

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION

	(UNAUDITED) AS AT END OF CURRENT QUARTER 30.06.2016 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2015 RM'000
ASSETS		
Non-Current Assets		
Investment properties	2,133,481	2,048,626
Equipment	3,658	3,602
Total Non-Current Assets	2,137,139	2,052,228
Current Assets		
Receivables, deposits and prepayments	9,760	59,230
Islamic deposits placed with licensed banks	26,180	20,972
Cash and bank balances	10,530	9,063
Total Current Assets	46,470	89,265
TOTAL ASSETS	2,183,609	2,141,493
LIABILITIES		
Non-Current Liabilities		
Tenant's deposits	34,105	30,199
Financing	330,889	330,982
Current Liabilities		
Payables and accruals	27,198	26,995
Financing	413,850	400,832
TOTAL LIABILITIES	806,042	789,008
<u>FINANCED BY:</u>		
<u>UNITHOLDERS' FUNDS</u>		
Unitholders' capital	1,060,326	1,052,272
Distributable income	19,074	19,036
Non-distributable reserves	298,167	281,177
	1,377,567	1,352,485
TOTAL UNITHOLDERS' FUNDS AND LIABILITIES	2,183,609	2,141,493
NET ASSET VALUE	1,377,567	1,352,485
NUMBER OF UNITS IN CIRCULATION	1,105,173,591	1,099,793,068
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.2465	1.2298
- After income distribution	1.2260 (Note 1)	1.2098

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015 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 second interim 2016 income distribution of 2.05 sen per unit payable on 9 September 2016.

AXIS REAL ESTATE INVESTMENT TRUST

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2016	Preceding Year Corresponding Quarter 30.06.2015	Current Year To date 30.06.2016	Preceding Year To date 30.06.2015
	RM'000	RM'000	RM'000	RM'000
TOTAL TRUST REVENUE	41,776	41,337	82,991	81,956
Realised property income	41,615	41,210	82,690	81,614
Unrealised rental income (unbilled lease income receivable) *	1,021	1,219	2,161	2,438
	42,636	42,429	84,851	84,052
Less : Assessment	(944)	(942)	(1,886)	(1,858)
Quit rent	(254)	(255)	(508)	(489)
Other property operating expenditure	(5,641)	(4,700)	(10,982)	(9,569)
Net property income	35,797	36,532	71,475	72,136
Profit income	161	127	301	342
Change in fair value of investment properties	13,727	8,192	16,227	8,702
Unbilled lease income receivable *	(1,021)	(1,219)	(2,161)	(2,438)
Fair value change on derivatives	(39)	38	(273)	(375)
Net gain on financial liabilities measured at amortised cost	351	110	1,036	823
NET PROPERTY AND INVESTMENT INCOME	48,976	43,780	86,605	79,190
Manager's fees	3,428	3,362	6,794	6,935
Trustee's fees	178	183	355	357
Depreciation	105	97	210	183
Auditors' fees	30	31	60	62
Tax agent's fee	3	5	7	9
Allowance for doubtful/bad debts	173	87	441	134
Administrative expense	655	577	1,423	1,539
Islamic financing cost **	7,954	7,532	15,745	14,748
NON-PROPERTY EXPENSES	12,526	11,874	25,035	23,967
NET TRUST INCOME	36,450	31,906	61,570	55,223
NET INCOME FOR THE YEAR	36,450	31,906	61,570	55,223

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 30.06.2016 RM'000	Preceding Year Corresponding Quarter 30.06.2015 RM'000	Current Year To date 30.06.2016 RM'000	Preceding Year To date 30.06.2015 RM'000
	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	36,450	31,906	61,570
EARNINGS PER UNIT (EPU) (sen) ***	3.32	2.91	5.60	5.04
NET INCOME FOR THE YEAR IS MADE UP AS FOLLOWS:				
Realised	22,411	23,566	44,580	46,073
Unrealised rental income *	1,021	1,219	2,161	2,438
Unrealised - change in fair value of investment properties	13,727	8,192	16,227	8,702
Unrealised - unbilled lease income receivable *	(1,021)	(1,219)	(2,161)	(2,438)
Unrealised - Net gain on financial liabilities measured at amortised cost	351	110	1,036	823
Unrealised - Fair value change on derivatives	(39)	38	(273)	(375)
	36,450	31,906	61,570	55,223

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015 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 EPU reflected under the preceding year corresponding quarter and preceding year to date has also been restated and presented as after the unit split exercise as required by the relevant applicable accounting standard.

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

FROM 1 JANUARY 2015 TO 30 JUNE 2015 (UNAUDITED)

	<i>Distributable</i>		<i>Non-Distributable</i>	
	Total Unitholders' Capital RM'000	Realised Income RM'000	Unrealised Income RM'000	Total Unitholders' Funds RM'000
At 1 January 2015	1,044,664	5,555	276,150	1,326,369
Net income for the period	-	46,073	9,150	55,223
<i>Total comprehensive income for the period</i>	-	46,073	9,150	55,223
Contributions by and distributions to unitholders				
Issuance of Units	852	-	-	852
Issuing expenses	(1)	-	-	(1)
Distribution to Unitholders#	-	(30,401)	-	(30,401)
<i>Total transactions with unitholders</i>	851	(30,401)	-	(29,550)
At 30 June 2015	1,045,515	21,227	285,300	1,352,042

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

FROM 1 JANUARY 2016 TO 30 JUNE 2016 (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 2016	1,052,272	19,036	281,177	1,352,485
Net income for the period	-	44,580	16,990	61,570
<i>Total comprehensive income for the period</i>	-	44,580	16,990	61,570
Contributions by and distributions to unitholders				
Issuance of Units	8,071	-	-	8,071
Issuing expenses	(17)	-	-	(17)
Distribution to Unitholders#	-	(44,542)	-	(44,542)
<i>Total transactions with unitholders</i>	8,054	(44,542)	-	(36,488)
At 30 June 2016	1,060,326	19,074	298,167	1,377,567

(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 2015 and the accompanying explanatory notes attached to the financial statements.)

Includes the payment of final income distribution for financial year 2015 of 2.00 sen per unit and the first interim income distribution of 2.05 sen per unit which were paid on 29 February 2016 and 16 June 2016, respectively.

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

	Current Year To Date 30.06.2016 RM'000	Preceding Year To Date 30.06.2015 RM'000
Cash flows from operating activities		
Net income before taxation	61,570	55,223
Adjustments for :-		
Islamic financing cost	15,745	14,748
Profit income	(301)	(342)
Change in fair value of investment properties	(16,227)	(8,702)
Depreciation	210	183
Net gain on financial liabilities measured at amortised cost	(1,036)	(823)
Allowance for doubtful/bad debts	441	134
Fair value change on derivatives	273	375
Operating income before changes in working capital	60,675	60,796
Changes in working capital		
Receivables, deposits and prepayments	49,029	1,924
Payables and accruals	1,087	(18,737)
Tenants' deposits	3,785	416
Net cash from operating activities	114,576	44,399
Cash flows from investing activities		
Profit income received	301	342
Enhancement of investment properties	(6,606)	(7,611)
Acquisition of equipment	(266)	(807)
Acquisition of investment property	(62,022)	(45,782)
Pledged deposits	1,041	664
Net cash used in investing activities	(67,552)	(53,194)
Cash flows from financing activities		
Islamic financing cost paid	(15,745)	(14,748)
Proceed/payment of financing, net	12,925	(5,977)
Income distribution paid to unitholders	(44,542)	(30,401)
Proceed from issue of units	8,071	852
Issuing expenses	(17)	(1)
Net cash used in financing activities	(39,308)	(50,275)

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30 June 2016 (UNAUDITED) (Continued)

	Current Year	Preceding Year
	To Date	To Date
	30.06.2016	30.06.2015
	RM'000	RM'000
Net decrease in cash and cash equivalents	7,716	(59,070)
Cash and cash equivalents at beginning of year	17,162	77,620
Cash and cash equivalents at end of year	<u>24,878</u>	<u>18,550</u>
Cash and cash equivalents		
Cash and bank balances	10,530	16,903
Islamic deposits placed with licensed banks	26,180	13,479
	<u>36,710</u>	<u>30,382</u>
Less: Islamic deposits placed with licensed banks - pledged	(11,832)	(11,832)
	<u>24,878</u>	<u>18,550</u>

(The Condensed Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015 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 2015.

A2. AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2015

The audit report of the financial statements of Axis-REIT for the preceding year i.e. the financial year ended 31 December 2015 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

Save as disclosed in Note A11, 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 first income distribution of 2.05 sen per unit, totaling RM22,545,758 in respect of the period from 1 January 2016 to 31 March 2016, was paid on 16 June 2016.

A7. INCOME DISTRIBUTION (CONTD.)

Axis REIT Managers Berhad, the management company of Axis-REIT (“Manager”) has proposed to distribute 99.84% from realised income available for distribution in respect of the period from 1 April 2016 to 30 June 2016 of 2.05 sen per unit as the 2016 second interim income distribution, which includes a non-taxable portion of approximately 0.07 sen per unit derived from 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) The completion of acquisition of four (4) single storey detached factories, annexed with two-storey office building within Kawasan Perindustrian i-Park held under freehold titles H.S(D) 64396 for No PTD 107901, H.S.(D) 64395 for No PTD 107900, H.S.(D) 64394 for No PTD 107899, H.S.(D) 64393 for No PTD 107898, all in Mukim Kulai, Daerah Kulajaya, Johor for a purchase consideration of RM61,000,000 on 28 January 2016 to be named as Beyonics i-Park Campus Block A, B, C & D.
- b) A sealed sales 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.
- c) A sealed sale and purchase agreement had been executed on 1 August 2016 for the proposed acquisition of a parcel of industrial land erected with an industrial complex comprising two (2) single-storey factory buildings with a 3 and 4-storey office annexe, a single-storey Pre-Delivery Inspection factory, a single-storey fibre glass factory and other ancillary buildings within Kawasan Industri Sg. Choh, Rawang held under freehold title H.S.(D) 51916 PT No 20449 in Mukim of Serendah, district of Ulu Selangor, Selangor for a purchase consideration of RM42,000,000.

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

Axis-REIT’s fund size was increased from 1,099,793,068 units to 1,105,173,591 units with the successful issuance of 5,380,523 new units on 16 June 2016 pursuant to the Income Distribution Reinvestment Plan (“IDRP”) applicable to the 2016 first interim income distribution. The said new units were listed on Bursa Securities on 17 June 2016.

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 30 June 2015, Axis-REIT registered a total revenue of RM41,776,000. The realised net income from operations was RM22,411,000 after deducting total expenditure RM19,365,000 of which RM6,839,000 were attributable to property expenses and RM12,526,000 to non-property expenses.

Half Year Results

For the six months period ended 30 June 2016, Axis-REIT recorded a total revenue of RM82,991,000. Total expenditure for the period under review was RM38,411,000, of which RM13,376,000 were attributable to property expenses and RM25,035,000 to non-property expenses.

For the period under review, the total income available for distribution amounted to RM45,272,000. A total of RM22,545,758 was paid out for the first three months ended 31 March 2016 as the 2016 first interim income distribution which translated to 2.05 sen per unit. Axis-REIT has further set aside RM22,656,059 (approximately 99.84% of total income available for distribution in respect of the period from 1 April 2016 to 30 June 2016) as the 2016 second interim income distribution which translates to 2.05 sen per unit to be paid on 9 September 2016.

Maintenance costs & major capital expenditure

A total of RM6,606,000 has been incurred for enhancement of the properties of Axis-REIT during the financial period ended 30 June 2016.

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 coming quarter and the rest of the financial year ending 31 December 2016.

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 2015 Annual Report of Axis-REIT.

B6. PORTFOLIO COMPOSITION

There was no change to the total number of properties held by Axis-REIT (38 properties) since the last reporting quarter.

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

The gross proceeds of RM8,070,785 raised from the 5,380,523 new units issued pursuant to the IDRPs applicable to the 2016 first interim income distribution will be used to finance enhancement of properties.

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 six months 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% (w.e.f. 1 January 2016) |
| 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.

B9. STATUS OF CORPORATE PROPOSALS (CONTD.)

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 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 unitholders of Axis-REIT had at the Unitholders' Meeting convened and held on 21 August 2015 approved the allotment and issuance of up to 219,103,216 new units in Axis-REIT to facilitate a placement exercise ("Proposed Authority") and its corresponding increase in fund size of Axis-REIT pursuant to the Proposed Authority. The Proposed Authority had been renewed at the fourth annual general meeting of Axis-REIT convened and held on 29 April 2016.

Axis-REIT had on 1 July 2016 submitted to Bursa Securities an application for an extension of time until 23 January 2017 for Axis-REIT to complete the Proposed Authority. The approval from Bursa Securities is still pending.

B10. FINANCING

	Current Financial Quarter Ended 30 June 2016 (RM' 000)	Preceding Financial Year Ended 31 December 2015 (RM' 000)
Short term financing		
- Secured Islamic revolving credit/hire purchase	413,850	400,832
Long term financing		
- Islamic Medium Term Note/hire purchase	330,889	330,982

B11. DERIVATIVES

As at 30 June 2016, 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 30 June 2016 <u>RM</u>	<u>Maturity</u>
3-year IPRS – derivative liability	29,407	Less than 1 years
3-year IPRS – derivative liability	235,984	Less than 2 years
	<u>265,391</u>	

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 30.06.2016 RM' 000	Immediate Preceding Quarter Ended 31.03.2016 RM' 000
Number of units in issue (units)	1,105,173,591	1,099,793,068
EPU (realised) (sen)	2.03	2.02
EPU (include unrealised income) (sen)	3.32	2.28
Net realised income for the period(RM'000)	22,411	22,169
Distribution per unit (DPU) (sen)	2.05	2.05
Net Asset Value (NAV) (RM'000)	1,377,566	1,355,614
NAV Per Unit (RM)	1.2465	1.2326
Market Value Per Unit (RM)	1.70	1.61

Based on weighted average of the number of units in issue of 1,100,679,967. The total number of units in issue was increased from 1,099,793,068 units to 1,105,173,591 units with the successful issuance of 5,380,523 new units pursuant to the IDRP on 16 June 2016 and the said new units were listed on Bursa Securities on 17 June 2016.

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 30 June 2016 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 4 August 2016.

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

4 August 2016