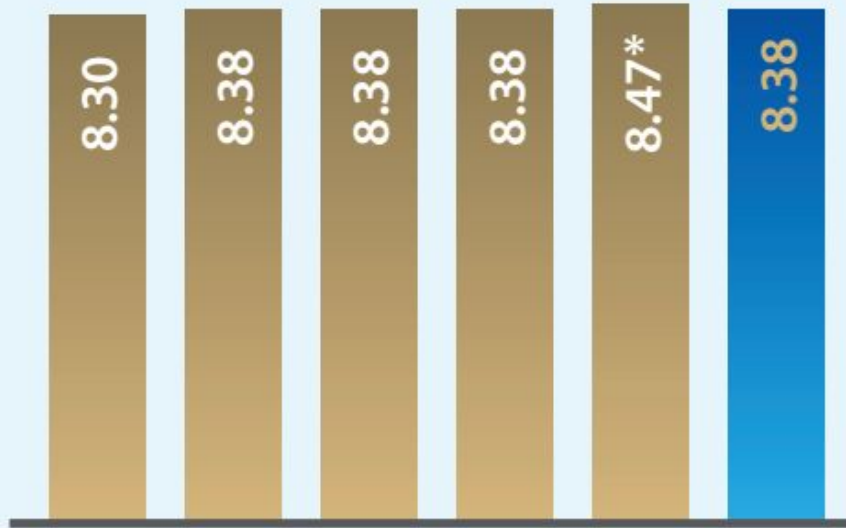


How you to calculate the viability of your rental income returns

Distribution Per Unit (Sen)

Decreased by
-1.1%



DPU = As Declared

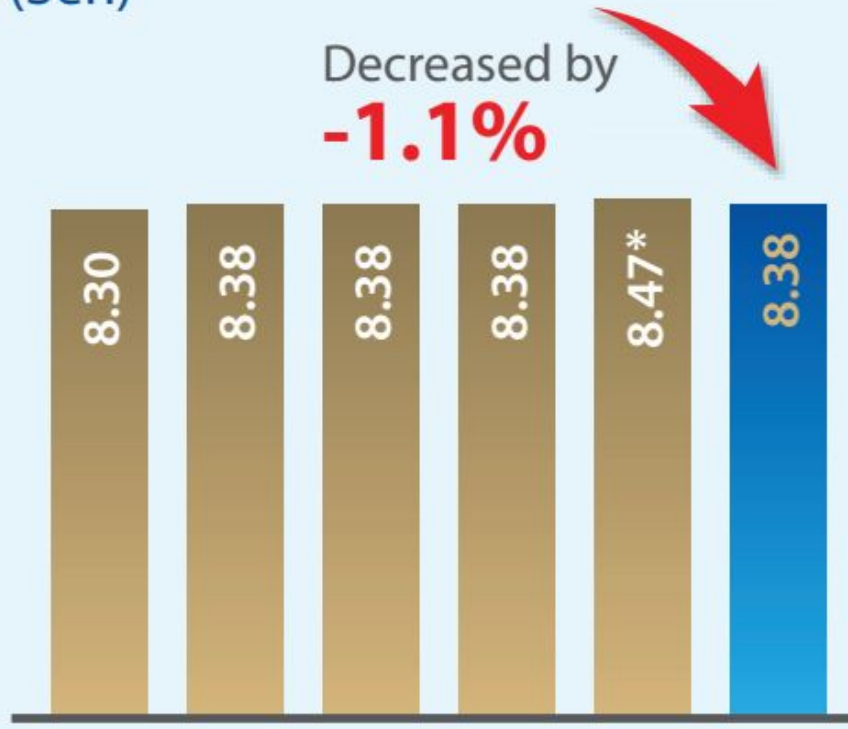
Your actual return,
Net of w/holding tax

90% x DPU :

90% x 8.38 = 7.54

How you to calculate the viability of your rental income returns

Distribution Per Unit (Sen)



Cost = RM 1.00

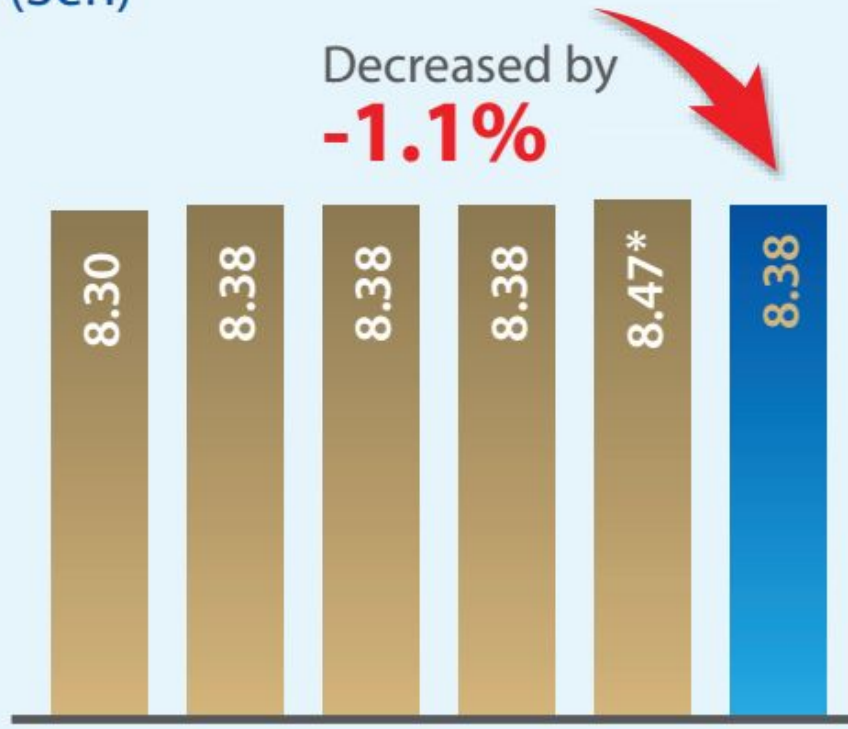
Your actual yield,
Net of w/holding tax

$(7.54 / 100) \times 100\%$:

7.54%

How you to calculate the viability of your rental income returns

Distribution Per Unit (Sen)



Cost = RM 1.25

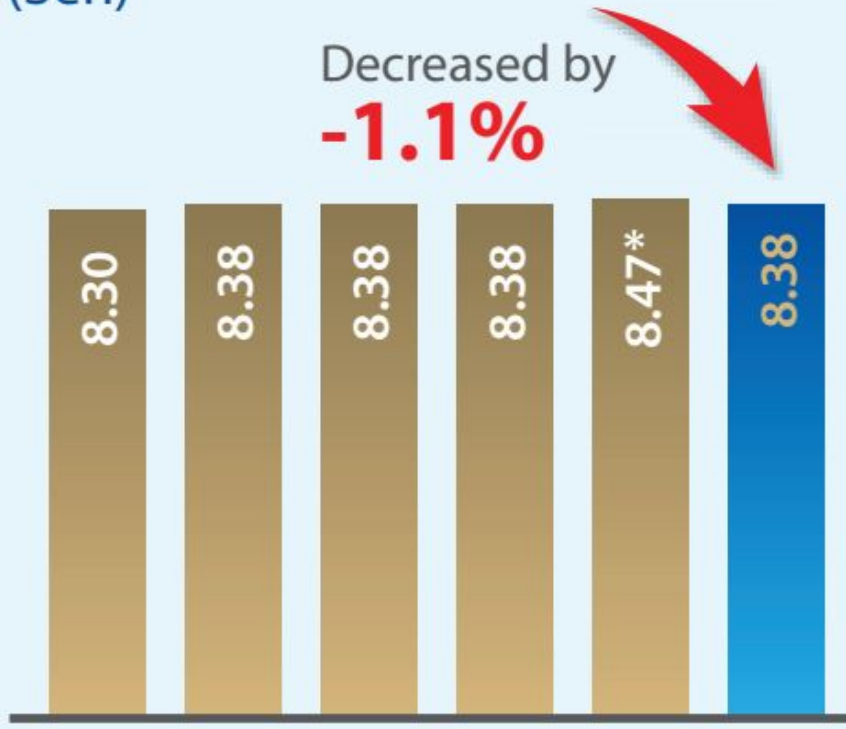
Your actual yield,
Net of w/holding tax

$(7.54 / 125) \times 100\%$:

6.03%

How you to calculate the viability of your rental income returns

Distribution Per Unit (Sen)



Cost = RM 1.35

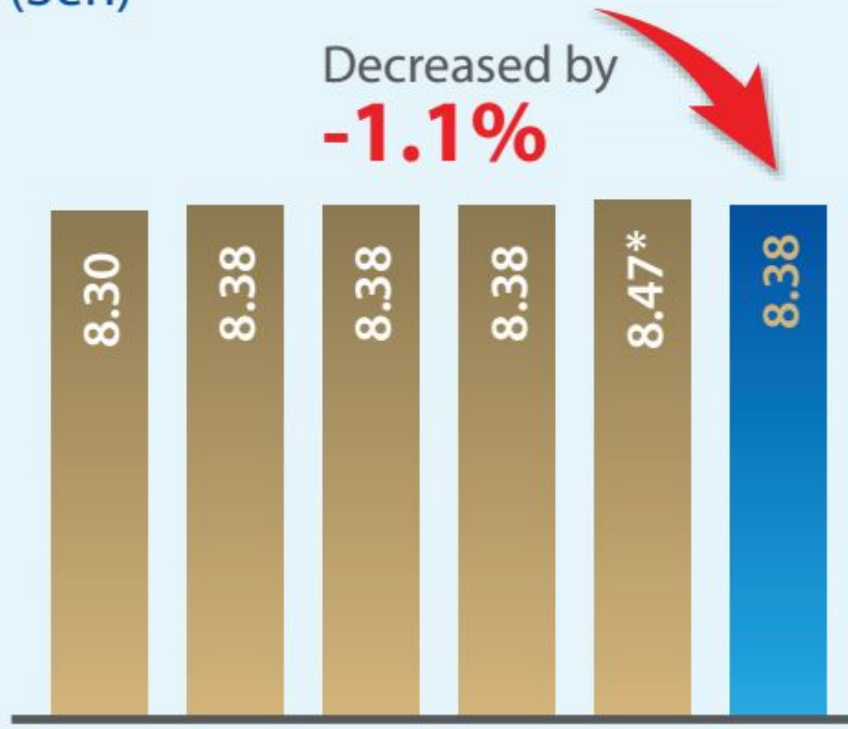
Your actual yield,
Net of w/holding tax

$(7.54 / 135) \times 100\%$:

5.59%

How you to calculate the viability of your rental income returns

Distribution Per Unit (Sen)



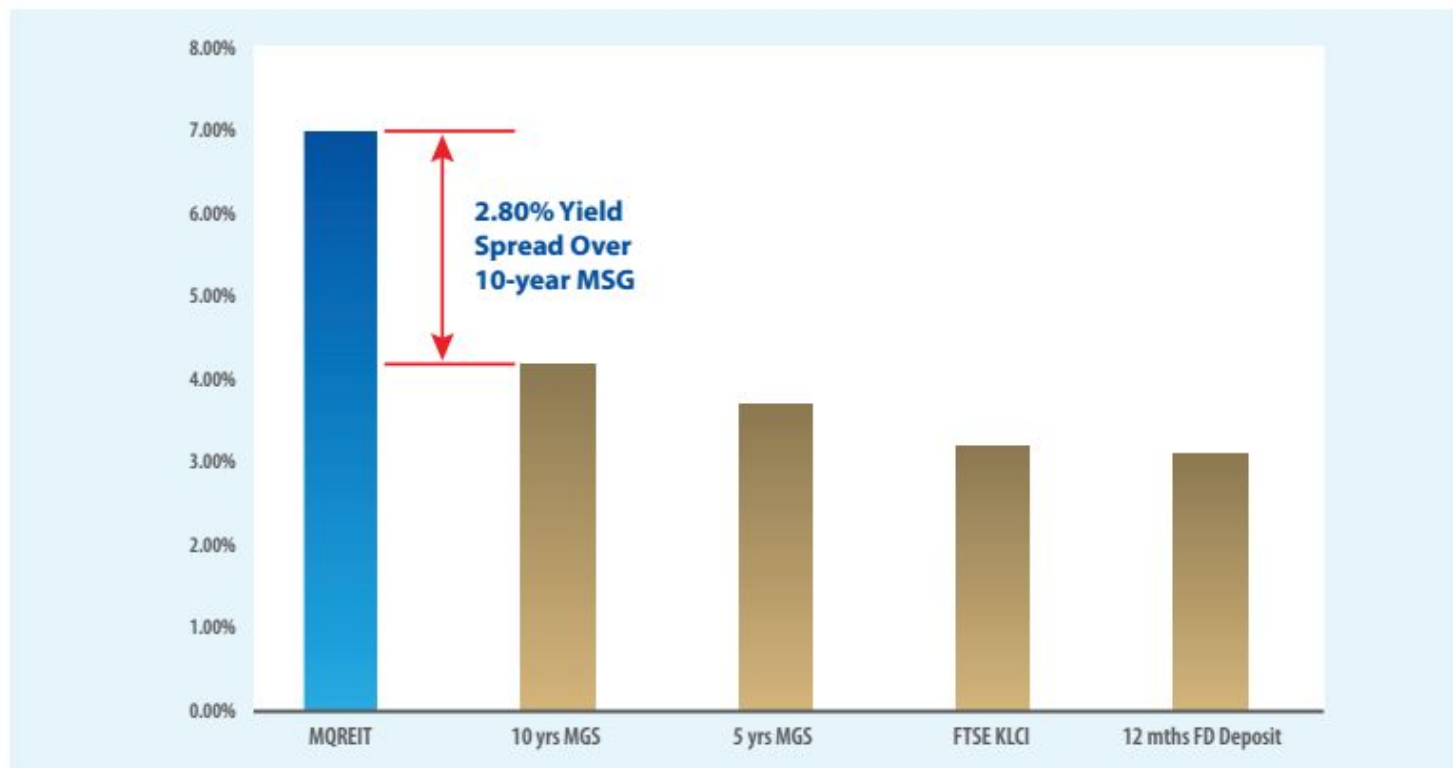
Cost = RM 1.35

Your actual yield,
Net of w/holding tax

$(9.00 / 135) \times 100\%$:

6.67%

Comparative Yields



Source:

- 1) Rates for 5-yrs MGS & 10-yrs MSG rate was obtained from HSBC Daily Commentary Report dated 30 December 2016.
- 2) 12 months FD rate is from Maybank.
- 3) Dividend Yield of FTSE Bursa Malaysia KLCI as at 31 December 2016 is from Bloomberg.

The Quantitative & Qualitative Aspect of REIT Asset Enhancement

ASSET ENHANCEMENT EXERCISE

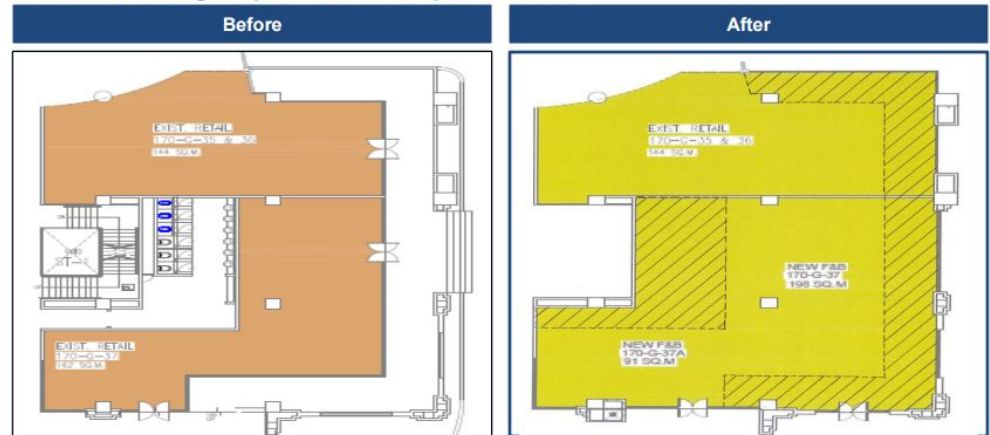
During the year under review, some of its tenants continued to upgrade their retail outlets. Pavilion Kuala Lumpur Mall continued with its on-going exercise to maintain its image by upgrading its common area such as some of its toilets and floor upgrading exercises at Level 1 around Gourmet Emporium area besides conducting air-conditioning system audit to identify areas of improvement to reduce energy cost.

For 2016, capital expenditures are targeted to improve operating efficiency.



Extended lease line resulted in:

- Additional of 1,787 sq ft of net lettable area with higher rental
- Stronger visibility and enhance line of sight
- Coach – begin operations in September 2011



REIT with or without a silver spoon: Acquisition vs Sponsorship

Sunway to set up six new hospitals at a cost of RM1 billion

BY NEILY SYAFIQAH EUSOFF

KUALA LUMPUR: Sunway Bhd is setting up six new hospitals at a total cost of RM1 billion to cater to the rise in medical tourism, besides upgrading its existing Sunway Medical Centre.

"We are expanding our health-care division in response to the increasing demand for quality health-care services in Malaysia," Sunway Group founder and chairman Tan Sri Dr Jeffrey Cheah said yesterday.

Cheah said the first of the six

hospitals is under construction at Sunway Velocity in Cheras. To be completed in 2019, it will have 240 beds initially and an additional 100 later.

"There will be another hospital in Sunway Damansara [in Petaling Jaya], two in Penang, one in Sunway Iskandar, Johor and one in Ipoh. The investments amount to RM1 billion and it will take a few years to complete the construction," Cheah told a press conference at the launch of HSBC Amanah Malaysia Bhd's new branch at Sunway

Pinnacle in Bandar Sunway.

He said the decision to build more hospitals was prompted by the boom in medical tourism, helped by the depreciation of the ringgit against other currencies.

"We have done all the studies and these [new hospitals] will all be for medical tourism purpose.

"There is no reason for people who are outside Malaysia to go to other countries such as Singapore, the US, UK or Australia when they can have [the facilities] here. So they should come here and I be-

lieve this will happen," he added.

Cheah also announced an expansion plan for the group's Sunway Medical Centre which will see 245 beds added to the existing 375, bringing the total number to 620.

"Everything is ready, just waiting for the [ministry] to give the licence. Then after two to three years, we will [further expand to] about 1,100 beds to become a teaching hospital.

"We are linked with Monash University Malaysia campus and therefore I believe that our quality and our standard are world class," he said.

REIT with or without a silver spoon: Acquisition vs Sponsorship

Axis REIT sitting on 'gold mine'

First development can generate net yield of almost 10%

BY KAMARUL ANWAR
& WONG EE LIN

KUALA LUMPUR: Axis Real Estate Investment Trust (REIT) chief executive officer Leong Kit May knew that the trust has a "gold mine" waiting to be excavated in its 50-acre (20.23ha) property in Klang. So much so that the first development on this land can generate a net yield of nearly 10% over 10 years.

At a plot ratio of 60%, Leong said the land — dubbed Axis PDI Centre — can easily house one million sq ft of single-storey industrial properties.

The timing could not have been better for the Securities Commission Malaysia (SC) to propose a liberalisation of the country's REIT sector, where one of the major propositions is to let the managers develop green-field properties.

As soon as Konsortium Logistik Bhd's lease for the PDI Centre expired in September last year, Axis REIT quickly worked on a plan to convert the pre-delivery centre into an industrial warehouse park, said Leong in an interview with *The Edge Financial Daily*.

Being aware that some investors have expressed concerns about Malaysian REITs entering the realm of property development, she said Axis REIT has adopted appropriate measures to mitigate the risks associated with property development.

In its announcement in August on the first phase of the PDI Centre's development, the trust said the 515,000 sq ft warehouse will take 18 months to construct. But Leong reckons the actual timeline should be shorter, so any potential delay in construction should have been taken into account.

"We cannot afford to have any risk, so we are putting a very comfortable timeline for the fund to develop this warehouse. When you look into some of the multistorey buildings, they need two to three years of construction.

"But here, [for] a single-storey warehouse, we are looking at an actual active construction period of just 12 months, so that we have a buffer on that," said Leong. "And even if there is any further delay in the construction, there are recourses in Axis REIT's contract with the contractor, such as [a] liquidated and ascertained damages clause, to mitigate earnings loss.

The contractor for the warehouse, Leong revealed, is AME Construction Sdn Bhd, "the pioneer in construction of industrial warehouse space in Iskandar Malaysia. It just completed the recent BMW parts distribution centre in Senai — with a similar size (as Axis REIT's upcoming warehouse development) — and iPark@Indahpura."

Once the warehouse is completed,



An artist's impression of the Axis PDI Centre. In its announcement in August on the first phase of the centre's development, the trust said the 515,000 sq ft warehouse will take 18 months to construct.

a Nestle Bhd subsidiary will immediately move into the building. Thus, Leong said, the industrial warehouse will be a yielding property from the get-go.

In fact, Nestle signed a 10-year lease agreement with Axis REIT, with the option to renew it for two three-year terms. It is a triple net lease kind, said Leong, "where the maintenance and upkeep are all taken care of by the tenant itself."

Consequently, she said the 7.6% annual rental yield stated in Axis REIT's stock exchange filing is almost as good as the net yield. The initial rental fee of RM19.22 million per annum will increase every three years, and

Leong said it will result in an average yield of almost 10% throughout the lease agreement.

Industrial properties tend to have yields of 6% to 7%. Axis REIT managed to command a better yield because of the lower land cost.

"Remember, we bought the PDI Centre six years ago," she pointed out.

The 50-acre PDI Centre cost Axis REIT RM85 million then, or RM39.03 per sq ft. Nearby industrial land tracts, she said, would cost RM150 to RM200 per sq ft today.

All in all, Leong said Axis REIT has a plan to bring its assets under management to RM3 billion. No hard deadline has been imposed on the

team to achieve that target, but she did say that now is a good time to buy properties.

"At the end of the day, we always say location is important. Tenants' credentials, too, and the potential upside to the property [are also important]," she said.

After years of lobbying by REIT managers, the SC this year proposed to allow them to develop their own properties as long as the development value does not exceed 15% of a REIT's total enlarged assets. The regulator is still seeking the public's feedback on the amendments to the REIT guidelines, but Leong is confident that investors are viewing these proposals positively.

"The REIT is matured enough; it has been in the market for 11 years. The managers have demonstrated the ability to retrofit and enhance assets, as Axis and other REITs have done. So, it's time for REITs to develop and create value for unitholders," she said.

With a cost of RM210.93 million, Axis REIT's development, Leong said, will take up nearly 10% of the total enlarged asset size.

Bloomberg data shows that analysts' average projection for Axis REIT's distribution per unit for the financial year ending Dec 31, 2017 is nine sen, which will give investors a yield of 5.23% based on last Friday's close of RM1.72.

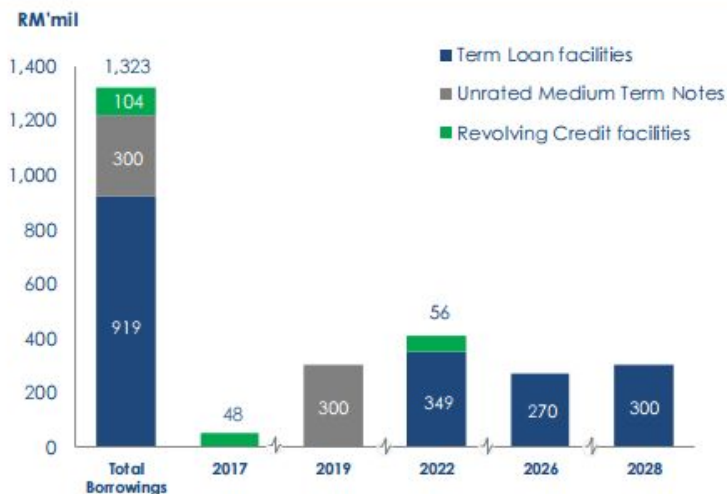
REIT with or without a silver spoon: Acquisition vs Sponsorship

Unit Holder Type	Rationale	Examples
Sponsor	✓ Important to align the interest of the sponsor and unit holders	IGB
		Axis
		CapitaMalls Asia
		Sunway
Institutional,	✓ Enables funds and companies to bid and buy units	Aberdeen
Cornerstone &	and, to hold large stakes in the IPO	AIA
Anchor Investors	✓ Creates demand momentum with guaranteed allocation	East Spring Investments
	with signing of the Cornerstone Placing Agreement	EPF
	✓ Lends credibility and significantly reduces completion risk.	Fidelity
	Commitment by cornerstone investors and key conditions	Great Eastern
	are disclosed in the Prospectus	Hwang DBS
		KWAP
		PNB
		Qatar Holding
		Temasek Holdings
Retail Public Investors	✓ Enables public participation in the REIT IPO and liquidity	Individuals

REIT Capital Management: Debt & Interest Rate Risk

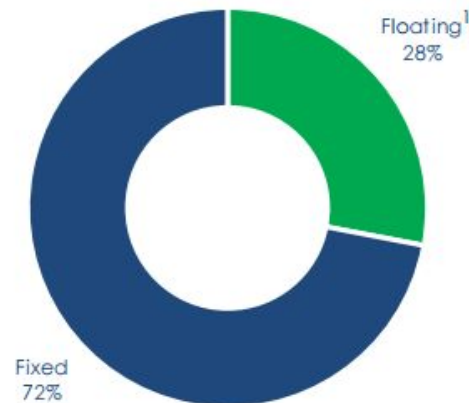
Well-Spread Debt Maturity Profile

Debt Maturity Profile



Prudent Interest Rate Risk Management

Interest Rate Profile



1. Includes short and long term revolving credit facilities of RM104 million

REIT Capital Management: Debt & Interest Rate Risk (cont)



Key Financial Indicators

	1Q 2017	4Q 2016
Unencumbered assets as % of total assets	30.3%	30.4%
Gearing ratio	32.5%	32.4%
Net debt / EBITDA (times)	6.1	6.0
Interest coverage (times)	3.8	3.8
Average term to maturity (years)	6.8	6.8
Average cost of debt	4.39%	4.44%

REIT Rental Reversion & DPU



Rental Reversion

From 1 January 2017 to 31 March 2017 ¹	No. of new leases/renewals	Var. over preceding rental ^{2, 3, 4} (%)
Gurney Plaza	23	+1.0
East Coast Mall	4	+5.4
The Mines	11	-6.5
Tropicana City Mall	7	-4.1
CMMT Portfolio (Excluding Sungei Wang Plaza)	45	0.0
Sungei Wang Plaza	14	-38.8
CMMT Portfolio (Retail)	59	-12.4
Tropicana City Office Tower	0	0.0
CMMT Portfolio (Retail + Office)	59	-12.4

REIT Property Portfolio Lease Expiry



Portfolio Lease Expiry (By Year)

As at 31 March 2017	CMMT (Retail)		
	No of Leases ¹	Gross Rental Income RM'000	% of Total Gross Rental Income ²
2017	623	10,331	43.9%
2018	420	6,922	29.4%
2019	268	5,306	22.5%
Beyond 2019	51	991	4.2%