

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION

	(UNAUDITED) AS AT END OF CURRENT QUARTER 31.03.2017 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2016 RM'000
ASSETS		
Non-Current Assets		
Investment properties	2,165,147	2,143,149
Equipment	2,794	2,899
Total Non-Current Assets	2,167,941	2,146,048
Current Assets		
Receivables, deposits and prepayments	14,399	9,934
Islamic deposits placed with licensed banks	20,497	19,396
Cash and bank balances	10,511	13,896
Asset classified as held for sale	-	55,000
Total Current Assets	45,407	98,226
TOTAL ASSETS	2,213,348	2,244,274
LIABILITIES		
Non-Current Liabilities		
Tenant's deposits	39,148	46,417
Financing	330,838	330,854
Current Liabilities		
Payables and accruals	30,552	24,221
Financing	420,401	449,811
TOTAL LIABILITIES	820,939	851,303
<u>FINANCED BY:</u>		
<u>UNITHOLDERS' FUNDS</u>		
Unitholders' capital	1,060,320	1,060,320
Distributable income	20,725	19,368
Non-distributable reserves	311,364	313,283
	1,392,409	1,392,971
TOTAL UNITHOLDERS' FUNDS AND LIABILITIES	2,213,348	2,244,274
NET ASSET VALUE	1,392,409	1,392,971
NUMBER OF UNITS IN CIRCULATION	1,105,173,591	1,105,173,591
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.2599	1.2604
- After income distribution	1.2384 (Note 1)	1.2394

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the financial statements.)

Note 1 – Being Net Asset Value Per Unit after reflecting realised income to be distributed as first interim 2017 income distribution of 2.15 sen per unit payable on 31 May 2017.

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2017	Preceding Year Corresponding Quarter 31.03.2016	Current Year To date 31.03.2017	Preceding Year To date 31.03.2016
	RM'000	RM'000	RM'000	RM'000
TOTAL TRUST REVENUE	42,693	41,215	42,693	41,215
Realised property income	42,515	41,075	42,515	41,075
Unrealised rental income (unbilled lease income receivable) *	1,197	1,140	1,197	1,140
	43,712	42,215	43,712	42,215
Less : Assessment	(984)	(942)	(984)	(942)
Quit rent	(279)	(254)	(279)	(254)
Other property operating expenditure	(5,278)	(5,341)	(5,278)	(5,341)
Net property income	37,171	35,678	37,171	35,678
Profit income	178	140	178	140
Net loss on disposal of investment property #	(413)	-	(413)	-
Change in fair value of investment properties	-	2,500	-	2,500
Unbilled lease income receivable *	(1,197)	(1,140)	(1,197)	(1,140)
Fair value change on derivatives	85	(234)	85	(234)
Net gain/(loss) on financial liabilities measured at amortised cost	(240)	685	(240)	685
NET PROPERTY AND INVESTMENT INCOME	35,584	37,629	35,584	37,629
Manager's fees	3,483	3,366	3,483	3,366
Trustee's fees	187	177	187	177
Depreciation	105	105	105	105
Auditors' fees	30	30	30	30
Tax agent's fee	4	4	4	4
Allowance for doubtful/bad debts	(120)	268	(120)	268
Administrative expense	1,062	768	1,062	768
Islamic financing cost **	8,186	7,791	8,186	7,791
NON-PROPERTY EXPENSES	12,937	12,509	12,937	12,509
NET TRUST INCOME	22,647	25,120	22,647	25,120
NET INCOME FOR THE YEAR	22,647	25,120	22,647	25,120

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(UNAUDITED) CONT'D

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2017 RM'000	Preceding Year Corresponding Quarter 31.03.2016 RM'000	Current Year To date 31.03.2017 RM'000	Preceding Year To date 31.03.2016 RM'000
	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	22,647	25,120	22,647
EARNINGS PER UNIT (EPU) (sen)	2.05	2.28	2.05	2.28
NET INCOME FOR THE YEAR IS MADE UP AS FOLLOWS:				
Realised	22,802	22,169	22,802	22,169
Unrealised rental income *	1,197	1,140	1,197	1,140
Unrealised - change in fair value of investment properties	-	2,500	-	2,500
Unrealised - unbilled lease income receivable *	(1,197)	(1,140)	(1,197)	(1,140)
Unrealised - Net gain/(loss) on financial liabilities measured at amortised cost	(240)	685	(240)	685
Unrealised - Fair value change on derivatives	85	(234)	85	(234)
	22,647	25,120	22,647	25,120

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the financial statements)

* Recognition of unrealised rental income - unbilled lease income receivable pursuant to requirements of MFRS 117 Leases, to recognize income from operating lease on a straight-line basis, including contractual increase in rental rates over the fixed tenure of the agreement.

** Islamic financing cost is the profit charged by the financier on the Islamic financing facilities taken by Axis-REIT.

The disposal of Axis Eureka completed on 8 March 2017 resulted in a total realized net gain on disposal of RM1,351,000 which is available for distribution to the Unitholders comprising the realization of unrealized income* of RM1,764,000 less the loss on disposal of RM413,000. This translates to a distribution per unit of approximately 0.12 sen.

**realization of unrealized income – recognition of prior years' unrealized fair value gain on market value of Axis Eureka as realized income upon disposal.*

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

FROM 1 JANUARY 2016 TO 31 MARCH 2016 (UNAUDITED)

	Total	<i>Distributable</i>	<i>Non-</i>	Total
	Unitholders'	Realised	Distributable	Unitholders'
	Capital	Income	Unrealised	Funds
	RM'000	RM'000	Income	RM'000
	RM'000	RM'000	RM'000	RM'000
At 1 January 2016	1,052,272	19,036	281,177	1,352,485
Net income for the period	-	22,169	2,951	25,120
<i>Total comprehensive income for the period</i>	-	22,169	2,951	25,120
Contributions by and distributions to unitholders				
Issuing expenses	5	-	-	5
Distribution to Unitholders	-	(21,996)	-	(21,996)
<i>Total transactions with unitholders</i>	5	(21,996)	-	(21,991)
At 31 March 2016	1,052,277	19,209	284,128	1,355,614

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

FROM 1 JANUARY 2017 TO 31 MARCH 2017 (UNAUDITED)

	Total Unitholders' Capital RM'000	<i>Distributable</i> Realised Income RM'000	<i>Non- Distributable</i> Unrealised Income RM'000	Total Unitholders' Funds RM'000
At 1 January 2017	1,060,320	19,368	313,283	1,392,971
Total comprehensive income for the period	-	22,802	(155)	22,647
Realisation of unrealized income	-	1,764	(1,764)	-
<i>Increase/ (Decrease) in net asset resulting from operations</i>	-	24,566	(1,919)	22,647
Contributions by and distributions to unitholders				
Distribution to Unitholders #	-	(23,209)	-	(23,209)
<i>Total transactions with unitholders</i>	-	(23,209)	-	(23,209)
At 31 March 2017	1,060,320	20,725	311,364	1,392,409

(The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the financial statements.)

Includes the payment of final income distribution for financial year 2016 of 2.10 sen per unit which was paid on 28 February 2017.

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31 MARCH 2017 (UNAUDITED)

	Current Year To Date 31.03.2017 RM'000	Preceding Year To Date 31.03.2016 RM'000
Cash flows from operating activities		
Net income before taxation	22,647	25,120
Adjustments for :-		
Islamic financing cost	8,186	7,791
Profit income	(178)	(140)
Net loss on disposal of investment property	413	-
Change in fair value of investment properties	-	(2,500)
Depreciation	105	105
Net loss/(gain) on financial liabilities measured at amortised cost	240	(685)
Allowance/(reversal) for doubtful/bad debts	(120)	268
Fair value change on derivatives	(85)	234
Operating income before changes in working capital	31,208	30,193
Changes in working capital		
Receivables, deposits and prepayments	(4,345)	42,092
Payables and accruals	18,236	(1,596)
Tenants' deposits	(19,329)	2,991
Net cash from operating activities	25,770	73,680
Cash flows from investing activities		
Profit income received	178	140
Enhancement of investment properties	(21,998)	(3,642)
Net proceeds from disposal of investment property	54,587	-
Acquisition of investment property	-	(62,022)
Pledged deposits	1,462	1,041
Net cash generated /(used in) investing activities	34,229	(64,483)
Cash flows from financing activities		
Islamic financing cost paid	(8,186)	(7,791)
Proceed/payment of financing, net	(29,426)	12,962
Income distribution paid to unitholders	(23,209)	(21,996)
Issuing expenses	-	5
Net cash used in financing activities	(60,821)	(16,820)

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31 MARCH 2017 (UNAUDITED) (Continued)

	Current Year	Preceding Year
	To Date	To Date
	31.03.2017	31.03.2016
	RM'000	RM'000
Net decrease in cash and cash equivalents	(822)	(7,623)
Cash and cash equivalents at beginning of year	19,998	17,162
Cash and cash equivalents at end of year	19,176	9,539
Cash and cash equivalents		
Cash and bank balances	10,511	8,301
Islamic deposits placed with licensed banks	20,497	13,070
	31,008	21,371
Less: Islamic deposits placed with licensed banks - pledged	(11,832)	(11,832)
	19,176	9,539

(The Condensed Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the financial statements.)

NOTES TO THE QUARTERLY REPORT

A. DISCLOSURE REQUIREMENTS AS PER MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

A1. BASIS OF PREPARATION

The quarterly financial report is unaudited and 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 (“Bursa Securities”).

The accounting policies and methods of computation used in the preparation of the quarterly financial report are consistent with those adopted in the preparation of the audited financial information of Axis Real Estate Investment Trust (“Axis-REIT” or “Trust” or “Fund”) for year ended 31 December 2016.

A2. AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2016

The audit report of the financial statements of Axis-REIT for the preceding year i.e. the financial year ended 31 December 2016 was not qualified.

A3. SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations of Axis-REIT are not affected by material seasonal or cyclical factors.

A4. UNUSUAL ITEMS

There were no unusual items to be disclosed for the quarter under review.

A5. CHANGES IN ESTIMATES

This is not applicable as no estimates were previously reported.

A6. DEBT AND SHARIAH-COMPLIANT EQUITY SECURITIES

There was no issuance, cancellation, repurchase, resale and payment of debt and Shariah-compliant equity securities for the current quarter.

A7. INCOME DISTRIBUTION

During the quarter under review, the 2016 final income distribution of 2.10 sen per unit, totaling RM23,209,000 in respect of the period from 1 October 2016 to 31 December 2016, was paid on 28 February 2017.

A7. INCOME DISTRIBUTION (CONTD.)

Axis REIT Managers Berhad, the management company of Axis-REIT (“Manager”) has proposed to distribute 99.80% from realised income available for distribution generated from operations for the period from 1 January 2017 to 31 March 2017 and approximately 41% from the total net gain on disposal of Axis Eureka which in aggregate, resulted in the first interim 2017 income distribution of 2.15 sen per unit, which includes a total of non-taxable portion of approximately 0.11 sen per unit derived from a combination of the utilization of net gain on disposal of Axis Eureka (first tranche), capital allowances and tax exempt profit income.

A8. SEGMENTAL REPORTING

No segment information is prepared as Axis-REIT’s activities are in one industry segment in Malaysia.

A9. VALUATIONS OF INVESTMENT PROPERTIES

The investment properties are valued based on valuations performed by independent registered valuers.

A10. MATERIAL EVENTS

There was no material event as at the latest practicable date from the date of the last annual reporting period except for the following:

- a) A sale and purchase agreement had been executed on 23 May 2016 for the proposed acquisition of a parcel of industrial land erected with single-storey warehouse building and other ancillary buildings within Kawasan Perindustrian Pasir Gudang held under leasehold title No. HSD 520180 for PTD 216340 in Mukim Plentong, Daerah Johor Bahru, Johor for a cash consideration of RM33,000,000. This proposed acquisition is still pending completion.
- b) Axis-REIT had on 19 August 2016 entered into an Agreement to Build and Lease with Nestlé Products Sdn Bhd to develop a distribution warehouse on 24.78 acres of land forming part of a parcel of leasehold industrial land held under H.S.(D) No. 4568, Lot No. PT 3609, Mukim Telok Panglima Garang, District of Kuala Langat, Selangor for an initial lease of 10 years with option to renew for 2 additional terms of 3 years each. The construction works of the development project (“Axis PDI Development Project”) had commenced in December 2016.
- c) The completion of the disposal of 4-storey purpose-built office building built on freehold land held under GRN 207772/Lot 23570, Mukim of Dengkil, District of Sepang, Selangor (Axis Eureka) to Malaysian Qualifications Agency for a total disposal consideration of RM56,132,075, on 8 March 2017.
- d) A letter of offer has been duly accepted for the proposed acquisition by Axis-REIT of a industrial facility located at Kuantan, Pahang for a proposed purchase consideration of RM155,000,000.
- e) A letter of offer has been duly accepted for the proposed acquisition by Axis-REIT of a industrial facility located at Iskandar Puteri, Johor for a proposed purchase consideration of RM50,000,000.

A11. EFFECT OF CHANGES IN THE FUND SIZE OF AXIS-REIT

There was no change in the composition of the fund size of Axis-REIT for the current quarter under review and the fund size stands at 1,105,173,591 units.

A12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets to be disclosed.

B. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF BURSA SECURITIES MAIN MARKET LISTING REQUIREMENTS

B1. REVIEW OF PERFORMANCE

The Manager is pleased to report the following financial results:

Quarter Results

For the quarter ended 31 March 2017, Axis-REIT registered a total revenue of RM42,693,000. The total expenditure RM19,478,000 of which RM6,541,000 were attributable to property expenses and RM12,937,000 to non-property expenses. The disposal of Axis Eureka completed on 8 March 2017, has resulted in a total realized net gain on disposal of RM1,351,000 which comprises the realization of unrealized income* of RM1,764,000 less the loss on disposal of RM413,000. Aggregating the net income from operations, total net gain on disposal together with the balance of undistributed earning brought forward from prior year, the Fund has income available for distribution of RM24,608,000

The Manager has proposed to distribute 99.80% from realized income available for distribution generated from operations for the first quarter 2017 and a 41% from the net gain on disposal of Axis Eureka (first tranche); which together resulted in the 2017 first interim income distribution of 2.15 sen per unit.

**realization of unrealized income – recognition of prior years' unrealized fair value gain on market value of Axis Eureka as realized income upon disposal.*

Maintenance costs & major capital expenditure

A total of RM2,597,000 has been incurred for enhancement of the properties of Axis-REIT and RM19,401,000 has been incurred for Axis PDI Development Project during the current quarter under review.

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

There were no material changes in the income before taxation for the quarter under review.

B3. PROSPECTS

The Manager is optimistic that it will be able to maintain its current performance for the financial year ending 31 December 2017 in view of the current satisfactory performance of Axis-REIT's existing investment portfolio and its growth strategy to actively pursue quality acquisitions.

B4. INVESTMENT OBJECTIVES

The Manager is pleased to report that since the listing of Axis-REIT, the Trust has been successful in achieving the investment objectives where the Trust has set out to provide the unitholders with a stable income distribution and to achieve growth in net asset value per unit of the Trust by acquiring high quality accretive properties with strong recurring rental income. There was no change in the investment objectives of Axis-REIT as at the date of this report.

B5. STRATEGIES AND POLICIES

There was no change in the strategies and policies employed since the 2016 Annual Report of Axis-REIT.

B6. PORTFOLIO COMPOSITION

During the quarter under review, Axis-REIT has completed the disposal of Axis Eureka. The property portfolio size of Axis-REIT stood at a total 38 properties as at 31 March 2017.

B7. UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

This is not applicable as there was no issuance of new units by Axis-REIT during the current financial quarter.

B8. TAXATION

Trust Level

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 of assessment, 90% or more of the total income of the trust is distributed to unitholder, the total income of the trust for that year of assessment shall be exempted from tax.

Thus, based on the income distribution for the three-month period to date of approximately 100% of the realised income before tax, Axis-REIT should not incur any tax expense for the financial year.

Unitholders' Level

Pursuant to the amended Section 109D(2) of the Income Tax Act, 1967 under the Finance Act 2009 which was gazetted on 8 January 2009, the following withholding tax rates would be applicable on distribution of income which is tax exempt at Axis-REIT's level:

Resident unitholder:

- | | |
|--|---|
| a) Resident company: | Tax flow through; thus no withholding tax |
| b) Unitholder other than a resident company: | Withholding tax at 10% |

Non-resident unitholder:

- | | |
|---|------------------------|
| a) Non-resident company: | Withholding tax at 24% |
| b) Non-resident institutional investor: | Withholding tax at 10% |
| c) Non-resident other than company and institutional investors: | Withholding tax at 10% |

B9. STATUS OF CORPORATE PROPOSALS

- a) The unitholders of Axis-REIT had at the Unitholders' Meeting convened and held on 30 April 2013, approved the authority to allot and issue up to 2,000,000 new units for the purpose of the payment of management fee to the Manager in the form of new units ("Payment of Management Fee Authority") and its corresponding increase in fund size of Axis-REIT pursuant to the Payment of Management Fee Authority.

Following the completion of the unit split exercise of Axis-REIT and the partial implementation of the Payment of Management Fee Authority, the number of new units permitted to be issued pursuant to the Payment of Management Fee Authority is up to a maximum of 3,044,000 new units.

Axis-REIT had obtained approval from Bursa Securities on 1 October 2015 for an extension of time to complete the Payment of Management Fee Authority from 4 October 2015 until full issuance of the new units permitted to be issued pursuant to the Payment of Management Fee Authority. There is no issuance pursuant to the Payment of Management Fee Authority during the quarter under review.

- b) The proposed authority, renewed in year 2016, for the allotment and issuance of up to 219,103,216 new units in Axis-REIT to facilitate a placement exercise had lapsed on 23 January 2017.

Axis-REIT will be seeking (i) approval for the proposed authority to allot and issue new units in Axis-REIT of up to 20% of the approved fund size of Axis-REIT to facilitate a placement exercise ("Proposed Placement") from the unitholders at the forthcoming annual general meeting of Axis-REIT to be convened on 26 April 2017; and (ii) approval from other relevant authorities in relation to the Proposed Placement, where applicable.

B10. FINANCING

	Current Financial Quarter Ended 31 March 2017 (RM' 000)	Preceding Financial Year Ended 31 December 2016 (RM' 000)
Short term financing		
- Secured Islamic revolving credit/hire purchase	420,401	449,811
Long term financing		
- Islamic Medium Term Note/hire purchase	330,838	330,854

B11. DERIVATIVES

As at 31 March 2017, the Trust has the following Islamic Profit Rate Swap ("IPRS") to hedge against the fluctuation of future movement in profit rate on its short term financing. The Trust is currently using the said IPRS to hedge against its other revolving credit financing and the unrealised loss of the derivatives had been recognized in the profit or loss:

	Fair Value 31 March 2017 <u>RM</u>	<u>Maturity</u>
3-year IPRS – derivative liability	107,703	Less than 1 year

B12. MATERIAL LITIGATION

There was no pending material litigation as at the latest practicable date from the date of issuance of this report.

B13. SOFT COMMISSION RECEIVED

There was no soft commission received by the Manager or its delegates during the quarter under review.

B14. SUMMARY OF DPU, EPU, NAV AND MARKET PRICE

	Current Quarter Ended 31.03.2017 RM' 000	Immediate Preceding Quarter Ended 31.12.2016 RM' 000
Number of units in issue (units)	1,105,173,591	1,105,173,591
EPU (realised) (sen)	2.06	2.10
EPU (include unrealised income) (sen)	2.05	2.20
Net realised income for the period(RM'000)	22,802	23,120
Distribution per unit (DPU) (sen)	2.15	2.10
Net Asset Value (NAV) (RM'000)	1,392,409	1,392,971
NAV Per Unit (RM)	1.2599	1.2604
Market Value Per Unit (RM)	1.65	1.61

B15. RESPONSIBILITY STATEMENT

In the opinion of the Directors of the Manager, 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 Securities so as to give a true and fair view of the financial position of Axis-REIT as at 31 March 2017 and of its financial performance and cash flows for the quarter/period ended on that date and duly authorized for release by the Board of the Manager on 25 April 2017.

BY ORDER OF THE BOARD

REBECCA LEONG SIEW KWAN
TAN FONG SHIAN @ LIM FONG SHIAN
Company Secretaries
AXIS REIT MANAGERS BERHAD (649450-W)
(As the Manager of AXIS REAL ESTATE INVESTMENT TRUST)

Kuala Lumpur
25 April 2017