

UOA REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016 (UNAUDITED)

	As at 31.12.2016 RM	As at 31.12.2015 RM
INVESTMENTS		
Real estate properties	1,128,154,302	1,127,000,000
PLANT & EQUIPMENT	65,692	70,058
OTHER ASSETS		
Trade receivables	2,796,135	1,736,900
Other receivables	3,475,302	3,532,810
Deposits with licensed financial institution	1,650,000	1,400,000
Cash and bank balances	1,827,706	1,511,627
	<u>9,749,143</u>	<u>8,181,337</u>
TOTAL ASSETS	1,137,969,137	1,135,251,395
LIABILITIES		
Payables	3,962,618	3,723,971
Rental deposits	24,529,173	24,827,860
Amount due to Manager	492,588	441,068
Borrowings	382,150,000	378,300,000
Deferred tax liability	-	4,577,802
Provision for income distribution	22,243,665	24,103,691
TOTAL LIABILITIES	<u>433,378,044</u>	<u>435,974,392</u>
NET ASSET VALUE	<u>704,591,093</u>	<u>699,277,003</u>
FINANCED BY:		
UNITHOLDERS' FUND		
Unitholders' capital	476,062,161	476,062,161
Undistributed income	228,528,932	223,214,842
	<u>704,591,093</u>	<u>699,277,003</u>
NET ASSET VALUE PER UNIT	1.6662	1.6536
NUMBER OF UNITS IN CIRCULATION	422,871,776	422,871,776

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

UOA REAL ESTATE INVESTMENT TRUST

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016 (UNAUDITED)**

	Individual Quarter Ended		Cumulative Quarter Ended	
	31.12.2016 RM	31.12.2015 RM	31.12.2016 RM	31.12.2015 RM
TOTAL INCOME				
Gross rental	21,120,996	22,885,647	89,388,485	91,631,673
Property operating expenses	(5,224,677)	(5,549,757)	(22,884,069)	(22,575,390)
Net rental income	15,896,319	17,335,890	66,504,416	69,056,283
Interest income	5,819	9,628	32,502	40,565
Other income	110,060	170,699	310,170	263,039
	16,012,198	17,516,217	66,847,088	69,359,887
TOTAL EXPENDITURE				
Manager's fees	(1,183,839)	(1,110,359)	(4,724,580)	(4,328,859)
Trustee's fees	(53,008)	(49,718)	(211,548)	(193,830)
Borrowing costs	(3,974,228)	(4,201,456)	(16,305,163)	(16,612,542)
Auditors' remuneration	(13,875)	(12,500)	(48,000)	(45,500)
Tax agent's fees	(5,650)	(2,750)	(17,650)	(14,000)
Valuation fees	-	(178,679)	-	(178,679)
Administrative expenses	(60,597)	(83,097)	(322,316)	(466,933)
	(5,291,197)	(5,638,559)	(21,629,257)	(21,840,343)
Fair value adjustment on investment properties	-	64,129,226	-	64,129,226
Net changes on financial liabilities measured at amortised cost (Note 1)	(358,835)	(83,762)	(163,972)	49,948
INCOME BEFORE TAX	10,362,166	75,923,122	45,053,859	111,698,718
TAX INCOME/(EXPENSE) (Note 2)	4,577,802	(1,381,456)	4,577,802	(1,381,456)
INCOME AFTER TAX	14,939,968	74,541,666	49,631,661	110,317,262
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME	14,939,968	74,541,666	49,631,661	110,317,262
INCOME DISTRIBUTION				
- Distributed income	-	-	(22,073,906)	(22,496,778)
- Provision for distribution	(11,545,581)	(12,740,677)	(22,243,665)	(24,103,691)
NET INCOME RETAINED	3,394,387	61,800,989	5,314,090	63,716,793
INCOME BEFORE TAX IS ANALYSED AS FOLLOWS:				
- Realised	10,721,001	11,877,658	45,217,831	47,519,544
- Unrealised	(358,835)	64,045,464	(163,972)	64,179,174
EARNINGS PER UNIT				
- After manager's fees (sen)	3.53	17.63	11.74	26.09
- Before manager's fees (sen)	3.81	17.89	12.85	27.11

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

Note 1:

This represents changes on financial liabilities measured at amortised cost pursuant to MFRS 139 Financial Instruments: Recognition and Measurement.

Note 2:

This represents deferred tax liability for Real Property Gains Tax for UOA REIT's investment properties.

UOA REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE YEAR ENDED 31 DECEMBER 2016 (UNAUDITED)

	Attributable to Unitholders' Funds			Total Unitholders' Funds	
	Unitholders' Capital RM	Distributable Undistributed Income		Current Year To Date 31.12.2016 RM	Preceding Year To Date 31.12.2015 RM
	Realised RM	Unrealised RM			
Balance at 1 January	476,062,161	21,245,632	201,969,210	699,277,003	635,560,210
Total comprehensive income for the year	-	45,217,831	4,413,830	49,631,661	110,317,262
Distribution to unitholders	-	(44,317,571)	-	(44,317,571)	(46,600,469)
Balance at 31 December	<u>476,062,161</u>	<u>22,145,892</u>	<u>206,383,040</u>	<u>704,591,093</u>	<u>699,277,003</u>

The condensed consolidated statement of changes in net asset value should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

UOA REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016 (UNAUDITED)

	Current Year To Date 31.12.2016 RM	Preceding Year To Date 31.12.2015 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before tax	45,053,859	111,698,718
Adjustment for:		
Interest income	(32,502)	(40,565)
Interest expense	16,305,163	16,612,542
Depreciation	13,964	13,154
Plant and equipment written off	-	417
Fair value adjustment on investment properties	-	(64,129,226)
Net changes on financial liabilities measured at amortised cost	163,972	(49,948)
Bad and doubtful debts	433,728	(17,590)
Operating profit before changes in working capital	61,938,184	64,087,502
Net changes in receivables	(1,435,456)	(895,991)
Net changes in payables	(174,844)	273,373
Net cash generated from operating activities	60,327,884	63,464,884
CASH FLOW FROM INVESTING ACTIVITIES		
Interest income	32,502	40,565
Purchase of plant and equipment	(9,598)	(31,720)
Enhancements to investment properties	(1,154,302)	(362,308)
Net cash used in investing activities	(1,131,398)	(353,463)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(16,302,810)	(16,508,075)
Distribution to unitholders	(46,177,597)	(46,727,331)
Net drawdown of borrowings	3,850,000	(1,000,000)
Net cash used in financing activities	(58,630,407)	(64,235,406)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	566,079	(1,123,985)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,911,627	4,035,612
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,477,706	2,911,627
Cash and cash equivalents at end of period comprises:		
Deposits with licensed financial institution	1,650,000	1,400,000
Cash and bank balances	1,827,706	1,511,627
	3,477,706	2,911,627

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

UOA REAL ESTATE INVESTMENT TRUST

EXPLANATORY NOTES TO THE QUARTERLY REPORT AS AT 31 DECEMBER 2016 (UNAUDITED)

A EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134 INTERIM FINANCIAL REPORTING

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.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of UOA Real Estate Investment Trust ("UOA REIT") since the year ended 31 December 2015.

A2 CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements of UOA REIT for the year ended 31 December 2015.

A3 QUALIFIED AUDIT REPORT

The auditors' report on the financial statements for the year ended 31 December 2015 was not qualified.

A4 SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations of UOA REIT are not affected by material seasonal or cyclical factors.

A5 UNUSUAL ITEMS

There were no unusual items to be disclosed for the quarter under review.

A6 CHANGES IN ESTIMATES

There were no changes in estimates that have had a material effect in the current quarter.

A7 DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and period-to-date.

A8 INCOME DISTRIBUTION

There was no income distribution paid during the quarter under review but a provision was made to distribute 98% of the realised income before tax (unaudited) for the second half year ended 31 December 2016, to be distributed by end of February 2017 as described under Section B17, Income Distribution

A9 SEGMENTAL REPORTING

No segmental information was prepared as UOA REIT's activities are predominantly in one industry segment and occur predominantly in Malaysia.

A10 VALUATION OF INVESTMENT PROPERTIES

Based on the updated market values by an independent valuer and taking consideration current market conditions, the Directors of the Manager have undertaken to assess the fair values of the investment properties in accordance with MFRS 140 Investment Property.

A11 MATERIAL EVENTS

There was no material event as at the latest practicable date from the date of this report

A12 EFFECT OF CHANGES IN THE COMPOSITION OF UOA REIT

There were no changes in the composition of UOA REIT for the current quarter. The fund size stands at 422,871,776 units.

A13 CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets to be disclosed.

B EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.44 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 REVIEW OF PERFORMANCE

For the quarter ended 31 December 2016, UOA REIT registered a total income of RM21,236,875 inclusive of interest income and other income of RM5,819 and RM110,060 respectively. Total expenditure amounted to RM10,515,874 with RM5,224,677 attributable to property operating expenses and RM5,291,197 attributable to non-property operating expenses.

As compared to the previous year, gross rental has decreased by 2%. Meanwhile, total expenditure has increased slightly by 0.2% due to increase in property operating expenses and manager's fee. However, this increase was offset by decrease in borrowing costs and administrative expenses. The manager's fee has increased due to higher Net Asset Value of UOA REIT. Realised income before tax decreased by 5%. Realised earnings per unit has reduced by 0.55 sen against last year, from 11.24 sen to 10.69 sen.

B2 MATERIAL CHANGES IN INCOME BEFORE TAX 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 will continue to manage the properties in the portfolio to maximise the yield for unitholders. The occupancy rates continue to be influenced by uncertainties in the domestic and global economy.

In the interim, the Manager will continue to seek opportunities for further acquisitions that meet the objectives of UOA REIT.

B4 VARIANCES

This is not applicable as there was no profit forecast or profit guarantee issued for this financial quarter.

B5 UTILISATION OF PROCEEDS RAISED FROM ISSUANCE OF NEW UNITS

There were no issuance of new units during the quarter under review.

B6 COMPOSITION OF INVESTMENT PORTFOLIO

As at 31 December 2016, UOA REIT's composition of investment portfolio is as follows:

	Acquisition cost	Fair value as at	Percentage of
	RM	31.12.2016	fair value to
		RM	Net Asset Value
			%
Real estate properties			
Commercial			
- UOA Centre parcels	55,981,272	85,000,000	12.06
- UOA II parcels	194,502,300	294,000,000	41.73
- UOA Damansara parcels	72,000,000	120,932,894	17.16
- UOA Pantai	86,000,000	95,003,830	13.48
- UOA Damansara II	211,000,000	233,205,890	33.10
- Parcel B - Menara UOA Bangsar	289,000,000	300,011,688	42.58
	<u>908,483,572</u>	<u>1,128,154,302</u>	
Others			
Deposits with licensed financial institutions		<u>1,650,000</u>	0.23

There was no change to the total number of properties held by UOA REIT since the last reporting period.

B7 BORROWINGS AND DEBT SECURITIES

	As at 31.12.2016 RM	As at 31.12.2015 RM
Revolving credit - Secured	382,150,000	378,300,000

B8 INCOME RECOGNITION

- a) Rental income is recognised on an accrual basis over the specific tenures of the respective leases.
b) Interest income is recognised on a time proportion basis.

B9 MANAGER'S FEES

Pursuant to the Trust Deed constituting UOA REIT, the Manager is entitled to a fee of up to 1.00% per annum of the Net Asset Value ("NAV") of UOA REIT, calculated on a monthly accrual basis and payable monthly in arrears.

The manager's fees for the year ended 31 December 2016 was calculated based on 0.67% per annum of the NAV.

B10 TRUSTEE'S FEES

Pursuant to the Trust Deed constituting UOA REIT, the Trustee is entitled to a fee of up to 0.05% per annum of the Net Asset Value ("NAV") of UOA REIT, calculated on a monthly accrual basis and payable monthly in arrears.

The trustee's fees for the year ended 31 December 2016 was calculated based on 0.03% per annum of the NAV.

B11 SOFT COMMISSION

During the quarter under review, the Manager did not receive any soft commission from its broker, by virtue of transactions conducted by UOA REIT.

B12 INCOME BEFORE TAX

Income before tax is stated after charging/(crediting):

	Current Quarter 31.12.2016 RM	Preceding Corresponding Quarter 31.12.2015 RM	Current Year To Date 31.12.2016 RM	Preceding Year To Date 31.12.2015 RM
Depreciation	3,587	3,518	13,964	13,154
Bad and doubtful debts	38,794	20,030	433,728	(17,590)
(Gain)/loss on disposal				
- quoted investments	-	-	-	-
- unquoted investments	-	-	-	-
- properties	-	-	-	-
Impairment of assets	-	-	-	-
Foreign exchange (gain)/loss	-	-	-	-
Exceptional items	-	-	-	-

The following items are not applicable to UOA REIT:

- a) Gain or loss on derivatives; and
b) Provision for and write off of inventories.

B13 TAX EXPENSE

The breakdown of the tax components is as follows:

	Current Quarter 31.12.2016 RM RM	Preceding Corresponding Quarter 31.12.2015 RM RM	Current Year To Date 31.12.2016 RM RM	Preceding Year To Date 31.12.2015 RM RM
In respect of current period				
- income tax	-	-	-	-
- deferred Real Property Gains Tax ("RPGT")	(4,577,802)	1,381,456	(4,577,802)	1,381,456
Tax (income)/expense for the quarter/period	<u>(4,577,802)</u>	<u>1,381,456</u>	<u>(4,577,802)</u>	<u>1,381,456</u>

A reconciliation between the applicable income tax expense and the effective income tax expense of UOA REIT is as follows:

	Current Quarter 31.12.2016 RM	Preceding Corresponding Quarter 31.12.2015 RM	Current Year To Date 31.12.2016 RM	Preceding Year To Date 31.12.2015 RM
Income before tax	<u>10,362,166</u>	<u>75,923,122</u>	<u>45,053,859</u>	<u>111,698,718</u>
Taxation at statutory rate of 24%*	2,486,920	18,980,781	10,812,926	27,924,680
Tax effects arising from				
- non-deductible expenses	59,259	115,118	171,939	247,257
- income exempted from tax	(2,369,972)	(2,745,457)	(10,022,693)	(10,801,028)
- net changes on financial liabilities measured at amortised cost	86,120	20,941	39,353	(12,487)
Utilisation of capital allowances	(262,327)	(339,076)	(1,001,525)	(1,326,115)
Change in RPGT rate on investment properties	(4,577,802)	-	(4,577,802)	-
Difference between income tax rate and RPGT rate applicable on fair value adjustment on investment properties	-	(14,650,851)	-	(14,650,851)
Tax (income)/expense for the quarter/period	<u>(4,577,802)</u>	<u>1,381,456</u>	<u>(4,577,802)</u>	<u>1,381,456</u>

* For year of assessment 2016, the income tax rate has been revised from 25% to 24%.

Pursuant to the amendment of Section 61A of the Income Tax Act, 1967, where in the basis period for a year of assessment, 90% or more of the total income of the trust is distributed to its unitholders, the total income of the trust for that year of assessment shall be exempted from tax.

UOA REIT is expected to enjoy the tax exemption as it intends to distribute 98% of its total income to its unitholders for the year ended 31 December 2016. Therefore, no provision for income tax has been made for the current quarter.

B14 UNITHOLDINGS BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

As at 31 December 2016, the Manager did not hold any units in UOA REIT.

Direct holdings unless otherwise indicated	No. of units	Percentage of units in issue %	Market value as at 31.12.2016 RM
Directors of the Manager:			
- Alan Charles Winduss	100,000	0.02	176,000
- Dato' Gan Boon Khuay	100,000	0.02	176,000
- Kung Beng Hong	100,000	0.02	176,000
- Kong Sze Choon	39,000	0.01	68,640
Companies related to the Manager:			
- Desa Bukit Pantai Sdn Bhd	102,261,538	24.18	179,980,307
- Wisma UOA Sdn Bhd	77,729,000	18.38	136,803,040
- Rich Accomplishment Sdn Bhd	74,661,538	17.66	131,404,307
- Damai Positif Sdn Bhd	48,000,000	11.35	84,480,000
- Dynasty Portfolio Sdn Bhd	15,464,500	3.66	27,217,520
- LTG Development Sdn Bhd	5,600,700	1.32	9,857,232
Persons related to the Manager via relationship with a Director of the Manager:			
- Kong May Chee	15,900	0.00	27,984
- Kong Ai Chee	13,500	0.00	23,760
Director of the Manager (indirect interest):			
- Kong Sze Choon*	24,000	0.01	42,240
Person related to the Manager via relationship with a Director of the Manager (indirect interest):			
- Kong Chong Soon @ Chi Suim**	323,717,276	76.55	569,742,406

* Deemed interest through his shareholding in Global Transact Sdn Bhd.

** Deemed interest through his shareholdings in United Overseas Australia Limited (the ultimate holding company of Desa Bukit Pantai Sdn Bhd, Wisma UOA Sdn Bhd, Rich Accomplishment Sdn Bhd, Damai Positif Sdn Bhd, Dynasty Portfolio Sdn Bhd and LTG Development Sdn Bhd).

The market value of the units held by unitholders related to the Manager is determined by using the closing market value of RM1.76 as at 31 December 2016.

B15 MATERIAL LITIGATION

There was no pending material litigation as at the latest practicable date from the date of issuance of this report.

B16 STATUS OF CORPORATE PROPOSAL

There were no corporate proposals announced but not completed at the latest practicable date.

B17 INCOME DISTRIBUTION

A provision was made to distribute RM22,243,665 as income distribution for the second half year ended 31 December 2016. This translates into approximately 5.26 sen per unit and includes a non-taxable portion of approximately 0.40 sen per unit (representing 8% of the gross distribution) deriving mainly from utilisation of capital allowances.

Pursuant to the amended Section 6(1)(i) of the Income Tax Act, 1967, the following withholding tax rates as stipulated in Part X, Schedule 1 of the Income Tax Act, 1967 will be deducted for distribution of income by the Trust to the following categories of unitholders:

	Withholding tax rate
Resident corporate	Nil*
Resident non-corporate	10%
Non-resident individual	10%
Non-resident corporate	24%
Non-resident institutional	10%

* No withholding tax; to tax at prevailing tax rate

The distribution to the unitholders is from the following sources:

	Current Quarter 31.12.2016 RM	Preceding Corresponding Quarter 31.12.2015 RM	Current Year To Date 31.12.2016 RM	Preceding Year To Date 31.12.2015 RM
Sources of income				
Gross rental	21,120,996	22,885,647	89,388,485	91,631,673
Interest income	5,819	9,628	32,502	40,565
Other income	110,060	170,699	310,170	263,039
	<u>21,236,875</u>	<u>23,065,974</u>	<u>89,731,157</u>	<u>91,935,277</u>
Expenses	<u>(10,515,874)</u>	<u>(11,188,316)</u>	<u>(44,513,326)</u>	<u>(44,415,733)</u>
Total income available for distribution	10,721,001	11,877,658	45,217,831	47,519,544
Undistributed income	824,580	863,019	(900,260)	(919,075)
Distribution to unitholders	<u>11,545,581</u>	<u>12,740,677</u>	<u>44,317,571</u>	<u>46,600,469</u>
Distribution per unit (sen)	<u>2.73</u>	<u>3.01</u>	<u>10.48</u>	<u>11.02</u>

B18 EARNINGS PER UNIT

Basic earnings per unit are calculated by dividing income for the quarter/period attributable to unitholders by the weighted average number of units in issue during the quarter/period.

	Current Quarter 31.12.2016 RM	Preceding Corresponding Quarter 31.12.2015 RM	Current Year To Date 31.12.2016 RM	Preceding Year To Date 31.12.2015 RM
Income after tax	14,939,968	74,541,666	49,631,661	110,317,262
Weighted average number of units in issue	422,871,776	422,871,776	422,871,776	422,871,776
Basic earnings per unit (after manager's fee) (sen)	<u>3.53</u>	<u>17.63</u>	<u>11.74</u>	<u>26.09</u>

B19 STATEMENT BY THE DIRECTORS OF THE MANAGER

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 Malaysia Securities Berhad so as to give a true and fair view of the financial position of UOA REIT as at 31 December 2016 and of its financial performance and cash flows for the quarter/period ended on that date and duly authorised for release by the Board of Directors of the Manager on 19 January 2017.

BY ORDER OF THE BOARD

YAP KAI WENG
Company Secretary
UOA ASSET MANAGEMENT SDN BHD (Company No. 692639-U)
(As the Manager of UOA REAL ESTATE INVESTMENT TRUST)

Kuala Lumpur
19 JANUARY 2017