

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION

	(UNAUDITED) AS AT END OF CURRENT QUARTER 31.12.2017 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2016 RM'000
ASSETS		
Non-Current Assets		
Investment properties	2,482,200	2,143,149
Equipment	2,477	2,899
Total Non-Current Assets	2,484,677	2,146,048
Current Assets		
Receivables, deposits and prepayments	30,063	9,934
Islamic deposits placed with licensed banks	24,841	19,396
Cash and bank balances	10,028	13,896
Asset classified as held for sale	-	55,000
Total Current Assets	64,932	98,226
TOTAL ASSETS	2,549,609	2,244,274
LIABILITIES		
Non-Current Liabilities		
Tenant's deposits	43,998	46,417
Financing	245,830	330,854
Current Liabilities		
Payables and accruals	71,881	24,221
Financing	596,764	449,811
TOTAL LIABILITIES	958,473	851,303
<u>FINANCED BY:</u>		
<u>UNITHOLDERS' FUNDS</u>		
Unitholders' capital	1,240,253	1,060,320
Distributable income	7,600	19,368
Non-distributable reserves	343,283	313,283
	1,591,136	1,392,971
TOTAL UNITHOLDERS' FUNDS AND LIABILITIES	2,549,609	2,244,274
NET ASSET VALUE	1,591,136	1,392,971
NUMBER OF UNITS IN CIRCULATION	1,232,326,803	1,105,173,591
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.2912	1.2604
- After income distribution	1.2820 (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 final 2017 income distribution of 0.92 sen per unit payable on 28 February 2018.

AXIS REAL ESTATE INVESTMENT TRUST

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2017 RM'000	Preceding Year Corresponding Quarter 31.12.2016 RM'000	Current Year To date 31.12.2017 RM'000	Preceding Year To date 31.12.2016 RM'000
TOTAL TRUST REVENUE	42,417	42,390	168,745	167,363
Realised property income	41,913	42,230	167,761	166,685
Unrealised rental income (unbilled lease income receivable) *	1,364	1,413	4,954	4,655
	43,277	43,643	172,715	171,340
Less : Assessment	(1,009)	(1,009)	(3,950)	(3,882)
Quit rent	(286)	(254)	(1,122)	(1,016)
Other property operating expenditure	(5,312)	(5,362)	(21,440)	(22,150)
Net property income	36,670	37,018	146,203	144,292
Profit income	504	160	984	678
Net loss on disposal of investment property #	-	-	(419)	-
Change in fair value of investment properties	20,524	197	30,395	29,861
Unbilled lease income receivable *	(1,364)	(1,413)	(4,954)	(4,655)
Fair value change on derivatives	142	155	206	(201)
Net gain on financial liabilities measured at amortised cost	977	794	1,163	2,446
NET PROPERTY AND INVESTMENT INCOME	57,453	36,911	173,578	172,421
Manager's fees	3,840	3,471	14,278	13,745
Trustee's fees	196	195	755	730
Depreciation	106	107	422	422
Auditors' fees	31	31	121	121
Tax agent's fee	5	3	15	14
Allowance for doubtful/bad debts	54	4	(369)	474
Administrative expense	949	606	3,343	2,619
Islamic financing cost **	8,183	8,228	32,453	32,004
NON-PROPERTY EXPENSES	13,364	12,645	51,018	50,129
NET TRUST INCOME	44,089	24,266	122,560	122,292
NET INCOME FOR THE YEAR	44,089	24,266	122,560	122,292

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 31.12.2017	Preceding Year Corresponding Quarter 31.12.2016	Current Year To date 31.12.2017	Preceding Year To date 31.12.2016
	RM'000	RM'000	RM'000	RM'000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	44,089	24,266	122,560	122,292
EARNINGS PER UNIT (EPU) (sen)	3.87	2.20	10.97	11.10
NET INCOME FOR THE YEAR IS MADE UP AS FOLLOWS:				
Realised	22,446	23,120	90,796	90,186
Unrealised rental income *	1,364	1,413	4,954	4,655
Unrealised - change in fair value of investment properties	20,524	197	30,395	29,861
Unrealised - unbilled lease income receivable *	(1,364)	(1,413)	(4,954)	(4,655)
Unrealised - Net gain on financial liabilities measured at amortised cost	977	794	1,163	2,446
Unrealised - Fair value change on derivatives	142	155	206	(201)
	44,089	24,266	122,560	122,292

(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 RM1,345,000 which is available for distribution to the Unitholders comprising the realisation of unrealised income* of RM1,764,000 less the loss on disposal of RM419,000. 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 31 DECEMBER 2016 (AUDITED)

	Total	<i>Distributable</i>	<i>Non-</i>	Total
	Unitholders'	Realised	Unrealised	Unitholders'
	Capital	Income	Income	Funds
	RM'000	RM'000	RM'000	RM'000
At 1 January 2016	1,052,272	19,036	281,177	1,352,485
Net income for the period	-	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)	-	(81,906)
At 31 December 2016	1,060,320	19,368	313,283	1,392,971

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

FROM 1 JANUARY 2017 TO 31 DECEMBER 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	-	90,796	31,764	122,560
Realisation of unrealized income	-	1,764	(1,764)	-
<i>Total comprehensive income for the period</i>	-	92,560	30,000	122,560
Contributions by and distributions to unitholders				
Issuance Of Units	181,958	-	-	181,958
Issuing expenses	(2,025)	-	-	(2,025)
Distribution to Unitholders	-	(104,328)	-	(104,328)
<i>Total transactions with unitholders</i>	179,933	(104,328)	-	(75,605)
At 31 December 2017	1,240,253	7,600	343,283	1,591,136

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

Includes the payment of final income distribution for financial year 2016 of 2.10 sen per unit which was paid on 28 February 2017, and the first, second, third and fourth interim income distributions amounting to a total of 7.34 sen per unit for the financial year 2017 which were paid on 31 May 2017, 30 August 2017, 13 December 2017 and 22 December 2017, respectively.

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

	Current Year To Date 31.12.2017 RM'000	Preceding Year To Date 31.12.2016 RM'000
Cash flows from operating activities		
Net income before taxation	122,560	122,292
Adjustments for :-		
Islamic financing cost	32,453	32,004
Profit income	(984)	(678)
Net loss on disposal of investment property	419	-
Change in fair value of investment properties	(30,395)	(29,861)
Depreciation	422	422
Net loss on financial liabilities measured at amortised cost	(1,163)	(2,446)
Allowance/(reversal) for doubtful/bad debts	(369)	155
Bad debts written off	-	319
Fair value change on derivatives	(206)	201
Operating income before changes in working capital	122,737	122,408
Changes in working capital		
Receivables, deposits and prepayments	(19,760)	48,822
Payables and accruals	39,850	7,574
Tenants' deposits	6,760	8,115
Net cash from operating activities	149,587	186,919
Cash flows from investing activities		
Profit income received	984	678
Enhancement of investment properties	(152,996)	(14,638)
Net proceeds from disposal of investment property	54,581	-
Acquisition of equipment	-	(25)
Acquisition of investment property	(155,660)	(104,718)
Pledged deposits	1,462	(421)
Net cash used in investing activities	(251,629)	(119,124)
Cash flows from financing activities		
Islamic financing cost paid	(32,453)	(32,004)
Proceeds from financing, net	61,929	48,851
Income distribution paid to unitholders	(104,328)	(89,854)
Proceeds from issue of units	181,958	8,071
Issuing expenses	(2,025)	(23)
Net cash from/(used in) financing activities	105,081	(64,959)

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

	Current Year	Preceding Year
	To Date	To Date
	31.12.2017	31.12.2016
	RM'000	RM'000
Net increase in cash and cash equivalents	3,039	2,836
Cash and cash equivalents at beginning of year	19,998	17,162
Cash and cash equivalents at end of year	23,037	19,998
Cash and cash equivalents		
Cash and bank balances	10,028	13,896
Islamic deposits placed with licensed banks	24,841	19,396
	34,869	33,292
Less: Islamic deposits placed with licensed banks - pledged	(11,832)	(13,294)
	23,037	19,998

(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

Save as disclosed under Note A11 below, 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 third interim income distribution of 2.00 sen per unit, totaling RM22,103,472 in respect of the period from 1 July 2017 to 30 September 2017, was paid on 13 December 2017.

In addition, the 2017 fourth interim income distribution of 1.02 sen per unit, totaling RM11,272,771 in respect of the period from 1 October 2017 to 15 November 2017, was further paid on 22 December 2017.

A7. INCOME DISTRIBUTION (CONTD.)

Axis REIT Managers Berhad, the management company of Axis-REIT (“Manager”) has proposed to distribute 99.86% from realised income available for distribution generated from operations for the period from 16 November 2017 to 31 December 2017 as the 2017 final income distribution of 0.92 sen per unit, of which is wholly non-taxable due to utilization of capital allowances, industrial building allowances and tax exempt profit income which is not subject to tax.

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 been completed in January 2018.
- 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 (“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 balance purchase price of Land 2 will be paid at a later stage in accordance with the terms of the SPA to achieve the final completion date. The lease of Wasco Facility @ Kuantan had commenced on 5 December 2017.
- e) Proposed acquisition by Axis-REIT of an industrial facility located at Iskandar Puteri, Johor for a proposed purchase consideration of RM50,000,000 (the letter of offer was accepted on 7 April 2017) has been aborted during the financial year ended 2017.

- f) A letter of offer has 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.
- g) 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 Proposed Land Lease is pending completion.
- h) 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, 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.
- i) Letters of offer have 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.
- j) A letter of offer has been duly accepted for the proposed acquisition by Axis-REIT of an industrial facility located at Shah Alam, Selangor for proposed purchase consideration of RM87,000,000.

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

Axis-REIT’s fund size was increased from 1,105,173,591 units to 1,232,326,803 units during the quarter under review with the successful issuance and listing of 125,000,000 new placement units issued pursuant to the placement exercise of Axis-REIT completed on 28 November 2017; and 2,153,212 new units issued pursuant to the Income Distribution Reinvestment Plan applicable to the 2017 third interim income distribution completed on 14 December 2017.

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 2017, Axis-REIT registered a total revenue of RM42,417,000. The realized net income from operation was RM22,446,000 after deducting total expenditure of RM19,971,000, of which RM6,607,000 were attributable to property expenses and RM13,364,000 to non-property expenses.

Full-Year Results

For the financial year ended 31 December 2017, Axis-REIT recorded a total revenue of RM168,745,000. Total expenditure for the year under review was RM77,530,000, of which RM26,512,000 were attributable to property expenses and RM51,018,000 to non-property expenses. The disposal of Axis Eureka completed on 8 March 2017, had resulted in a total realized net gain on disposal of RM1,345,000 which comprised the realization of unrealized income* of RM1,764,000 less the loss on disposal of RM419,000. Aggregating the net income from operations, total net gain on disposal together with the balance of undistributed earnings brought forward from prior year, the Fund has income available for distribution of RM92,585,000.

A total of RM81,119,741 was paid out as the 2017 first, second, third and fourth interim income distribution, which translated to a total of 7.34 sen per unit. Axis-REIT has further set aside RM11,337,406 (approximately 99.86% from realized income available for distribution generated from operations for the period from 16 November 2017 to 31 December 2017) as the 2017 final income distribution which translates to 0.92 sen per unit payable on 28 February 2018.

**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 RM9,374,000 has been incurred for enhancement of the properties of Axis-REIT and RM143,623,000 has been incurred for Axis PDI Development Project during the financial period ended 31 December 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 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 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 2016 Annual Report of Axis-REIT.

B6. PORTFOLIO COMPOSITION

During the quarter under review, Axis-REIT has acquired one property i.e. Wasco Facility @ Kuantan. The property portfolio size of Axis-REIT has increased from 39 properties to a total of 40 properties as at 31 December 2017.

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

The total net proceeds of RM179.93 million had been raised from the issuance of 125,000,000 new placement units pursuant to the placement exercise of Axis-REIT implemented in November 2017 and 2,153,212 new units pursuant to the Income Distribution Reinvestment Plan exercised in December 2017. Out of this amount, approximately RM176.79 million had been used to pare down the financing of Axis-REIT which was drawn down earlier to finance acquisitions. The balance of RM3.14 million was 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 twelve-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;
 - (ii) Approval from Securities Commission Malaysia ("SC") 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 Securities; and
 - (iii) Approval from Bursa Securities on 28 July 2017 for the listing application in relation to the Proposed Placement.

On 28 November 2017, Axis-REIT had successfully implemented and completed the issuance and listing of 125,000,000 new units (represents approximately 10% of the approved fund size of Axis-REIT of 1,253,754,764 units).

- c) 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 ("Proposed Development") for Upeca Aerotech Sdn Bhd.

(The Proposed Land Lease and Proposed Development are collectively referred to as "Proposals").

The Proposals were subject to several approvals and consents to be obtained and among others, the approvals from:

- (i) the Trustee of Axis-REIT which was obtained on 14 September 2017; and
- (ii) the SC for the exemptions for Axis-REIT to comply with certain clauses of the SC's Guidelines on Real Estate Investment Trusts applicable to the Proposed Land Lease and Proposed Development which was obtained on 14 December 2017.

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

The Proposed Land Lease is pending completion.

B10. FINANCING

	Current Financial Quarter Ended 31 December 2017 <u>(RM' 000)</u>	Preceding Financial Year Ended 31 December 2016 <u>(RM' 000)</u>
Short term financing		
- Secured Islamic revolving credit/ Islamic Medium Term Note/hire purchase denominated in MYR	596,764	449,811
Long term financing		
- Islamic Medium Term Note/hire purchase denominated in MYR	245,830	330,854

B11. DERIVATIVES

As at 31 December 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 31 December 2017 <u>RM</u>	<u>Maturity</u>
3-year IPRS – derivative liability	14,253	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 31.12.2017 RM' 000	Immediate Preceding Quarter Ended 30.09.2017 RM' 000
Number of units in issue (units)	1,232,326,803	1,105,173,591
EPU (realised) (sen)	1.95#	1.99
EPU (include unrealised income) (sen)	3.87#	2.95
Net realised income for the period(RM'000)	22,446	22,005
Distribution per unit (DPU) (sen) *	1.94	2.00
Net Asset Value (NAV) (RM'000)	1,591,136	1,400,490
NAV Per Unit (RM)	1.2912	1.2672
Market Value Per Unit (RM)	1.50	1.60

Based on weighted average of the number of units in issue. The total number of units issued was increased from 1,105,173,591 units to 1,232,326,803 units with the successful issuance and listing of 125,000,000 new placement units issued pursuant to the placement exercise of Axis-REIT and 2,423,762 units pursuant to the Income Distribution Reinvestment Plan on 28 November 2017 and 14 December 2017, respectively.

* Includes the 2017 fourth interim income distribution of 1.02 sen per unit based on the number of units in issue of 1,105,173,591 paid on 22 December 2017.

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 2017 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 23 January 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
23 January 2018