

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION

	(UNAUDITED) AS AT END OF CURRENT QUARTER 31.12.2016 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2015 RM'000
ASSETS		
Non-Current Assets		
Investment properties	2,198,149	2,048,626
Equipment	2,899	3,602
Total Non-Current Assets	2,201,048	2,052,228
Current Assets		
Receivables, deposits and prepayments	9,934	59,230
Islamic deposits placed with licensed banks	19,396	20,972
Cash and bank balances	13,896	9,063
Total Current Assets	43,226	89,265
TOTAL ASSETS	2,244,274	2,141,493
LIABILITIES		
Non-Current Liabilities		
Tenant's deposits	46,417	30,199
Financing	330,854	330,982
Current Liabilities		
Payables and accruals	24,221	26,995
Financing	449,811	400,832
TOTAL LIABILITIES	851,303	789,008
<u>FINANCED BY:</u>		
<u>UNITHOLDERS' FUNDS</u>		
Unitholders' capital	1,060,320	1,052,272
Distributable income	19,368	19,036
Non-distributable reserves	313,283	281,177
	1,392,971	1,352,485
TOTAL UNITHOLDERS' FUNDS AND LIABILITIES	2,244,274	2,141,493
NET ASSET VALUE	1,392,971	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	1.2605	1.2298
- After income distribution	1.2395 (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 final 2016 income distribution of 2.10 sen per unit payable on 28 February 2017.

AXIS REAL ESTATE INVESTMENT TRUST

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2016	Preceding Year Corresponding Quarter 31.12.2015	Current Year To date 31.12.2016	Preceding Year To date 31.12.2015
	RM'000	RM'000	RM'000	RM'000
TOTAL TRUST REVENUE	42,390	40,008	167,363	163,821
Realised property income	42,230	39,832	166,685	163,077
Unrealised rental income (unbilled lease income receivable) *	1,413	(1,081)	4,655	2,598
	43,643	38,751	171,340	165,675
Less : Assessment	(1,009)	(928)	(3,882)	(3,705)
Quit rent	(254)	(252)	(1,016)	(993)
Other property operating expenditure	(5,362)	(4,824)	(22,150)	(19,048)
Net property income	37,018	32,747	144,292	141,929
Profit income	160	176	678	744
Change in fair value of investment properties	197	(2,911)	29,861	5,791
Unbilled lease income receivable *	(1,413)	1,081	(4,655)	(2,598)
Fair value change on derivatives	155	(248)	(201)	(81)
Net gain on financial liabilities measured at amortised cost	794	(1,645)	2,446	(683)
NET PROPERTY AND INVESTMENT INCOME	36,911	29,200	172,421	145,102
Manager's fees	3,471	3,400	13,745	13,759
Trustee's fees	195	178	730	712
Depreciation	107	105	422	393
Auditors' fees	31	25	121	118
Tax agent's fee	3	2	14	27
Allowance for doubtful/bad debts	4	11	474	188
Administrative expense	606	947	2,619	3,333
Islamic financing cost **	8,228	7,581	32,004	29,935
NON-PROPERTY EXPENSES	12,645	12,249	50,129	48,465
NET TRUST INCOME BEFORE TAX	24,266	16,951	122,292	96,637
INCOME TAX EXPENSES	-	-	-	(73)
NET INCOME FOR THE YEAR	24,266	16,951	122,292	96,564

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 31.12.2016 RM'000	Preceding Year Corresponding Quarter 31.12.2015 RM'000	Current Year To date 31.12.2016 RM'000	Preceding Year To date 31.12.2015 RM'000
	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	24,266	16,951	122,292
EARNINGS PER UNIT (EPU) (sen)	2.20	1.54	11.10	8.81
NET INCOME FOR THE YEAR IS MADE UP AS FOLLOWS:				
Realised	23,120	21,755	90,186	91,537
Unrealised rental income *	1,413	(1,081)	4,655	2,598
Unrealised - change in fair value of investment properties	197	(2,911)	29,861	5,791
Unrealised - unbilled lease income receivable *	(1,413)	1,081	(4,655)	(2,598)
Unrealised - Net gain on financial liabilities measured at amortised cost	794	(1,645)	2,446	(683)
Unrealised - Fair value change on derivatives	155	(248)	(201)	(81)
	24,266	16,951	122,292	96,564

(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.

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

FROM 1 JANUARY 2015 TO 31 DECEMBER 2015 (AUDITED)

	<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	-	91,537	5,027	96,564
<i>Total comprehensive income for the period</i>	-	91,537	5,027	96,564
Contributions by and distributions to unitholders				
Issuance of Units	7,652	-	-	7,652
Issuing expenses	(44)	-	-	(44)
Distribution to Unitholders	-	(78,056)	-	(78,056)
<i>Total transactions with unitholders</i>	7,608	(78,056)	-	(70,448)
At 31 December 2015	1,052,272	19,036	281,177	1,352,485

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

FROM 1 JANUARY 2016 TO 31 DECEMBER 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	-	90,186	32,106	122,292
<i>Total comprehensive income for the period</i>	-	90,186	32,106	122,292
Contributions by and distributions to unitholders				
Issuance of Units	8,071	-	-	8,071
Issuing expenses	(23)	-	-	(23)
Distribution to Unitholders #	-	(89,854)	-	(89,854)
<i>Total transactions with unitholders</i>	8,048	(89,854)	-	(81,806)
At 31 December 2016	1,060,320	19,368	313,283	1,392,971

(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 which was paid on 29 February 2016, and the first, second and third interim income distributions amounting to a total of 6.15 sen per unit for the financial year 2016 which were paid on 16 June 2016, 9 September 2016 and 30 November 2016 respectively.

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31 DECEMBER 2016 (UNAUDITED)

	Current Year To Date 31.12.2016 RM'000	Preceding Year To Date 31.12.2015 RM'000
Cash flows from operating activities		
Net income before taxation	122,292	96,637
Adjustments for :-		
Islamic financing cost	32,004	29,935
Profit income	(678)	(744)
Change in fair value of investment properties	(29,861)	(5,791)
Depreciation	422	393
Net gain on financial liabilities measured at amortised cost	(2,446)	683
Allowance for doubtful/bad debts	474	188
Fair value change on derivatives	201	81
Operating income before changes in working capital	122,408	121,382
Changes in working capital		
Receivables, deposits and prepayments	48,822	(49,059)
Payables and accruals	7,574	(7,034)
Tenants' deposits	8,115	(12,281)
Cash generated from operating activities	186,919	53,008
Tax paid	-	(73)
Net cash from operating activities	186,919	52,935
Cash flows from investing activities		
Profit income received	678	744
Enhancement of investment properties	(14,944)	(14,467)
Acquisition of equipment	281	(1,174)
Acquisition of investment property	(104,718)	(45,781)
Pledged deposits	1,041	(377)
Net cash used in investing activities	(117,662)	(61,055)
Cash flows from financing activities		
Islamic financing cost paid	(32,004)	(29,935)
Proceed/payment of financing, net	48,851	48,045
Income distribution paid to unitholders	(89,854)	(78,056)
Proceed from issue of units	8,071	7,652
Issuing expenses	(23)	(44)
Net cash used in financing activities	(64,959)	(52,338)

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

	Current Year	Preceding Year
	To Date	To Date
	31.12.2016	31.12.2015
	RM'000	RM'000
Net (decrease)/increase in cash and cash equivalents	4,298	(60,458)
Cash and cash equivalents at beginning of year	17,162	77,620
Cash and cash equivalents at end of year	21,460	17,162
Cash and cash equivalents		
Cash and bank balances	13,896	9,063
Islamic deposits placed with licensed banks	19,396	20,972
	33,292	30,035
Less: Islamic deposits placed with licensed banks - pledged	(11,832)	(12,873)
	21,460	17,162

(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

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 third interim income distribution of 2.05 sen per unit, totaling RM22,656,059 in respect of the period from 1 July 2016 to 30 September 2016, was paid on 30 November 2016.

A7. INCOME DISTRIBUTION (CONTD.)

Axis REIT Managers Berhad, the management company of Axis-REIT (“Manager”) has proposed to distribute 99.94% from realised income available for distribution in respect of the period from 1 October 2016 to 31 December 2016 of 2.10 sen per unit as the 2016 final income distribution, which includes a non-taxable portion of approximately 0.15 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 the acquisition of four (4) single storey detached factories (known as Beyonics i-Park Campus Block A, B, C & D), 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.
- b) 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.
- c) The completion of the acquisition of a parcel of industrial land together with all those industrial buildings and structures erected thereon within PT 20449 (Lot 795 & 796) Jalan Monorail, Kawasan Industri Sg. Choh, Sg. Choh, 48000 Selangor held under freehold title H.S. (D) 51916 for PT No 20449 in Mukim of Serendah, District of Ulu Selangor, Selangor (known as Scomi Facility @ Rawang) for a purchase consideration of RM42,000,000, on 15 November 2016.
- d) 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.
- e) A sale and purchase agreement had been executed on 24 October 2016 to dispose 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 RM56,132,075.00. The disposal of Axis Eureka is expected to be completed in the first quarter of 2017.

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 December 2016, Axis-REIT registered a total revenue of RM42,390,000. The realised net income from operations was RM23,120,000 after deducting total expenditure RM19,270,000 of which RM6,625,000 were attributable to property expenses and RM12,645,000 to non-property expenses.

Full-Year Results

For the financial year ended 31 December 2016, Axis-REIT recorded a total revenue of RM167,363,000. Total expenditure for the period under review was RM77,177,000, of which RM27,048,000 were attributable to property expenses and RM50,129,000 to non-property expenses.

For the financial year under review, together with the brought forward undistributed income from previous quarter, the total income available for distribution amounted to RM91,122,000. A total of RM67,858,000 was paid out for the first nine months ended 30 September 2016 as the 2016 first, second and third interim income distributions, each of which translated to 2.05 sen per unit respectively. Axis-REIT has further set aside RM23,209,000 (approximately 99.94% of total income available for distribution in respect of the period from 1 October 2016 to 31 December 2016 as the 2016 final income distribution which translates to 2.10 sen per unit payable on 28 February 2017.

Maintenance costs & major capital expenditure

A total of RM11,344,000 has been incurred for enhancement of the properties of Axis-REIT and RM3,600 has been incurred for Axis PDI development project during the financial year ended 31 December 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 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 2015 Annual Report of Axis-REIT.

B6. PORTFOLIO COMPOSITION

During the quarter under review, Axis-REIT has acquired one property i.e. Scomi Facility @ Rawang. The property portfolio size of Axis-REIT has increased from 38 properties to a total of 39 properties as at 31 December 2016.

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 full year 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 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 obtained approval from Bursa Securities on 21 July 2016 for the extension of time until 23 January 2017 for Axis-REIT to complete the Proposed Authority. In view that the Proposed Authority is yet to be implemented, it will lapse on 23 January 2017.

B10. FINANCING

	Current Financial Quarter Ended 31 December 2016 (RM’ 000)	Preceding Financial Year Ended 31 December 2015 (RM’ 000)
Short term financing		
- Secured Islamic revolving credit/hire purchase	449,811	400,832
Long term financing		
- Islamic Medium Term Note/hire purchase	330,854	330,982

B11. DERIVATIVES

As at 31 December 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 31 December 2016 <u>RM</u>	<u>Maturity</u>
3-year IPRS – derivative liability	192,434	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 31.12.2016 RM' 000	Immediate Preceding Quarter Ended 30.09.2016 RM' 000
Number of units in issue (units)	1,105,173,591	1,105,173,591
EPU (realised) (sen)	2.10	2.04
EPU (include unrealised income) (sen)	2.20	3.30
Net realised income for the period(RM'000)	23,120	22,486
Distribution per unit (DPU) (sen)	2.10	2.05
Net Asset Value (NAV) (RM'000)	1,393,082	1,391,367
NAV Per Unit (RM)	1.2605	1.2590
Market Value Per Unit (RM)	1.61	1.75

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 December 2016 and of its financial performance and cash flows for the quarter/year ended on that date and duly authorized for release by the Board of the Manager on 18 January 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
18 January 2017