

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF FINANCIAL POSITION

	(UNAUDITED) AS AT END OF CURRENT QUARTER 31.12.2019 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2018 RM'000
ASSETS		
Non-Current Assets		
Investment properties	2,990,610	2,798,500
Equipment	3,201	3,021
Total Non-Current Assets	2,993,811	2,801,521
Current Assets		
Receivables, deposits and prepayments	39,325	20,928
Islamic deposits placed with licensed banks	31,597	9,700
Cash and bank balances	20,948	8,314
Total Current Assets	91,870	38,942
TOTAL ASSETS	3,085,681	2,840,463
LIABILITIES		
Non-Current Liabilities		
Tenants' deposits	44,840	57,706
Deferred tax liability	8,615	4,402
Financing	500,277	245,867
Total Non-Current Liabilities	553,732	307,975
Current Liabilities		
Payables and accruals	67,603	54,907
Financing	385,582	813,500
Total Current Liabilities	453,185	868,407
TOTAL LIABILITIES	1,006,917	1,176,382
<u>FINANCED BY:</u>		
<u>UNITHOLDERS' FUNDS</u>		
Unitholders' capital	1,583,791	1,247,069
Distributable income	16,094	32,192
Non-distributable reserves	478,879	384,820
	2,078,764	1,664,081
TOTAL UNITHOLDERS' FUNDS AND LIABILITIES	3,085,681	2,840,463
NET ASSET VALUE	2,078,764	1,664,081
NUMBER OF UNITS IN CIRCULATION	1,435,250,288	1,237,285,288
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.4484	1.3449
- After income distribution	1.4374 (Note 1)	1.3204

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 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 2019 final income distribution of 1.10 sen per unit payable on 9 March 2020.

AXIS REAL ESTATE INVESTMENT TRUST

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2019 RM'000	Preceding Year Corresponding Quarter 31.12.2018 RM'000	Current Year To date 31.12.2019 RM'000	Preceding Year To date 31.12.2018 RM'000
TOTAL TRUST INCOME *	54,582	59,477	216,409	204,362
Property income	54,407	52,900	216,005	197,242
Lease incentive adjustment (non-distributable) **	(384)	6,395	(1,030)	6,395
Unbilled lease income receivable ***	1,348	2,764	7,489	6,951
Less : Assessment	55,371	62,059	222,464	210,588
Quit rent	(1,108)	(1,042)	(4,369)	(4,169)
Other property operating expenditure	(279)	(314)	(1,126)	(1,238)
	(6,796)	(5,594)	(25,261)	(22,420)
Net property income	47,188	55,109	191,708	182,761
Profit income	559	182	1,434	725
Change in fair value of investment properties	101,553	35,184	101,553	42,558
Unbilled lease income receivable ***	(1,348)	(2,764)	(7,489)	(6,951)
Fair value change on derivatives	171	(103)	(933)	(306)
Net (loss)/gain on financial liabilities measured at amortised cost	553	244	(2,348)	3,687
NET PROPERTY AND INVESTMENT INCOME	148,676	87,852	283,925	222,474
Manager's fees	4,732	4,077	17,201	16,188
Trustee's fees	232	216	892	857
Depreciation	150	132	570	472
Auditors' fees	33	31	133	121
Tax agent's fee	4	6	17	17
Provision/(Reversal) of doubtful/bad debts	(517)	28	(26)	215
Administrative expenses	631	762	3,327	3,402
Islamic financing cost #	11,750	11,213	48,360	41,754
NON-PROPERTY EXPENSES	17,015	16,465	70,474	63,026
NET INCOME BEFORE TAX	131,661	71,387	213,451	159,448
INCOME TAX EXPENSES ##	(4,213)	(4,402)	(4,213)	(4,469)
NET INCOME FOR THE YEAR	127,448	66,985	209,238	154,979

AXIS REAL ESTATE INVESTMENT TRUST

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

	INDIVIDUAL QUARTER		CUMMULATIVE QUARTER	
	Current Year Quarter 31.12.2019 RM'000	Preceding Year Corresponding Quarter 31.12.2018 RM'000	Current Year To date 31.12.2019 RM'000	Preceding Year To date 31.12.2018 RM'000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	127,448	66,985	209,238	154,979
EARNINGS PER UNIT (EPU) (sen)	10.00	5.43	16.61	12.57
NET INCOME FOR THE YEAR IS MADE UP AS FOLLOWS:				
Realised				
- property income	29,768	29,667	116,209	107,047
- lease incentive adjustment (non-distributable) **	(384)	6,395	(1,030)	6,395
Unrealised - change in fair value of investment properties	101,553	35,184	101,553	42,558
Unrealised - Net (loss)/gain on financial liabilities measured at amortised cost	553	244	(2,348)	3,687
Unrealised - Fair value change on derivatives	171	(103)	(933)	(306)
Unrealised – provision of deferred tax on change in fair value of investment property ##	(4,213)	(4,402)	(4,213)	(4,402)
	127,448	66,985	209,238	154,979

(The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the financial statements)

* The total trust income is for performance review purposes, it comprises property income and profit income. The unbilled lease income receivable is not included in this line as it is not distributable.

** Lease incentive adjustment amounting to RM6.395 million, which is non-distributable, had been recognised in 4Q2018, pursuant to the requirements of MFRS 16 to recognise revenue on a straight line basis. This amount of RM6.395 million is amortised over the duration of the tenancy and therefore, RM0.384 million (4Q 2019) and RM1.030 million (YTD 2019) had been amortised to Statement of Profit or Loss in FYE 2019.

*** Recognition of unbilled lease income receivable pursuant to requirements of MFRS 16, to recognise income from operating lease on a straight-line basis, including contractual increase in rental rates over the fixed tenure of the lease.

Islamic financing cost is the profit charged by the financier on the Islamic financing facilities taken by Axis-REIT.

Provision of deferred tax (unrealised) on Real Property Gains Tax (“RPGT”) exposure on the fair value gain on investment properties.

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

FROM 1 JANUARY 2018 TO 31 DECEMBER 2018 (AUDITED)

	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 2018	1,240,253	7,600	343,283	1,591,136
Net income for the year	-	113,442	41,537	154,979
<i>Total comprehensive income for the period</i>	-	113,442	41,537	154,979
Contributions by and distributions to unitholders				
Issuance of units	6,892	-	-	6,892
Issuing expenses	(76)	-	-	(76)
Distribution to Unitholders	-	(88,850)	-	(88,850)
<i>Total transactions with unitholders</i>	6,816	(88,850)	-	(82,034)
At 31 December 2018	1,247,069	32,192	384,820	1,664,081

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE (CONT'D)

FROM 1 JANUARY 2019 TO 31 DECEMBER 2019 (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 2019	1,247,069	32,192	384,820	1,664,081
Net income for the year	-	115,179	94,059	209,238
<i>Total comprehensive income for the period</i>	-	115,179	94,059	209,238
Contributions by and distributions to unitholders				
Issuance and placement of units	340,500			340,500
Issuing expenses	(3,778)			(3,778)
Distribution to Unitholders #	-	(131,277)	-	(131,277)
<i>Total transactions with unitholders</i>	336,722	(131,277)	-	205,445
At 31 December 2019	1,583,791	16,094	478,879	2,078,764

(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 2018 and the accompanying explanatory notes attached to the financial statements.)

Includes the payment of final income distribution for financial year 2018 of 2.45 sen per unit which was paid on 28 February 2019, and the first, second, third and fourth interim income distributions amounting to a total of 8.16 sen per unit for the financial year 2019 which were paid on 31 May 2019 and 30 August 2019, 29 November 2019 and 9 December 2019, respectively.

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2019 (UNAUDITED)

	Current Year To Date 31.12.2019 RM'000	Preceding Year To Date 31.12.2018 RM'000
Cash flows from operating activities		
Net income before taxation	213,451	159,448
Adjustments for :-		
Islamic financing cost	48,360	41,754
Profit income	(1,434)	(725)
Change in fair value of investment properties	(101,553)	(42,558)
Depreciation of equipment	570	472
Loss / (gain) on financial liabilities measured at amortised cost	2,348	(3,687)
(Reversal of impairment losses) / impairment losses on trade receivables	(26)	215
Fair value change on Islamic derivatives	933	306
Operating income before changes in working capital	162,649	155,225
Changes in working capital		
Receivables, deposits and prepayments	(18,371)	10,228
Payables and accruals	(3,130)	8,920
Tenants' deposits	(321)	(10,113)
Cash generated from operations	140,827	164,260
Tax paid	-	(67)
Net cash from operating activities	140,827	164,193
Cash flows from investing activities		
Profit income received	1,434	725
Enhancement of investment properties	(19,133)	(74,955)
Acquisition of investment property	(71,424)	(198,787)
Acquisition of equipment	(750)	(1,016)
Pledged deposits	(11,160)	3,437
Net cash used in investing activities	(101,033)	(270,596)
Cash flows from financing activities		
Islamic financing cost paid	(48,360)	(41,754)
Proceeds from financing, net	(173,508)	216,773
Income distribution paid to unitholders	(131,277)	(88,850)
Proceeds from issue of units	340,500	6,892
Issuing expenses	(3,778)	(76)
Net cash from financing activities	(16,423)	92,985

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2019 (UNAUDITED) (CONT'D)

	Current Year	Preceding Year
	To Date	To Date
	31.12.2019	31.12.2018
	RM'000	RM'000
Net increase / (decrease) in cash and cash equivalents	23,371	(13,418)
Cash and cash equivalents at beginning of year	9,619	23,037
Cash and cash equivalents at end of year	<u>32,990</u>	<u>9,619</u>
Cash and cash equivalents		
Cash and bank balances	20,948	8,314
Islamic deposits placed with licensed banks	31,597	9,700
	<u>52,545</u>	<u>18,014</u>
Less: Islamic deposits placed with licensed banks - pledged	(19,555)	(8,395)
	<u>32,990</u>	<u>9,619</u>

(The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 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 2018.

A2. AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2018

The audit report of the financial statements of Axis-REIT for the preceding financial year ended 31 December 2018 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 in Note A11 below, there were no issuances, 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 2019 third interim income distribution of 2.35 sen per unit, totaling RM29,076,000 in respect of the period from 1 July 2019 to 30 September 2019 was paid on 29 November 2019. In addition, the 2019 fourth interim income distribution of 1.10 sen per unit, totaling RM13,611,000 in respect of the period from 1 October 2019 to 13 November 2019, was further paid on 9 December 2019.

Axis REIT Managers Berhad, the management company of Axis-REIT (“Manager”) has proposed to distribute 99.9% from realised income available for distribution generated from operations for the period from 14 November 2019 to 31 December 2019 as the 2019 final income distribution of 1.10 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) Axis-REIT had on 10 November 2017 entered into an Agreement to Build and Lease with Upeca Aerotech Sdn Bhd ("Upeca") 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 ("Axis Aerotech Centre Project"), to be constructed for Upeca and a sub-lease to Upeca for an initial fixed period of 20 years with 2 renewal terms of 6 years each.

The Axis Aerotech Centre Project had been completed and its vacant possession delivered to Upeca on 13 February 2019.

As at 31 December 2019, the total construction cost incurred for the Axis Aerotech Centre Project (including land) amounted to RM73,075,000.

- b) Axis-REIT had on 15 July 2019 entered into a lease agreement ("Lease Agreement") with Penang Development Corporation ("PDC") for the proposed lease of approximately 2.4975 acres of vacant industrial land ("Project Land") located within Batu Kawan Industrial Park, Penang ("Proposed Land Lease").

On the same date, Axis-REIT had also simultaneously entered into a sublease agreement ("Sublease Agreement") with Federal Express Services (M) Sdn Bhd ("FedEx") for the proposed development of a single-storey warehouse facility with office space having a gross built-up area of approximately 44,000 sq. ft. inclusive of ancillary buildings and external elements ("FedEx Development Project"), to be constructed on the Project Land and a sub-lease to FedEx for an initial fixed period of 10 years with option to renew for further 5 years.

A total of RM14,545,000 has been incurred for the FedEx Development Project (including Project Land) during the financial period ended 31 December 2019 with the balance purchase price for the Project Land being paid on 19 December 2019.

The FedEx Development Project has obtained its Certificate of Practical Completion on 30 December 2019.

Additional details on the Proposed Land Lease and FedEx Development Project are also disclosed under note B9(e) below.

- c) A sale and purchase agreement ("SPA") had been executed on 17 July 2019 for the proposed acquisition by Axis-REIT of a manufacturing facility located in Bayan Lepas Free Industrial Zone Phase IV, Bayan Lepas, Pulau Pinang for a purchase consideration of RM20,500,000. This proposed acquisition is still pending completion.
- d) Two SPAs had been executed on 13 August 2019 respectively for the proposed acquisitions by Axis-REIT of two industrial facilities located within Taman Teknologi Nusajaya, Johor for a total purchase consideration of RM55,800,000. The proposed acquisitions were completed on 30 September 2019 and the properties are now known as Nusajaya Tech Park Facility 1 and Nusajaya Tech Park Facility 2.

A10. MATERIAL EVENTS (CON'T)

- e) A SPA had been executed on 8 October 2019 for the proposed acquisition by Axis-REIT of a manufacturing facility located within Kawasan Perindustrian Nilai II, Nilai, Negeri Sembilan, for a purchase consideration of RM50,000,000. This proposed acquisition is still pending completion.
- f) A SPA had been executed on 14 October 2019 for the proposed acquisition by Axis-REIT of a warehouse facility located within Pelabuhan Tanjung Pelepas, Gelang Patah, Johor, for a purchase consideration of RM65,000,000. This proposed acquisition is still pending completion.
- g) A SPA had been executed on 24 December 2019 for the proposed acquisition by Axis-REIT of a manufacturing facility located in Kawasan Perindustrian Bukit Raja, Klang, Selangor, for a purchase consideration of RM37,000,000.
- h) Letters of offer had been duly accepted for the proposed acquisitions by Axis-REIT of two manufacturing facilities located in Shah Alam, Selangor for a total proposed purchase consideration of RM55,800,000. The due diligence exercise for these proposed acquisitions is on-going.
- i) A letter of offer had been duly accepted for the proposed acquisition by Axis-REIT of a manufacturing facility located in Kota Kinabalu, Sabah for a proposed purchase consideration of RM60,000,000. The due diligence exercise for this proposed acquisition is on-going.

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

Axis-REIT's fund size was increased from 1,237,285,288 units to 1,435,250,288 units during the quarter under review with the successful issuance and listing of a total 197,965,000 new placement units in two tranches, issued pursuant to the placement exercises of Axis-REIT completed on 15 November 2019 and 12 December 2019, respectively.

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 2019 (“4Q2019”), Axis-REIT registered a total trust income of RM54,582,000. The realised net income from operations was RM29,384,000 after deducting total expenditure of RM25,198,000, of which RM8,183,000 were attributable to property expenses and RM17,015,000 to non-property expenses.

The Manager has proposed to distribute 99.9% from realised income available for distribution generated from operations for the fourth quarter of 2019.

The total net asset value stood at RM2,078,764,000 and the net asset value per unit (before income distribution) was RM1.4484.

Full-Year Results

For the financial year ended 31 December 2019, Axis-REIT recorded a total revenue of RM216,409,000. The realised net income from operations was RM115,179,000 after deducting total expenditure of RM101,230,000, of which RM30,756,000 were attributable to property expenses and RM70,474,000 to non-property expenses.

A total of RM100,964,000 was paid out as the 2019 first, second, third and fourth interim income distribution, which translated to 8.16 sen per unit. Axis-REIT has further set aside RM15,788,000 (approximately 99.9% of total income available for distribution in respect of the period from 14 November 2019 to 31 December 2019) as the 2019 final income distribution which translates to 1.10 sen per unit payable on 9 March 2020.

Maintenance costs & major capital expenditure

During the financial year ended 31 December 2019, a total of RM9,059,000 has been incurred for enhancement of the properties of Axis-REIT and a total of RM20,411,000 has been incurred for the completed development project i.e. Axis Aerotech Centre Project and the on-going FedEx Development Project.

B2. MATERIAL CHANGES IN INCOME BEFORE TAXATION FOR THE QUARTER AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER

	Current Year Quarter 31.12.2019 RM'000	Immediate Preceding Quarter 30.9.2019 RM'000	%
Property income	54,407	54,047	0.7%
Less : Property expenses	(8,183)	(7,809)	4.8%
Net property income	46,224	46,238	-0.03%
Profit income	559	229	144.1%
Less: Non-property expenses	(17,015)	(18,051)	-5.7%
Net income before lease incentive adjustment (non-distributable)	29,768	28,416	4.8%
Lease incentive adjustment, net (Note 1)	(384)	(412)	
Net income before tax (Realised)	29,384	28,004	4.9%

Note 1 - Lease incentive adjustment which is non-distributable, had been recognised since FYE2018, pursuant to the requirements of MFRS 16 where revenue is recognised on a straight line basis and subsequently amortised to P&L throughout the tenancy period.

B2. MATERIAL CHANGES IN INCOME BEFORE TAXATION FOR THE QUARTER AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER (CONT'D)

For the current quarter ended 31 December 2019, Axis-REIT's property income was RM54,407,000, 0.7% higher compared to the immediate preceding quarter ("3Q2019") of RM54,047,000, mainly due to contributions from newly acquired properties. Property expenses was RM8,183,000, 4.8% higher compared to 3Q2019 of RM7,809,000, mainly due to additional properties added to the portfolio.

During the quarter under review, net income before lease incentive adjustment was RM29,768,000, 4.8% higher compared to the immediate preceding quarter of RM28,416,000, due to higher property income as well as profit income and lower non-property expenses.

B3. PROSPECTS

The Manager is optimistic that in view of the current satisfactory performance of Axis-REIT's existing property portfolio and its growth strategy to actively pursue quality investments, it will be able to maintain its current performance for the coming financial year ending 31 December 2020.

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 issuance of the 2018 Annual Report of Axis-REIT.

B6. PORTFOLIO COMPOSITION

During the quarter under review, Axis-REIT completed the Proposed Land Lease on 19 December 2019. The property portfolio size of Axis-REIT increased from 47 to 48 as at 31 December 2019.

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

A total net proceeds of RM336.722 million had been raised from the issuance of a total of 197,965,000 new placement units pursuant to the placement exercises of Axis-REIT implemented in November 2019 and December 2019, respectively. These proceeds were used to pare down the financing of Axis-REIT which were drawn down earlier to finance acquisition and to provide headroom for the future acquisition.

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 unitholders, 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:

B8. TAXATION (CONT'D)

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 proposed development of Axis Aerotech Centre Project, which was duly announced on 1 November 2017 had been completed and handed over on 13 February 2019. Further details of the Axis Aerotech Centre Project are disclosed under Note A10(a) above.
- c) Axis-REIT had obtained the approval for the proposed renewal of the authority to allot and issue new units in Axis-REIT of up to 20% of the issued fund size of Axis-REIT to facilitate a placement exercise ("Proposed Placement") from the Unitholders at the 7th annual general meeting of Axis-REIT convened and held on 30 April 2019.

Pursuant to the approval from Bursa Securities for the listing and quotation of the new units under the Proposed Placement, Axis-REIT successfully completed the issuance and listing of 160,850,000 new units (representing approximately 13% of the total issued fund size of Axis-REIT of 1,237,285,288 units) on 15 November 2019.

- d) Axis-REIT had obtained the approval for the proposed placement of up to 37,115,000 new units in Axis-REIT, representing up to 3% of total issued units of 1,237,285,288 units to Employees Provident Fund Board ("EPF") and Kumpulan Wang Persaraan (Diperbadankan) ("KWAP") and/or persons connected to them ("Proposed Placement to EPF and KWAP") from the Unitholders at a Unitholders' meeting convened and held on 3 December 2019.

Pursuant to the approval from Bursa Securities for the listing and quotation of the new units under the Proposed Placement to EPF and KWAP, Axis-REIT successfully completed the issuance and listing of 37,115,000 new units (representing approximately 3% of the total issued fund size of Axis-REIT of 1,237,285,288 units) on 12 December 2019.

With the successful placement pursuant to the Proposed Placement and Proposed Placement to EPF and KWAP, the Fund does not intend to issue further units and therefore, the Placement is deemed completed.

B9. STATUS OF CORPORATE PROPOSALS (CON'T)

e) Axis-REIT, vide an announcement dated 15 July 2019, proposed to undertake the following:

- (i) lease of the Project Land from PDC pursuant to the Proposed Land Lease; and
- (ii) construct a single-storey warehouse facility with office space having a gross built-up area of approximately 44,000 sq.ft. inclusive of ancillary buildings and external elements on the Project Land for FedEx and the subsequent sub-lease to FedEx.

The approval for the exemption for Axis-REIT from having to comply with Paragraph 8.10(a) of the Guidelines on Listed Real Estate Investment Trusts ("REIT") issued by the SC which stipulates that a REIT may invest in real estate through a lease arrangement, provided that the lease must be registered with the land authority, had been obtained from the SC vide its letter dated 23 July 2019.

The Proposed Land Lease has been completed on 19 December 2019 and the title to the Project Land is pending the alienation by the State Government of Penang.

Further details of the FedEx Development Project are also disclosed under Note A10(b) above.

B10. FINANCING

	Current Financial Period Ended 31 December 2019 (RM'000)	Preceding Financial Year Ended 31 December 2018 (RM'000)
Short term financing		
- Secured Islamic revolving credit/ Islamic Medium Term Note/hire purchase denominated in MYR	385,582	813,500
Long term financing		
- Secured Islamic Medium Term Note/hire purchase denominated in MYR	500,277	245,867

B11. DERIVATIVES

As at 31 December 2019, 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. Axis-REIT is currently using the said IPRS to hedge against its other revolving credit financing and the unrealised gain/(loss) of the derivatives had been recognised in the profit or loss:

	Notional Value <u>RM'000</u>	Fair Value <u>RM'000</u>	<u>Maturity</u>
3-year IPRS – derivative liability	50,000	(77)	Less than 1 years
3-year IPRS – derivative liability	150,000	(1,148)	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 31.12.2019	Immediate Preceding Quarter Ended 30.9.2019
Number of units in issue (units)	1,435,250,288	1,237,285,288
EPU (realised) (sen)	2.21	2.26
EPU (include unrealised income) (sen)	10.00	2.11
Net realised income for the period (RM'000)	29,384	28,004
Distribution per unit (DPU) (sen)	2.20	2.35
Net Asset Value (NAV) (RM'000)	2,078,764	1,657,281
NAV Per Unit (RM)	1.4484	1.3394
Market Value Per Unit (RM)	1.77	1.85

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 2019 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 the Manager on 20 January 2020.

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

20 January 2020