

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION

	(UNAUDITED) AS AT END OF CURRENT QUARTER 30.06.2017 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2016 RM'000
ASSETS		
Non-Current Assets		
Investment properties	2,202,323	2,143,149
Equipment	2,689	2,899
Total Non-Current Assets	2,205,012	2,146,048
Current Assets		
Receivables, deposits and prepayments	18,115	9,934
Islamic deposits placed with licensed banks	18,611	19,396
Cash and bank balances	10,878	13,896
Asset classified as held for sale	-	55,000
Total Current Assets	47,604	98,226
TOTAL ASSETS	2,252,616	2,244,274
LIABILITIES		
Non-Current Liabilities		
Tenant's deposits	40,417	46,417
Financing	330,822	330,854
Current Liabilities		
Payables and accruals	43,917	24,221
Financing	445,546	449,811
TOTAL LIABILITIES	860,702	851,303
<u>FINANCED BY:</u>		
<u>UNITHOLDERS' FUNDS</u>		
Unitholders' capital	1,060,320	1,060,320
Distributable income	20,507	19,368
Non-distributable reserves	311,087	313,283
	1,391,914	1,392,971
TOTAL UNITHOLDERS' FUNDS AND LIABILITIES	2,252,616	2,244,274
NET ASSET VALUE	1,391,914	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	1.2595	1.2604
- After income distribution	1.2378 (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 second interim 2017 income distribution of 2.17 sen per unit payable on 30 August 2017.

AXIS REAL ESTATE INVESTMENT TRUST

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2017 RM'000	Preceding Year Corresponding Quarter 30.06.2016 RM'000	Current Year To date 30.06.2017 RM'000	Preceding Year To date 30.06.2016 RM'000
TOTAL TRUST REVENUE	41,639	41,776	84,332	82,991
Realised property income	41,468	41,615	83,983	82,690
Unrealised rental income (unbilled lease income receivable) *	1,196	1,021	2,393	2,161
	42,664	42,636	86,376	84,851
Less : Assessment	(965)	(944)	(1,949)	(1,886)
Quit rent	(276)	(254)	(555)	(508)
Other property operating expenditure	(4,980)	(5,641)	(10,258)	(10,982)
Net property income	36,443	35,797	73,614	71,475
Profit income	171	161	349	301
Net loss on disposal of investment property #	-	-	(413)	-
Change in fair value of investment properties	-	13,727	-	16,227
Unbilled lease income receivable *	(1,196)	(1,021)	(2,393)	(2,161)
Fair value change on derivatives	(44)	(39)	41	(273)
Net gain/(loss) on financial liabilities measured at amortised cost	(233)	351	(473)	1,036
NET PROPERTY AND INVESTMENT INCOME	35,141	48,976	70,725	86,605
Manager's fees	3,479	3,428	6,962	6,794
Trustee's fees	187	178	374	355
Depreciation	105	105	210	210
Auditors' fees	30	30	60	60
Tax agent's fee	3	3	7	7
Allowance for doubtful/bad debts	(302)	173	(422)	441
Administrative expense	542	655	1,604	1,423
Islamic financing cost **	7,831	7,954	16,017	15,745
NON-PROPERTY EXPENSES	11,875	12,526	24,812	25,035
NET TRUST INCOME	23,266	36,450	45,913	61,570
NET INCOME FOR THE YEAR	23,266	36,450	45,913	61,570

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 30.06.2017 RM'000	Preceding Year Corresponding Quarter 30.06.2016 RM'000	Current Year To date 30.06.2017 RM'000	Preceding Year To date 30.06.2016 RM'000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	23,266	36,450	45,913	61,570
EARNINGS PER UNIT (EPU) (sen)	2.10	3.32	4.15	5.60
NET INCOME FOR THE YEAR IS MADE UP AS FOLLOWS:				
Realised	23,543	22,411	46,345	44,580
Unrealised rental income *	1,196	1,021	2,393	2,161
Unrealised - change in fair value of investment properties	-	13,727	-	16,227
Unrealised - unbilled lease income receivable *	(1,196)	(1,021)	(2,393)	(2,161)
Unrealised - Net gain/(loss) on financial liabilities measured at amortised cost	(233)	351	(473)	1,036
Unrealised - Fair value change on derivatives	(44)	(39)	41	(273)
	23,266	36,450	45,913	61,570

(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 realised net gain on disposal of RM1,351,000 which is available for distribution to the Unitholders comprising the realisation of unrealised 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.

**realisation of unrealised income – recognition of prior years' unrealised fair value gain on market value of Axis Eureka as realised income upon disposal.*

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

FROM 1 JANUARY 2016 TO 30 JUNE 2016 (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 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

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

FROM 1 JANUARY 2017 TO 30 JUNE 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	-	46,345	(432)	45,913
Realisation of unrealised income	-	1,764	(1,764)	-
<i>Increase/ (Decrease) in net asset resulting from operations</i>	-	48,109	(2,196)	45,913
Contributions by and distributions to unitholders				
Distribution to Unitholders #	-	(46,970)	-	(46,970)
<i>Total transactions with unitholders</i>	-	(46,970)	-	(46,970)
At 30 June 2017	1,060,320	20,507	311,087	1,391,914

(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 and the first interim income distribution of 2.15 sen per unit which were paid on 28 February 2017 and 31 May 2017, respectively.

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2017 (UNAUDITED)

	Current Year To Date 30.06.2017 RM'000	Preceding Year To Date 30.06.2016 RM'000
Cash flows from operating activities		
Net income before taxation	45,913	61,570
Adjustments for :-		
Islamic financing cost	16,017	15,745
Profit income	(349)	(301)
Net loss on disposal of investment property	413	-
Change in fair value of investment properties	-	(16,227)
Depreciation	210	210
Net loss/(gain) on financial liabilities measured at amortised cost	473	(1,036)
Allowance/(reversal) for doubtful/bad debts	(422)	441
Fair value change on derivatives	(41)	273
Operating income before changes in working capital	62,214	60,675
Changes in working capital		
Receivables, deposits and prepayments	(7,759)	49,029
Payables and accruals	16,378	1,087
Tenants' deposits	(3,114)	3,785
Net cash from operating activities	67,719	114,576
Cash flows from investing activities		
Profit income received	349	301
Enhancement of investment properties	(59,174)	(6,606)
Net proceeds from disposal of investment property	54,587	-
Acquisition of equipment	-	(266)
Acquisition of investment property	-	(62,022)
Pledged deposits	1,462	1,041
Net cash used in investing activities	(2,776)	(67,552)
Cash flows from financing activities		
Islamic financing cost paid	(16,017)	(15,745)
(Payment of)/proceeds from financing, net	(4,297)	12,925
Income distribution paid to unitholders	(46,970)	(44,542)
Proceeds from issue of units	-	8,071
Issuing expenses	-	(17)
Net cash used in financing activities	(67,284)	(39,308)

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2017 (UNAUDITED) (Continued)

	Current Year	Preceding Year
	To Date	To Date
	30.06.2017	30.06.2016
	RM'000	RM'000
Net (decrease)/increase in cash and cash equivalents	(2,341)	7,716
Cash and cash equivalents at beginning of year	19,998	17,162
Cash and cash equivalents at end of year	<u>17,657</u>	<u>24,878</u>
Cash and cash equivalents		
Cash and bank balances	10,878	10,530
Islamic deposits placed with licensed banks	18,611	26,180
	<u>29,489</u>	<u>36,710</u>
Less: Islamic deposits placed with licensed banks - pledged	(11,832)	(11,832)
	<u>17,657</u>	<u>24,878</u>

(The Condensed Statement of Cash Flows 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 2017 first interim income distribution of 2.15 sen per unit, totaling RM23,761,000 in respect of the period from 1 January 2017 to 31 March 2017, was paid on 31 May 2017.

A7. INCOME DISTRIBUTION (CONTD.)

Axis REIT Managers Berhad, the management company of Axis-REIT (“Manager”) has proposed to distribute 99.56% from realised income available for distribution generated from operations for the period from 1 April 2017 to 30 June 2017 and balance net gain on disposal of Axis Eureka of 0.07 sen per unit which in aggregate, resulted in the 2017 second interim income distribution of 2.17 sen per unit, which includes a total of non-taxable portion of approximately 0.14 sen per unit derived from a combination of the utilization of net gain on disposal of Axis Eureka (final 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) The completion of the 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 (known as Kerry Warehouse) for a purchase consideration of RM33,000,000, on 24 July 2017
- 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 sale and purchase agreement 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 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 an industrial facility located at Iskandar Puteri, Johor for a proposed purchase consideration of RM50,000,000. The due diligence exercise for this proposed acquisition is on-going.

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 30 June 2017, Axis-REIT registered a total revenue of RM41,639,000. The total expenditure RM18,096,000 of which RM6,221,000 were attributable to property expenses and RM11,875,000 to non-property expenses.

The Manager has proposed to distribute 99.56% from realised income available for distribution generated from operations for the second quarter of 2017 and balance net gain on disposal of Axis Eureka of 0.07 sen per unit (final tranche); which together resulted in the 2017 second interim income distribution of 2.17 sen per unit.

Half Year Results

For the six months period ended 30 June 2017, Axis-REIT recorded a total revenue of RM84,332,000. Total expenditure for the period under review was RM37,574,000, of which RM12,762,000 were attributable to property expenses and RM24,812,000 to non-property expenses. The disposal of Axis Eureka completed on 8 March 2017, has resulted in a total realised net gain on disposal of RM1,351,000 which comprises the realisation of unrealised 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 RM47,953,000.

A total of RM23,761,000 was paid out for the first three months ended 31 March 2017 as the 2017 first interim income distribution which translated to 2.15 sen per unit. Axis-REIT has further set aside RM23,982,000 (aggregating approximately 99.56% of total income available for distribution in respect of the period from 1 April 2017 to 30 June 2017 and balance net gain on disposal of Axis Eureka) as the 2017 second interim income distribution which translates to 2.17 sen per unit payable on 30 August 2017.

**realisation of unrealised income – recognition of prior years' unrealised fair value gain on market value of Axis Eureka as realised income upon disposal.*

Maintenance costs & major capital expenditure

A total of RM6,182,000 has been incurred for enhancement of the properties of Axis-REIT and RM52,992,000 has been incurred for Axis PDI Development Project during the financial period ended 30 June 2017.

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

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

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 six-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) Axis-REIT has obtained the following approvals:
- (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 5th annual general meeting of Axis-REIT convened and held on 26 April 2017; and
 - (ii) Approval from Securities Commission Malaysia on 19 June 2017 for the Proposed Placement and the listing and quotation of the new units to be issued under the Proposed Placement on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The listing application in relation to the Proposed Placement has been submitted to Bursa Securities on 12 July 2017, approval of which is pending.

B10. FINANCING

	Current Financial Quarter Ended 30 June 2017 (RM' 000)	Preceding Financial Year Ended 31 December 2016 (RM' 000)
Short term financing		
- Secured Islamic revolving credit/hire purchase	445,546	449,811
Long term financing		
- Islamic Medium Term Note/hire purchase	330,822	330,854

B11. DERIVATIVES

As at 30 June 2017, 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 30 June 2017 <u>RM</u>	<u>Maturity</u>
3-year IPRS – derivative liability	59,470	Less than 1 year
3-year IPRS – derivative liability	91,058	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 30.06.2017 RM' 000	Immediate Preceding Quarter Ended 31.3.2017 RM' 000
Number of units in issue (units)	1,105,173,591	1,105,173,591
EPU (realised) (sen)	2.13	2.06
EPU (include unrealised income) (sen)	2.10	2.05
Net realised income for the period(RM'000)	23,543	22,802
Distribution per unit (DPU) (sen)	2.17	2.15
Net Asset Value (NAV) (RM'000)	1,391,914	1,392,409
NAV Per Unit (RM)	1.2595	1.2599
Market Value Per Unit (RM)	1.64	1.65

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 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 24 July 2017.

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

24 July 2017