Net fair value gain arising from the valuations amounting to RM2.3 million was recognised during the quarter.

A11. Subsequent Events

Nil.

A12. Changes in Composition of the Trust

Nil.

A13. Changes in Contingent Liabilities and Contingent Assets

Nil.

A14. Capital Commitments

Capital commitments in relation to capital expenditure are as follows:

Contracted but not provided for

RM'000

33,681

CAPITALAND MALAYSIA MALL TRUST
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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

	4Q 2018 (Unaudited) RM'000	4Q 2017 (Unaudited) RM'000	Change %	FY 2018 (Unaudited) RM'000	FY 2017 (Audited) RM'000	Change %
(a) Breakdown of Gross Revenue						
Gurney Plaza	38,144	37,039	3.0	148,130	145,669	1.7
East Coast Mall	15,260	15,531	(1.7)	60,432	59,452	1.6
Sungei Wang	6,264	8,358	(25.1)	28,418	37,888	(25.0)
3 Damansara Property ¹	11,335	12,553	(9.7)	45,739	50,310	(9.1)
The Mines	15,906	18,527	(14.1)	67,427	75,615	(10.8)
Total Gross Revenue	86,909	92,008	(5.5)	350,146	368,934	(5.1)
(b) Breakdown of Property Operating Expenses						
Gurney Plaza	10,767	10,875	(1.0)	42,820	41,068	4.3
East Coast Mall	5,199	5,394	(3.6)	20,139	20,101	0.2
Sungei Wang	5,369	5,485	(2.1)	20,630	21,411	(3.6)
3 Damansara Property	5,989	5,363	11.7	23,870	21,253	12.3
The Mines	6,758	7,317	(7.6)	27,718	27,955	(0.8)
Total Property Operating Expenses	34,082	34,434	(1.0)	135,177	131,788	2.6
(c) Breakdown of Net Property Income						
Gurney Plaza	27,377	26,164	4.6	105,310	104,601	0.7
East Coast Mall	10,061	10,137	(0.7)	40,293	39,351	2.4
Sungei Wang	895	2,873	(68.8)	7,788	16,477	(52.7)
3 Damansara Property	5,346	7,190	(25.6)	21,869	29,057	(24.7)
The Mines	9,148	11,210	(18.4)	39,709	47,660	(16.7)
Total Net Property Income	52,827	57,574	(8.2)	214,969	237,146	(9.4)

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 FOURTH QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

B1. Review of Performance (cont'd)

Quarter Results (4Q 2018 vs 4Q 2017)

The Group recorded gross revenue of RM86.9 million in 4Q 2018, a decrease of RM5.1 million or 5.5% against 4Q 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 SW and TM. The decrease was mitigated by better performance from Gurney Plaza (GP) and higher rental contribution from the completed asset enhancement works at East Coast Mall (ECM).

Property operating expenses for 4Q 2018 were RM34.1 million, a decrease of RM0.3 million or 1.0% against 4Q 2017. This was mainly attributed to lower property maintenance and marketing expenses. The decrease is offset by an increase in the current year's property assessment fees at GP and 3D, higher quit rent at 3D and higher reimbursable staff costs.

The net property income for 4Q 2018 of RM52.8 million was 8.2% lower than 4Q 2017.

CMMT registered a net fair value gain of RM2.3 million on investment properties in 4Q 2018.

Finance costs for 4Q 2018 of RM15.5 million were RM0.4 million or 2.5% higher than 4Q 2017. The increase was mainly due to higher average cost of debt following the Overnight Policy Rate hike of 0.25% by Bank Negara Malaysia on 25 January 2018. Average cost of debt for 4Q 2018 was 4.47% p.a. (4Q 2017: 4.41% p.a.).

CMMT has incurred RM31.2 million of capital expenditure during the quarter. This included enhancement works on Level 4 and building works 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 food and beverage area on Level 2 at TM as well as the restroom upgrading works at 3D.

Overall, distributable income to unitholders for 4Q 2018 was RM40.5 million, a decrease of RM0.3 million or 0.7% against 4Q 2017.

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

The Group recorded gross revenue of RM350.1 million, a decrease of RM18.8 million or 5.1% against the previous financial year. The decrease was mainly due to lower occupancy at SW, TM and 3D, downtime from asset enhancement works at SW and TM, lower rental rates at SW and TM as well as tenant renovation downtime at Tropicana City Office Tower in 1H 2018. The decrease was mitigated by better performance from GP, higher rental contribution from the completed asset enhancement works at ECM and the one-off compensation and forfeiture of rental deposit for premature termination of a mini anchor tenant at SW.

Property operating expenses for FY 2018 were RM135.2 million, an increase of RM3.4 million or 2.6% against the previous financial year. This was mainly attributed to a one-off additional property assessment fees for prior years in GP, an increase in the current year's assessment fees at GP and 3D, higher quit rent at 3D, a one-off marketing expenses incurred for the renaming exercise at 3D, higher property maintenance and higher reimbursable staff costs. The increase was offset by a one-off service charge rebate at SW.

The net property income for FY 2018 of RM215.0 million was 9.4% lower than FY 2017.

CMMT registered a net fair value gain of RM1.1 million on investment properties in FY 2018.

Finance costs for FY 2018 of RM61.1 million were RM1.4 million or 2.4% higher than FY 2017. The increase was mainly due to interest expenses incurred on the additional revolving credit facilities (RCF) drawn down for the capital expenditure works and higher average cost of debt following the Overnight Policy Rate hike of 0.25% by Bank Negara Malaysia on 25 January 2018. Average cost of debt for FY 2018 was 4.47% p.a. (FY 2017: 4.40% p.a.).

**CAPITALAND MALAYSIA MALL TRUST
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)**

B1. Review of Performance (cont'd)

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

CMMT has incurred RM51.9 million of capital expenditure during the financial year. This was mainly attributed to enhancement works on Level 4 and building works 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 and the food and beverage area on Level 2 at TM, 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 year was RM161.3 million, a decrease of RM6.0 million or 3.6% against FY 2017.

B2. Material Changes in Quarter Results

	Quarter ended 31 December 2018 RM'000	Quarter ended 30 September 2018 RM'000	Change %
Profit before taxation	34,626	31,556	9.7
Add/(Less) : Fair value gain of investment properties (net)	<u>(2,354)</u>	<u>-</u>	<u>100.0</u>
Profit before taxation, excluding net fair value gain of investment properties	<u>32,272</u>	<u>31,556</u>	<u>2.3</u>

Other than the net fair value gain of RM2.3 million resulting from the valuation as at 31 December 2018, there is no material change on the financial results of 4Q 2018 as compared to 3Q 2018.

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

The Malaysian economy grew at a more moderate pace of 4.4% in the third quarter of 2018, on the back of higher domestic demand and private investment (source: Bank Negara Malaysia). Despite heightened global trade tensions and tighter financial conditions, Malaysia's 2018 full-year GDP is expected to expand by 4.8% (source: Ministry of Finance). Amidst increasing uncertainties in the global economy and persistent concerns about the rising costs of living, we foresee consumer and business sentiments to remain cautious. Retail sales in 2019 is expected to expand by 4.5%, marginally higher than the 4.4% for 2018 (source: Retail Group Malaysia).

In 2019, the scheduled completion of new retail mall supply – particularly in the Klang Valley – and the increasing popularity of e-commerce, are expected to intensify the competition among shopping malls. By keeping abreast of the constantly changing shopper needs and improving the trade mix, Sungei Wang and The Mines will complete their asset enhancement initiatives in 2019. The implementation of cashless parking and constant innovation of shopper-centric initiatives across CMMT malls would also serve to enhance their relevance and attractiveness to shoppers.

With a quality mix of destination and neighbourhood malls located in key urban centres across Malaysia, CMMT's portfolio has sustained its performance through different economic cycles and is expected to continue doing so.

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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 31 December 2018 (Unaudited) RM'000	As at 31 December 2017 (Audited) RM'000
Long term borrowings		
Secured revolving credit	32,943	64,400
Secured term loans	918,430	918,430
Unrated medium term notes	-	300,000
Less: Unamortised transaction costs	<u>(2,242)</u>	<u>(3,749)</u>
	<u>949,131</u>	<u>1,279,081</u>
Short term borrowings		
Unsecured revolving credit	70,560	58,200
Unrated medium term notes	300,000	-
Less: Unamortised transaction costs	<u>(632)</u>	<u>-</u>
	<u>369,928</u>	<u>58,200</u>
Total borrowings	<u>1,319,059</u>	<u>1,337,281</u>

All the borrowings are denominated in Ringgit Malaysia.

During the year, the net decrease in total gross borrowings (before deducting unamortised transaction costs) by RM19.1 million was mainly due to the partial repayment of RCF totalling RM39.7 million in 2H 2018 offset by an additional RCF of RM20.6 drawn down to finance the capital expenditure works during the year.

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 87% and 13% respectively.

B9. Change in Material Litigation

Nil.

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B10. Income Distribution

CMMT intends to distribute its final income distribution of RM 79.3 million or 3.88 sen per unit (of which 3.14 sen per unit is taxable and 0.74 sen per unit is tax exempt) on 8 March 2019 (book closure date: 15 February 2019), based on the number of units in issue of 2,044,176,200 for the period from 1 July 2018 to 31 December 2018. This means CMMT will distribute approximately 100.0% of its distributable income to its unitholders for the financial year ended 31 December 2018.

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 31 December 2018

As at 31 December 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	1,139,693	1,614,388	1,635,000	61.3
East Coast Mall	405,121	541,456	555,000	20.8
Sungei Wang	780,325	563,708	545,000	20.4
3 Damansara Property	587,478	563,569	556,000	20.9
The Mines	594,659	733,525	728,000	27.3
Total	3,507,276	4,016,646	4,019,000	

The market value of Sungei Wang, The Mines and East Coast Mall were stated at valuations conducted by PPC International Sdn. Bhd. as at 31 December 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 31 December 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 RM2,666,566,000 as at 31 December 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 31 December 2018	Quarter ended 30 September 2018
Number of units in circulation (units)	2,044,176,200	2,044,176,200
NAV before income distribution (RM'000)	2,666,566	2,631,940
NAV after income distribution (RM'000)	2,587,252	2,593,101
NAV per unit ¹ (RM)	1.2657	1.2685
Total comprehensive income (RM'000)	34,626	31,556
Weighted average number of units in issue ² (units)	2,044,176,200	2,041,289,352
EPU after manager's management fee (sen)	1.69	1.55
Distributable income (RM'000)	40,475	38,839
DPU (sen)	1.98	1.90
Market price (RM)	1.01	1.14
DPU yield (%)	1.96	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 FY 2018 is 2,041,060,772.

B13. Soft Commission Received By The Manager And Its Delegates

Nil.

B14. Manager's Fees

For the financial year ended 31 December 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:

	4Q 2018 Actual (Unaudited) RM'000	FY 2018 Actual (Unaudited) RM'000
Base management fee	3,029	12,006
Performance fee	2,509	10,211
Total fees	5,538	22,217

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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 31 December 2018
	units	%	RM
CMMT Investment Limited ¹	710,973,600	34.78	718,083,336
Menang Investment Limited ¹	40,255,700	1.97	40,658,257
Direct unitholdings of the Directors of the Manager:			
Ms Low Peck Chen	12,000	N.M.	12,120
Ms Tan Siew Bee	100,000	N.M.	101,000
Dr Peter Tay Buan Huat ²	100,000	N.M.	101,000
Mr Lim Cho Pin Andrew Geoffrey ²	47,000	N.M.	47,470
	<u>751,488,300</u>	<u>36.76</u>	<u>759,003,183</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 RM1.01 per unit as at 31 December 2018.

⁴ Approximation.

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 31 December 2018 and of their financial performance and cash flows for the quarter/year ended on that date and duly authorised for release by the Board of Directors of the Manager on 29 January 2019.

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: 29 January 2019