

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION

	(UNAUDITED) AS AT END OF CURRENT QUARTER 31.3.2018 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2017 RM'000
ASSETS		
Non-Current Assets		
Investment properties	2,563,700	2,482,200
Equipment	2,427	2,477
Total Non-Current Assets	2,566,127	2,484,677
Current Assets		
Receivables, deposits and prepayments	21,789	30,063
Islamic deposits placed with licensed banks	20,949	24,841
Cash and bank balances	9,208	10,028
Total Current Assets	51,946	64,932
TOTAL ASSETS	2,618,073	2,549,609
LIABILITIES		
Non-Current Liabilities		
Tenant's deposits	44,930	43,998
Financing	245,801	245,830
Current Liabilities		
Payables and accruals	49,694	71,881
Financing	666,420	596,764
TOTAL LIABILITIES	1,006,845	958,473
<u>FINANCED BY:</u>		
<u>UNITHOLDERS' FUNDS</u>		
Unitholders' capital	1,240,253	1,240,253
Distributable income	19,947	7,600
Non-distributable reserves	351,028	343,283
	1,611,228	1,591,136
TOTAL UNITHOLDERS' FUNDS AND LIABILITIES	2,618,073	2,549,609
NET ASSET VALUE	1,611,228	1,591,136
NUMBER OF UNITS IN CIRCULATION	1,232,326,803	1,232,326,803
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.3075	1.2912
- After income distribution	1.2881 (Note 1)	1.2820

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 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 2018 first interim income distribution of 1.94 sen per unit payable on 31 May 2018.

AXIS REAL ESTATE INVESTMENT TRUST

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.3.2018	Preceding Year Corresponding Quarter 31.3.2017	Current Year To date 31.3.2018	Preceding Year To date 31.3.2017
	RM'000	RM'000	RM'000	RM'000
TOTAL TRUST REVENUE	45,087	42,693	45,087	42,693
Realised property income	44,948	42,515	44,948	42,515
Unrealised rental income (unbilled lease income receivable) *	1,245	1,197	1,245	1,197
	46,193	43,712	46,193	43,712
Less : Assessment	(1,042)	(984)	(1,042)	(984)
Quit rent	(304)	(279)	(304)	(279)
Other property operating expenditure	(5,452)	(5,278)	(5,452)	(5,278)
Net property income	39,395	37,171	39,395	37,171
Profit income	139	178	139	178
Net loss on disposal of investment property	-	(413)	-	(413)
Change in fair value of investment properties	7,374	-	7,374	-
Unbilled lease income receivable *	(1,245)	(1,197)	(1,245)	(1,197)
Fair value change on derivatives	70	85	70	85
Net gain/(loss) on financial liabilities measured at amortised cost	301	(240)	301	(240)
NET PROPERTY AND INVESTMENT INCOME	46,034	35,584	46,034	35,584
Manager's fees	3,992	3,483	3,992	3,483
Trustee's fees	212	187	212	187
Depreciation	107	105	107	105
Auditors' fees	30	30	30	30
Tax agent's fee	4	4	4	4
Allowance for doubtful/bad debts	-	(120)	-	(120)
Administrative expense	1,322	1,062	1,322	1,062
Islamic financing cost **	8,937	8,186	8,937	8,186
NON-PROPERTY EXPENSES	14,604	12,937	14,604	12,937
NET TRUST INCOME	31,430	22,647	31,430	22,647
NET INCOME FOR THE YEAR	31,430	22,647	31,430	22,647

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 31.3.2018 RM'000	Preceding Year Corresponding Quarter 31.3.2017 RM'000	Current Year To date 31.3.2018 RM'000	Preceding Year To date 31.3.2017 RM'000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	31,430	22,647	31,430	22,647
EARNINGS PER UNIT (EPU) (sen)	2.55	2.05	2.55	2.05
NET INCOME FOR THE YEAR IS MADE UP AS FOLLOWS:				
Realised	23,685	22,802	23,685	22,802
Unrealised rental income *	1,245	1,197	1,245	1,197
Unrealised - change in fair value of investment properties	7,374	-	7,374	-
Unrealised - unbilled lease income receivable *	(1,245)	(1,197)	(1,245)	(1,197)
Unrealised - Net gain/(loss) on financial liabilities measured at amortised cost	301	(240)	301	(240)
Unrealised - Fair value change on derivatives	70	85	70	85
	31,430	22,647	31,430	22,647

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 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.

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
Net income for the period	-	22,802	(155)	22,647
Realisation of unrealised income	-	1,764	(1,764)	-
<i>Total comprehensive income for the period</i>	-	24,566	(1,919)	22,647
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

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

FROM 1 JANUARY 2018 TO 31 MARCH 2018 (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 2018	1,240,253	7,600	343,283	1,591,136
Net income for the period	-	23,685	7,745	31,430
<i>Total comprehensive income for the period</i>	-	23,685	7,745	31,430
Contributions by and distributions to unitholders				
Distribution to Unitholders #	-	(11,338)	-	(11,338)
<i>Total transactions with unitholders</i>	-	(11,338)	-	(11,338)
At 31 March 2018	1,240,253	19,947	351,028	1,611,228

(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 2017 and the accompanying explanatory notes attached to the financial statements.)

Includes the payment of final income distribution for financial year 2017 of 0.92 sen per unit which was paid on 28 February 2018.

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2018 (UNAUDITED)

	Current Year To Date 31.3.2018 RM'000	Preceding Year To Date 31.3.2017 RM'000
Cash flows from operating activities		
Net income before taxation	31,430	22,647
Adjustments for :-		
Islamic financing cost	8,937	8,186
Profit income	(139)	(178)
Net loss on disposal of investment property	-	413
Change in fair value of investment properties	(7,374)	-
Depreciation	107	105
Net (loss)/gain on financial liabilities measured at amortised cost	(301)	240
Reversal of doubtful debts	-	(120)
Fair value change on derivatives	(70)	(85)
Operating income before changes in working capital	32,590	31,208
Changes in working capital		
Receivables, deposits and prepayments	8,274	(4,345)
Payables and accruals	(21,909)	18,236
Tenants' deposits	1,025	(19,329)
Net cash from operating activities	19,980	25,770
Cash flows from investing activities		
Profit income received	139	178
Enhancement of investment properties	(38,535)	(21,998)
Net proceeds from disposal of investment property	-	54,587
Acquisition of investment property	(35,591)	-
Acquisition of equipment	(57)	-
Pledged deposits	-	1,462
Net cash (used in)/from investing activities	(74,044)	34,229
Cash flows from financing activities		
Islamic financing cost paid	(8,937)	(8,186)
Proceeds from/(payment of) financing, net	69,627	(29,426)
Income distribution paid to unitholders	(11,338)	(23,209)
Net cash from/(used in) financing activities	49,352	(60,821)

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2018 (UNAUDITED) (CONT'D)

	Current Year	Preceding Year
	To Date	To Date
	31.3.2018	31.3.2017
	RM'000	RM'000
Net decrease in cash and cash equivalents	(4,712)	(822)
Cash and cash equivalents at beginning of year	23,037	19,998
Cash and cash equivalents at end of year	18,325	19,176
Cash and cash equivalents		
Cash and bank balances	9,208	10,511
Islamic deposits placed with licensed banks	20,949	20,497
	30,157	31,008
Less: Islamic deposits placed with licensed banks - pledged	(11,832)	(11,832)
	18,325	19,176

(The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 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 2017.

A2. AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2017

The audit report of the financial statements of Axis-REIT for the preceding year i.e. the financial year ended 31 December 2017 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 2017 final income distribution of 0.92 sen per unit, totaling RM11,338,000 in respect of the period from 16 November 2017 to 31 December 2017 was paid on 28 February 2018.

A7. INCOME DISTRIBUTION (CONTD.)

Axis REIT Managers Berhad, the management company of Axis-REIT (“Manager”) has proposed to distribute 99.6% from realised income available for distribution generated from operations for the period from 1 January 2018 to 31 March 2018 as the 2018 first interim income distribution of 1.94 sen per unit, which includes a non-taxable portion of approximately 0.46 sen per unit derived from capital allowances, industrial building 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 (“SPA”) had been executed on 24 July 2017 for the proposed acquisition by Axis-REIT of an industrial facility located at Kawasan Perindustrian MIEL, Gebeng, Kuantan, Pahang, comprising Land 1 and Land 2 (known as Wasco Facility @ Kuantan) for a proposed purchase consideration of RM155,000,000. The said SPA had become unconditional on 28 November 2017 and the balance purchase price of Land 1 had been paid on 5 December 2017 whereby the completion date had been achieved. The lease of Wasco Facility @ Kuantan had commenced on 5 December 2017.

The balance purchase price of Land 2 had been paid on 9 February 2018 and the final completion date has been achieved following the terms of the SPA.

b) A letter of offer had been duly accepted for the proposed acquisition by Axis-REIT of an industrial facility located at Senawang, Negeri Sembilan for a proposed purchase consideration of RM18,500,000. The due diligence exercise for this proposed acquisition is on-going.

c) Axis-REIT had on 1 November 2017 entered into a Sub-lease Agreement with Malaysia Airports Holdings Berhad for the proposed lease of approximately 7.02 acres of vacant land in Subang (“Project Land”) located within the proposed Malaysia International Aerospace Centre Technology Park, Sultan Abdul Aziz Shah Airport (“Proposed Land Lease”). The full consideration of the Proposed Land Lease had been paid on 7 February 2018.

d) Axis-REIT had on 10 November 2017 entered into an Agreement to Build and Lease with Upeca Aerotech Sdn Bhd for the proposed development of a single-storey manufacturing plant cum office building with a gross built-up area of approximately 178,978.60 sq. ft. inclusive of ancillary buildings and external elements (“Axis Aerotech Centre Project” or “Project”), to be constructed on the Project Land and a lease for an initial fixed period of 20 years with 2 renewal terms of 6 years each.

A total of RM2,200,000 has been incurred for the Project during the financial period ended 31 March 2018. The main contractor for Axis Aerotech Centre Project has been appointed on 14 March 2018 and the construction works have commenced in April 2018.

- e) Letters of offer had been duly accepted for the proposed acquisitions by Axis-REIT of three (3) industrial facilities located at Indahpura, Johor for a total proposed purchase consideration of RM45,150,000. The due diligence exercise for this proposed acquisition is on-going.
- f) A sale and purchase agreement had been executed on 23 April 2018 for the proposed acquisition and leaseback of two (2) adjoining parcel industrial lands erected with four (4) warehouse buildings, a double storey detached office building and other ancillary buildings held under H.S.(D) 281156, PT No. 674 and H.S.(D) PT No.5042, Seksyen 28, Daerah Petaling, Negeri Selangor Darul Ehsan for a total proposed purchase consideration of RM87,000,000.

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 1,232,326,803 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 2018, Axis-REIT registered a total revenue of RM45,087,000. The realised net income from operations was RM23,685,000 after deducting total expenditure of RM21,402,000, of which RM6,798,000 were attributable to property expenses and RM14,604,000 to non-property expenses.

The Manager has proposed to distribute RM23,907,000 (approximately 99.6% from realised income available for distribution generated from operations for the period from 1 January 2018 to 31 March 2018) as the 2018 first interim income distribution which translates to 1.94 sen per unit payable on 31 May 2018.

Maintenance costs & major capital expenditure

A total of RM2,064,000 has been incurred for enhancement of the properties of Axis-REIT and RM36,471,000 has been incurred for both the completed development project i.e. Nestle @ Axis Mega Distribution Centre and Axis Aerotech Centre Project during the financial period ended 31 March 2018.

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 in view of the current satisfactory performance of Axis-REIT's existing investment portfolio and its growth strategy to actively pursue quality acquisitions, it will be able to maintain its current performance for the financial year ending 31 December 2018.

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 2017 Annual Report of Axis-REIT.

B6. PORTFOLIO COMPOSITION

During the quarter under review, Axis-REIT has completed the Proposed Land Lease on 7 February 2018. The property portfolio size of Axis-REIT increased from 40 to 41 as at 31 March 2018.

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.

B9. STATUS OF CORPORATE PROPOSALS (CONT'D.)

b) Axis-REIT, vide an announcement dated 1 November 2017, proposed to undertake the following:

- (i) lease of the Project Land from Malaysia Airports Holdings Berhad pursuant to the Proposed Land Lease; and
- (ii) construct a single-storey manufacturing plant cum office building with a gross built-up area of approximately 178,978.60 sq ft inclusive of ancillary buildings and external elements to serve the operation of the manufacturing plant and office for manufacturing, storage and distribution of aerospace parts, on the Project Land for Upeca Aerotech Sdn Bhd (“Proposed Development of Axis Aerotech Centre Project”).

Axis-REIT then entered into the Agreement to Build and Lease with Upeca Aerotech Sdn Bhd for the Proposed Development of Axis Aerotech Centre Project on 10 November 2017.

Upon obtaining all requisite approvals, the Proposed Land Lease had been completed on 7 February 2018.

Details of the Proposed Development of Axis Aerotech Centre Project have been disclosed under Note A10(d) above.

c) Axis-REIT will be seeking the approval for the proposed authority to allot and issue new units in Axis-REIT of up to 20% of the issued fund size of Axis-REIT to facilitate a placement exercise from the unitholders at the forthcoming annual general meeting of Axis-REIT to be convened on 26 April 2018.

B10. FINANCING

	Current Financial Quarter Ended 31 March 2018 (RM' 000)	Preceding Financial Year Ended 31 December 2017 (RM' 000)
Short term financing		
- Secured Islamic revolving credit/ Islamic Medium Term Note/hire purchase denominated in MYR	666,420	596,764
Long term financing		
- Islamic Medium Term Note/hire purchase denominated in MYR	245,801	245,830

B11. DERIVATIVES

As at 31 March 2018, Axis-REIT has the following Islamic Profit Rate Swap (“IPRS”) to hedge against the fluctuation of future movement in profit rate on its short term financing. Axis-REIT is currently using the said IPRS to hedge against its other revolving credit financing and the unrealised loss of the derivatives had been recognised in the profit or loss:

	Fair Value 31 March 2018 <u>RM</u>	<u>Maturity</u>
3-year IPRS – derivative liability	84,083	Less than 3 years

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 31.3.2018 RM' 000	Immediate Preceding Quarter Ended 31.12.2017 RM' 000
Number of units in issue (units)	1,232,326,803	1,232,326,803
EPU (realised) (sen)	1.92	1.95
EPU (include unrealised income) (sen)	2.55	3.87
Net realised income for the period(RM'000)	23,685	22,446
Distribution per unit (DPU) (sen)	1.94	1.94
Net Asset Value (NAV) (RM'000)	1,611,228	1,591,136
NAV Per Unit (RM)	1.3075	1.2912
Market Value Per Unit (RM)	1.29	1.50

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 2018 and of its financial performance and cash flows for the quarterperiod ended on that date and duly authorised for release by the Board of the Manager on 25 April 2018.

BY ORDER OF THE BOARD

REBECCA LEONG SIEW KWAN

Company Secretary

AXIS REIT MANAGERS BERHAD (649450-W)

(As the Manager of AXIS REAL ESTATE INVESTMENT TRUST)

Kuala Lumpur

25 April 2018