

**POSITIONED
FOR
GROWTH**

INTEGRATED ANNUAL REPORT **2019**



AXIS-REIT FYE 2019 FACTS AT A GLANCE



Market Capitalisation
RM2,540,393,000



Total Assets Under Management
RM3,085,681,000



Total Space Under Management
9,537,666
sq. ft.



Fair Value Gain on Investment Properties for 2019
RM101,553,000

LATEST UPDATES

Net income after taxation

35% increase
to RM209.2 million

Distribution Per Unit

increased by **5.9%**
to 9.26 sen per unit



Total Acquisitions for 2019
RM59.7 million



Weighted Average Lease Expiry (based on rental)
6 years

UNITHOLDER BASE



1,435,250,288
total number of units in issue



RM1.77
Unit Price as at 31 Dec 2019



Distribution Per Unit for 2019
9.26 sen



A  IS
REAL ESTATE INVESTMENT TRUST

**O U R
P O R T F O L I O**





CENTRAL
REGION



1

Menara Axis

Office

RM112 million

Carrying value based on latest valuation

No. 2, Jalan 51A/223
Section 51A
46100 Petaling Jaya
Selangor



2

Axis Business Campus

Office/Industrial

RM80.6 million

Carrying value based on latest valuation

Lot 13A & 13B, Jalan 225
Section 51A
46100 Petaling Jaya
Selangor

Axis Business Park

Office/Industrial

RM121 million

Carrying value based on latest valuation

No. 10, Jalan Bersatu 13/4
Section 13
46200 Petaling Jaya
Selangor

3





Axis Technology Centre

Office/Industrial

RM61 million

Carrying value based on latest valuation

No. 13, Jalan 225, Section 51A, 46100 Petaling Jaya, Selangor

4

Axis Vista

Office/Industrial

RM57.5 million

Carrying value based on latest valuation

No. 11, Jalan 219, Section 51A, 46100 Petaling Jaya, Selangor

5



Crystal Plaza

Office

RM113.7 million

Carrying value based on latest valuation

No. 4, Jalan 51A/223, Section 51A, 46100 Petaling Jaya, Selangor



6

Infinite Centre

Office/Industrial

RM43.5 million

Carrying value based on latest valuation

Lot 1, Jalan 13/6, Section 13, 46200 Petaling Jaya, Selangor

7





8

Quattro West

Office

RM56 million

Carrying value based on latest valuation

No. 4, Lorong Persiaran Barat
46100 Petaling Jaya
Selangor



9

Strateq Data Centre

Office/Industrial

RM57 million

Carrying value based on latest valuation

No. 12 Jalan Bersatu 13/4, Section 13
46200 Petaling Jaya, Selangor

The Annex

Office/Industrial

RM20 million

Carrying value based on latest valuation

No. 4, Jalan 19/1, Section 19
46300 Petaling Jaya, Selangor

10



11

Wisma Academy Parcel

Office/Industrial

RM74.5 million

Carrying value based on latest valuation

No. 4A, Jalan 19/1, Section 19
46300 Petaling Jaya, Selangor



Wisma Kemajuan

Office/Industrial

RM65.6 million

Carrying value based on latest valuation

No. 2, Jalan 19/1B, Section 19
46300 Petaling Jaya, Selangor

12

Axis Aerotech Centre @ Subang

Manufacturing Facility

RM89.5 million

Carrying value based on latest valuation

Jalan Aeroangkasa 4
Seksyen U3, 40150 Shah Alam
Selangor

13





Axis Mega Distribution Centre
Warehouse Logistics

RM314 million

Carrying value based on latest valuation

Lot 7316 (PT 3609)
Persiaran Sijangkang Utama
42500 Telok Panglima Garang
Selangor

14

Axis MRO Hub
Manufacturing Facility

RM53.3 million

Carrying value based on latest valuation

No. 3, Jalan Keluli 15/16, Section 15
40200 Shah Alam, Selangor

15





16

Axis Shah Alam Distribution Centre 1

Manufacturing Facility

RM37.2 million

Carrying value based on latest valuation

Lots 2-22,2-24,2-26,2-28, Jalan SU 6A
Taman Perindustrian Subang (Lion Industrial Park)
Section 22, 40300 Shah Alam
Selangor

Axis Shah Alam Distribution Centre 2

Warehouse Logistics

RM48.3 million

Carrying value based on latest valuation

Lot No. 10 & 12, Jalan Pahat 16/8A
Lot No. 11 & 13, Jalan Gudang 16/9
Section 16, 40200 Shah Alam, Selangor

17





Axis Shah Alam Distribution Centre 3

Warehouse Logistics

RM192 million

Carrying value based on latest valuation

Lot No. 22202
Jalan Gambus 33/4
Off Jalan Bukit Kemuning, Batu 8.5
40400 Shah Alam, Selangor

18

Axis Shah Alam Distribution Centre 4

Warehouse Logistics

RM86 million

Carrying value based on latest valuation

Lot PT 5038-5041, Jalan Teluk Datuk 28/40, Off Persiaran Sepang
Seksyen 28, 40400 Shah Alam, Selangor

19





20

Axis Northport Distribution Centre 1

Warehouse Logistics

RM78.1 million

Carrying value based on latest valuation

Lot 19, Lebu Hishamuddin 1
Selat Klang Utara
42000 Pelabuhan Klang, Selangor

Bukit Raja Distribution Centre

Warehouse Logistics

RM108 million

Carrying value based on latest valuation

No. 43 & 44, Lengkok Keluli 1, Kawasan Perindustrian
Bukit Raja Selatan, Seksyen 7
40000 Shah Alam, Selangor

21





22

Fonterra HQ

Office/Industrial

RM20.6 million

Carrying value based on latest valuation

No. 23, Jalan Delima 1/1
Subang Hi-Tech Industrial Park
Batu Tiga, 40000 Shah Alam, Selangor

Axis Industrial Facility @ Rawang

Manufacturing Facility

RM42 million

Carrying value based on latest valuation

Lot 795 & 796 Jalan Monorail
Kawasan Industri Sungai Choh
48000 Sungai Choh Rawang, Selangor

23





24

Emerson Industrial Facility Nilai

Manufacturing Facility

RM35 million

Carrying value based on latest valuation

Lot 13111 & Lot 13112

Mukim Labu

Kawasan Perindustrian Nilai 1
71800 Nilai, Negeri Sembilan

Senawang Industrial Facility

Warehouse Logistics

RM21 million

Carrying value based on latest valuation

Lot 73 & 74, Persiaran Bunga Tanjung 1, Senawang Industrial Park
70400 Seremban, Negeri Sembilan



25

NORTHERN REGION





**Axis Facility
@ Batu Kawan**

Warehouse Logistics

RM16 million

Carrying value based on latest valuation

PMT 770, Jalan Cassia Selatan 6/4
Taman Perindustrian Batu Kawan
14110 Bandar Cassia, Penang

26

**Bayan Lepas Distribution
Centre**

Warehouse Logistics

RM61.6 million

Carrying value based on latest valuation

88A, Lintang Bayan 9
Lintang Bayan Lepas Industrial Park
Phase IV 11900 Bayan Lepas
Penang

27





28

Axis Hypermarket @ Sungai Petani
Hypermarket

RM49 million

Carrying value based on latest valuation

Jalan Lencongan Barat
08000 Sungai Petani, Kedah

Seberang Prai Logistics Warehouse 1

Warehouse Logistics

RM24 million

Carrying value based on latest valuation

Plot 24, Tingkat Perusahaan 6
Kawasan Perusahaan Prai Phase 4
13600 Seberang Prai Tengah, Penang

29



30

Seberang Prai Logistics Warehouse 2

Warehouse Logistics

RM9.4 million

Carrying value based on latest valuation

Plot 23, Tingkat Perusahaan 6
Kawasan Perusahaan Prai Phase 4
13600 Seberang Prai Tengah
Penang



31

Seberang Prai Logistics Warehouse 3

Warehouse Logistics

RM69.5 million

Carrying value based on latest valuation

No. 74, Lorong Perusahaan Utama 4, Bukit Tengah Industrial Park
14000 Bukit Mertajam, Penang



EAST COAST REGION



32

Wasco Facility @ Kuantan Manufacturing Facility

RM155 million

Carrying value based on latest valuation

Sub Lot 2, Kawasan Perindustrian MIEL, Gebeng
KM25, Jalan Kuantan-Kemaman
P.O. Box 240, 25720 Kuantan, Pahang



SOUTHERN REGION



33

**Axis Steel Centre
@ SiLC**

Manufacturing Facility

RM163 million

Carrying value based on latest valuation

No. 27, Jalan SiLC 1/5
Kawasan Perindustrian SiLC
79200 Nusajaya, Johor

34

**Beyonics i-Park Campus
– Block A**

Manufacturing Facility

RM16.5 million

Carrying value based on latest valuation

No. 95, Jalan i-Park 1/10
Kawasan Perindustrian i-Park
81000 Bandar Indahpura, Kulaijaya
Johor



35

**Beyonics i-Park Campus
– Block B**

Manufacturing Facility

RM15 million

Carrying value based on latest valuation

No. 96, Jalan i-Park 1/10
Kawasan Perindustrian i-Park
81000 Bandar Indahpura, Kulaijaya
Johor





36

Beyonics i-Park Campus – Block C

Manufacturing Facility

RM14 million

Carrying value based on latest valuation

No. 97, Jalan i-Park 1/10
Kawasan Perindustrian i-Park
81000 Bandar Indahpura, Kulaijaya
Johor

37



Beyonics i-Park Campus – Block D

Manufacturing Facility

RM25 million

Carrying value based on latest valuation

No. 98, Jalan i-Park 1/10, Kawasan Perindustrian i-Park
81000 Bandar Indahpura, Kulaijaya, Johor



38

Beyonics i-Park Campus – Block E

Manufacturing Facility

RM32 million

Carrying value based on latest valuation

No. 93, Jalan i-Park 1/10
Kawasan Perindustrian i-Park
81000 Bandar Indahpura, Kulaijaya
Johor



39

D8 Logistics Warehouse

Warehouse Logistics

RM40.1 million

Carrying value based on latest valuation

Lot D8, Jalan Tanjung A/4
Distripark A, Port of Tanjung Pelepas
81560, Gelang Patah, Johor



40

D21 Logistics Warehouse

Warehouse Logistics

RM29 million

Carrying value based on latest valuation

Lot D21, Jalan Tanjung A/3
Distripark A, Port of Tanjung Pelepas
81560, Gelang Patah, Johor



41

FCI Senai

Manufacturing Facility

RM25.4 million

Carrying value based on latest valuation

PLO 205, Jalan Cyber 14
Kawasan Perindustrian Senai IV
81400 Johor



Indahpura Facility 1

Manufacturing Facility

RM8 million

Carrying value based on latest valuation

No.69, Jalan i-Park 1/7, Kawasan Perindustrian i-Park
81000 Bandar Indahpura, Kulajaya, Johor

42



43

Kerry Warehouse

Warehouse Logistics

RM38.2 million

Carrying value based on latest valuation

PLO 731, Jalan Nikel 2
Kawasan Perindustrian Pasir Gudang
81700 Pasir Gudang, Johor



44

Niro Warehouse

Warehouse Logistics

RM27.7 million

Carrying value based on latest valuation

PLO 419-421, Jalan Emas 2, Pasir Gudang Industrial Estate
81700 Pasir Gudang, Johor

45

Nusajaya Tech Park Facility 1

Manufacturing Facility

RM42 million

Carrying value based on latest valuation

Nos. 1, 3 & 5, Jalan Teknologi Perintis 1, Taman Teknologi Nusajaya
79200 Iskandar Puteri, Johor



46

Nusajaya Tech Park Facility 2

Manufacturing Facility

RM15.5 million

Carrying value based on latest valuation

No. 14, Jalan Teknologi Perintis 1/3, Taman Teknologi Nusajaya
79200 Iskandar Puteri, Johor





Pasir Gudang Logistics Warehouse 1

Warehouse Logistics

RM21.3 million

Carrying value based on latest valuation

PLO 563, Jalan Keluli 8
Pasir Gudang Industrial Estate
81700 Pasir Gudang
Johor

47

Tesco Bukit Indah

Hypermarket

RM106 million

Carrying value based on latest valuation

No. 1, Jalan Bukit Indah 15
81200 Johor

48



www.axis-reit.com.my

Prepared by:

AXIS REIT MANAGERS BERHAD

200401010947 (649450-W)

As the Manager of Axis-REIT

Penthouse Menara Axis
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ABOUT THIS REPORT

Financial year 2019 marks the first year of our integrated reporting journey, as part of our continuous efforts to improve our reporting approach and disclosures. We hope that our stakeholders will gain greater insights into Axis-REIT's strategy, business model and value creation over the short, medium and long term.

REPORTING PHILOSOPHY & FRAMEWORK

Axis Real Estate Investment Trust's ("Axis-REIT" or "Fund") 2019 Integrated Annual Report ("IAR") has been prepared by Axis REIT Managers Berhad ("ARMB" or "Manager"), in our capacity as the Manager of Axis-REIT. The 2019 IAR has been prepared in accordance with the International Integrated Reporting Council's ("IIRC") International <IR> Framework ("<IR> Framework"). By adopting the <IR> Framework, the report aims to deliver a transparent, concise and balanced overview of the Fund's financial and non-financial performances. The report also adheres to Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements ("MMLR"), Securities Commission Malaysia's ("SC") Guidelines on Listed REITs, the Malaysian Code on Corporate Governance, the Malaysian Financial Reporting Standards ("MFRS") and the International Financial Reporting Standards ("IFRS").

SCOPE & BOUNDARY

The 2019 IAR covers the period from 1 January 2019 to 31 December 2019 ("FYE2019") unless stated otherwise. The report covers environmental, social and governance ("ESG") data for all Axis-REIT's properties and operations. Environmental-related data included is limited to data of multi-tenanted properties and the common areas which are under Axis-REIT's operational control.

MATERIALITY

As we conducted our materiality assessment in accordance with the MMLR, we have also applied the <IR> Framework's concept of materiality to promote conciseness and a balanced disclosure. In addition to input from our stakeholder engagements, material issues included in the IAR take into consideration risks identified through our risk management framework that impact our ability to create value over the short, medium and long term.

FORWARD-LOOKING STATEMENTS



This report contains forward-looking statements characterised by the use of words and phrases such as "might", "forecast", "anticipate", "project", "may", "believe", "predict", "expect", "continue", "will", "estimate", "target" and other similar expressions. As Axis-REIT's business operates in a perpetually shifting and changing environment, it is subject to uncertainties that could cause the actual results to differ from those reflected in these forward-looking statements.

ABOUT THIS REPORT

ICON NAVIGATION

The Six Capitals



Financial



Human



Intellectual



Manufactured



Social & Relationship



Natural

2021 Strategy Plan



Capital Management



Investment



Development



Real Estate



Facilities Management

Sustainability Matters



Economic Performance



Quality Assets & Services - New Acquisitions



Quality Assets & Services - Existing Assets



Responsible Supply Chain Management



Business Ethics



Embracing Innovation & Technology



Cybersecurity



Occupational Health & Safety



Tenant Satisfaction



Talent Development



Employee Wellness & Engagement



Community Activity & Partnership



Energy & Carbon Footprint



Waste Management



Water Management



Resource Management

Risks



Financial



Compliance



Information Technology



Human Resource



Marketing & Branding



Development



Real Estate



ESG



Investment



CORPORATE INFORMATION

BOARD OF DIRECTORS OF THE MANAGER

- ▶ **YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin**
Independent Non-Executive Chairman
- ▶ **Dato' Abas Carl Gunnar Bin Abdullah**
Executive Deputy Chairman
- ▶ **Leong Kit May**
Chief Executive Officer/
Executive Director
- ▶ **Stephen Tew Peng Hwee @ Teoh Peng Hwee**
Non-Independent Non-Executive Director
- ▶ **Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor**
Independent Non-Executive Director
- ▶ **Mohd Sharif Bin Hj Yusof**
Senior Independent Non-Executive Director
- ▶ **Alvin Dim Lao**
Non-Independent Non-Executive Director
- ▶ **Alex Lee Lao**
Alternate Director to Dato' Abas Carl Gunnar Bin Abdullah
- ▶ **Jancis Anne Que Lao**
Alternate Director to Alvin Dim Lao

AUDIT COMMITTEE OF THE MANAGER

- ▶ **Mohd Sharif Bin Hj Yusof**
Chairman
- ▶ **YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin**
- ▶ **Alvin Dim Lao**

REMUNERATION COMMITTEE OF THE MANAGER

- ▶ **Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor**
Chairman
- ▶ **Dato' Abas Carl Gunnar Bin Abdullah**
- ▶ **Stephen Tew Peng Hwee @ Teoh Peng Hwee**

EXECUTIVE COMMITTEE OF THE MANAGER

- ▶ **Dato' Abas Carl Gunnar Bin Abdullah**
Chairman
- ▶ **Stephen Tew Peng Hwee @ Teoh Peng Hwee**
- ▶ **Leong Kit May**

NOMINATION COMMITTEE OF THE MANAGER

- ▶ **Mohd Sharif Bin Hj Yusof**
Chairman
- ▶ **YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin**
- ▶ **Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor**



CORPORATE INFORMATION

MANAGER OF AXIS-REIT

- ▶ **Axis REIT Managers Berhad**

MANAGER'S PRINCIPAL PLACE OF BUSINESS

- ▶ Penthouse, Menara Axis
No. 2, Jalan 51A/223
46100 Petaling Jaya
Selangor Darul Ehsan
Tel No : 603-7958 4882
Fax No : 603-7957 6881

MANAGER'S REGISTERED OFFICE

- ▶ Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel No : 603-2084 9000
Fax No : 603-2094 9940

COMPANY SECRETARY OF THE MANAGER

- ▶ Rebecca Leong Siew Kwan
(SSM PC No. 202008000587)
(MAICSA 7045547)

TRUSTEE OF AXIS-REIT

- ▶ **RHB TRUSTEES BERHAD**
Level 10 Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel No : 603-9280 5933
Fax No : 603-9280 5934
Website : www.rhbgroup.com

SHARIAH ADVISER OF AXIS-REIT

- ▶ **BIMB SECURITIES SDN BHD**
Level 32, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel No : 603-2613 1600
Fax No : 603-2613 1799

REGISTRARS OF AXIS-REIT

- ▶ **BOARDROOM SHARE REGISTRARS SDN BHD**
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Tel No : 603-7890 4700
Fax No : 603-7890 4670
Website : www.boardroomlimited.com/my

PROPERTY MANAGER OF AXIS-REIT

- ▶ **AXIS PROPERTY SERVICES**
Suite 6.04, Penthouse
Wisma Academy
No. 4A, Jalan 19/1
46300 Petaling Jaya
Selangor Darul Ehsan

AUDITORS OF AXIS-REIT

- ▶ **KPMG PLT**
Level 10, KPMG Tower
No. 8, First Avenue Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

INTERNAL AUDITORS OF AXIS-REIT

- ▶ **BAKER TILLY MONTEIRO HENG GOVERNANCE SDN BHD**
Baker Tilly Tower, Level 10
Tower 1 Avenue 5
Bangsar South City
59200 Kuala Lumpur

TAX AGENTS OF AXIS-REIT

- ▶ **PRICEWATERHOUSECOOPERS TAXATION SERVICES SDN BHD**
Level 10, 1 Sentral, Jalan Rakyat
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur

PRINCIPAL BANKERS OF AXIS-REIT

- ▶ Maybank Islamic Berhad
- ▶ CIMB Islamic Bank Berhad
- ▶ HSBC Amanah Bank Malaysia Berhad
- ▶ Public Islamic Bank Berhad

STOCK NAME AND STOCK CODE

- ▶ AXREIT 5106

INVESTOR RELATIONS

To find out more about Axis-REIT, please contact:

- ▶ **Leong Kit May**
Chief Executive Officer/Executive Director

or

- ▶ **Chan Tze Wee**
Senior Manager, Investments & Investor Relations

CONTACT DETAILS

Penthouse, Menara Axis
No. 2, Jalan 51A/223
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WEBSITE

www.axis-reit.com.my





OUR BUSINESS

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AIS

ABOUT AXIS-REIT

VISION

To successfully benchmark Axis-REIT against the world’s most successful REITs in terms of total returns to Unitholders, and be the REIT of choice for Shariah and non-Shariah investors.



MISSION

To provide consistent distributions to Unitholders through growing the property portfolio, displaying the highest level of corporate governance, excellent capital and risk management, and preserving capital values.



Our Business

ABOUT US

Axis Real Estate Investment Trust is Malaysia’s first REIT, listed on Bursa Securities on 3 August 2005. It has a diverse portfolio of 48 properties that are located in the Klang Valley, Johor, Penang, Pahang, Negeri Sembilan and Kedah.

The Fund was constituted by a Deed and is principally regulated by applicable securities laws, the SC’s Guidelines on Listed REITs, the Listing Requirements of Bursa Securities, the rules of the depository and relevant taxation laws and rulings.

On 15 June 2005, the Deed constituting Axis-REIT was executed between Axis REIT Managers Berhad as the Manager of Axis-REIT, and RHB Trustees Berhad as the Trustee of Axis-REIT. The Deed was registered with the SC on 16 June 2005, which marked the establishment of Axis-REIT in Malaysia. Axis-REIT was thereafter reclassified as an Islamic REIT on 11 December 2008.

The duration of Axis-REIT shall be the earlier of the occurrence of any circumstance as stated in the Deed, or 999 years from the establishment of Axis-REIT.

Axis-REIT was formed to own and invest primarily in industrial and office real estate. The primary objectives of the Fund are:

To provide Unitholders with a stable and growing distribution of income; and

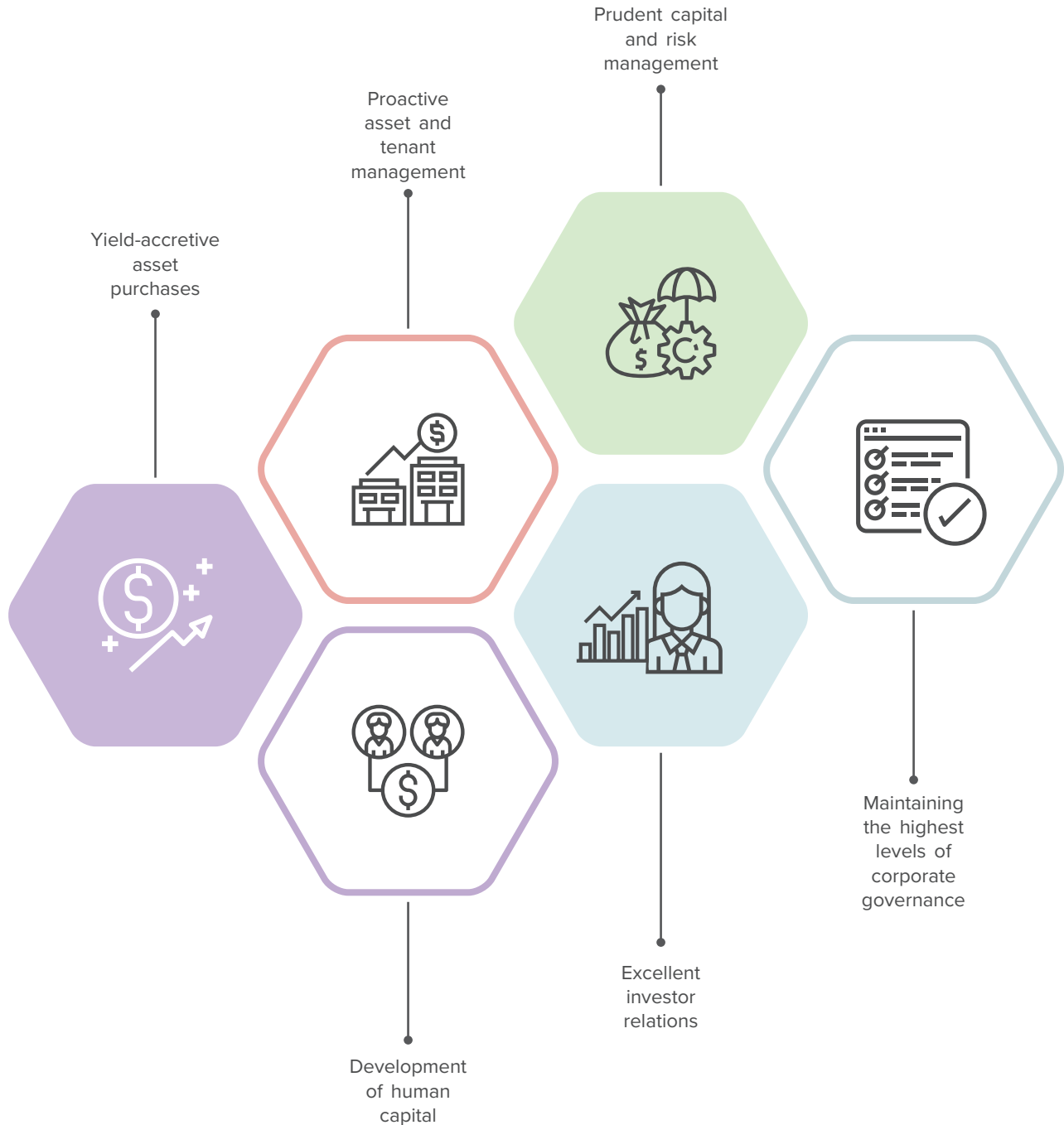
To achieve long-term growth in the net asset value per Unit of the Fund.

Axis REIT Managers Berhad is the Manager of Axis-REIT and is licensed under the Capital Markets and Services Act, 2007 as an Islamic Fund Manager to manage an Islamic REIT.

ABOUT AXIS-REIT

SIX PRINCIPLES OF MANAGEMENT

The Manager is committed to deliver long-term sustainable distributions and capital stability through its six principles of management:

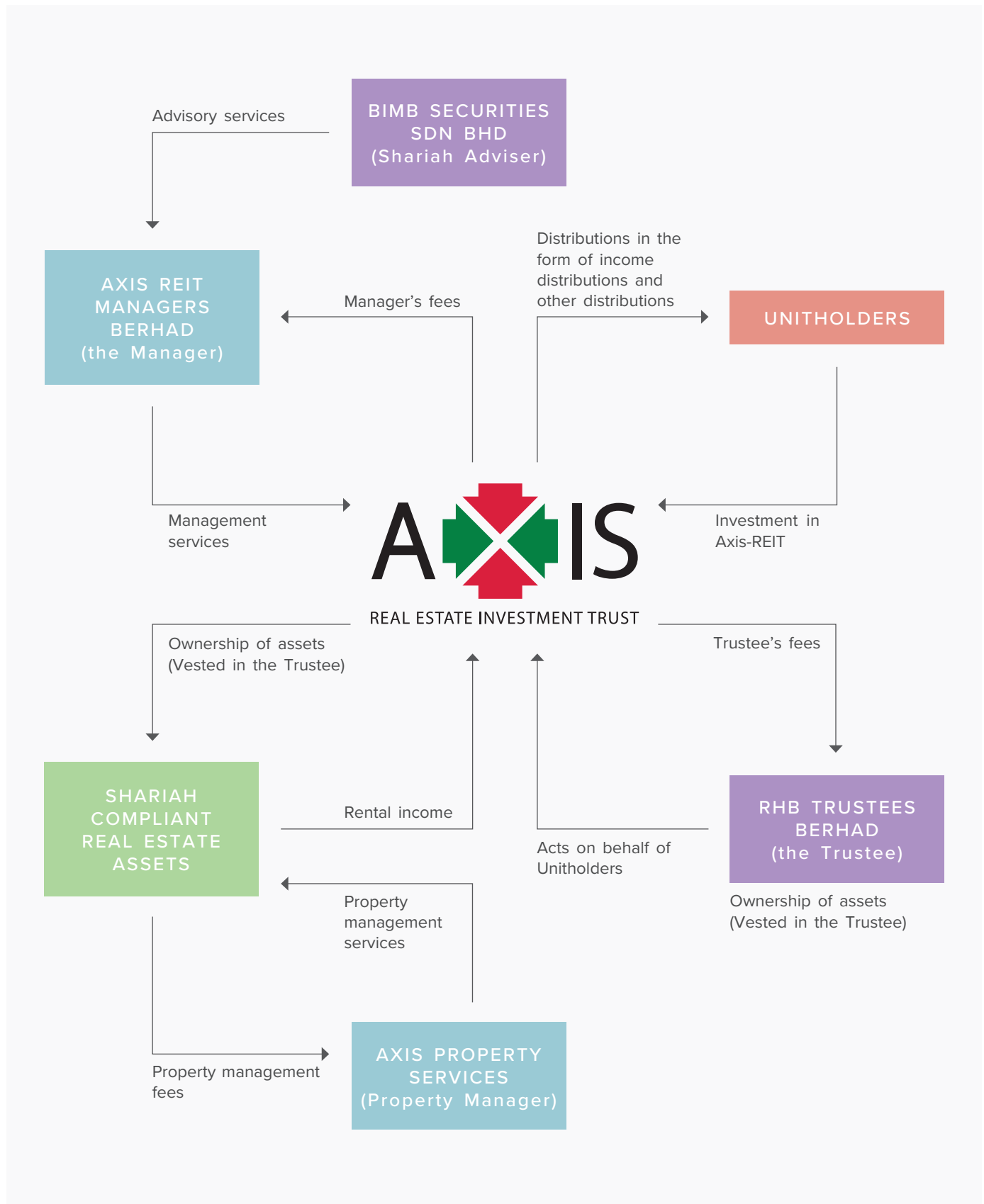


SALIENT FEATURES OF AXIS-REIT

Fund Category	Real Estate Investment Trust
Fund Type	Income and growth
Vision of the Fund	To successfully benchmark Axis-REIT against the world's most successful REITs in terms of total returns to Unitholders and be the REIT of choice for Shariah and non-Shariah investors
Mission of the Fund	To provide consistent distributions to Unitholders through growing the property portfolio, displaying the highest level of corporate governance, excellent capital and risk management, and preserving capital values
Issued Fund Size	1,435,250,288 Units
Market Capitalisation	RM2,540,393,000
Assets Under Management	RM3,085,681,000
Permissible Investments	At least 75% of the Fund's total asset value must be invested in real estate that generates recurrent rental income at all times
Initial Public Offering Retail Price	RM0.625 per Unit (equivalent to RM1.25 per Unit prior to the Unit Split)
Financial Year End	31 December
Distribution Policy	<p>Quarterly income distribution:</p> <p>1st to 3rd quarter – at least 95% of the current financial year-to-date distributable income</p> <p>4th quarter – at least 99% of the current financial year-to-date distributable income</p>
Financing Limitations	Not exceeding 50% of the total asset value of the Fund
Revaluation Policy	The investment properties shall be revalued at least once a financial year by independent registered valuers
Minimum Initial Investment	100 Units
Quotation	Main Market of Bursa Securities
Bursa Securities Stock Number	AXREIT 5106

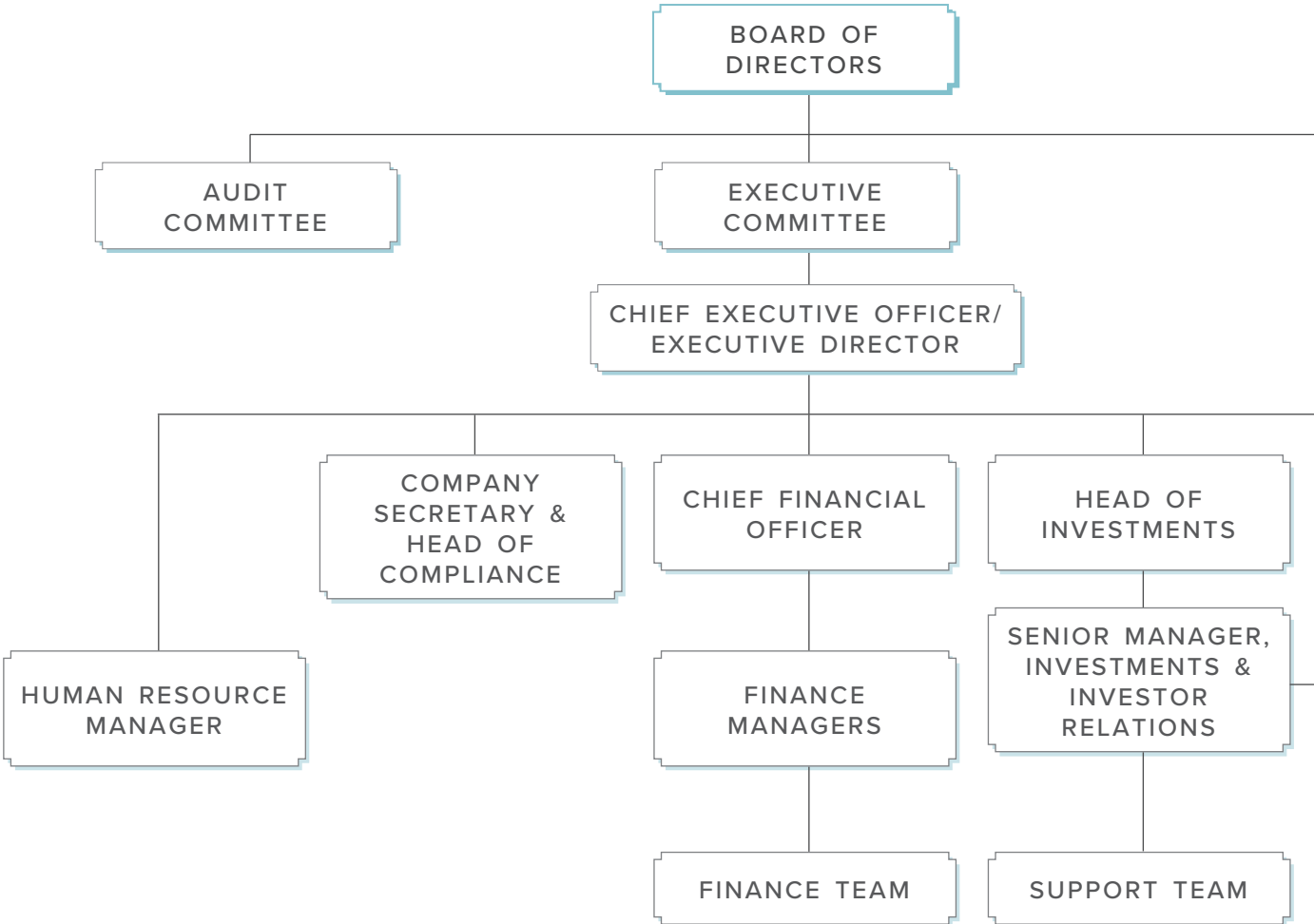


AXIS-REIT STRUCTURE

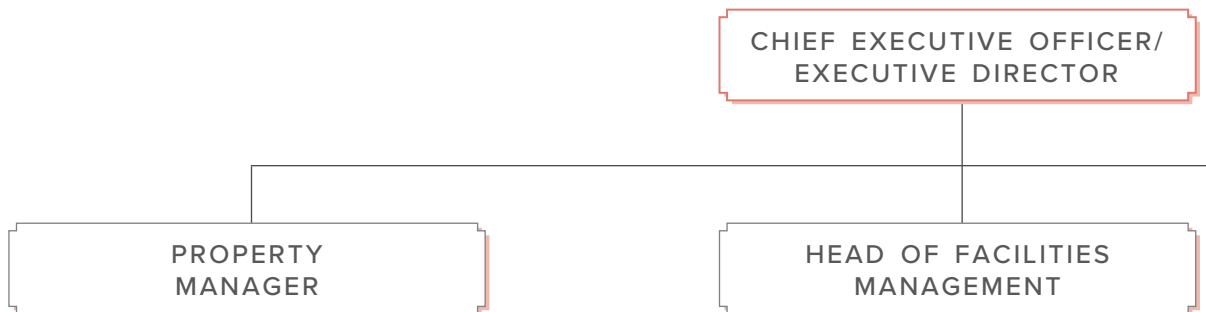


THE AXIS TEAM'S ORGANISATIONAL STRUCTURE

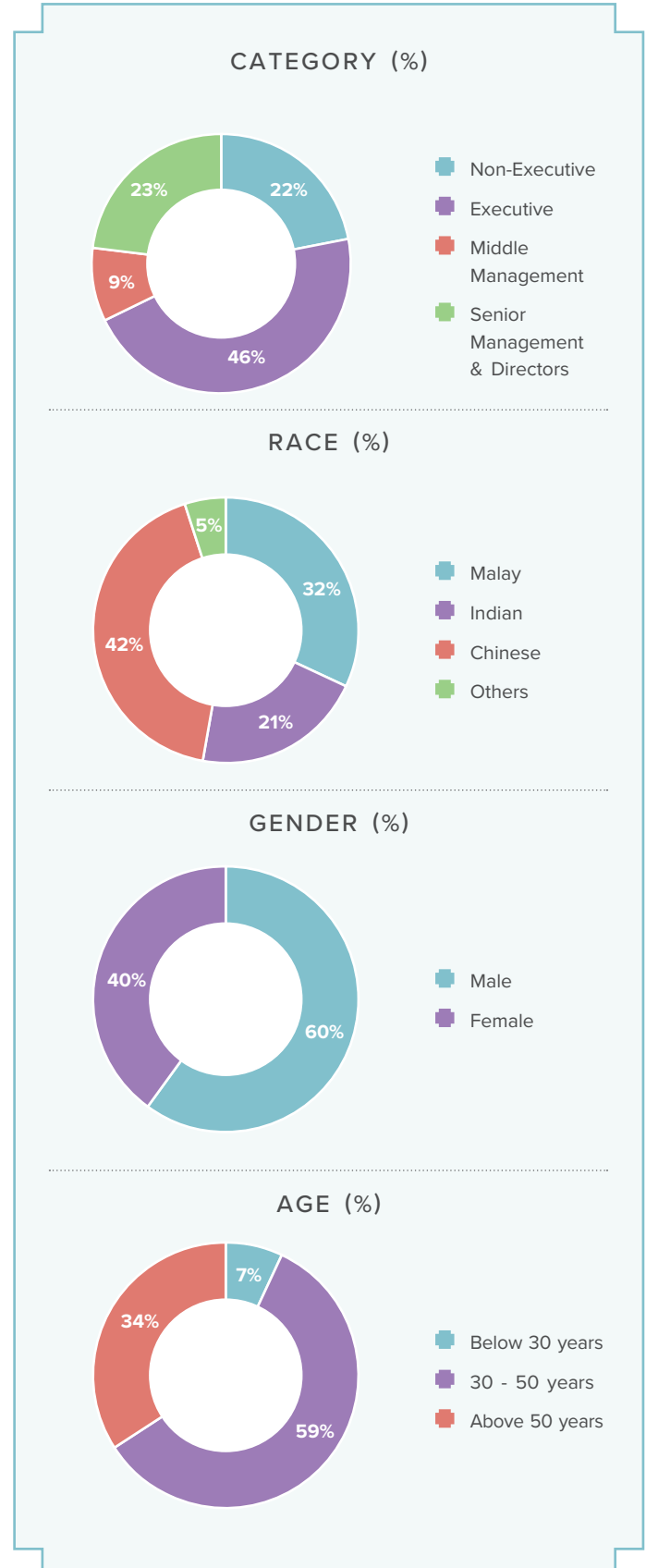
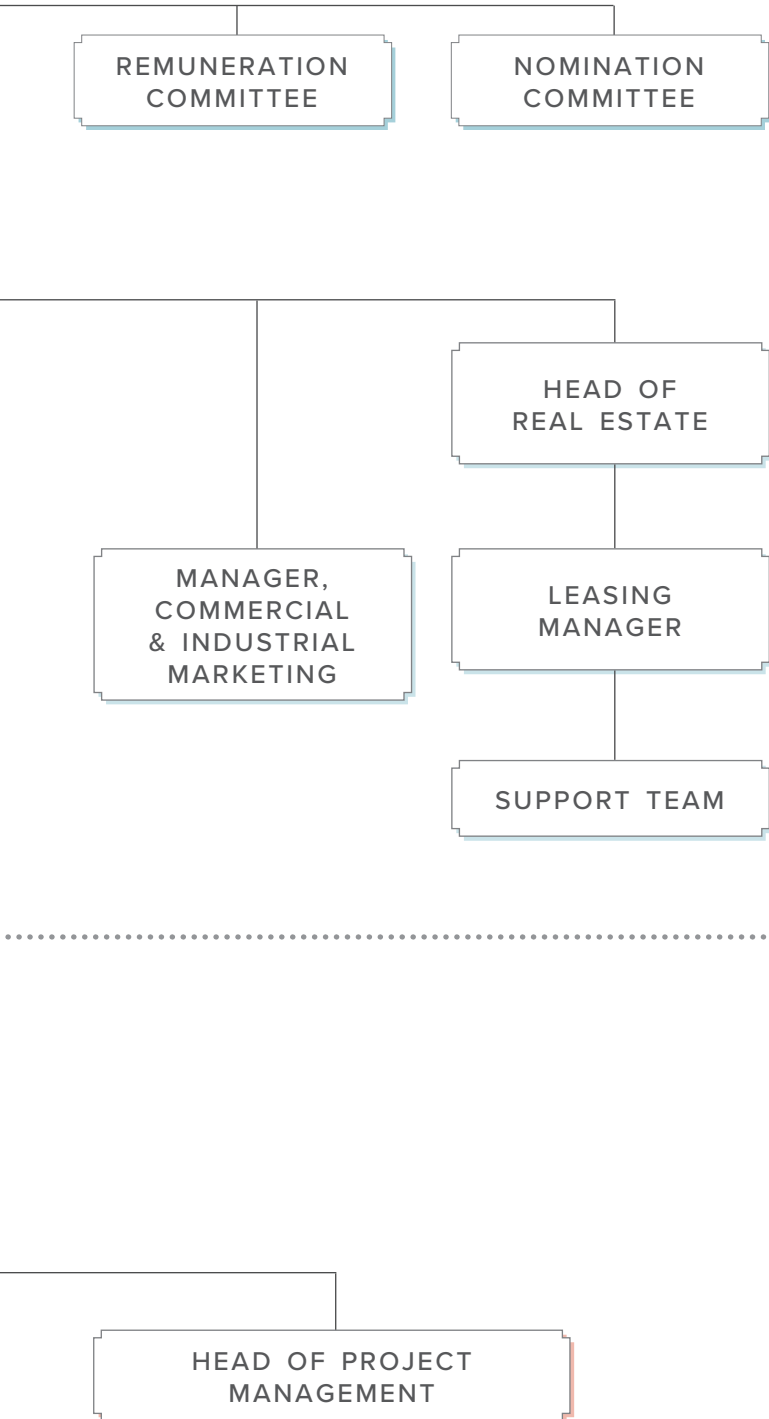
CORPORATE DIVISION



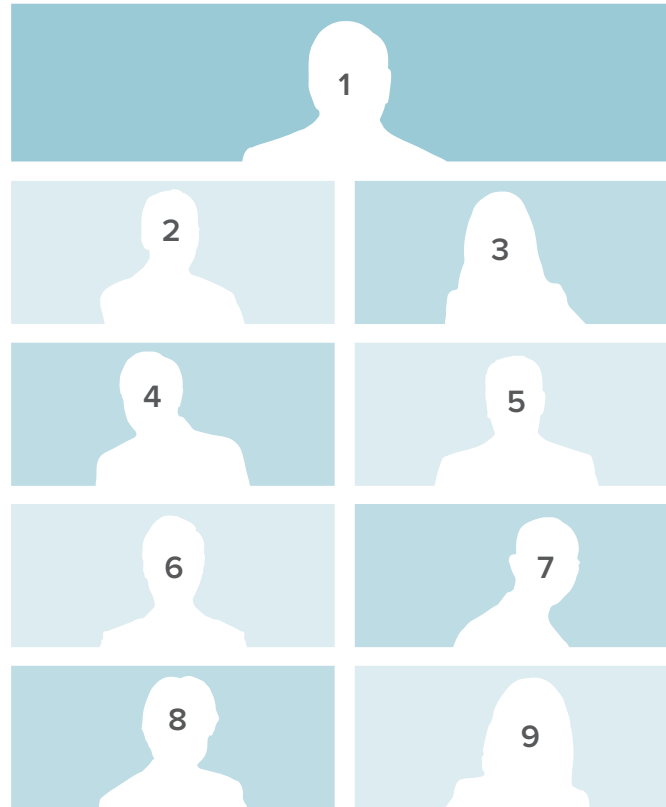
PROPERTY MANAGEMENT DIVISION



THE AXIS TEAM'S ORGANISATIONAL STRUCTURE



BOARD OF DIRECTORS



**YAM TUNKU DATO' SERI SHAHABUDDIN
BIN TUNKU BESAR BURHANUDDIN**
Independent Non-Executive Chairman



**DATO' ABAS CARL GUNNAR
BIN ABDULLAH**
Executive Deputy Chairman



ALVIN DIM LAO
Non-Independent Non-Executive
Director



LEONG KIT MAY
Chief Executive Officer/
Executive Director



MOHD SHARIF BIN HJ YUSOF
Senior Independent Non-Executive
Director



**STEPHEN TEW PENG HWEE
@ TEOH PENG HWEE**
Non-Independent Non-Executive Director



ALEX LEE LAO
Alternate Director to Dato' Abas
Carl Gunnar Bin Abdullah



**DATUK SERI FATEH ISKANDAR
BIN TAN SRI DATO' MOHAMED MANSOR**
Independent Non-Executive Director



JANCIS ANNE QUE LAO
Alternate Director to
Alvin Dim Lao





BOARD OF DIRECTORS' PROFILE



Our Business



Key to Membership of Board Committees:

A **N**

YAM TUNKU DATO' SERI SHAHABUDDIN BIN TUNKU BESAR BURHANUDDIN

Independent Non-Executive Chairman

	Nationality: Malaysian
	Age: 84
	Gender: Male
	Date first appointed to the Board: 10 August 2007

BOARD COMMITTEE MEMBERSHIPS

- > Member of the Audit Committee
- > Member of the Nomination Committee

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- > Bachelor of Science (Economics), Queen's University Belfast

WORKING EXPERIENCE/OCCUPATION

Tunku Shahabuddin started his career as an economist with Esso (M) Ltd, before moving into the finance industry as a manager of a finance company within the Malayan Banking Group. Tunku Shahabuddin then started his own businesses, which spanned the manufacturing, production, trading, construction, financial services and information technology sectors, among others.

He currently serves as the Executive Chairman of Strateq Group and Strateq Systems Sdn Bhd.

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- > None

OTHER MEMBERSHIPS/ APPOINTMENTS/INVOLVEMENTS

- > Inaugural and former member of the National Institute for Scientific and Industrial Research (now known as SIRIM)
- > Former Chairman of the Selangor Turf Club
- > Presently the International Relations Chairman of the Selangor Turf Club
- > Honorary Life Chairman of the Malaysia Australia Business Council
- > Former President of the Asia-Pacific Region of the Alliance Internationale de Tourisme
- > Former Honorary Consul General of Austria

AWARDS RECEIVED

- > Darjah Kerabat Terengganu Yang Amat Mulia Darjah Yang Pertama (D.K.) (Terengganu)
- > Darjah Seri Paduka Tuanku Ja'afar Yang Amat Terpuji (S.P.T.J.) (Negeri Sembilan)
- > Honorary Officer (AO) in the General Division of the Order of Australia Award
- > Austrade International Business Person of the Year Award 2000

BOARD OF DIRECTORS' PROFILE



DATO' ABAS CARL GUNNAR BIN ABDULLAH

Executive Deputy Chairman

	Nationality: Norwegian/Permanent Resident of Malaysia
	Age: 60
	Gender: Male
	Date first appointed to the Board: 15 March 2005

BOARD COMMITTEE MEMBERSHIPS

- > Chairman of the Executive Committee
- > Member of the Remuneration Committee

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- > Diploma in Chemistry, University of Gothenburg, Sweden
- > Diploma in Marketing, University of Oslo, Norway

WORKING EXPERIENCE/OCCUPATION

Dato' Abas Carl Gunnar was the Managing Director of Jotun Powder Coatings (M) Sdn Bhd from 1985 to 1993. In 1989, he embarked on a build-and-lease project with the multinational APV Hills & Mills. In 1992, he teamed up with Stephen Tew Peng Hwee and other investors to build Crystal Plaza. This was followed by the development of Axis Business Park, Axis Plaza and Menara Axis, which collectively formed the core property portfolio of Axis-REIT during its initial public offering.

Dato' Abas Carl Gunnar is also a director and shareholder of a number of private companies that are involved in property development and property investment.

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- > None

OTHER MEMBERSHIPS/APPOINTMENTS/INVOLVEMENTS

- > None



BOARD OF DIRECTORS' PROFILE

**LEONG KIT MAY**

Chief Executive Officer/Executive Director

	Nationality: Malaysian
	Age: 43
	Gender: Female
	Date first appointed to the Board: 15 November 2011

BOARD COMMITTEE MEMBERSHIPS

- > Member of the Executive Committee

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- > Bachelor of Business (Accountancy), Royal Melbourne Institute of Technology University, Australia
- > Certified Practising Accountant, Australia
- > Chartered Accountant, Malaysian Institute of Accountants
- > Certificate in Real Estate Investment Finance, Asia Pacific Real Estate Association Institute
- > Registered Property Manager with the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia

WORKING EXPERIENCE/OCCUPATION

Kit May started her career in the audit industry with Ernst & Young, where she gained audit and accounting experience. In 2001, she joined the UOA group of companies and was involved in various areas of the group's property operations such as development, construction and investment. She was also involved in the successful listing of UOA REIT in 2005.

In 2006, Kit May joined ARMB and was promoted to Chief Financial Officer in 2008. In the same year, she spearheaded the project of converting Axis-REIT into the first Islamic Office/Industrial REIT in Malaysia. She continued to assume greater management responsibilities, and in November 2011, was appointed to the Board of the Manager as an Executive Director. As part of the Board's succession plans, Kit May was groomed to become Chief Executive Officer ("CEO") of ARMB. In preparation for this, she took on the position of Chief Operating Officer of ARMB in 2015, before assuming the role of CEO on 1 January 2016.

Kit May continues to lead Axis-REIT to new heights, as the Fund extends its position as a leading owner, manager and developer of industrial properties in Malaysia. Recent notable achievements include the Fund's successful foray into property development in 2016, which has since seen the completion and handover of two 'built-to-lease' projects, with a third underway, and slated for completion in 2020.

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- > Axis REIT Sukuk Berhad

OTHER MEMBERSHIPS/ APPOINTMENTS/INVOLVEMENTS

- > Vice Chairman of the Malaysian REIT Managers Association



BOARD OF DIRECTORS' PROFILE



Key to Membership of Board Committees:



Our Business

STEPHEN TEW PENG HWEE
@ **TEOH PENG HWEE**

Non-Independent Non-Executive Director

	Nationality: Malaysian
	Age: 58
	Gender: Male
	Date first appointed to the Board: 25 October 2004

BOARD COMMITTEE MEMBERSHIPS

- > Member of the Executive Committee
- > Member of the Remuneration Committee

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- > Diploma from the Institute of Marketing, United Kingdom

WORKING EXPERIENCE/OCCUPATION

Stephen started his career as a real estate agent in 1982, and today owns real estate agency, Hectares & Stratas Sdn Bhd. Over the years, Stephen has been involved in the development of many purpose-built buildings for investment income, and these buildings have housed numerous multinational companies. In 1992, he teamed up with Dato' Abas Carl Gunnar Bin Abdullah and other investors to build Crystal Plaza. This was followed by the development of Axis Business Park, Axis Plaza and Menara Axis, which collectively formed the core property portfolio of Axis-REIT during its initial public offering.

Stephen is also a director and shareholder of a number of private companies that are principally involved in investment holding.

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- > Axis REIT Sukuk Berhad

OTHER MEMBERSHIPS/ APPOINTMENTS/INVOLVEMENTS

- > Past President of the Malaysian Institute of Estate Agents ("MIEA")
- > Former board member of the Board of Valuers, Appraisers and Estate Agents (1998-2004)

AWARDS RECEIVED

- > Lifetime Achievement Award 2015, MIEA

BOARD OF DIRECTORS' PROFILE



Our Business



Key to
Membership
of Board
Committees:

R N

**DATUK SERI FATEH ISKANDAR
BIN TAN SRI DATO' MOHAMED MANSOR**

Independent Non-Executive Director

	Nationality: Malaysian
	Age: 51
	Gender: Male
	Date first appointed to the Board: 20 November 2006

BOARD COMMITTEE MEMBERSHIPS

- > Chairman of the Remuneration Committee
- > Member of the Nomination Committee

**ACADEMIC/PROFESSIONAL
QUALIFICATIONS**

- > Bachelor of Commerce/LLB (Hons), University of Queensland, Australia
- > Master of Business Administration, University of Queensland, Australia

WORKING EXPERIENCE/OCCUPATION

Datuk Seri Fateh Iskandar, better known as Datuk Seri FD Iskandar, is the Group Managing Director/Chief Executive Officer of Glomac Berhad ("Glomac"), a property company listed on the Main Market of Bursa Securities. Prior to joining Glomac, he practised law in Australia before returning to Malaysia to join Kumpulan Perangsang Selangor Berhad ("KPS") as its Corporate Manager. He left KPS to join Glomac in 1992 as the General Manager for Business Development, and was subsequently appointed to the Board of Glomac in February 1997, before taking on his current role as Managing Director/Chief Executive Officer in June 2000.

**PRESENT DIRECTORSHIPS IN PUBLIC
COMPANIES AND/OR LISTED ISSUERS**

- > Glomac Berhad

**OTHER MEMBERSHIPS/
APPOINTMENTS/INVOLVEMENTS**

- > City Advisory Board Member for Dewan Bandaraya Kuala Lumpur
- > Board Member of the Construction Industry Development Board (CIDB), Malaysia
- > Immediate Past President of the Real Estate & Housing Developers' Association ("REHDA"), Malaysia
- > Committee Member of REHDA's Selangor Branch
- > Chairman of GreenRE Sdn Bhd
- > Former Deputy Chairman of the Malaysia Australia Business Council
- > Co-Chair of the Special Taskforce to Facilitate Business (PEMUDAH) on legal matters and services
- > Founding Director of Malaysia Property Incorporated

AWARDS RECEIVED

- > Malaysian Business Award in Property 2012
- > Property Excellence Award 2013, the ASEAN Business Council
- > Entrepreneurship Award – Property & Real Estate 2013, Asia Pacific Entrepreneurship Awards ("APEA") Malaysia

- > Global Leadership Awards 2014 – Commercial Property Development, The Leaders International
- > The Brand Laureate Corporate Leader Brand Icon Award, Asia Pacific Brands Foundation
- > Global Leadership Awards 2015 – Masterclass Developer of the Year, The Leaders International
- > World Leader Business Person and World Business Leader Award 2016, The Biz
- > Asia Pacific Entrepreneurship Awards 2017 Malaysia, APEA
- > Malaysia's Exemplary Real Estate Industry Leader, EdgeProp.my
- > Property Insight Awards 2018: Industry Excellence Award
- > TEPEA2018 Top Property Developers Awards, EdgeProp.my
- > ASEAN Corporate Governance Award 2018, MSWG
- > ASEAN Property Awards 2018/2019: Innovative Developer & Leadership Excellence
- > Property Insight Awards 2019: Prestigious Developer
- > Property Insight Awards 2019: Best Industry Leadership
- > iProperty Development Excellence Awards 2019: Best Developer People's Choice
- > iProperty Development Excellence Awards 2019: Best Waterfront Development

BOARD OF DIRECTORS' PROFILE



Our Business

ALVIN DIM LAO

Non-Independent Non-Executive Director

	Nationality: Filipino
	Age: 48
	Gender: Male
	Date first appointed to the Board: 30 December 2011

BOARD COMMITTEE MEMBERSHIPS

- > Member of the Audit Committee

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- > Degree in Information Technology and Statistics, University of Western Australia
- > Master of Business Administration, Sloan School of Management at the Massachusetts Institute of Technology

WORKING EXPERIENCE/OCCUPATION

Alvin is the President and Chief Executive Officer of D&L Industries Inc. ("D&L"), a Philippine Stock Exchange-listed company that is involved in product customisation and specialisation for the food, plastics and aerosol industries. He previously served as D&L's Chief Financial Officer and Executive Vice-President, before assuming his current roles in August 2016.

Alvin is also the Chief Financial Officer of LBL Prime Properties Incorporated, a multi-faceted property development company with industrial, hospitality and commercial projects in the Philippines. He also sits on the board of Xurpas, Inc., another public company listed on the Philippine Stock Exchange, as an independent director.

Before joining D&L and its group of companies, Alvin worked for the Singapore National Computer Board, where he was seconded to the Computer Information Services Department of the Supreme Court of Singapore. He was part of the team that managed the computer networking requirements of the High Court, and was involved in initiating the implementation of the Technology Court of Singapore.

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- > None

OTHER MEMBERSHIPS/ APPOINTMENTS/INVOLVEMENTS

- > Former President and current Member of the Philippine Chapter of the Entrepreneurs' Organization
- > Current Member of the Wallace Business Forum and The Technology Club of the Philippines (Massachusetts Institute of Technology Alumni in the Philippines)

BOARD OF DIRECTORS' PROFILE



Our Business



MOHD SHARIF BIN HJ YUSOF

Senior Independent Non-Executive Director

	Nationality: Malaysian
	Age: 80
	Gender: Male
	Date first appointed to the Board: 10 August 2007

BOARD COMMITTEE MEMBERSHIPS

- > Chairman of the Audit Committee
- > Chairman of the Nomination Committee

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- > Fellow of the Institute of Chartered Accountants in England and Wales
- > Chartered Accountant, Malaysian Institute of Accountants

WORKING EXPERIENCE/OCCUPATION

Mohd Sharif served the Selangor State Government from 1967 to 1971. He then became the Senior Accountant of Anglo Oriental Sdn Bhd from 1972 to 1973, and subsequently moved on to be the Corporate Finance Officer of Bumiputera Merchant Bankers Berhad from 1973 until 1977. This was followed by a 12-year career as Senior Vice-President and Company Secretary of Manulife Insurance Malaysia Berhad (formerly known as British American Life & General Insurance Company Berhad).

Mohd Sharif is currently a Director of Setia Raya Sdn Bhd, a family-owned company. He has held the post since 1989.

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- > Atlan Holdings Berhad
- > AYS Ventures Berhad

OTHER MEMBERSHIPS/ APPOINTMENTS/INVOLVEMENTS

- > None

BOARD OF DIRECTORS' PROFILE



ALEX LEE LAO

Alternate Director to Dato' Abas Carl Gunnar Bin Abdullah

	Nationality: Filipino
	Age: 74
	Gender: Male
	Date first appointed to the Board: 22 March 2005

BOARD COMMITTEE MEMBERSHIPS

> Not applicable

ACADEMIC/PROFESSIONAL QUALIFICATIONS

> Bachelor of Science in Chemical Engineering, Polytechnic Colleges of the Philippines

WORKING EXPERIENCE/OCCUPATION

Alex Lee Lao is currently a Director of D&L Industries Inc., a Philippine Stock Exchange-listed company that is involved in product customisation and specialisation for the food, plastics and aerosol industries. He has had over 40 years of experience in manufacturing, marketing and distribution in a broad range of industries such as colours, chemicals, adhesives, aerosols, paint, ink, paper, textiles, rubber, powder coatings, detergent, plastics, allied products and food and beverages.

Alex is also a director of a number of private companies which are involved in property development and property investment.

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

> None

OTHER MEMBERSHIPS/ APPOINTMENTS/INVOLVEMENTS

> None



BOARD OF DIRECTORS' PROFILE



Our Business



JANCIS ANNE QUE LAO

Alternate Director to Alvin Dim Lao

	Nationality: Filipino
	Age: 43
	Gender: Female
	Date first appointed to the Board: 20 October 2014

BOARD COMMITTEE MEMBERSHIPS

- > Not applicable

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- > Bachelor of Commerce, Curtin University of Technology, Perth, Western Australia
- > Bachelor of Fine Arts (*Magna cum Laude*), Fashion Institute of Technology, New York, USA
- > Postgraduate Diploma in Real Estate Investment Finance, Oxford Brookes University
- > Finance for Executives Programme, INSEAD, Singapore

WORKING EXPERIENCE/OCCUPATION

Jancis is currently the Project Development Director of LBL Prime Properties Incorporated (“LBL”), a multi-faceted property development company with industrial, hospitality and commercial projects in the Philippines.

Prior to joining LBL, Jancis was based in New York and worked with Davis Brody Bond, an architectural firm specialising in institutional and commercial projects. She then moved to Saks Fifth Avenue, where she was involved in leasing and project management for luxury retail brands.

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- > None

OTHER MEMBERSHIPS/ APPOINTMENTS/INVOLVEMENTS

- > Current Member of the Philippine Chapter of the Entrepreneurs’ Organization

BOARD OF DIRECTORS' PROFILE

Other Disclosures

1. Alvin Dim Lao is the representative of Alex Lee Lao, who is an ultimate major shareholder of ARMB, on the board of ARMB. He is a nephew of Alex Lee Lao. Alvin's alternate director is Jancis Anne Que Lao, who is a daughter of Alex Lee Lao.

Except as disclosed above, none of the Directors of ARMB has any family relationship with any Director of ARMB and/or major shareholder of ARMB, and/or major unitholder of Axis-REIT.

2. None of the Directors of ARMB has any conflict of interest with ARMB and/or Axis-REIT.
3. None of the Directors of ARMB has been convicted of any offence (other than traffic offences) within the past 5 years.
4. None of the Directors of ARMB has any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.
5. The details of the attendance of each Director of ARMB at Board meetings held in the financial year 2019 are contained in the Corporate Governance Overview Statement of this Report.
6. The details of the unitholdings held by each Director of ARMB in Axis-REIT are contained in the Unitholders' Statistics of this Report.

Key to Membership of Board Committees:

Audit Committee



Nomination Committee



Executive Committee



Remuneration Committee



KEY MANAGEMENT PROFILE



LEONG KIT MAY

Chief Executive Officer/Executive Director

 **Nationality:** Malaysian

 **Age:** 43

 **Gender:** Female

 **Date first appointed to the Board:**
15 November 2011

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- > Bachelor of Business (Accountancy), Royal Melbourne Institute of Technology University, Australia
- > Certified Practising Accountant, Australia
- > Chartered Accountant, Malaysian Institute of Accountants
- > Certificate in Real Estate Investment Finance, Asia Pacific Real Estate Association Institute
- > Registered Property Manager with the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia

WORKING EXPERIENCE

Kit May is the CEO/Executive Director of ARMB. Details of her work experience are available in the Directors' Profile section of this Report.

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- > Axis REIT Sukuk Berhad


OTHER MEMBERSHIPS/APPOINTMENTS/INVOLVEMENTS

- > Vice Chairman of the Malaysian REIT Managers Association

KEY MANAGEMENT PROFILE

**NIKKI NG**

Chief Financial Officer

-  **Nationality:** Malaysian
-  **Age:** 42
-  **Gender:** Female
-  **Date first appointed as key senior management personnel:** 1 June 2012

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- > Bachelor of Accountancy (Hons), Oxford Brookes University, United Kingdom
- > MIA Qualifying Examination
- > Chartered Accountant, Malaysian Institute of Accountants
- > Certificate in Real Estate Investment Finance, Asia Pacific Real Estate Association Institute

WORKING EXPERIENCE

Nikki joined ARMB as an Accountant, and was subsequently re-designated as the Head of Credit Control in 2012. She was promoted to the position of Acting Financial Controller in 2015, and thereafter to Financial Controller in the following year. She assumed her current position as the Chief Financial Officer of ARMB on 18 January 2017.

Nikki oversees all the day-to-day operations in the finance department of ARMB, including financial analysis, management reporting, credit control, as well as budgetary control. She works closely with the CEO on matters related to corporate finance, capital management, regulatory compliance and treasury functions.



Before joining ARMB, Nikki was the Finance Manager at Paxelent Corporation Berhad, where she gained exposure to financial management and corporate planning. Prior to that, she was attached to IGB Corporation Berhad for 6 years.

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- > None

**JACKIE LAW**

Head of Real Estate

-  **Nationality:** Malaysian
-  **Age:** 55
-  **Gender:** Female
-  **Date first appointed as key senior management personnel:** 1 December 2012

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- > Master of Science in Facilities Management, Heriot-Watt University, United Kingdom
- > Certificate in Real Estate Investment Finance, Asia Pacific Real Estate Association Institute

WORKING EXPERIENCE

Jackie is responsible for the real estate management strategies and operations of Axis-REIT's property portfolio. As the Head of Real Estate, she leads the Fund's portfolio management and leasing functions, including overseeing its property management functions, covering tenant care, retention, loyalty and satisfaction. She also assists the CEO in the evaluation of potential acquisitions.

Jackie has extensive experience in various areas of real estate management and operations, including marketing, lease management, project management and facilities management. She has served in several administrative roles within the Axis group of companies since 1994, in the areas of property development and management.





PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- > None



KEY MANAGEMENT PROFILE

**REBECCA LEONG**Company Secretary &
Head of Compliance

-  **Nationality:** Malaysian
-  **Age:** 41
-  **Gender:** Female
-  **Date first appointed as key senior management personnel:** 1 November 2016

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- > Associate of The Institute of Chartered Secretaries & Administrators
- > Practising Certificate Holder of the Companies Commission of Malaysia

WORKING EXPERIENCE

Rebecca joined ARMB in 2016 as its Company Secretary and Head of Compliance. She is responsible for the corporate compliance matters of ARMB and Axis-REIT. Prior to this, she had already served as ARMB's external Company Secretary since 20 April 2006, when she was employed by corporate secretarial firm, Archer Corporate Services Sdn Bhd ("Archer"). During her 12-year tenure with Archer, she handled the corporate secretarial matters for a portfolio of public and private companies where her scope of work ranged from corporate advisory, corporate governance and administration, to corporate compliance with statutory and regulatory requirements, as well as listing obligations.





Prior to joining Archer, Rebecca was attached to Signet & Co Sdn Bhd, another corporate secretarial firm, where she gained her initial exposure and experience in corporate secretarial practice.

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- > None

**TAN KEE HONG**

Head of Investments

-  **Nationality:** Malaysian
-  **Age:** 33
-  **Gender:** Male
-  **Date first appointed as key senior management personnel:** 17 July 2019

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- > Bachelor of Commerce (Accounting & Finance), University of Melbourne
- > Member of the Malaysian Institute of Accountants
- > Certified Practising Accountant, Australia

WORKING EXPERIENCE

Kee Hong leads the Investments team, where his primary responsibility is to source and secure new investments for Axis-REIT, building a robust pipeline of suitable potential acquisition targets for the Fund.

He built the foundation of his career as an auditor with Ernst & Young, and gained experience in the REIT sector through his initial stint with ARMB in 2011 as an accountant. He was promoted to the position of Finance Manager at ARMB in 2013, and thereafter joined S P Setia Berhad as its Corporate Affairs and Investor Relations Manager, before moving on to a business development role as a Corporate Strategy Senior Manager for Agile Motion Sdn Bhd.

Kee Hong rejoined ARMB as Head of Investments in July 2019.

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- > None

KEY MANAGEMENT PROFILE



CHAN TZE WEE

Senior Manager, Investments & Investor Relations

- Nationality:** Malaysian
- Age:** 40
- Gender:** Female
- Date first appointed as key senior management personnel:** 1 January 2016

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- > Law (LLB), University of Manchester
- > MSc in Marketing, University of Manchester, United Kingdom

WORKING EXPERIENCE

Tze Wee joined ARMB in July 2014. As part of the Investments team that is responsible for sourcing potential asset acquisitions for Axis-REIT, her key responsibilities include the identification, evaluation and completion of asset acquisitions through engagement with prospective parties such as real estate consultants, property developers, business councils, as well as industry associations. She also heads the Investor Relations department of ARMB, where she is responsible for the investor relations activities of Axis-REIT.

Tze Wee began her career in the advertising industry, working at Saatchi & Saatchi and the Ogilvy Group. Subsequently, she joined Malaysia Property Incorporated as Vice President of Investment Promotions, where she led the formation of the market intelligence division and headed the business development agenda for China and new markets. Before joining ARMB, she spent two years setting up and running the Shanghai office of Workflow International Limited - a cloud computing software start-up.

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- > None



LOW AY KEAN

Human Resource Manager

- Nationality:** Malaysian
- Age:** 45
- Gender:** Female
- Date first appointed as key senior management personnel:** 1 December 2015

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- > Bachelor's Degree in Economics, Universiti Putra Malaysia
- > Professional Diploma in Human Resource Management, Malaysian Institute of Human Resource Management

WORKING EXPERIENCE

Ay Kean is responsible for the full spectrum of human resource and administrative functions in ARMB, which encompass manpower, recruitment and selection, compensation and benefits, training, employee welfare, industrial relations matters and general office administration.

Prior to her employment with ARMB, she had served in the human resource departments of several organisations, including Malaysian Bulk Carriers Berhad, Zelan Berhad, Kurihara and Cybervision Sdn Bhd.

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS




- > None



KEY MANAGEMENT PROFILE

**SELINA KHOR**

Property Manager
of Axis-REIT

-  **Nationality:** Malaysian
-  **Age:** 61
-  **Gender:** Female

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- > Associate Diploma in Valuation, Royal Melbourne Institute of Technology, Australia
- > Registered Valuer, Estate Agent and Property Manager with the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia

WORKING EXPERIENCE

Selina is the registered owner of Axis Property Services, the appointed Property Manager of Axis-REIT since 1 January 2007. She is responsible for the management of all properties in Axis-REIT's portfolio, and works closely with Axis Facilities Management Sdn Bhd ("AFM") in the provision of property management services to Axis-REIT. These range from property maintenance and management to fit-out projects and enhancement initiatives.




Selina has more than 25 years' experience in the property industry, having been attached to Rahim & Co Chartered Surveyors Sdn Bhd, where she held various roles including registered valuer, estate agent and property manager.

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- > None

**SIVA SHANKAR PALANY**

Head of Facilities
Management, Axis Facilities
Management Sdn Bhd

-  **Nationality:** Malaysian
-  **Age:** 47
-  **Gender:** Male

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- > Bachelor of Real Estate Management, Kuala Lumpur Infrastructure University College
- > Graduate Member, Royal Institution of Surveyors Malaysia
- > Certified International Project Manager, International Academy of Project Management
- > Registered Property Manager with the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia

WORKING EXPERIENCE

Siva Shankar is responsible for the facilities management and operations of all properties in Axis-REIT's portfolio. He has had over 20 years' experience in real estate professional services in Malaysia and Brunei, including property management, project management, property due diligence and building code compliance.

Prior to joining AFM in 2011, Siva Shankar was attached to Jones Lang Wootton Malaysia as a Senior Property Manager, and with Jerudong Park Medical Centre, Brunei, as a Real Estate Manager.




PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- > None

KEY MANAGEMENT PROFILE

**LOH YEN FERN**

Head of Project Management,
Axis Facilities Management
Sdn Bhd

-  **Nationality:** Malaysian
-  **Age:** 48
-  **Gender:** Female

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- > Bachelor of Construction Economics, Royal Melbourne Institute of Technology University, Australia
- > Certificate in Real Estate Investment Finance, Asia Pacific Real Estate Association Institute

WORKING EXPERIENCE

Yen Fern is responsible for project management, planning, costing and enhancement work for the properties in Axis-REIT's portfolio. She has more than 20 years' experience in the construction and building industry in Malaysia, where she has specialised in project planning, management, and facilities management.

Prior to joining AFM, Yen Fern was attached to Syarikat Pembinaan Woh Heng Sdn Bhd as a Quantity Surveyor, and FSBM Holdings Berhad, where she progressed from being a Business Analyst to become the Head of Business Unit (Properties).

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- > None

Other Disclosures

None of the key senior management personnel of ARMB has:

1. any family relationship with any Director of ARMB and/or major shareholder of ARMB, and/or major unitholder of Axis-REIT
2. any conflict of interest with ARMB and/or Axis-REIT
3. been convicted of any offence (other than traffic offences) within the past 5 years
4. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019



THE AXIS TEAM





OUR BUSINESS MODEL

Our business model seeks to create value for stakeholders in a sustainable way. We do this by effectively managing our capital to build competitive advantages. Guided by our mission and vision while taking into consideration our operating and regulatory environment, our governance and risk management framework ensures effective execution of our 2021 Strategy Plan for Axis-REIT.



Our Business

OUR RESOURCES



FINANCIAL CAPITAL

Axis-REIT's diverse source of funds include Unitholders capital, Sukuk, revolving credit facilities and term financing facilities from local and foreign Islamic financial institutions.

Unitholder's capital	Total financing
RM1,583,791,000	RM885,859,000



MANUFACTURED CAPITAL

Axis-REIT's diverse portfolio of properties are primarily in the industrial and office real estate spaces in Peninsular Malaysia.

Portfolio of 48 properties	Anchored 3 built-to-lease development projects
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SOCIAL & RELATIONSHIP CAPITAL

Our relationships with suppliers, regulators and the local communities allow for a synergistic collaboration between Axis-REIT and its stakeholders.

100% local suppliers engaged	Regular communication with regulators, media, analysts and local communities	A total of 573 employee volunteer hours in community service programmes in 2019
-------------------------------------	--	--



HUMAN CAPITAL

Our skilled and experienced employees contribute to a highly productive and efficient workforce, and ultimately drives success of the business.

Workforce size 74 employees	Investment in training and development RM40,134	Established Occupational Safety and Health ("OSH") policies and procedures
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INTELLECTUAL CAPITAL

Our processes and systems to support Axis-REIT's operations as a competitive advantage to drive success of the business.

HelloAxis tenant management portal	Digital market platforms to communicate with stakeholders and potential customers
---	--



NATURAL CAPITAL

The availability of **energy and water** within the portfolio facilitates tenants' daily operations.

OPERATING & REGULATORY ENVIRONMENT

BUSINESS

Adopt prudent and proactive capital management through:

Regular assessments and forecasts on expense requirements and funding needs

Acquire yield-accretive properties while taking into account ESG considerations

Effective and efficient management of built-to-lease projects

Comprehensive **vendor selection** and evaluation process

Regular communication with stakeholders

Embrace a **diverse and inclusive workforce**

Regular OSH training programmes for service providers and contractors as well as monitoring of compliance to the applicable laws and regulations

Regular maintenance and upgrading works on existing properties

Regular **monitoring** of electricity and water consumption across multi tenanted buildings

VISION, MISSION AND SIX PRINCIPLES OF MANAGEMENT

OUR BUSINESS MODEL

2021 STRATEGY PLAN

ACTIVITIES

Hedging strategies to manage profit rates and stability of distribution

Periodic maintenance activity and Asset Enhancement Initiatives ("AEIs")

Conducted analyst briefings on bi-annual basis

Annual community services

Regular performance and career development reviews
Provide employee welfare benefits and engagement activities

Improve website quality and run digital marketing campaigns

Installation of smart systems and processes to reduce electricity and water consumption

GOVERNANCE & RISK MANAGEMENT

OUTPUTS/OUTCOME

Revenue: **RM222,464,000**

Net Property Income: **RM191,708,000**

Distribution per Unit: **9.26 sen**

Space under management: **9,537,666 sq.ft**

Portfolio occupancy: **92%**

Tenant retention rate: **84%**

Number of built-to-lease projects: **3 projects since FYE2017**

926 beneficiaries from community services engaged

Enhanced supply chain management

Compliant with the applicable rules and regulations

Male to female ratio: **21:16**

Average training hours per employee: **7.5 hours**

Number of recordable work-related incidents of employees to contractors: **0:2**

Tickets raised that are resolved to outstanding: **366:11**

Website visitor traffic: **124% increase from 2018**

Reduction of electricity consumption: **0.23%**

526,261 sq. ft. of roof space is installed with solar panels

VALUE TO STAKEHOLDERS

Continued access to financial capital and sustainable returns through investor and financial market confidence.

Strong value proposition with emphasis on strategic locations to suit tenant business needs.

Build strong partnerships with external stakeholders for sustainable business growth and compliance with regulatory requirements within our operations.

Create employment opportunities and enhance employee competencies whilst ensuring safety and wellbeing.

Provide superior customer service to tenants on top of strengthening relationships with real estate agents and business owners.

Strengthen resilience and adaptive capacity to the availability and consumption of natural resources whilst protecting the health and wellbeing of the local communities we operate in.



STRATEGIC PERFORMANCE REVIEW

LETTER TO UNITHOLDERS



DEAR UNITHOLDERS,

“On behalf of the Board of Directors of Axis REIT Managers Berhad (“Board”), it gives us great pleasure to present Axis-REIT’s inaugural Integrated Annual Report for the financial year ended 31 December 2019.”

Our transition to integrated reporting is a natural “next step” for the Fund, having embarked on Sustainability Reporting since 2016. It is also a step forward for us as we embrace the heightened corporate regulatory requirements and responsibilities, particularly as the Fund crossed the RM2.0 billion threshold in terms of market capitalisation to be classified as a large company in early-2019.

This Report aims to present a holistic and comprehensive view of Axis-REIT’s business and value creation model, addressing how we utilise our financial, manufactured, intellectual, human, social and natural capital resources. It presents the key challenges and opportunities that affect the Fund, and is a means for management to monitor and improve the Fund’s performance, and for stakeholders to track the Fund’s progress in a transparent, integrated and holistic manner.

Looking back, 2019 presented a challenging year from a global macroeconomic backdrop as businesses contended with headwinds arising from external trade tensions and an extended weakness in commodity-related sectors. These developments

weighed on investor sentiment, triggered volatility in financial markets and translated to uncertainties in business strategies and expansion plans.

Despite the challenges, Malaysia’s economy remained resilient, posting commendable GDP growth. This was largely attributed to firm domestic demand, resilience in the services and manufacturing sectors, supportive labour market conditions, and Bank Negara Malaysia’s accommodative monetary policy.

Portfolio Investments

With a portfolio that is focused on industrial properties, Axis-REIT has been largely insulated from the short-term volatility arising from economic and political uncertainties on the global stage. Sustained demand for strategically located industrial properties has enabled our portfolio to generate a resilient income stream. We have continued to focus on growing and strengthening our position as a leader in this space, in line with our mission of providing consistent distributions to the Fund’s Unitholders through portfolio growth.

Toward this end, we completed two acquisitions in 2019, both being manufacturing facilities located in Nusajaya, Johor, for RM55.8 million in total. The acquisitions reinforced our presence in the rapidly-growing Iskandar Malaysia region, and expanded our footprint in Johor, which now accounts for just over a quarter of our portfolio by net lettable area (“NLA”).

In addition to the acquisitions, we embarked on our third property development project during the year – a “built-to-lease” warehouse facility, built to the specifications and requirements of Federal Express Services (M) Sdn Bhd (“FedEx”). The greenfield project, known as Axis Facility @ Batu Kawan, is slated for handover by end-February 2020. The development is particularly significant to the Fund as it also augments our reputation as a trusted and capable property development partner in the industrial space segment.

Collectively these three properties raised our portfolio count to 48 properties. The Fund’s portfolio valuation rose to RM3.0 billion as at 31 December 2019 – a 6.9% increase from the previous year. Apart from the new property additions, the increase was also, in part, derived from a revaluation gain of RM101.6 million on our property portfolio, which included higher valuations for our recently-completed property development projects, Axis Mega Distribution Centre and Axis Aerotech Centre @ Subang.

Portfolio Management

With these latest additions, Axis-REIT’s portfolio remains concentrated on industrial properties, while our office properties remain stable with improved occupancy rates amid sustained demand for well-located, Grade A office space.

We continue to maintain an active portfolio management programme to optimise the performance of the Fund’s existing assets. Our approach encompasses stakeholder relationship management, proactive asset maintenance and refurbishment, as well as strategic AELs to maintain high tenant satisfaction rates and the appeal of our properties, as well as to safeguard the valuation of our portfolio.

We worked closely with our existing tenants to understand and anticipate their business space needs. We also engaged our extensive network of real estate agents and leveraged on digital marketing to increase our brand presence and reach. We spent a total of RM9.1 million in asset refurbishments and AELs during the year.

These efforts enabled us to successfully secure leases for 2.04 million sq. ft. of space, which is equivalent to 96% of space with leases and tenancies that were expiring or were due for renewal during the year. These leases included renewals for 1.8 million sq. ft., which represents an 84% tenant retention rate.

As a result of these efforts, the Fund’s portfolio occupancy rate stood at 92%, and we achieved a positive rental reversion of 2% across the portfolio, while extending our weighted average lease expiry (“WALE”) to 6 years.

STRATEGIC PERFORMANCE REVIEW LETTER TO UNITHOLDERS



Declared DPU of

9.26 sen



Lowered financing ratio to

28.7%



NAV rose by

24.9% to
RM 2.1 billion



Revaluation gain of

RM 101.6 million



Financial Performance

Our investment and portfolio management efforts translated into another strong financial performance for Axis-REIT in FYE2019. The Fund’s reported revenue grew 5.6% to RM222.5 million in 2019. At the bottom line, reported net realised income stood at RM115.2 million for FYE2019, up just 1.5% from a year earlier. The low growth reported was mainly due to the impact of lease incentive adjustments pursuant to the accounting standard, MFRS 16. Without these adjustments, net realised income for FYE2019 would have amounted to RM116.2 million, a healthy 8.6% increase from the previous year, in line with the Fund’s top line growth.

The Fund’s distribution per unit (“DPU”) for FYE2019 amounted to 9.26 sen, up from 8.74 sen in FYE2018. This translated to a distribution yield of 5.2% (based on Axis-REIT’s closing Unit price as at 31 December 2019 of RM1.77). Taking into account Axis-REIT’s units’ stellar capital gains during the year, total returns to Unitholders was a robust 19.4%.

As has been the practice in previous years, the Board announced an Income Distribution Reinvestment Plan (“IDRP”) for FYE2019, allowing Unitholders of Axis-REIT to reinvest a portion of the final distribution into new units in the Fund. The IDRP is expected to be completed by 10 March 2020.

Axis-REIT’s balance sheet remains strong with financing significantly lower, at 28.7% as at 31 December 2019, following the repayment of financing with proceeds from the Fund’s private placement exercises undertaken during the year. Consequently, our net asset value (“NAV”) rose by 24.9% to RM2.1 billion or RM1.45 per unit. This reflects the increased Unitholders capital following the completion of the said private placement exercises during the year, as well as the revaluation gain on our property portfolio.

STRATEGIC PERFORMANCE REVIEW

LETTER TO UNITHOLDERS

Outlook & Prospects

Looking ahead, we are optimistic about the Fund's prospects in the coming year and beyond. Our outlook is premised on expectations that the Malaysian economy will remain resilient in facing any external economic and geopolitical headwinds, and that demand dynamics in the domestic industrial property market will remain positive. In particular, these include expectations of:

- 1) Continued growth in the country's manufacturing sector, driven by firm domestic demand, continued investments in the manufacturing sector and positive labour market conditions.

The fundamental strength and stability of the domestic manufacturing and logistics sectors also make Malaysia a possible beneficiary of potential trade redirection and import substitution, should on-going global trade tensions escalate.

- 2) Continued and rapid expansion of e-commerce, which supports demand for choice industrial properties.

Reports have estimated that internet retailing in Malaysia has grown over 10-fold in the last decade, and will continue to grow exponentially. Consumers are increasingly embracing internet shopping and the proliferation of e-commerce channels are changing the retail landscape, which in turn, has altered supply chain dynamics.

These developments have driven up demand for strategically-located industrial properties with good connectivity to transport networks in key urban areas.

- 3) Bank Negara Malaysia maintaining an accommodative monetary policy amid downside risks to global growth in 2020. This was demonstrated in the central bank's decision to reduce the Overnight Policy Rate in January 2020 – a pre-emptive move to support economic growth.

Positioned for Growth

In light of the broader economic and industry dynamics, we have taken steps to position the Fund for growth, taking into account the prevailing macroeconomic conditions and market opportunities. These include:

- 1) Reinforcing our position as the leading Industrial REIT.

Axis-REIT is the country's leading Industrial REIT, with 91% of our portfolio sitting on industrial property titles. We aim to reinforce our leadership in this segment and have built up a robust acquisition pipeline to grow our portfolio of industrial properties. During 2019, we identified seven more acquisition targets, valued at RM288.3 million. The acquisitions are on-going and slated for completion in the first half of 2020, along with the upcoming handover of our third property development project, Axis Facility @ Batu Kawan, which is expected at end-February 2020.

These acquisitions and development project are in line with our strategy of curating and growing a portfolio of strategically-located, highly sought after industrial assets to better serve our clients, which in turn, will drive earnings and distribution growth for the Fund's Unitholders.

- 2) Optimising the Fund's capital structure to support our growth ambitions.

As our portfolio expansion efforts gain momentum, we have taken the necessary steps to optimise the Fund's capital structure to support our strategic growth plans.

Pursuant to this, we implemented and successfully concluded capital raising exercises that raised a total of RM336.2 million in the last quarter of 2019, which was used to pare down the Fund's short term financing and to provide headroom for future acquisitions.

We also embarked on a Sukuk issuance that was completed in January 2019, raising RM240.0 million in nominal value 7-year Islamic Medium Term Notes. The Sukuk issuance helped restructure the Fund's financing profile, reducing its exposure to short term financing while strengthening its financing maturity profile.



Completed acquisition of
2 properties
in Nusajaya, Johor



Embarked on the
3rd built-to-lease
development

STRATEGIC PERFORMANCE REVIEW

LETTER TO UNITHOLDERS

As part of our capital optimisation efforts, we also took the opportunity to lock in the prevailing low financing rates, thereby increasing the Fund's exposure to fixed rate facilities.

Collectively, these efforts helped strengthen the Fund's financing profile, and provide sufficient financing headroom for our expansion plans.

Amid supportive macroeconomic and market dynamics, and having positioned the Fund with attractive opportunities and a strong capital structure, we are set for a productive year ahead. We will continue delivering sustainable growth to Axis-REIT's Unitholders, derived from pursuing organic growth from our existing assets, growing our portfolio by acquiring yield-accretive properties, and seeking suitable 'built-to-lease' development projects that will generate stable and sustainable additional income streams.

Risks

As we seek out opportunities for expansion and growth, we are cognisant of the risks to our business model and operations. Management has formulated and maintains a comprehensive Risk Register to ensure all existing and potential material risks are identified, monitored and mitigated, and we are vigilant in updating and ensuring follow through on material risks that impact the Fund. To ensure Axis-REIT captures risks from multiple disciplines, we have incorporated ESG aspects into the Risk Register to enhance our risk management capabilities. This effort signifies a key milestone in our journey towards aligning sustainability within Axis-REIT. For more information on our risks and how we manage them, please refer to pages 100 to 103 of this Report.

Sustainability Management

In our continuous pursuit of growth, we remain conscious of our interconnectedness with our stakeholders and the communities around us. We remain committed to ensure the sustainability of our value creation model, and have taken a step forward by incorporating ESG matters in our approach.

Our sustainability committee oversees our efforts in all sustainability and ESG matters. The sustainability committee has identified the Fund's material ESG matters, examined their implications and impact to our business model and integrated them into our business and risk management strategies. We believe this is critical for sustainable, long-term growth of the Fund. For more information on Axis-REIT's sustainability initiatives, please refer to pages 105 to 139 of the Report.

Acknowledgements and Appreciation

We have, since our inception, laid the groundwork for sustainable growth. It is entrenched in our vision, mission and six principles of management. Over the years, they have guided our decisions and strategic plans, and paved the way for the Fund's growth and success thus far. Each year, as we reap the rewards of our past efforts, we continue to sow the seeds that will position Axis-REIT for continued growth in the years to come.

Our achievements have been made possible with the focus and commitment of the entire team at Axis-REIT, from our esteemed Board members, to our talented management team and dedicated operations personnel. Their efforts enable us to effectively and efficiently leverage on our capitals and opportunities in the market to sustain and grow our income streams, in line with our mission of providing consistent distributions to the Fund's Unitholders.

We also wish to express our appreciation and gratitude to all our external stakeholders, from our tenants, contractors, real estate partners, members of the investment community and the press, as well as the broader community around us for their support and collaboration. We look forward to our continued co-operation in the years to come.

**YAM Tunku Dato' Seri Shahabuddin
Bin Tunku Besar Burhanuddin**
Chairman

14 February 2020

Leong Kit May
Chief Executive Officer/Executive Director

14 February 2020





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CRYSTAL PLAZA



MANAGER'S DISCUSSION AND ANALYSIS

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MANAGER'S DISCUSSION AND ANALYSIS

CEO'S REVIEW

Market Review

The Malaysian property market has seen a mixed performance in recent years. While certain sub-segments, such as residential and retail in selected locations, have grappled with supply-demand imbalances, strategically located, choice properties have continued to experience strong occupier and investor demand.

As an owner and operator of real estate assets, Axis-REIT's performance is broadly influenced by the Malaysian property market's performance. That said, our focus on industrial properties has, to a large extent, spared us from any negative effects of the broader real estate market, as demand for industrial properties has remained buoyant, and the sector continues to garner healthy, high single-digit yields.

With 91% of our portfolio currently on industrial titles, the Fund has benefitted from the favourable underlying demand dynamics of the industrial property segment, which include:

- 1) A resilient domestic manufacturing sector, which continues to attract strong investments and generates sustained demand for industrial properties;
- 2) Growing volumes and increasing sophistication in e-commerce, which supports demand for warehousing space and logistics assets that can fulfil the shorter turnaround times expected;
- 3) Increasing adoption of Industry 4.0, which creates demand for modern industrial and warehousing facilities;
- 4) Increasing awareness and demand for energy-efficient buildings; and
- 5) Bank Negara Malaysia's accommodative policy which lowered financing costs to the benefit of our asset acquisition programme.

Positioned for Growth

Against this backdrop, we have continued to seek and leverage on opportunities in the pursuit of our goals, namely, delivering Axis-REIT's objective of providing consistent distributions through portfolio growth, while maintaining the highest level of corporate governance, excellent capital and risk management, and preserving capital values.

We are pleased to report that we stayed the course and continued to fulfil these goals in 2019. Key highlights and achievements during the year included:

- The handover of Axis-REIT's second development project, Axis Aerotech Centre @ Subang, to Upeca Aerotech Sdn Bhd, on 13 February 2019. The development comprised a manufacturing plant-cum-office building with a gross built up area of 178,978.6 sq. ft. The facility was built to the specifications of Upeca Aerotech Sdn Bhd in consideration for a fixed, 20-year lease term, with the option of two renewal terms of 6-year each.
- Successfully completed the acquisitions of two manufacturing facilities located in Johor. These acquisitions with a combined purchase price of RM55.8 million, cumulatively added 146,762 sq. ft. of space to our portfolio, with a WALE of four years.
- Embarked on our third 'built-to-lease' development project – a 44,000 sq. ft. distribution warehouse for FedEx. The facility, known as Axis Facility @ Batu Kawan, is slated for handover by end-February 2020. The facility is being built as per FedEx's specifications and requirements in exchange for an initial fixed lease term of 10 years and an option to renew the lease for a further five years.

The development is significant to Axis-REIT in building the Fund's reputation as a capable and trusted developer of 'built-to-lease' industrial properties. Together with our continued portfolio expansion, it also reinforces and extends our position as a leader in industrial space assets.

- Successfully secured tenancies for 96% of the 2.1 million sq. ft. of NLA that came up for renewal/expiry in 2019. This included renewals for 1.8 million sq. ft., which translates to an 84% tenant retention rate. In negotiating the lease terms, the Real Estate Team also achieved a positive 2% rental reversion, contributing to an uplift to our portfolio yield and revenue. The effects of the commencement of new leases, renewed tenancies and new acquisitions lifted the portfolio's WALE to 6 years (by both NLA and rental), which extended the Fund's rental earnings visibility.


















MANAGER'S DISCUSSION AND ANALYSIS
CEO'S REVIEW

- Building a robust acquisition pipeline, with seven acquisitions underway as at 31 December 2019, targeted for completion by mid-2020. These acquisitions will have a combined gross floor area of 1.4 million sq. ft., and an acquisition price tag of RM288.3 million. Once completed, these additional properties will raise Axis-REIT's total space under management to an estimated 10.9 million sq. ft., and total asset value to RM3.4 billion.
- Growing the Fund's total revenue by 5.6% year-on-year to RM222.5 million, while total net income after taxation (excluding lease incentive adjustments) came in at RM116.2 million. The Fund undertook to payout 99.9% of its distributable income of RM116.9 million, effectively raising 2019's total DPU to 9.26 sen (up 5.9% from the 8.74 sen distributed in FYE2018). This translates to a total distribution yield of 5.2%, based on the Fund's closing unit price of RM1.77 on 31 December 2019.
- Optimised our balance sheet for growth, through the successful completion of the Fund's seventh private placement exercise and third Sukuk issuance during 2019. Collectively, these efforts restructured the Fund's financing profile in favour of fixed-rate, long term financing facilities. Additionally, the private placement, together with a revaluation gain of RM101.6 million recorded in FYE2019, also lowered the Fund's financing to 28.7%, effectively positioning the Fund with sufficient financing headroom for our acquisition plans.

Collectively, these efforts have culminated in the delivery of another record operating and financial performance in 2019, and more critically, strategically positioned Axis-REIT for further growth in the years to come.

Key highlights in 2019

1Q2019		2Q2019	
 <p>Completion and handover of the second 'built-to-lease' development – Axis Aerotech Centre</p>	 <p>Declared DPU of 2.35 sen</p>	 <p>Accepted offer to acquire three properties</p>	 <p>Declared DPU of 2.36 sen</p>
	 <p>Completed 3rd Sukuk Issuance of RM240 million unrated 7 year Islamic Medium Term Notes</p>		
3Q2019		4Q2019	
 <p>Completed acquisition of two properties in Nusajaya, Johor</p>	 <p>Entered agreement with FedEx for third 'built-to-lease' development – Axis Facility @ Batu Kawan</p>	<p>Signed Sale & Purchase agreements to acquire three properties</p> 	<p>Obtained Certificate of Practical Completion for Axis Facility @ Batu Kawan</p> 
<p>Signed Sale & Purchase agreement to acquire a property</p> 	 <p>Declared DPU of 2.35 sen</p>	 <p>Application of IDRP to 2019 final income distribution</p>	 <p>Completed 7th private placement in 2 tranches</p>
		 <p>Declared DPU of 2.20 sen</p>	 <p>Revaluation gain of RM101.6 million</p>



MANAGER'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Throughout 2019, Axis-REIT sought to make the most of the prevailing macroeconomic environment and resilient demand conditions for industrial properties, leveraging on the strengths of its portfolio and balance sheet. These efforts built on past years' successes, and nudged the Fund to its strongest set of results yet. The Fund's revenue rose 5.6% to RM222.5 million, while net property income rose 4.9% to RM191.7 million. Net income available for distribution rose 8.2% to RM116.9 million. The Fund's full year DPU of 9.26 sen, up from 8.74 sen in the previous year, translated to a distribution yield of 5.2%, based on its closing Unit price of RM1.77 on 31 December 2019.

	FYE2018	FYE2019
Realised net income after taxation (excluding lease incentive adjustment) (RM'000)	107,046	116,209
DPU (sen)	8.74	9.26

A snapshot of the Fund's key financial results is presented in the table below:

Summary of Results

	2015	2016	2017	2018	2019
Revenue (RM'000)	165,675	171,340	172,715	210,588	222,464
Property Operating Expenses (RM'000)	(23,746)	(27,048)	(26,512)	(27,827)	(30,756)
Net Property Income (RM'000)	141,929	144,292	146,203	182,761	191,708
Profit Income (RM'000)	744	678	984	725	1,434
Changes in Fair Value of Investment Properties (RM'000)	3,193	25,206	25,441	35,607	94,064
Net Gain/(Loss) on Financial Liabilities measured at amortised cost * (RM'000)	(683)	2,446	1,163	3,687	(2,348)
Net Loss on Disposal of Investment Properties (RM'000)	–	–	(419)	–	–
Fair Value Change on Derivatives (RM'000)	(81)	(201)	206	(306)	(933)
Net Property and Investment Income (RM'000)	145,102	172,421	173,578	222,474	283,925
Non-Property Expenses (RM'000)	48,465	50,129	51,018	63,026	70,474
Net Income before Taxation (RM'000)	96,637	122,292	122,560	159,448	213,451
Breakdown of Net Income after Taxation:					
– Realised Income after Taxation (RM'000)	91,537	90,186	90,796	113,442	115,179
– Unrealised Income after Taxation (RM'000)	5,027	32,106	31,764	41,537	94,059
Income Available for Distribution (RM'000)	92,154	91,122	92,668	108,011	116,872
Earnings per Unit (Realised + Unrealised) ("EPU") (sen)	8.81	11.09	10.97	12.57	16.61



MANAGER'S DISCUSSION AND ANALYSIS FINANCIAL REVIEW

	2015	2016	2017	2018	2019
Income Distribution (RM'000)	92,114	91,067	92,457	107,825	116,752
Distribution Per Unit ("DPU") (sen)	8.40	8.25	8.26	8.74	9.26
Distribution Yield (based on closing market price on 31 December) (%)	5.12	5.12	5.51	5.60	5.23
EPU Yield (based on closing market price on 31 December) (%)	5.37	6.89	7.31	8.06	9.38
Management Expense Ratio ("MER") (%)	1.36	1.25	1.31	1.30	1.29
Annual Total Return ** (%)	-4.75	3.20	-1.70	9.83	19.40
Average Total Return (3 years) (%)	8.35	9.58	-1.08	3.78	9.18

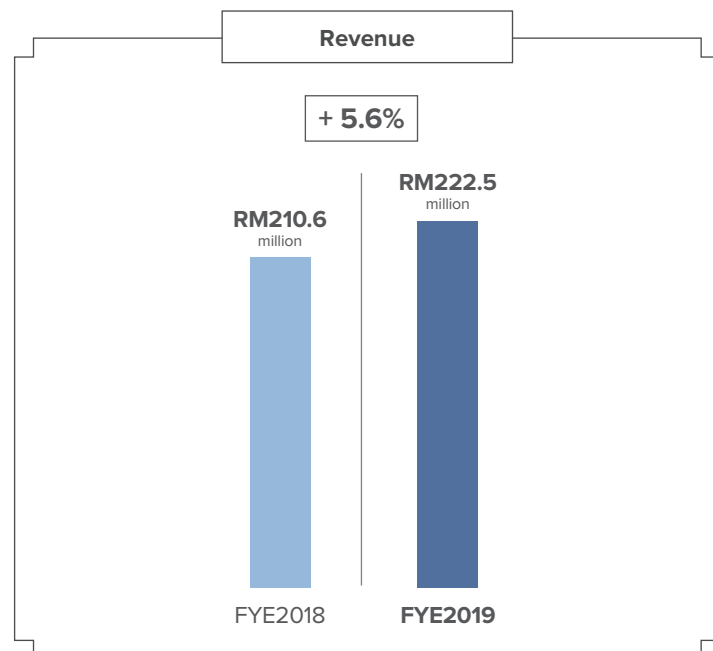
* Unrealised gain/(loss) on discounted tenants' deposits received in compliance with the MFRS 139.

** Based on movement in Unit price and DPU yield.



Revenue: RM11.9 million (+5.6%) higher

Axis-REIT's revenue grew 5.6% year-on-year to RM222.5 million in FYE2019, driven by incremental income from new acquisitions completed during the year, as well as from full year contributions from Axis Mega Distribution Centre, Axis Aerotech Centre and property acquisitions which were completed in FYE2018. These acquisitions and development projects collectively increased the Fund's space under management by 1,262,377 sq. ft. (+15.6% year-on-year) in FYE2018, and a further 190,762 sq. ft. (+2.0% year-on-year) in FYE2019. The combined effect of these factors, together with the impact of positive rental reversions across the portfolio, offset the impact of a dip in the occupancy rates.



MANAGER'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue Composition: Rental income accounted for 95% of revenue

Rental income contributed RM211.5 million or 95% of revenue, with the balance contributed by car park income and other income.

	2015 (RM'000)	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)
Rental income #	156,459	161,201	159,491	199,527	211,475
Car park income	5,800	6,475	7,817	5,890	6,355
Other income	3,416	3,664	5,407	5,171	4,634
Total	165,675	171,340	172,715	210,588	222,464

includes the recognition of rental income pursuant to the requirements of MFRS 16 to recognise income on a straight-line basis, including rent-free periods

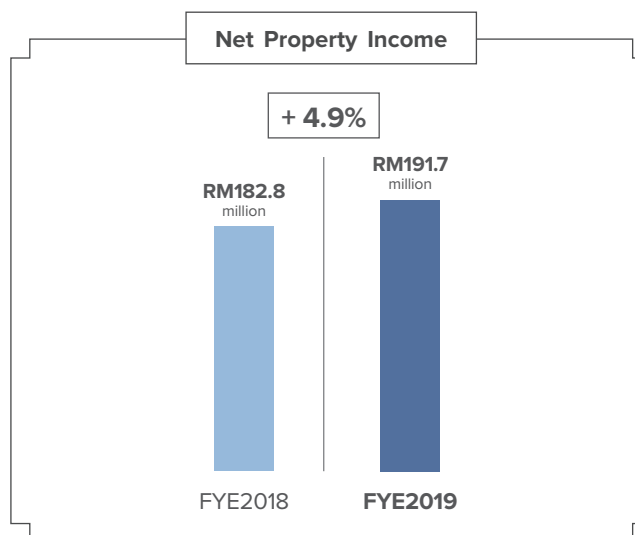
Property Operating Expenses: RM2.9 million higher

Property operating expenses incurred during the year rose by RM2.9 million year-on-year to RM30.8 million, mainly due to an uptick in maintenance and other expenses, in tandem with growth in the portfolio.

	2015 (RM'000)	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)
Assessment and quit rent	4,698	4,898	5,072	5,407	5,495
Property manager's fee and on-site personnel costs	6,062	6,249	5,905	6,900	7,633
Security cost	1,948	1,855	1,981	2,305	2,742
Takaful insurance	1,348	1,544	1,168	1,521	1,393
Maintenance and others	9,690	12,502	12,386	11,694	13,493
Total	23,746	27,048	26,512	27,827	30,756

Net Property Income: RM8.9 million higher

Net property income for FYE2019 rose by 4.9% year-on-year to RM191.7 million as a result of the above-mentioned movements.

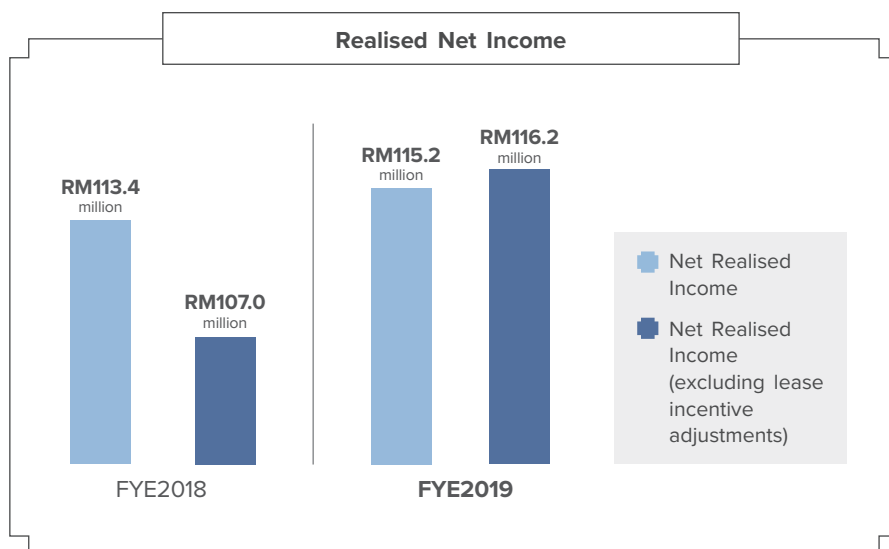
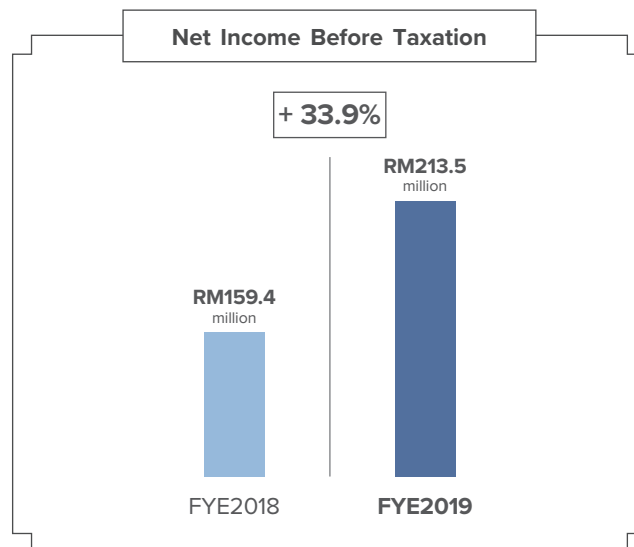


MANAGER'S DISCUSSION AND ANALYSIS
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Net Income Before Taxation: Lifted by unrealised gains in the fair value of investment properties

Axis-REIT recorded a net income before taxation of RM213.5 million for FYE2019, an increase of 33.9% over the previous financial year.

This was driven by a sharp 138.6% jump in the Fund's fair value of investment properties, which included higher valuations for the completed 'built-to-lease' developments i.e Axis Mega Distribution Centre and Axis Aerotech @ Subang. These two properties accounted for 28.3% of the increase. Concurrently, the Fund's non-property expenses rose 11.8% to RM70.5 million.



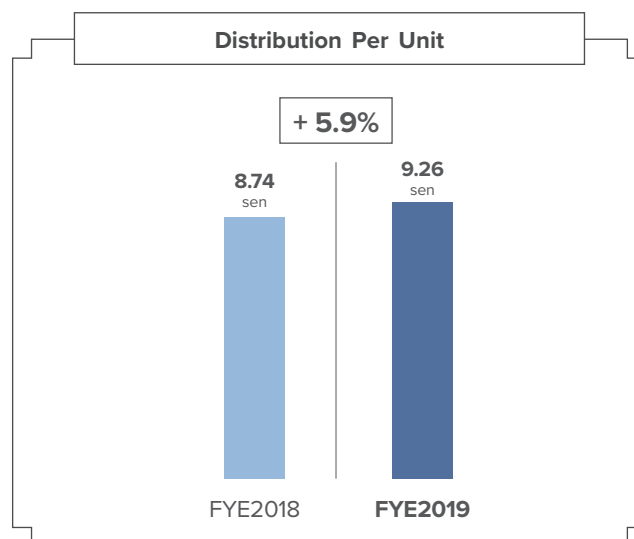
Net Income excluding lease incentive adjustments: Up 8.6% to RM116.2 million

At the bottom line, Axis-REIT's realised net income after taxation rose 1.5% to RM115.2 million, weighed down by the impact of lease incentive adjustments pursuant to MFRS 16. Excluding these adjustments, net income for FYE2019 would have amounted to RM116.2 million against RM107.0 million in FYE2018, a healthy 8.6% increase from the previous year, in line with the Fund's top line growth.

DPU: Higher, at 9.26 sen (+5.9% year-on-year)

The Fund's net distributable income for FYE2019 was RM116.9 million, and the Fund undertook to payout RM116.8 million, translating to a 99.9% payout ratio.

The Fund distributed 9.26 sen per unit for FYE2019, up 5.9% from 8.74 sen declared for FYE2018 which translated to a distribution yield of 5.2%, based on the Fund's closing Unit price of RM1.77 on 31 December 2019.



MANAGER'S DISCUSSION AND ANALYSIS FINANCIAL REVIEW

As in previous years, Axis-REIT announced an IDRPs for FYE2019. The IDRPs applied to the final DPU of 1.10 sen, which is not taxable in the hands of Unitholders, giving Unitholders the option to either:

- a) reinvest the entire final DPU of 1.10 sen in new units of the Fund;
- b) reinvest an electable portion of 0.55 sen from the final DPU in new units of the Fund and receive the balance portion of 0.55 sen in cash; or
- c) choose not to participate in the IDRPs option and receive the entire final DPU of 1.10 sen in cash.

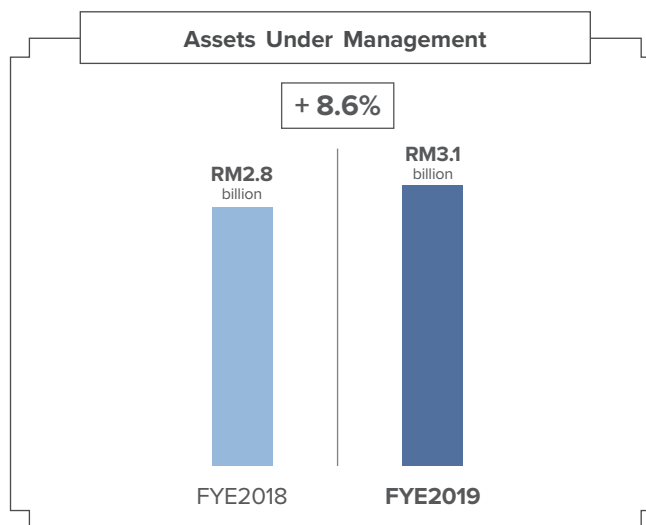
The 2019 IDRPs was offered to Unitholders at RM1.67 per unit, pricing it at a 6.0% discount to the five-day volume weighted average market price of the Fund's units. The 2019 IDRPs is expected to be completed on 10 March 2020.

Financial Position

Total Assets: RM3.1 billion

Axis-REIT maintained a strong financial position in FYE2019, with a healthy balance sheet that positions the Fund for growth in the years to come.

Continued investment in the portfolio, together with appreciation in the fair value of the Fund's investment properties, lifted the Fund's total assets to RM3.1 billion as at 31 December 2019 – an increase of 8.6% as opposed to the RM2.8 billion as at 31 December 2018.



Asset type	Portfolio Yield (%)	
	Gross	Net
Office	9.8	7.0
Office Industrial	9.5	7.3
Warehouse Logistics	9.5	8.4
Manufacturing Facilities	8.7	7.9
Hypermarket	8.9	8.3
Average	9.2	7.9

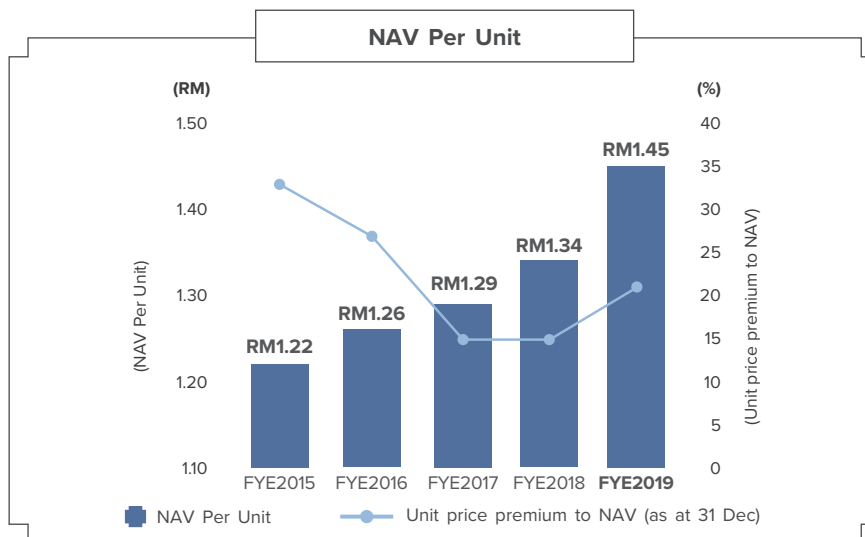
Portfolio Yield: Average net yield of 7.9%

Sustained tenant demand for industrial properties kept property yields buoyant, with the Fund's portfolio generating average gross and net yields of 9.2% and 7.9% respectively during FYE2019.

NAV Per Unit: RM1.45

The Fund's NAV rose by 24.9% to RM2.1 billion, following the successful completion of its seventh private placement exercise in 2 tranches that was applied to pare down financing, and by the robust, RM101.6 million revaluation gain recognised during FYE2019.

Consequently, the Fund's NAV per unit increased to RM1.45 as at 31 December 2019. At this level, Axis-REIT's Units traded at a 22% premium to its NAV, based on the Fund's closing Unit price as at 31 December 2019.



MANAGER'S DISCUSSION AND ANALYSIS FINANCIAL REVIEW

Summary of Performance

	2015	2016	2017	2018	2019
Total Asset Value (RM'000)	2,141,493	2,244,274	2,549,609	2,840,463	3,085,681
Net Asset Value (RM'000)	1,352,485	1,392,971	1,591,136	1,664,081	2,078,764
Units in Circulation ('000 units)	1,099,793	1,105,174	1,232,327	1,237,285	1,435,250
Net Asset Value Per Unit					
– As at 31 December (RM)	1.22	1.26	1.29	1.34	1.45
– Lowest NAV during the year (RM)	1.22	1.23	1.25	1.29	1.33
– Highest NAV during the year (RM)	1.25	1.26	1.29	1.34	1.45
Market Value Per Unit as at 31 December (RM)	1.64	1.61	1.50	1.56	1.77
Highest Traded Price for the year (RM)	1.85	1.81	1.72	1.59	1.99
Lowest Traded Price for the year (RM)	1.55	1.50	1.45	1.19	1.55



Portfolio Valuation: 48 Properties, valued at RM3.0 billion

As at 31 December 2019, Axis-REIT's portfolio comprised of 48 properties with a total NLA of 9.5 million sq. ft.. The portfolio is revalued annually, to comply with the SC's Guidelines on Listed REITs and MFRS 140. For FYE2019, the independent valuation conducted on our investment properties valued the portfolio at RM2,990.6 million, which included a revaluation gain of RM101.6 million.

	2015	2016	2017	2018	2019
No. of properties	34	39	40	45	48
NLA ('million sq. ft.)	7.0	7.6	8.1	9.3	9.5
Portfolio carrying value before revaluation (RM million)	2,041.2	2,163.0	2,451.8	2,755.9	2,889.0
Portfolio carrying value after revaluation (RM million)	2,047.0	2,192.9	2,482.2	2,798.5	2,990.6
Unrealised gain/(loss) (RM'000)	5,791	29,861	30,395	42,558	101,553
Portfolio total investment outlay (RM million)	1,776.0	1,895.6	2,151.0	2,424.8	2,515.3
Accumulated revaluation gain/(loss) (RM million)	272.7	301.5	331.2	373.7	475.3

A breakdown of the Fund's portfolio valuation by property is provided in pages 72 to 75.

MANAGER'S DISCUSSION AND ANALYSIS FINANCIAL REVIEW

Financing Profile

	2015	2016	2017	2018	2019
Total financing (RM'000)	731,814	780,665	842,594	1,059,367	885,859
Total assets (RM'000)	2,141,493	2,244,274	2,549,609	2,840,463	3,085,681
Financing ratio	34.2%	34.8%	33.0%	37.3%	28.7%
Effective profit rate #	4.28%	4.25%	4.21%	4.32%	4.37%
Percentage of short term financing	55%	58%	71%	77%	43%
Percentage of medium or long term financing	45%	42%	29%	23%	57%

For comparison purposes, the effective profit rate includes incidental costs of financing.

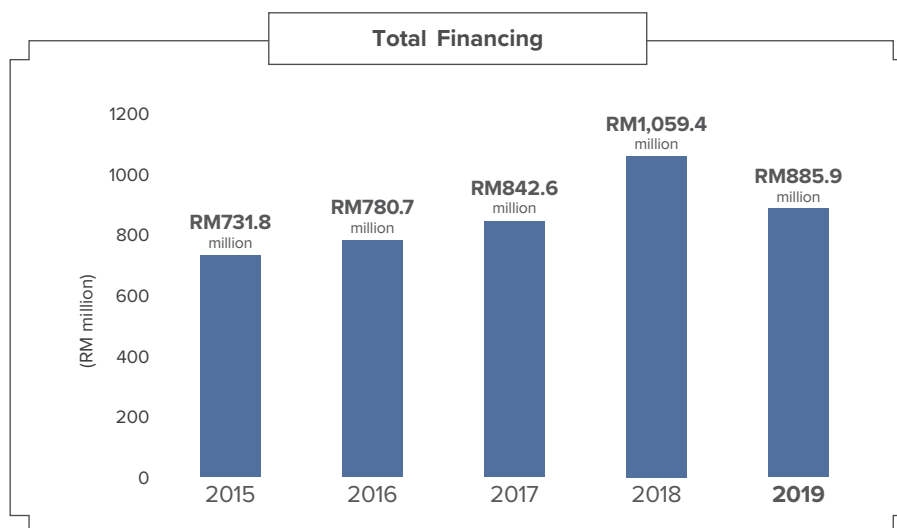
Total Financing: RM173.5 million lower, at RM885.9 million

As at 31 December 2019, the Fund had committed financing facilities amounting to RM885.9 million, a reduction from RM1.1 billion as at end-FYE2018. During the year, we proactively managed the Fund's financing facilities to optimise the Fund's capital structure, taking into consideration Bank Negara's move to cut the Overnight Policy Rate, and the Fund's upcoming portfolio expansion plans.

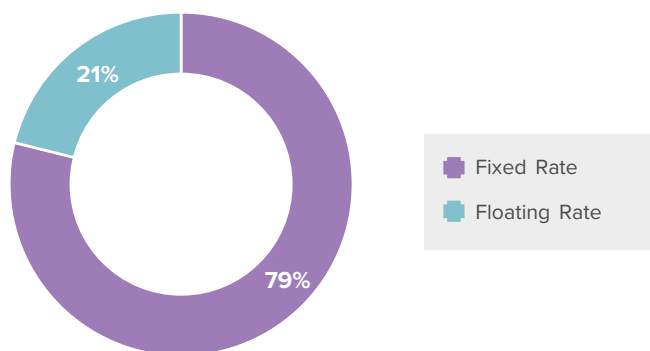
Given these considerations, and noting that the Fund's financing had reached 37.3% as at 31 December 2018, we took the opportunity to:

- (i) Lock in profit rates. We rebalanced the Fund's financing facilities in favour of fixed rate facilities, reversing the Fund's proportion of fixed to floating rate facilities. From 31% as at end-FYE2018, fixed rate financing accounted for a higher 79% of the total financing as at end-FYE2019.

In addition to taking advantage of the reduction in profit rates to lower the Fund's financing costs, the move also protects the Fund against adverse profit rate movements, ensuring stability of income and distributions to Unitholders.

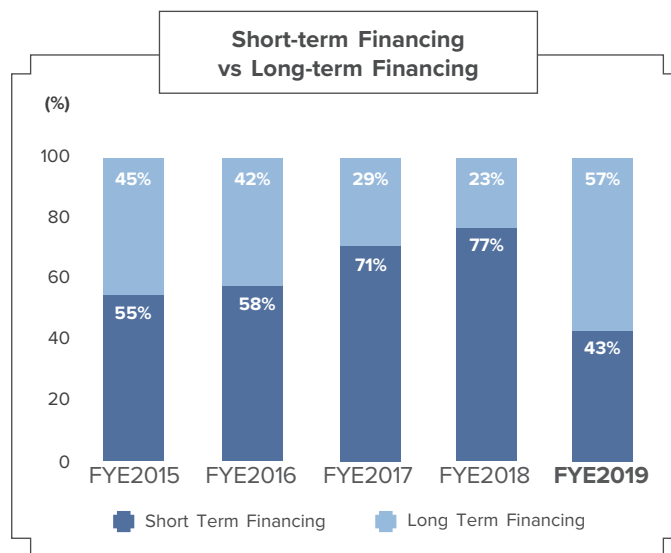


Fixed vs Floating Rates

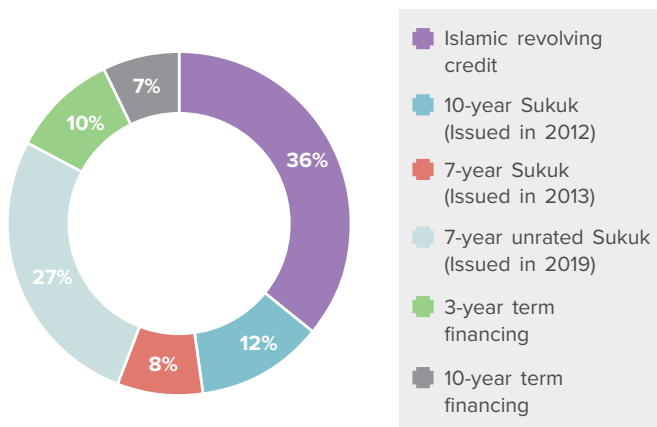


MANAGER'S DISCUSSION AND ANALYSIS
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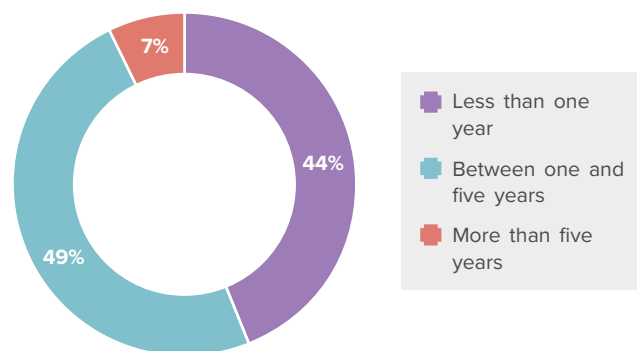
- (ii) Increase the Fund's exposure to long-term financing, shifting the Fund's proportion of short to medium/long term financing to 43% to 57% as at 31 December 2019, from 77% to 23% as at the end of the preceding financial year. This was in part, achieved through the issuance of our third Sukuk exercise, which saw the issuance of RM240 million 7-year unrated Islamic Medium Term Notes, which was used to refinance existing short term financing facilities.
- (iii) Embark on our seventh private placement exercise. The placement exercise saw the issuance of 198 million new Units at an issue price of RM1.72 to various foreign and local institutional funds. The placement exercise, which was undertaken in 2 tranches, was completed in November and December 2019, raising a total of RM336.7 million which was utilised to pare down the Fund's existing financing facilities.



Financing Profile



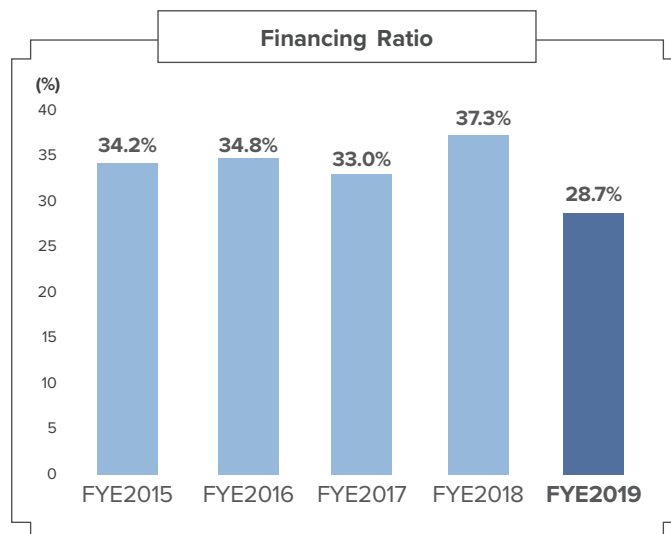
Financing Profile by Maturity



Financing ratio: Lower at 28.7%

Collectively, our capital optimisation measures reduced the Fund's financing ratio to 28.7% - the lowest year-end level in recent years, and well below the SC's Guidelines on Listed REITs limit of 50% for REITs.

This paves the way for further acquisitions and growth as it gives the Fund headroom to take on a further RM657.0 million in financing facilities before the Fund's financing breaches the 50% limit set by the SC.



MANAGER'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

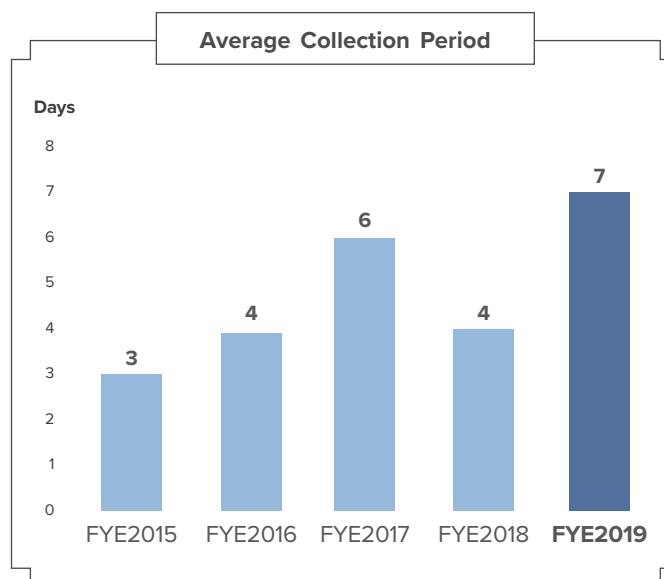
Liquidity and Credit Position

The Fund's cash balances and short term Islamic deposits amounted to RM52.5 million as at 31 December 2019, along with committed but undrawn financing facilities amounting to RM411.0 million.

We continuously monitor our liquidity against our strategic plans to ensure that the Fund has sufficient financial resources and credit facilities to meet our funding and working capital commitments.

Apart from our cash balances and credit facilities, we also monitor our rental income collection and manage the Fund's tenant and credit risks.

In FYE2019, the Fund's average collection period remained at a manageable 7 days, while trade receivables were lower, at RM4.2 million. Our stringent approach to tenant and credit risk management has kept impairments on trade receivables to a minimum. In FYE2019, the Fund recorded a nominal write back on impairment losses amounting to RM26,000.



Impairment Losses on Trade Receivables	2015	2016	2017	2018	2019
Impairment losses on trade receivables/bad debts written off/(written back) (RM'000)	188	474	(369)	215	(26)
Trade receivables (RM'000)	4,016	1,469	2,628	4,630	4,207
Revenue (RM'000) #	163,077	166,685	167,761	197,241	216,005
Impairment losses on trade receivables/bad debts written off as a % of revenue (%)	0.12	0.28	–	0.11	–
Average Collection Period (days)	3	4	6	4	7

Excluding lease incentive adjustments and unbilled lease income receivable

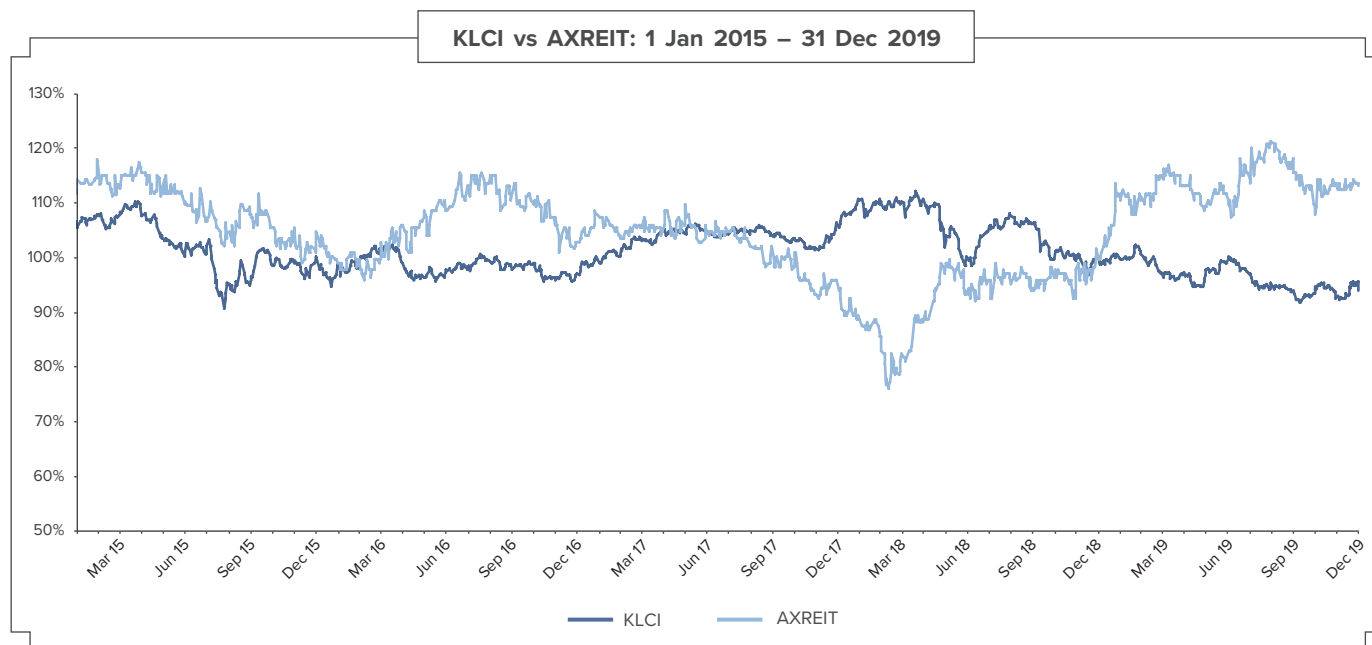


MANAGER'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Unit Price Performance: +13.5%, Outperformed FBMKLCI

Axis-REIT's Unit price outperformed the FTSE Bursa Malaysia-Kuala Lumpur Composite Index ("FBMKLCI") in 2019. Its price rose 13.5% against the FBMKLCI's 6.0% decline, as investors turned to defensive stocks amid global macroeconomic headwinds and the low interest rate environment. This appreciation lifted the Fund's market capitalisation above the RM2.0 billion threshold, which in effect, classifies Axis-REIT as a large company.



Unit Price and Volume Overview

- The opening unit price on 2 January 2019 was RM1.46
- Closing price on 31 December 2019 was RM1.77
- Highest traded price achieved in 2019 was RM1.99 in August
- Lowest traded price was RM1.55 in January
- Number of unitholders recorded a year-on-year increase of 25%, from 4,585 as at 31 December 2018 to 5,715 unitholders as at 31 December 2019
- Number of unitholdings increased to 1,435,250,288 units, following the issuance of additional units from the Fund's seventh private placement exercise

5-Year Unit Price Performance Highlights

	2015	2016	2017	2018	2019
Closing Unit Price					
– As at 31 December (RM)	1.64	1.61	1.50	1.56	1.77
– Highest Traded Price (RM)	1.85	1.81	1.72	1.59	1.99
– Lowest Traded Price (RM)	1.55	1.50	1.45	1.19	1.55
NAV per Unit (RM)	1.23	1.26	1.29	1.34	1.45
Market Capitalisation (RM'000)	1,803,661	1,779,329	1,848,490	1,930,165	2,540,393

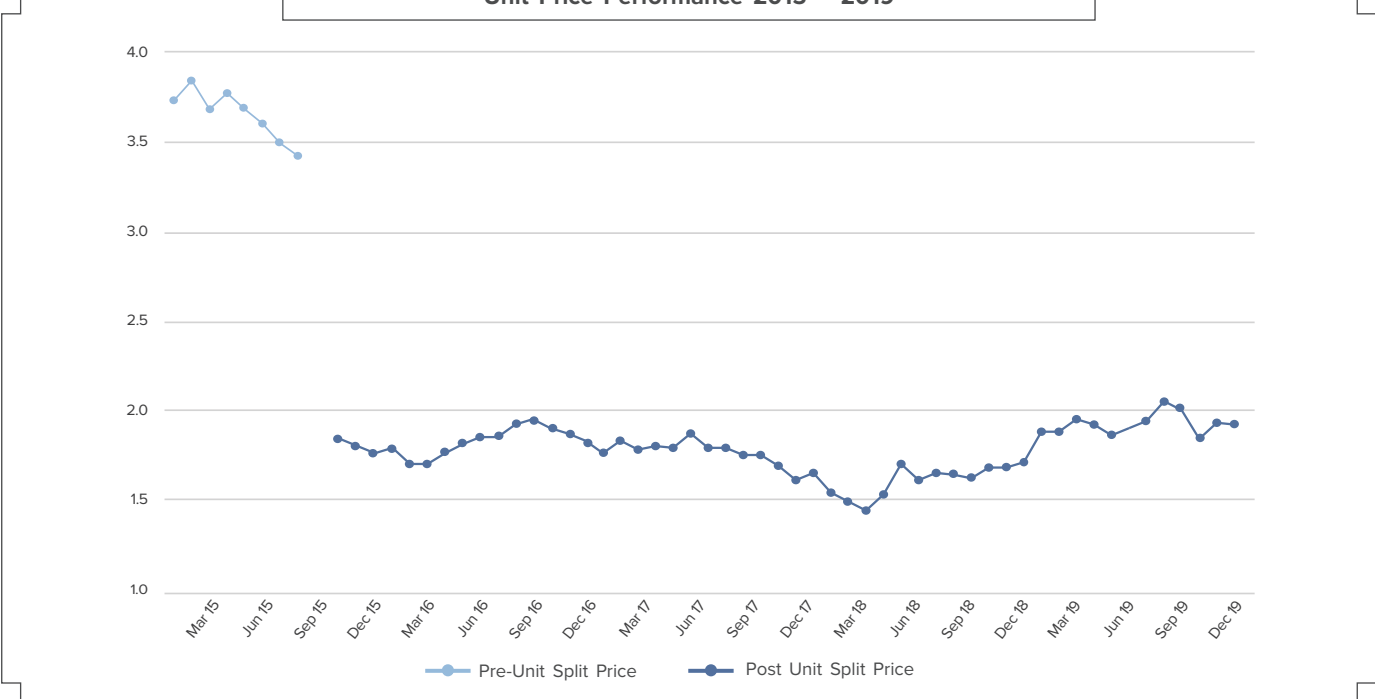


MANAGER’S DISCUSSION AND ANALYSIS
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Manager's Discussion & Analysis

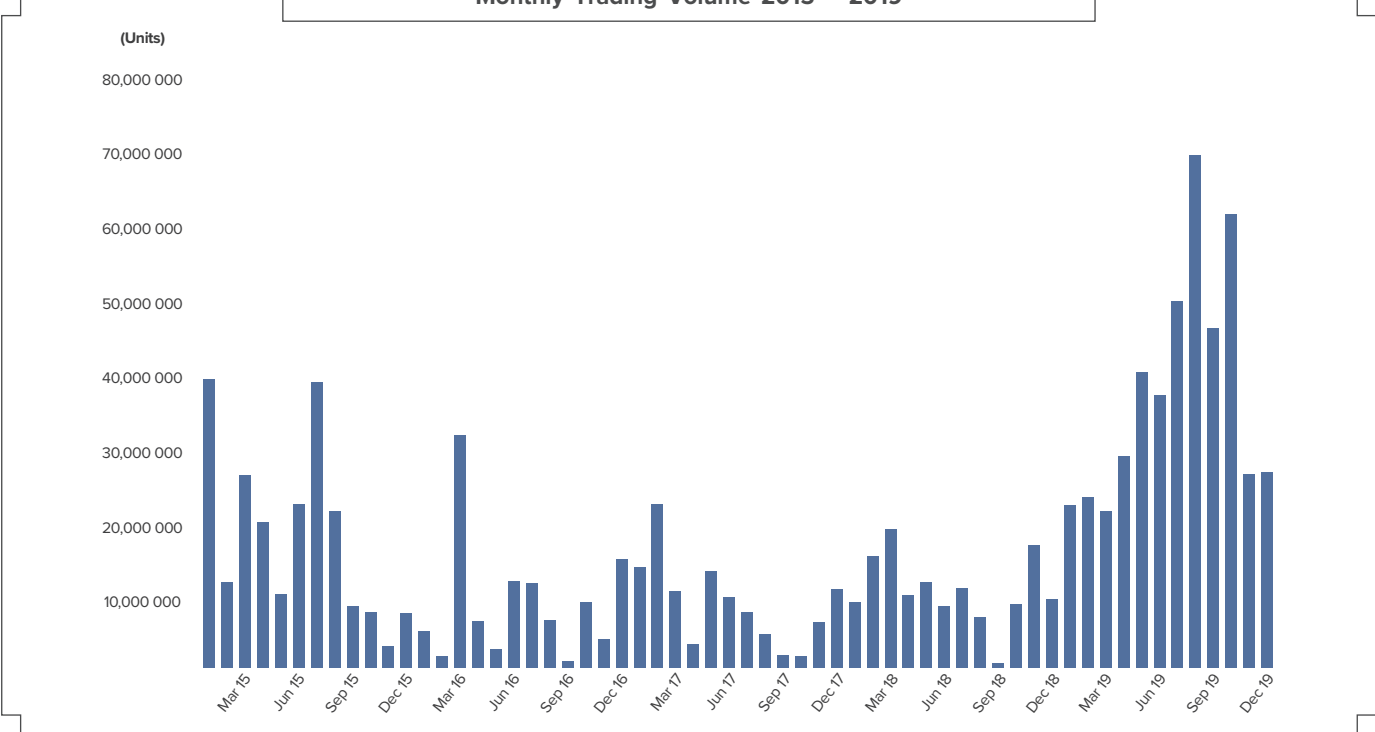
Unit Price Performance 2015 – 2019



Transaction Volume Highlights

Axis-REIT's trading volume recorded a total of 463,962,900 Units traded in 2019.
 Average monthly volume: 38,663,575
 Highest monthly volume: 70,178,000 (August 2019)
 Lowest monthly volume: 22,410,800 (March 2019)

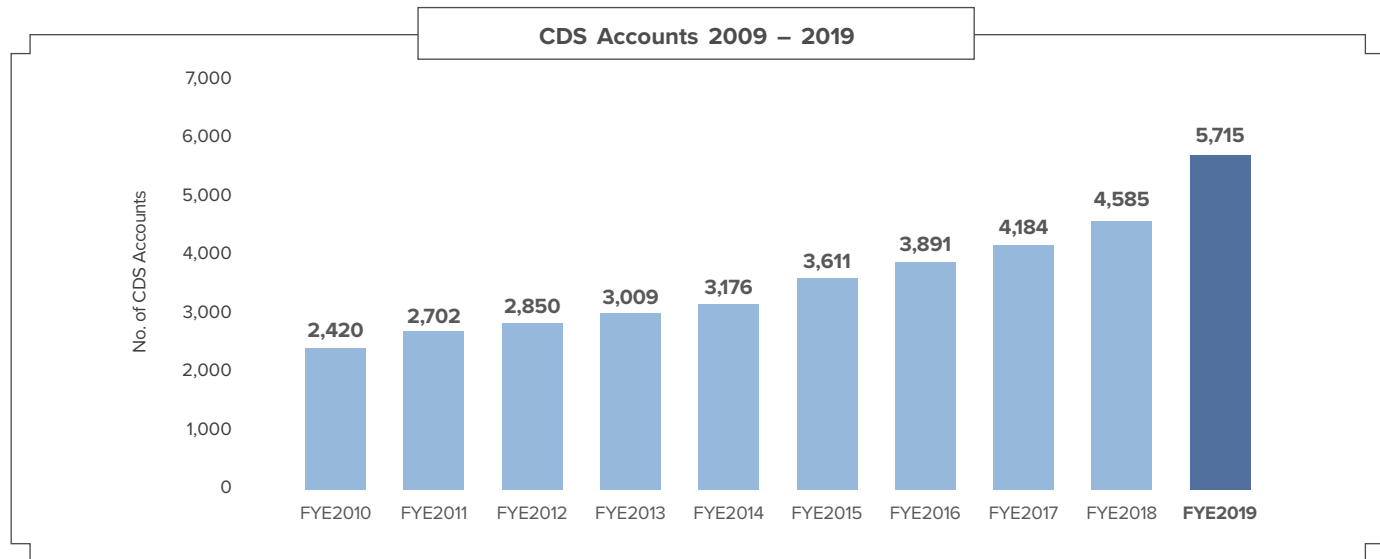
Monthly Trading Volume 2015 – 2019



MANAGER’S DISCUSSION AND ANALYSIS
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CDS Account Highlights

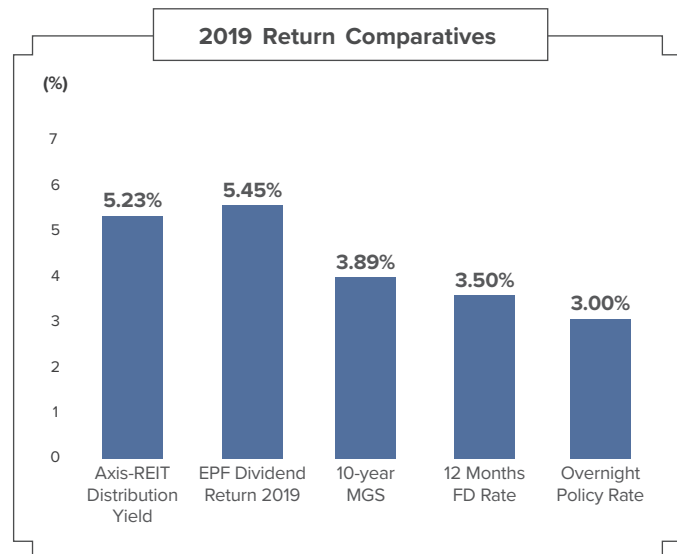
The number of Central Depository System (“CDS”) accounts in which Axis-REIT Units are traded increased from 4,585 accounts in 2018 to 5,715 accounts in 2019, which we attribute to our strong track record of delivering returns and distributions during the year, as well as an increased interest in defensive stocks.



Annual Returns to Unitholders: Commendable 5.2% distribution yield

Axis-REIT continued its mission of delivering robust returns to Unitholders, with cumulative DPU for FYE2019 amounting to 9.26 sen. This translates to a distribution yield of 5.2%, based on the Fund’s closing Unit price of RM1.77 as at 31 December 2019, which is competitive against other investment instruments in the Malaysian capital markets, particularly in the prevailing low interest rate environment.

In addition to income distributions, returns to Axis-REIT’s Unitholders in FYE2019 were also augmented by the steep appreciation in the Fund’s Unit price during the year, with total returns (distribution yield + Unit price movements) to Unitholders amounting to 19.4%.



MANAGER'S DISCUSSION AND ANALYSIS

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Portfolio Overview

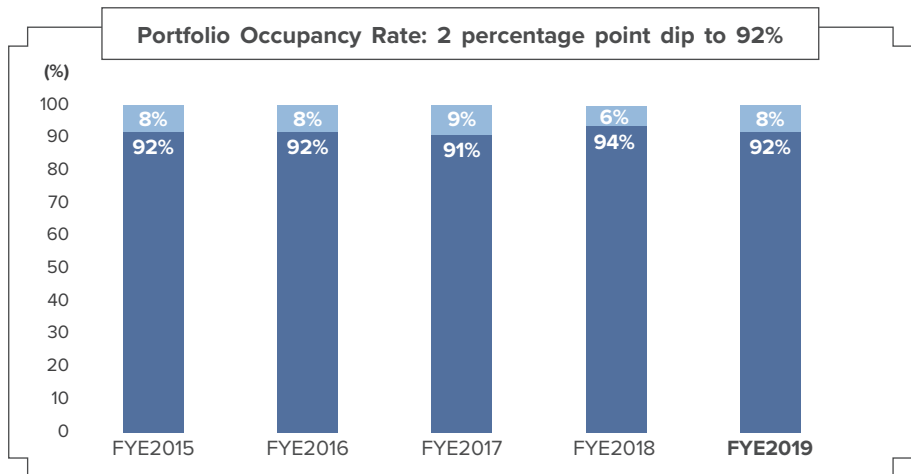
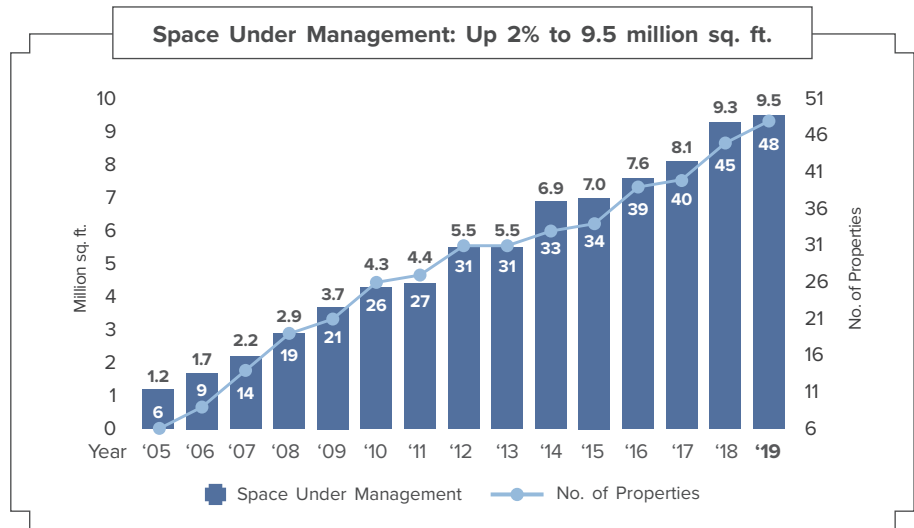
Portfolio Size	:	48 properties
Total Space Under Management	:	9,537,666 sq. ft.
Number of Tenants	:	152
Occupancy	:	92%
Revenue	:	RM222,464,000
Net Property Income	:	RM191,708,000

Axis-REIT's ability to deliver its objectives, mission and vision is dependent on the performance and growth of its portfolio of properties. During FYE2019, the Fund added 3 properties to its portfolio, bringing the portfolio to 48 properties, with 9.5 million sq. ft. of space under management as at 31 December 2019.

Our approach in managing our property portfolio and tenant base is focused on maintaining a high level of tenant satisfaction and retention, keeping portfolio occupancy rates high, and generating positive rental reversions. Toward this end, along with our proactive property and tenant management efforts, we undertook several initiatives during 2019, including:

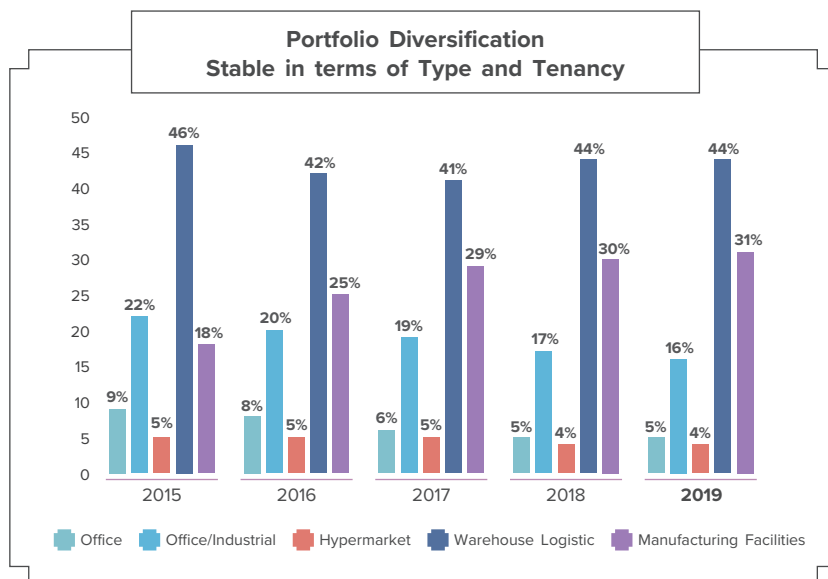
- (i) improving 'Hello Axis', to allow for improved tenant engagement and more effective tracking of our tenant management performance;
- (ii) embarking on digital marketing campaigns, to improve our marketing reach and performance;
- (iii) continued asset maintenance discipline and AEs.

- During the year, Axis-REIT added three properties to its portfolio, raising total space under management by 2.0% to 9.5 million sq. ft.
- The additional 190,762 sq. ft. came from the acquisition of Nusajaya Tech Park Facilities 1 and 2, which was completed during the year and the development of Axis Facility @ Batu Kawan.



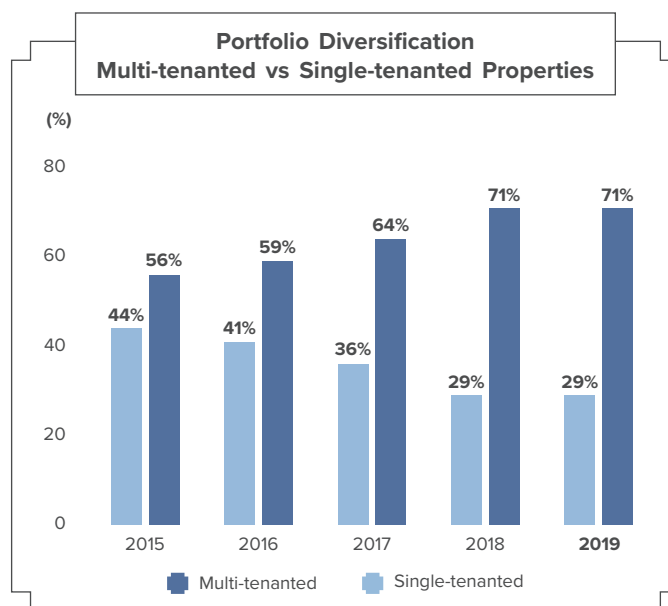
- Axis-REIT's portfolio occupancy stood at 92% as at 31 December 2019, a decline from 94% as at 31 December 2018.
- The dip was due to the re-delivery of Axis Industrial Facility @ Rawang following the tenant's default. Axis-REIT has taken necessary steps to mitigate potential losses from this property.

MANAGER'S DISCUSSION AND ANALYSIS
OPERATIONS REVIEW



- The focus of Axis-REIT's portfolio remained on industrial properties, which made up 91% of the portfolio (by NLA) as at 31 December 2019.
- In terms of property type, the portfolio remained stable, concentrated on warehouse/logistic properties, manufacturing facilities and office/industrial properties.

- The proportion of single-tenanted properties remained at 71%. These properties provide stable, long-term organic rental income growth, as their leases are typically long-term leases with pre-agreed rental step ups, and usually feature lower operating costs as maintenance costs are borne by the tenants.
- These single-tenanted properties are typically tenanted by multi-national companies or government-linked companies, which present a lower risk of default.
- The Fund's tenant base remained stable and well-diversified, with 152 tenants as at 31 December 2019.
- Our 10 biggest tenants (by revenue contribution) accounted for 46.4% of total revenue.



Our top 10 tenants for FYE2019 are:

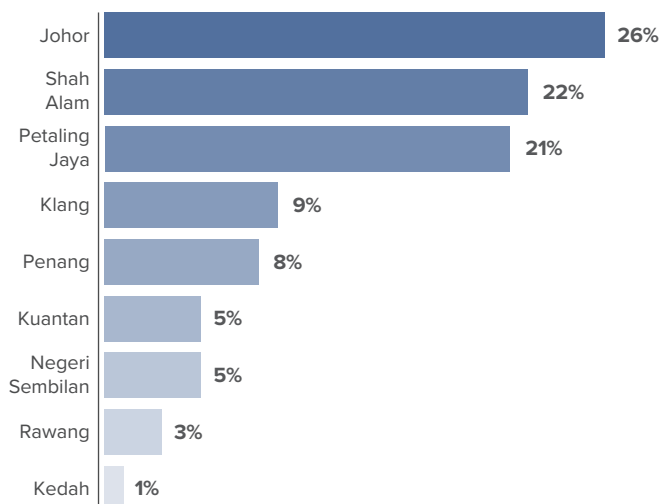
1. Nestle Products Sdn Bhd	6. Pos Logistics Berhad
2. LF Logistics Services (M) Sdn Bhd	7. Tesco Stores (Malaysia) Sdn Bhd
3. Yongnam Engineering Sdn Bhd	8. Schenker Logistics (Malaysia) Sdn Bhd
4. Wasco Coatings Malaysia Sdn Bhd	9. Teraju Sinar Sdn Bhd
5. Upeca Aerotech Sdn Bhd	10. Northport (Malaysia) Berhad



MANAGER'S DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

Portfolio Diversification by Geographical Location



- In terms of geographical diversification, Axis-REIT's portfolio is spread throughout the prime industrial areas of Peninsula Malaysia.
- The acquisitions completed during the year were located in Nusajaya, raising our presence in the rapidly growing Iskandar Malaysia hub, while Axis Facility @ Batu Kawan increases our footprint in the Northern region, in line with our strategy of growing the Fund's portfolio presence in key industrial hubs with high growth potential.
- Looking ahead, our pipeline of ongoing acquisitions continues to build on this strategy, and includes our maiden property acquisition in East Malaysia.

Tenancies Committed

During FYE2019, leases for 2.1 million sq. ft. of space in our portfolio came up for renewal. Through proactive portfolio management, the Real Estate Team was able to successfully contract tenancies for 2.04 million sq. ft. or 96% of the space for which leases had come up for renewal during the year. This included the renewal of tenancies for 1.8 million sq. ft., which translates to a tenant retention rate of 84%. The efforts of the Real Estate Team also generated a positive rental reversion of 2%, while positively extending the portfolio's WALE to six years, both in terms of NLA and rental income. For more information on how we manage our tenants, please refer to pages 107 to 110 of the Sustainability Statement.

Portfolio Lease Expiry Profile by Location, 2019 – 2021

Property	Year 2019	% of Total NLA	% of Rental Income/month	Year 2020	% of Total NLA	% of Rental Income/month	Year 2021	% of Total NLA	% of Rental Income/month
Petaling Jaya	602,715	6.35	12.18	595,064	6.27	10.33	476,711	5.02	9.03
Shah Alam	526,567	5.55	5.06	412,015	4.34	4.22	523,447	5.51	5.50
Johor	171,000	1.80	1.79	468,936	4.94	3.25	474,539	5.00	3.96
Nilai	291,642	3.07	1.41	–	–	–	–	–	–
Penang	395,225	4.16	3.22	205,151	2.16	2.60	–	–	–
Kedah	138,000	1.45	1.85	–	–	–	–	–	–
TOTAL	2,125,149	22.38	25.51	1,681,166	17.71	20.40	1,474,697	15.53	18.49



MANAGER'S DISCUSSION AND ANALYSIS

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Portfolio Lease Expiry Profile by Property Type, 2019 – 2021

Property	Year 2019	% of Total NLA	% of Rental Income/month	Year 2020	% of Total NLA	% of Rental Income/month	Year 2021	% of Total NLA	% of Rental Income/month
Office	199,499	2.10	6.05	126,359	1.33	3.11	116,091	1.22	3.27
Office Industrial	403,216	4.25	6.12	468,705	4.94	7.23	360,620	3.80	5.77
Warehouse Logistics	1,092,792	11.51	10.06	1,086,102	11.44	10.06	700,087	7.37	6.48
Manufacturing Facilities	291,642	3.07	1.41	–	–	–	297,899	3.14	2.97
Hypermarket	138,000	1.45	1.87	–	–	–	–	–	–
TOTAL	2,125,149	22.38	25.51	1,681,166	17.71	20.40	1,474,697	15.53	18.49

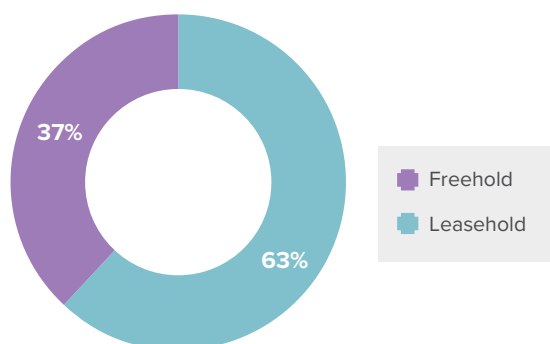
Portfolio WALE: Higher at 6 years

As at 31 December 2019, the Fund's portfolio WALE (by NLA) had risen to 6.0 years, from 5.5 years a year earlier.

	2015	2016	2017	2018	2019
By NLA (years)	3.89	4.33	5.25	5.53	5.99
By Rental (years)	3.99	4.45	5.87	5.57	5.97

Land Tenure Management: Stable, with average remaining lease period at 49 years for leasehold properties

37% of the Fund's portfolio is situated on freehold land. With the remaining 63% of its portfolio sitting on leasehold titles, the Fund actively monitors and manages the lease expiry profiles of its portfolio. During FYE2019, there were no renewals completed as the leasehold properties in its portfolio had, on average, had 49 years to expiry, with the shortest remaining lease period at a comfortable 30 years.



Portfolio of Leasehold Land Tenure Profile

- No of leasehold properties: 30
- Average remaining lease period: 49 years
- Median remaining lease period: 47 years
- Longest remaining lease period: 90 years
- Shortest remaining lease period: 30 years



MANAGER'S DISCUSSION AND ANALYSIS INVESTMENT REVIEW

Investor demand for industrial assets in the broader Malaysian property market remained competitive – market data showed a 15.2% surge in industrial property transactions in the first nine months of 2019, with 4,707 units transacted during the period. Transactions were concentrated in the Greater Kuala Lumpur area, and in Johor. Collectively, these regions accounted for 53.4% of total transactions.

We continued to invest towards growing and enhancing Axis-REIT's property portfolio. With the Fund still firmly focused on industrial assets, our priority is on superior asset selection that will improve the overall quality of our portfolio. Our selection process ensures that asset acquisitions are yield-accretive, provide income generating potential and strategic in enhancing the overall portfolio, in terms of geographic location and access to infrastructure. In pages 113 to 115 of the Sustainability Statement, we discuss the acquisition due diligence process which ensures we meet our objective of achieving superior asset selection for the portfolio.

Along with asset acquisitions, the Fund also seeks to grow its portfolio via property development projects, which provide an avenue for the Fund to develop business space solutions that cater to the specific needs of our tenants.

In FYE2019, Axis-REIT recognised investments worth RM59.7 million in its portfolio, which comprised RM55.8 million in property acquisitions completed during the year and RM3.9 million paid for the parcel of land that is the site of the Fund's third property development project. In addition to these, the Fund also invested RM9.1 million in AElS during FYE2019, and has committed a further RM288.3 million in acquisitions that are pending completion in the first half of 2020.

Asset Acquisitions: +2 properties purchased for RM55.8 million

Axis-REIT completed two acquisitions during the year. Both properties are manufacturing facilities located in Nusajaya, Johor, and were concluded for a combined purchase price of RM55.8 million. Collectively, the properties added approximately 147,000 sq. ft. of NLA to our portfolio. Details of the property acquisitions completed in FYE2019 are presented in the following page.



MANAGER'S DISCUSSION AND ANALYSIS
INVESTMENT REVIEW

SALIENT DETAILS OF ACQUISITIONS COMPLETED IN 2019

Property Name	:	Nusajaya Tech Park Facility 1
Address	:	No. 1, 3 & 5, Jalan Teknologi Perintis 1, Taman Teknologi Nusajaya, 79200 Iskandar Puteri, Johor
Property Description	:	3 detached units of 2-storey facility with office on second-storey
Property Type	:	Aerospace related manufacture and services
Property Age	:	2 years
Title Details	:	No 1 - HS(D) 548711, PTD 4487, No 3 - HS(D) 548710, PTD 4486, No 5 - HS(D) 548709, PTD 4485, Mukim Tanjung Kupang, Daerah Johor Bahru, Negeri Johor
Land Tenure	:	Freehold
Nett Lettable Area	:	104,694 sq. ft.
Existing Use	:	Aerospace related manufacture and services and ancillary activities
Occupancy Rate	:	100%
Major Tenant	:	GKN Engine Systems Component Repair Sdn Bhd
Tenancy/Lease Period	:	Fixed period of 6 years
WALE	:	5 years
Date of Acquisition	:	30 September 2019
Purchase Price	:	RM42,000,000
Date of Valuation	:	31 May 2019
Valuation	:	RM42,000,000
Independent Valuer	:	C H Williams Talhar & Wong Sdn Bhd
Vendor	:	Nusajaya Tech Park Sdn Bhd



Nusajaya Tech Park Facility 1



MANAGER'S DISCUSSION AND ANALYSIS INVESTMENT REVIEW

Property Name	:	Nusajaya Tech Park Facility 2
Address	:	No. 14, Jalan Teknologi Perintis 1/3, Taman Teknologi Nusajaya, 79200 Iskandar Puteri, Johor
Property Description	:	2-storey facility with office on second-storey
Property Type	:	Manufacturing, processing and storage of food ingredients
Property Age	:	3 years
Title Details	:	HS(D) 548702, PTD 4475, Mukim Tanjung Kupang, Daerah Johor Bahru, Negeri Johor
Land Tenure	:	Freehold
Nett Lettable Area	:	42,068 sq. ft.
Existing Use	:	Manufacturing, processing and storage of food ingredients
Occupancy Rate	:	100%
Major Tenant	:	Sternmaid Asia Pacific Sdn Bhd
Tenancy/Lease Period	:	Fixed period of 5 years
WALE	:	3.5 years
Date of Acquisition	:	30 September 2019
Purchase Price	:	RM13,800,000
Date of Valuation	:	31 May 2019
Valuation	:	RM15,500,000
Independent Valuer	:	C H Williams Talhar & Wong Sdn Bhd
Vendor	:	Nusajaya Tech Park Sdn Bhd



Nusajaya Tech Park Facility 2

MANAGER'S DISCUSSION AND ANALYSIS

INVESTMENT REVIEW

Land Acquisition: Secured third built-to-lease project

On 15 July 2019, Axis-REIT signed an agreement to develop a warehouse facility in Batu Kawan, Penang, for FedEx. Known as the Axis Facility @ Batu Kawan, the project is a greenfield development, built to the specifications of FedEx, that will comprise a 44,000 sq. ft. warehouse facility, sited on 2.5 acres of land. In return, FedEx is committed to a 10 + 5 year lease on the property.

Work on the facility commenced in August 2019, and we successfully obtained the Certificate of Practical Completion on 30 December 2019. The facility is slated for handover to the tenant by end-February 2020.

Axis Facility @ Batu Kawan

Features	: – Customised logistics warehouse designed and built to FedEx's specifications – Rainwater harvesting system installed to cater for delivery truck cleaning activities
Type of the facility	: Logistics Warehouse
Land area	: 2.5 acres
Land tenure	: 30 years (Sub-lease of land from PDC)
Net Lettable Area	: 44,000 sq ft
Development cost as at 31 December 2019	: RM14.55 million
Target handover date	: End-February 2020

To facilitate the development, Axis-REIT signed a lease agreement with Penang Development Corporation ("PDC") on 15 July 2019, for the lease of a parcel of industrial land at Batu Kawan Industrial Park, Penang, which is the site of Axis Facility @ Batu Kawan.

The land is now pending the alienation of the title by the Penang State Government. Axis-REIT has obtained an exemption from the SC from having to comply with the requirement under the SC's Listed REIT Guidelines, 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.

The balance purchase price for the land was paid to PDC on 19 December 2019, bringing the Fund's total portfolio size to 48 properties as at end-FYE2019.

Looking ahead, despite the lower volume of completed acquisitions in FYE2019 compared with the previous year, the Investments Team continued to lay the groundwork for a very productive year for acquisitions in 2020. We have developed a robust pipeline of seven ongoing property acquisitions with a total price tag of RM288.3 million that are slated for completion in the first half of 2020. Over and beyond these on-going acquisitions, our Investments Team has also identified a selection of potential acquisition targets to the tune of RM135 million, which the Manager will review and execute if deemed viable.



Axis Facility @ Batu Kawan



MANAGER'S DISCUSSION AND ANALYSIS INVESTMENT REVIEW

Completed Development: Official Launch of Axis Aerotech Centre @ Subang

On 12 June 2019, the Manager held the official launch ceremony of Axis Aerotech Centre @ Subang, together with Upeca Aerotech Sdn Bhd ("Upeca").

This state-of-the-art facility is Axis-REIT's 45th property, as well as its second built-to-lease development project. The property is leased to Upeca for a 20-year period with renewal options. The facility was built according to Upeca's designs and specifications. It stands on a 7-acre piece of land with a built-up area of almost 180,000 sq. ft. within the Malaysia International Aerospace Centre Technology Park in Subang. Axis-REIT took 8 months to construct the said facility and successfully handed over on 13 February 2019.



Handover ceremony of Axis Aerotech Centre @ Subang



Joint Official Launch Ceremony with Upeca for Axis Aerotech Centre @ Subang







Asset Enhancement Initiatives: Total investment of RM9.1 million

In addition to property and land acquisitions completed during FYE2019, the Fund also invested in AELs to preserve the value of the existing portfolio and to maintain high tenant satisfaction rates. As such, these initiatives also enhance our building capabilities to minimise environmental impacts. For details of our environmental initiatives to reduce energy and water consumptions alongside waste, please refer to the Sustainability Statement for more information.

During FYE2019, Axis-REIT undertook four major AELs. For more details on these initiatives, please refer to page 112 of the Sustainability Statement of this Report.

MANAGER'S DISCUSSION AND ANALYSIS INVESTOR RELATIONS & MEDIA COVERAGE

Guided by our Investor Relations and Corporate Disclosure Policy, we continued to engage the Fund's investors and the broader investment community throughout 2019. These efforts are part of our corporate governance goals to disseminate timely, transparent and full disclosure of the Fund's material information.

 Investor Conference 5	 One-on-one & private group meetings / Site visits / Roadshows 56	 Analyst briefings 2
 REIT / Property / SME / Industry Event 7	 AGM 1	 Unitholders' Meeting 1



In addition to the various investor engagement events and meetings, Axis-REIT continued to publish timely updates via Bursa Securities' listed company announcements page, as well as its own corporate website, at www.axis-reit.com.my.



Press and Analyst Briefing on 25 July



Annual General Meeting on 30 April

Investment Research Coverage

Axis-REIT is currently covered by eleven research houses, and our Investor Relations Team continues to engage the analyst community with the aim of maintaining clear communications over the Fund's results, strategy and outlook.

Research House

- Affin-Hwang Investment Bank
- Alliance Investment Bank
- CIMB Investment Bank
- Hong Leong Investment Bank
- CLSA
- UOB Kay Hian Research
- Kenanga Investment Bank
- Maybank Kim Eng Investment Bank
- MIDF Research
- RHB Research
- KAF

MANAGER'S DISCUSSION AND ANALYSIS

INVESTOR RELATIONS & MEDIA COVERAGE

Investor Engagement & Outreach

Axis-REIT actively participates in various industry-themed events particularly in finance and regulatory, real estate and government investment-centric events.

The investor outreach programme includes various one-on-one meetings, group meetings, conference calls as well as organised site visits.

In 2019, the Management Team participated in the following public and private events.

Date	Events
03-Jan	CIMB 11th Annual Malaysia Corporate Day
24-Jan	Investor Meeting & Site Visit: B&I Capital
13-Feb	Investor Site Visit: Maybank group visit to Axis Aerotech Centre
19-20 Mar	Invest Malaysia 2019
22-Mar	Investor Meeting: AffinHwang group meeting
03-Apr	Secrets to Success in the Financial Industry Financial Planning Symposium 2019
09-Apr	Investor Meeting: CLSA
14-May	Investor Meeting: KAF
24-May	Investor Meeting: Franklin Templeton
01-Jul	Investor Meeting: B&I Capital
29-Jul	Investor Meeting: Allianz Hong Kong
31-Jul	Investor Meeting: Terra Nova Capital
01-Aug	LHAG Tax, SST & Customs Seminar 2019
02-Aug	Investor Meeting: Hong Leong Assurance
16-Aug	Investor Meeting: Hong Leong Investment Bank
28-Aug	Investor Meeting: Affin Hwang Asset Management
03-Sep	Investor Meeting: M&G Investments UK
3-4 Sep	Asia Pacific Property Leaders' Summit 2019
13-Sep	Investor Meeting: RHB Research
24 Sep-11 Oct	Placement Roadshow: Kuala Lumpur, Singapore, Hong Kong
25-Sep	Investor Meeting: Philip Securities Pte Ltd
26-Sep	6th Edition REITs Asia Pacific 2019, Singapore
27-Sep	Investor Meeting: Sumitomo Mitsui Asset Management
08-Oct	Investor Meeting: Macquarie Capital Securities
22-Oct	Maybank Global Markets Economic Outlook for 2020
30-Oct	MIRA 9th Investor Relations Awards
31-Oct	MRMA-APREA Malaysia REIT Forum



MANAGER'S DISCUSSION AND ANALYSIS
INVESTOR RELATIONS & MEDIA COVERAGE

Manager's Discussion & Analysis

Table with 2 columns: Date and Events. Events include Briefing on Corporate Liability Provision and Anti-Corruption, Ernst & Young C-Suite Forum 2019, Investor Meeting: Amundi, Investor Meeting: Matthews Asia, Investor Meeting: Cohen & Steers (Hong Kong), Unitholders' Meeting, Investor Meeting: Maybank Kim Eng, Investor Meeting: Walter Scott & Partners (Edinburgh).

Research Coverage

UOB KayHian Malaysia Daily. UOBKH HIGHLIGHTS: Axis REIT (AXRB MKHOLD.RM1.80/Target: RM1.88). Includes a table with financial metrics and a line chart for share price performance.

Research by kenanga Results Note. Axis REIT FY19 Within Expectations. FY19 realized net income (RNI) of RM116.6m came in within our (100%) and market (90%) expectations. FY19 DPU of 3.28 sen is also within at 90%.

RHB Malaysia Company Update. 15 October 2019. Axis REIT (AXRB MK). Small Contribution But Higher Yield; Still BUY.

Analysis of Axis REIT (AXRB MK) HOLD. Includes a table for Share Performance (%) and a line chart for Share Price Performance. Text discusses the company's financial health and growth prospects.

Flash Note: Axis REIT (AXRB MK) HOLD. Includes a table for Financials and Valuations and a line chart for Share Price Performance. Text provides a summary of the company's performance and analyst recommendations.

Securities AFFIN HWANG CAPITAL. A moderate ending for 2019. Axis REIT reported a moderate end to results - 4Q19 realized net profit of RM23.8m was marginally higher (y-o-y) but up by 3% less against a low base in 3Q19.

PUBLIC INVESTMENT BANK PublicInvestment Research Results Review. Axis REIT (AXRB MK) HOLD. Within Expectations. Axis REIT (AXRB MK) registered 4QFY19 realized net profit of RM23.8m (+3.3% YoY).

Flash Note: Axis REIT (AXRB MK) HOLD. Includes a table for Financials and Valuations and a line chart for Share Price Performance.

Axis REIT (AXRB MK) HOLD. Includes a table for Financials and Valuations and a line chart for Share Price Performance. Text discusses the company's financial health and growth prospects.

Flash Note: Axis REIT (AXRB MK) HOLD. Includes a table for Financials and Valuations and a line chart for Share Price Performance.

CGS-CIMB Axis REIT Acquisition-driven growth ahead. FY19 results were largely in line with our forecasts but slightly missed. Bloomberg consensus FY19 core profit advanced 2% yoy to RM115m.

Maybank Research Axis REIT (AXRB MK) SELL. On the roll for industrial acquisitions. Downgrade to Sell with -4% total return.

CLSA Axis REIT RM1.72 - BUY. Way to grow. Aggressive pipeline ahead; unique in its ways.

Axis REIT (AXRB MK) HOLD. Includes a table for Financials and Valuations and a line chart for Share Price Performance. Text discusses the company's financial health and growth prospects.

Axis REIT (AXRB MK) HOLD. Includes a table for Financials and Valuations and a line chart for Share Price Performance.

MANAGER'S DISCUSSION AND ANALYSIS INVESTOR RELATIONS & MEDIA COVERAGE

Selected Media Coverage

During 2019, we continued to engage the media, and disseminate timely updates about Axis-REIT via press releases. This broadens our communications reach and helps build the Axis-REIT brand and awareness of our operations. A selection of press clippings is provided below.

Axis REIT's NPI rose 1.8% in 3Q; trust declares third income DPU of 2.35 sen

BY JUSTIN LIM

KUALA LUMPUR: Axis Real Estate Investment Trust's (Axis REIT) net property income (NPI) rose 1.8% in the third quarter ended Sept 30, 2019 (3QFY19) to RM47.87 million from RM47.03 million a year ago, after adding three more properties to its portfolio during the period.

Total income increased by 2.9% year-on-year to RM53.86 million from RM52.35 million, with property income reaching RM53.64 million versus RM52.13 million previously, its stock exchange filing showed. The REIT's net income, however, fell 12.07% to RM26.15 million for the quarter, from RM29.74 million a year ago.

It announced a third income distribution per unit (DPU) of 2.35 sen for 3QFY19 — down one sen from the 2.36 sen it announced in 3QFY18 — which will be paid on Nov 29. The payout represents 99.8% of the REIT's realised income available for distribution generated from its operations during 3QFY19.

For the cumulative nine months ended Sept 30, 2019, the REIT's NPI rose 13.2% to RM144.52 million, from RM127.65 million in the same period last year, as total trust income grew 11.7% to RM161.83 million from RM144.89 million; property income rose to RM160.95 million versus RM144.34 million previously.

"The increase in property income as compared with the preceding year's corresponding period was mainly due to the commencement of lease on Axis Mega DC on June 1, 2018, Axis Aerotech Centre@Subang on Dec 16, 2018 and rental from three newly-acquired properties since the end of 3Q 2018. [A] 3% positive rental reversion has been recognised year to date. This has offset the rental loss from Axis Industrial Facility@Rawang (formerly known as Scmi Facility@Rawang) as the tenant has redelivered vacant possession in July," Axis REIT said.

Going forward, the manager of the REIT 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 FY19.

As at Sept 30, Axis REIT's portfolio comprises 47 properties, with RM3 billion worth of assets under management and 92% portfolio occupancy, with a weighted average lease expiry of six years.

Axis REIT's unit price closed unchanged at RM1.80, valuing the trust at RM2.23 billion. The counter saw some 620,600 units traded.

Redefine your workspace. Build something bigger.
Common Ground pushes boundaries beyond.

Axis REIT 3Q NPI up 1.8%, declares 2.35 sen DPU

Justin Lim / theedgemarkets.com
October 21, 2019 20:36 pm +08

KUALA LUMPUR (Oct 21): Axis Real Estate Investment Trust's (Axis REIT) net property income (NPI) rose 1.8% in the third quarter ended Sept 30, 2019 (3QFY19) to RM47.87 million from RM47.03 million a year ago, after adding three more properties to its portfolio during the period.

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For the cumulative nine months ended Sept 30, 2019 (9MFY19), the REIT's

Analysts maintain calls on Axis REIT

KUALA LUMPUR: Analysts across the board maintained their stock calls for Axis Real Estate Investment Trust (Axis REIT) following the release of its results for the third quarter of financial year 2019 (3QFY19). Axis REIT reported a weak set of results, whereby 3QFY19 realised net profit slipped by 34 per cent quarter on quarter (q-o-q) to RM26 million due to lower revenue, higher maintenance costs and the recognition of impairment provisions for doubtful debts.

"The earnings miss was attributable to the termination of Scmi Engineering lease, under-then-expected revenue growth and higher-than-expected maintenance costs. In tandem with our earnings and DPU cuts, we are lowering our 2019 earnings target to RM1.98 from RM2.00. "Notwithstanding the earnings hiccup, we maintain our buy call and continue to like Axis REIT for its industrial warehouse asset portfolio, strong management team, attractive 3.3 per cent yield for 2020 and its strong acquisition pipeline."

Axis REIT's adjusted TP is in line with the revision to our earnings estimates. Our required rate of return is maintained at 7.5 per cent. Dividend yield for Axis is estimated at 3.3 per cent. "While we like Axis for its stable recurring income, we believe that the unit price upside is limited at this juncture," it added.

On the REIT's outlook, Kenanga Investment Bank Ltd (Kenanga Research) expected to see minimal lease expiring at 20 to 37 per cent of portfolio's net lettable area (NLA) in FY19 and FY20. "We like the fact that Axis REIT is continuously acquiring new industrial assets which provide long-term earnings and DPU stability due to the long-term nature of leases for industrial assets and is operating in the most resilient segment versus other REITs under our coverage," it said in a separate note.

The group is expecting three industrial assets, including RM55 million, one each in Kota Kinabalu, Shah Alam and Klang. We expect Axis REIT to undertake a placement towards RM190 million of RM2 per share in FY19 or early FY20 post these acquisitions to pare down borrowings and reduce a 10 per cent placement is more likely," it said.

"We believe our call is justified due to its strong acquisition growth momentum while general take-site acquisition throughout the year have proved to be best earnings and DPU accretive."

"Furthermore, we like Axis REIT for its ability to provide DPU stability from long-term leases and is one of the few sarakah-compliant REITs, making it a favourite among institutional investors."

Axis-REIT laksana bahagian akhir penempatan bagi raih RM63.8 juta

Tarikh kemaskini: 05/11/2019

KUALA LUMPUR, 5 Nov – Axis Real Estate Investment Trust (Axis-REIT) melaksanakan bahagian akhir langkah penempatannya, bersama dengan tiga peratus daripada jumlah terbitan saham sebanyak 1.23 billion unit, untuk meraih RM63.84 juta.

Dalam kenyataan hari ini, Axis-REIT berkata penempatan itu merupakan tambahan kepada terbitan terkini sebanyak 13 peratus daripada jumlah unit yang dilaksanakan pada 31 Oktober, dengan semua hasil yang diarah akan digunakan untuk membayar balik pinjamannya.

"Penempatan akan dibuat kepada pemegang unit utama Axis-REIT, selepas mendapat kelulusan daripada pemegang unitnya pada mesyuarat pemegang unit yang akan diadakan kemudian, berikutan mereka tidak dapat menyertai bahagian pertama sebanyak 13 peratus pada 31 Okt berikutan pematuhan Perenggan 6.04(c) Keperluan Penyenaraian," katanya.

Axis-REIT berkata pemegang unit utama, iaitu Kumpulan Wang Simpanan Pekerja (KWSP) dan Kumpulan Wang Persaraan (Diperbadankan) (KWAP), merupakan pelabur utamanya dan menyokong kepercayaan dalam langkah penempatan sebelum ini.

"Oleh itu, Axis-REIT berhasrat untuk memberikan peluang yang sama kepada mereka untuk mengambil bahagian pada harga sama sebagai bahagian pertama penempatan," katanya.

Tiada terbitan unit-unit baharu diterbitkan sehingga 20 per

"Jumlah hasil yang diarah dar untuk meneruskan pengambilalaburannya untuk membe

MANAGER'S DISCUSSION AND ANALYSIS
INVESTOR RELATIONS & MEDIA COVERAGE

4 HOME BUSINESS

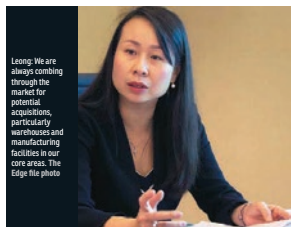
Axis REIT hungry for more assets

Axis REIT hungry for more assets

The trust has already announced seven acquisitions this year

BY TAN XUE YING

KUALA LUMPUR: Axis Real Estate Investment Trust (REIT) is in talks with several parties on buying more assets, a clear indication that it does not intend to slow down in its acquisition spree.



Leong Xie May told The Edge Financial Daily...

"We are always combing through the market for potential acquisitions, particularly warehouses and manufacturing facilities in our core areas."

Axis REIT is also currently undertaking a RM15.8 million built-out development of a single-story warehouse facility with office space for Federal Express Services (M) Sdn Bhd in Batu Kawan, Penang.

Axis REIT to raise RM63.84 mil from new units proposed placement

Facebook, Twitter, LinkedIn, YouTube, Instagram, Email, Print



BERNAMA December 10, 2019

看好強穩需求
AXIS產託推7工業產業

【吉隆坡3日訊】AXIS產託（AXREIT.S106，主板產業投資信託）看好工業產業需求強穩將持續支撐業績表現，接下來將進行7項工業產業發展計劃，進一步拉高投資組合中的工業產業比重。

首席執行官梁清美在股東特大后指出，目前工業產業需求仍強穩，加上公司的資產組合主要集中在雪蘭莪、柔佛和檳城這些核心地段。

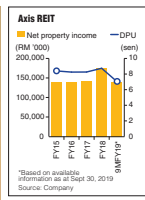
“在電子商務的成長下，倉庫目前需求持續強勁，此外製造業也展現韌性。”

據資料顯示，截至2019年9月30日，該公司的資產組合中44%為物流倉庫，製造設施占33%，剩餘是辦公樓、超級市場等資產。

梁清美表示，AXIS產託接下來將進行的7項產業發展計劃，幾乎是製造工業和倉庫。

售股籌資獲小股東放行

該公司小股東于今早股東特大上通過以每股1令72仙，私下發售最多3711萬5000股新股或3%股權授予大股東雇员公积金局和公務



Axis REIT Net property income (RM '000) and DPU (sen) from FY15 to Q4 FY19.

warehouse logistics (44% of NLA) and manufacturing facilities (31%), with the rest being offices, hypermarkets, and other industrial types.

For the cumulative nine-month period, the REIT's NPV rose 13.2% to RM144.52 million from RM127.65 million for the year-ago period, as total trust income grew 11.7% to RM161.83 million from RM144.89 million. Property income rose to RM160.95 million versus RM144.34 million previously.

Hong Leong Investment Bank Research analyst Nazira Abdullah expects Axis REIT to report better fourth quarter results with the full quarter contribution from its newly acquired properties in Batu Kawan and Nusajaya, which were completed in the third quarter.

On the private placement undertaken by Axis REIT, involving up to 37.12 million new units or a 3% stake in the Employees Provident Fund or Retirement Fund Inc, Leong said it would raise RM63.84 million, of which RM63.14 million will be used to repay borrowings to make way for future acquisitions.

Axis REIT continues to offer attractive dividend yield at 5.4%

Focus | 19 hours ago | Featured, Mainstream



ANALYSTS are mixed over Axis Real Estate Investment Trust's (REIT) latest fourth quarter results ended Dec 31, 2019.

Affin Hwang Capital was positive on the company for its strong management team and attractive 5.4% yield expected for 2020. The research house has maintained its buy recommendation on the company with a target price of RM1.97.

However, MIDF Research has maintained its neutral view on the REIT, revising lower

退休基金局，筹集6384万令吉的提议。

梁清美指出，加上之前配售新股，公司总共配售了16%新股，已达成募资目标，预计接下来不会再配售新股。

据Axis产托过去的公告显示，该公司于10月31日以每股1令72仙配售，配售1亿6085万股新股或3%股权来筹集2亿7666万令吉。

整个新股配售计划，总共可筹集约3亿4050万令吉。

她表示，截至2019年9月30日公司的负债率为40%，一旦整个配售计划完成，负债率将改善至29%。

不过，她补充，7项进行中的产业发展计划预计耗资3亿零410万令吉，若完成后公司负债率将再次提高至55.8%左右。

但她指出，随着公司投资组合和资金规模的扩大，每1%的负债率增长都是较大数目的款项，而公司自身的负债率舒适水平为40%。“若想把35%达至另一个40%，我们还可以通过再买约4亿令吉左右的资产。”

产业组合租赁稳定

对于产业组合情况，梁清美表示，公司的产业组合租赁情况稳定，每6年更新一次合约。

她指出，整体组合中17%的租赁空间需要在明年前进行续约，其中30%已完成更新。

Axis REIT continues acquisition spree

Adam Aziz & Joanna Tan / The Edge Financial Daily January 22, 2020 10:54 am +08



This article first appeared in The Edge Financial Daily, on January 22, 2020.



(From left) Axis REIT manager (investment and investor relations) Chan Tee Wee, Tan, Axis REIT chairman Tunku Shahabuddin Tunku Besar Burhanuddin, Leong, Axis REIT chief financial officer Nikki Ng and head of real estate Jackie Law at the Axis REIT Managers Bhd's 4QFY19 financial results briefing in Kuala Lumpur yesterday. Photo by Kenny Yap

Axis REIT continues to offer attractive dividend yield at 5.4%

UR: Axis Real Estate Investment Trust (Axis REIT) has identified RM140 million assets to buy this year, continuing its acquisition spree that lifted its assets under RM3.09 billion last year. The focus, it said, remains on properties sought by the

配股集資減債 雅飾仍有舉債空間

吉隆坡3日訊 雅飾地產（AXREIT，5106，主板資產信託股）希望通過完成配股股票予雇员公积金局（EPF）和公務員退休基金局（GMP）之後，可釋放整體的負債率，讓公司有更大發展空間，進行其他收購及發展項目。

雅飾地產股東周二在股東特大上通過了私下配售價最多3711萬5000股新股或相等於3%的股權，予雇员公积金局和公務員退休基金局的收購。

該次私下配股的主要目的，是讓公司能將負債率降至29%。

她表示，透過私下配股降低負債率，讓雅飾地產在未來有更大的融資空間去進行收購計劃，公司明年將專注於完成7項建議中的收購及發展項目。

該次私下配股已獲准配售1.618

工業用地和倉庫和工廠需求強勁，該公司就將繼續專注在這些領域。

截至9月30日止，倉庫占雅飾地產資產總值的44%，工廠則占31%。而據下來的收購與發展項目大多是倉庫與工廠。

雅飾地產此前計劃私下配售價最多2億4745萬7157股或相等於股本的20%，目前已配出1億6085萬股或3%。

在雇员公积金局和公務員退休基金局完成收購後，該項計劃已獲准配售1.618

Axis Mega DC 2 a key catalyst to Axis REIT's growth earnings

Recommendation: Neutral TARGET Price RM1.77 by Public Investment Bank Bhd (Nov 7)

Table with 5 columns: FY/DEC, 2018A, 2019F, 2020F, 2021F. Rows include REVENUE (RM mil), REALISED NET PROFIT (RM mil), REALISED EPS (sen), and P/E (x).

plus office, business parks and industrial properties with potential for future enhancements.

We estimate FY20s DPU growth to be mainly driven by organic growth and new assets targeted to be completed in FY19 (totaling c.RM258m) which include Axis Aerotech Centre, Bayan Lepas Industrial Facility and a few other manufacturing facilities.

Office space on +6% of total net leasable area (NLA). Given oversupply of office properties in the Klang Valley, we believe the headwinds will prevail for a while, for the market to absorb the incoming supply.

That said, we believe Axis REIT's earnings are somewhat buffered as its pure office assets only represent 6% of total NLA. Axis Mega DC 2, the next earnings booster. We understand Axis REIT is keen to develop the remaining 50% NLA (about 50 acres [20.23ha] of land size) of Axis Mega DC 2 in the near-term — a plan similar to its major redevelopment of Phase 1 for Nasale (M) Bhd.

REIT's earnings are somewhat buffered as its pure office assets only represent 6% of total NLA.

Axis Mega DC 2, the next earnings booster. We understand Axis REIT is keen to develop the remaining 50% NLA (about 50 acres [20.23ha] of land size) of Axis Mega DC 2 in the near-term — a plan similar to its major redevelopment of Phase 1 for Nasale (M) Bhd.

Axis REIT plans to develop the site into a grade-A distribution centre with green mark qualification and a flexible modular space configuration. This asset, if materials, is projected to increase Axis REIT's 2021 EPU by ~4%.



Manager's Discussion & Analysis

MANAGER'S DISCUSSION AND ANALYSIS

INVESTOR RELATIONS & MEDIA COVERAGE

AWARDS & RECOGNITION

Axis-REIT is proud to be the recipient of the following accolades in 2019:

- Property Insight Prestigious Developer Awards 2019 - Best REIT
- The Asia Pacific Best of the Breeds REITs Awards 2019 - Best Industrial REIT (Malaysia)
- The Asia Pacific Best of the Breeds REITs Awards 2019 - Best Islamic REIT (Malaysia)
- Sin Chew Business Excellence Awards 2019 - Property Excellence Award
- National Annual Corporate Report Awards (NACRA) 2019 - Merit Award
- The Asset ESG Awards 2019 - Titanium Award



Winner of Best REIT at the Prestigious Developer Awards 2019

MANAGER'S DISCUSSION AND ANALYSIS MARKET OUTLOOK & PRIORITY

Looking ahead, we are cautiously optimistic in our outlook over the broad industry trends and business conditions for the Fund. We expect demand for industrial properties to remain resilient amid continued expansion of the manufacturing sector and as e-commerce continues its exponential growth trajectory. The increasing sophistication and competitiveness of online retailing will support demand for strategically-located, warehouse logistic facilities, which will benefit Axis-REIT. For other market and industry trends, please refer to pages 90 to 91 of the Report.

For Axis-REIT, 2020 is shaping up to be a year of growth, and we are already slated to complete the acquisitions of seven more properties valued at RM288.3 million, and complete our third 'built-to-lease' property development project by end February 2020. These will drive revenue, net profit as well as portfolio growth in line with our goals of generating consistent and sustainable distributions and capital stability.

We are guided by the 2021 Strategy Plan - towards this end, we will work on the following focus areas in delivering sustainable growth to our Unitholders:

ORGANIC GROWTH	ACQUISITIVE GROWTH	DEVELOPMENT
Pursuing organic growth from our existing assets, through improving tenant satisfaction and retention, raising occupancy rates across our properties and preserving the capital value of our portfolio	Proactively building a pipeline of attractive acquisition targets, focusing on disciplined asset selection to secure income-generating, yield-accretive acquisitions to grow and enhance the portfolio	Seeking suitable 'built-to-lease' development projects with reputable and strong partners that will generate stable and sustainable new income streams

For more details on Axis-REIT's 2021 Strategy Plan, please refer to pages 96 to 99 of the Report.

In our pursuit of growth, we remain vigilant over potential risks that may impact our business model, operations and the ability to deliver the Fund's objectives. The recent and on-going coronavirus outbreak is a prime example of how unpredictable, unforeseeable and pervasive risk events can be.

Apart from the immediate and grave health and social implications, the outbreak could also potentially have severe economic and financial effects, and has already affected the tourism, aviation and retail sectors. While the government is formulating a stimulus package in response to the situation, there could still be spillover effects that may impact the broader economy, and business conditions in general.

For Axis-REIT, we are monitoring the situation closely, prioritising the health and safety of all our staff, tenants, contractors and stakeholders. We will continually assess the situation and take necessary actions to adjust our strategy accordingly. This is in fact, part of our day-to-day responsibility towards creating a safe and health-conscious environment at Axis-REIT. For details of our existing health and safety initiatives, please refer to pages 124 to 126 of the Sustainability Statement.

Notwithstanding such risks, we will continue to focus our efforts on delivering the Fund's mission of providing consistent distributions to Unitholders, and will continue to be guided by our six principles of management, namely:

Prudent capital and risk management	Maintaining the highest levels of corporate governance	Proactive asset and tenant management
Excellent investor relations	Yield-accretive asset purchases	Development of human capital



MANAGER'S DISCUSSION AND ANALYSIS

ADDITIONAL INFORMATION ON PROPERTY PORTFOLIO

No.		Net Property Income			Property Valuation					Land Tenure		
		Revenue (RM'000)	Property operating expense (RM'000)	Net Prop Income (RM'000)	Carrying value before revaluation (RM'000)	Carrying value after revaluation (RM'000)	Unrealised gain/(loss) (RM'000)	Total Investment Outlay (including enhancements) (RM'000)	Accumulated Revaluation Gain/(Loss) (RM'000)	Tenure	Remaining Lease Period (years)	Age of building (years)
1	Menara Axis	9,240	2,573	6,667	112,277	112,000	-277	90,175	21,825	Leasehold	46	15
2	Axis Business Campus	5,010	1,460	3,550	80,513	80,600	87	63,317	17,283	Leasehold	48	25-34
3	Axis Business Park	9,890	2,418	7,472	120,814	121,000	186	101,906	19,094	Leasehold	41	17-21
4	Axis Technology Centre	2,665	923	1,742	55,149	61,000	5,851	50,613	10,387	Leasehold	48	9-29
5	Axis Vista	3,273	423	2,850	57,484	57,500	16	34,441	23,060	Leasehold	47	46
6	Crystal Plaza	8,707	1,703	7,004	114,280	113,700	-580	68,514	45,186	Leasehold	40	24
7	Infinite Centre	4,224	1,107	3,117	43,483	43,500	17	36,808	6,692	Leasehold	46	33
8	Quattro West	2,887	1,096	1,791	56,000	56,000	0	51,126	4,874	Leasehold	53	37
9	Strateq Data Centre	5,198	324	4,874	57,000	57,000	0	42,729	14,271	Leasehold	49	20
10	The Annex	307	273	34	20,092	20,000	-92	13,531	6,469	Leasehold	43	37
11	Wisma Academy Parcel	7,122	2,240	4,882	74,418	74,500	82	77,287	-2,787	Leasehold	43	23
12	Wisma Kemajuan	5,511	1,659	3,852	65,611	65,600	-11	37,954	27,646	Leasehold	46	26
13	Axis Aerotech Centre @ Subang	6,968	246	6,722	74,418	89,500	15,082	73,075	16,425	Leasehold	47	1
14	Axis Mega Distribution Centre	20,505	1,736	18,769	300,393	314,000	13,607	258,766	55,234	Leasehold	72	2
15	Axis MRO Hub	4,163	538	3,625	53,401	53,300	-101	53,640	-340	Leasehold	66	27



MANAGER'S DISCUSSION AND ANALYSIS
ADDITIONAL INFORMATION ON PROPERTY PORTFOLIO

No.		Net Property Income			Property Valuation					Land Tenure		
		Revenue (RM'000)	Property operating expense (RM'000)	Net Prop Income (RM'000)	Carrying value before revaluation (RM'000)	Carrying value after revaluation (RM'000)	Unrealised gain/(loss) (RM'000)	Total Investment Outlay (including enhancements) (RM'000)	Accumulated Revaluation Gain/(Loss) (RM'000)	Tenure	Remaining Lease Period (years)	Age of building (years)
16	Axis Shah Alam Distribution Centre 1	2,501	188	2,313	32,700	37,200	4,500	22,507	14,693	Freehold	-	25
17	Axis Shah Alam Distribution Centre 2	3,469	528	2,941	48,439	48,350	-89	47,020	1,330	Leasehold	47	35
18	Axis Shah Alam Distribution Centre 3	15,954	2,072	13,882	185,500	192,000	6,500	187,011	4,989	Freehold	-	5-12
19	Axis Shah Alam Distribution Centre 4	6,319	306	6,013	83,000	86,000	3,000	84,270	1,730	Freehold	-	7-28
20	Axis Northport Distribution Centre 1 (formerly known as Axis Steel Centre)	5,318	818	4,500	78,040	78,100	60	66,917	11,183	Leasehold	83	28
21	Bukit Raja Distribution Centre	7,067	345	6,722	105,224	108,000	2,776	78,427	29,573	Freehold	-	13-25
22	Fonterra HQ	1,348	189	1,159	19,000	20,600	1,600	11,196	9,404	Freehold	-	20
23	Axis Industrial Facility @ Rawang (formerly known as Scomi Facility @ Rawang)	1,538	458	1,080	44,000	42,000	-2,000	42,696	-696	Freehold	-	9-18
24	Emerson Industrial Facility Nilai	3,077	309	2,768	32,800	35,000	2,200	27,443	7,557	Leasehold	76	12-21
25	Senawang Industrial Facility	1,712	97	1,615	21,000	21,000	0	18,933	2,067	Freehold	-	20



MANAGER'S DISCUSSION AND ANALYSIS

ADDITIONAL INFORMATION ON PROPERTY PORTFOLIO

No.		Net Property Income			Property Valuation					Land Tenure		
		Revenue (RM'000)	Property operating expense (RM'000)	Net Prop Income (RM'000)	Carrying value before revaluation (RM'000)	Carrying value after revaluation (RM'000)	Unrealised gain/(loss) (RM'000)	Total Investment Outlay (including enhancements) (RM'000)	Accumulated Revaluation Gain/(Loss) (RM'000)	Tenure	Remaining Lease Period (years)	Age of building (years)
26	Axis Facility @ Batu Kawan	-	-	-	14,545	16,000	1,455	14,545	1,455	Leasehold	30	-
27	Bayan Lepas Distribution Centre	4,975	773	4,202	60,176	61,600	1,424	50,318	11,282	Leasehold	43	19
28	Axis Hypermarket @ Sg Petani (formerly known as Giant Hypermarket)	3,512	211	3,301	49,000	49,000	0	38,973	10,027	Freehold	-	12
29	Seberang Prai Logistics Warehouse 1	1,639	105	1,534	20,500	24,000	3,500	17,821	6,179	Leasehold	34	18
30	Seberang Prai Logistics Warehouse 2	647	49	598	8,200	9,400	1,200	7,384	2,015	Leasehold	34	23
31	Seberang Prai Logistics Warehouse 3	6,687	1,002	5,685	67,202	69,500	2,298	62,555	6,945	Leasehold	33/49	14-16
32	Wasco Facility @ Kuantan	14,191	942	13,249	155,000	155,000	0	157,619	-2,619	Leasehold	90	5-17
33	Axis Steel Centre @ SiLC	14,444	564	13,880	163,000	163,000	0	155,949	7,051	Freehold	-	9
34	Beyonics i-Park Campus Block A	1,357	150	1,207	16,000	16,500	500	14,470	2,031	Freehold	-	4
35	Beyonics i-Park Campus Block B	1,231	136	1,095	14,500	15,000	500	13,115	1,885	Freehold	-	4



MANAGER'S DISCUSSION AND ANALYSIS
ADDITIONAL INFORMATION ON PROPERTY PORTFOLIO

No.		Net Property Income			Property Valuation					Land Tenure		
		Revenue (RM'000)	Property operating expense (RM'000)	Net Prop Income (RM'000)	Carrying value before revaluation (RM'000)	Carrying value after revaluation (RM'000)	Unrealised gain/(loss) (RM'000)	Total Investment Outlay (including enhancements) (RM'000)	Accumulated Revaluation Gain/(Loss) (RM'000)	Tenure	Remaining Lease Period (years)	Age of building (years)
36	Beyonics i-Park Campus Block C	1,123	129	994	13,000	14,000	1,000	11,934	2,066	Freehold	-	4
37	Beyonics i-Park Campus Block D	2,109	224	1,885	23,800	25,000	1,200	22,504	2,496	Freehold	-	4
38	Beyonics i-Park Campus Block E	2,669	179	2,490	32,000	32,000	0	32,099	-99	Freehold	-	2
39	D8 Logistics Warehouse	3,483	321	3,162	33,000	40,100	7,100	30,689	9,411	Leasehold	36	11
40	D21 Logistics Warehouse	3,005	310	2,695	29,000	29,000	0	28,413	587	Leasehold	36 [#]	15
41	FCI Senai	1,936	166	1,770	22,000	25,360	3,360	12,693	12,667	Leasehold	48	12
42	Indahpura Facility 1	541	57	484	8,000	8,000	0	7,343	657	Freehold	-	3
43	Kerry Warehouse	2,738	334	2,404	34,092	38,200	4,108	33,725	4,475	Leasehold	54	6
44	Niro Warehouse	1,773	229	1,544	20,000	27,700	7,700	15,234	12,466	Leasehold	32	16
45	Nusajaya Tech Park Facility 1	794	88	706	42,773	42,000	-773	42,773	-773	Freehold	-	2
46	Nusajaya Tech Park Facility 2	281	39	242	14,105	15,500	1,395	14,105	1,395	Freehold	-	3
47	Pasir Gudang Logistics Warehouse 1	1,568	228	1,340	17,083	21,300	4,217	13,814	7,486	Leasehold	48	14
48	Tesco Bukit Indah	7,788	491	7,297	97,045	106,000	8,955	76,969	29,031	Freehold	-	9
	Total	222,464	30,756	191,708	2,889,057	2,990,610	101,553	2,515,346	475,265			

[#] Fixed land lease of 30 years until 23 March 2025 with an option to renew for a further term of 30 years.



REPORT ON SHARIAH COMPLIANCE

On 11 December 2008, Axis-REIT became the first Malaysian REIT to be reclassified as an Islamic REIT. Since its successful reclassification, we have seen strong participation from investors who are seeking for Shariah-compliant investment avenues, from both the institutional and retail sectors.

During the financial year under review, BIMB Securities Sdn Bhd (“BIMB Securities”) replaced IBFIM as the appointed Shariah Adviser of the Fund. BIMB Securities is a Registered Eligible Shariah Adviser with the SC.

BIMB Securities’ services include:

- Providing expertise and guidance to the Manager in all matters relating to Shariah requirements, including Axis-REIT’s structure, investment process and other operational and administrative matters;
- Assessing new tenants and/or new properties to be acquired by Axis-REIT to ensure that all the activities of the said tenants and/or composition/contribution of non-permissible activities stay within the tolerable benchmark set by the Shariah Advisory Council (“SAC”) of the SC;
- Providing certification in Axis-REIT’s annual report on the Fund’s ability to remain as an Islamic REIT in accordance with the provisions prescribed by the SC’s Guidelines on Listed Real Estate Investment Trusts;
- Consulting with the SAC on ambiguity or uncertainty as to an investment, instrument, system, procedure and/or process; and
- Assisting and attending to any ad-hoc meeting called by the Manager, the SC and/or any other relevant authorities.

Ir. Dr. Muhamad Fuad bin Abdullah, who is the designated person responsible for the Shariah matters of Axis-REIT, is currently the designated person in-charge of all Shariah matters in BIMB Securities. He was appointed to the Shariah Advisory Committee of BIMB Securities in June 2011. He graduated from the University of Southampton, England, with a Bachelor of Science Degree in Electrical Engineering in 1977 and a Master of Philosophy Degree in Electrical Engineering in 1982. He also obtained a Bachelor of Arts (Jayyid) Degree in Shariah from the University of Jordan in 1994 and a Doctor of Philosophy in Muslim Civilization from the University of Aberdeen, Scotland in 1996. Currently, he serves as the Chairman of the Shariah Committee of the MIDF Group of Companies. He is a registered Shariah Adviser (2019-2022) with the SC.

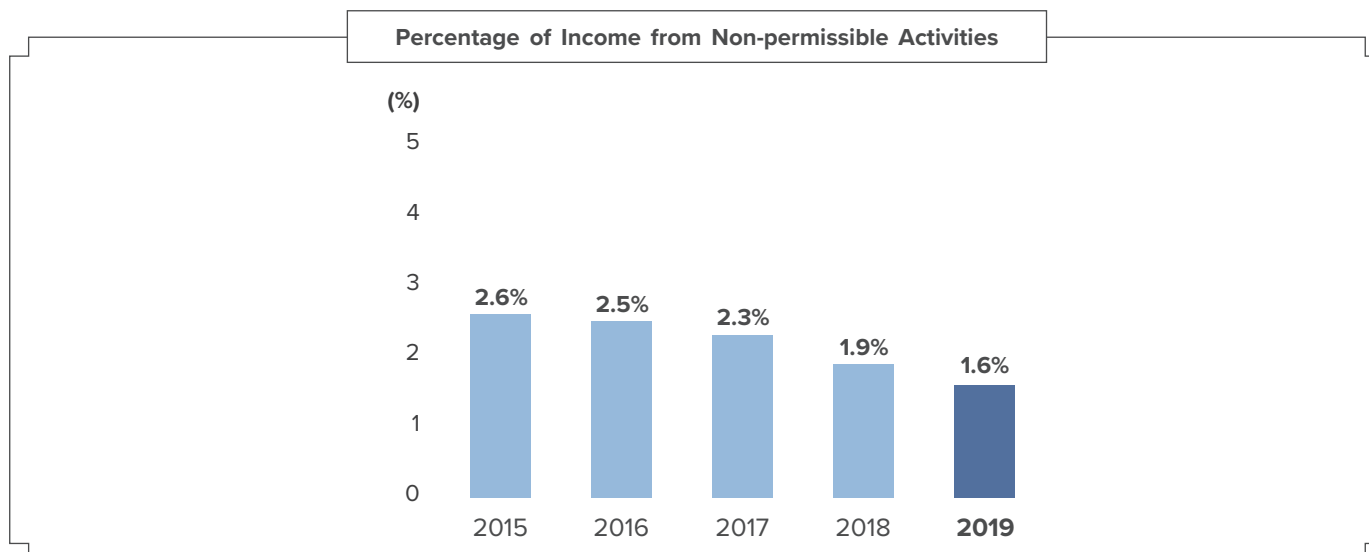
The Manager is pleased to report that:

- (i) Under the guidance of BIMB Securities, the level of income from non-permissible activities of Axis-REIT has been reduced to 1.63% in FYE2019; and
- (ii) The Islamic fund management business of Axis-REIT in respect of the financial year under review has been carried out in accordance with Shariah principles.

Based on the confirmation obtained from the Shariah Adviser:

- (i) BIMB Securities does not have any conflict of interest with Axis-REIT; and
- (ii) BIMB Securities has not been convicted of any offence within the past 5 years, and does not have any public sanction or penalty imposed by the relevant regulatory bodies during FYE2019.

The diagram below shows the level of income from non-permissible activities for the past 5 years:



SHARIAH ADVISER'S REPORT

TO THE UNITHOLDERS OF AXIS REAL ESTATE INVESTMENT TRUST (“AXIS-REIT”)

We have acted as the Shariah Adviser of Axis-REIT managed by Axis REIT Managers Berhad (“the Manager”) for the financial year ended 31 December 2019 (“FYE2019”).

Our responsibility is to ensure that the procedures and processes employed by the Manager are in compliance with Shariah principles.

In our opinion, the Manager has operated and managed Axis-REIT in accordance with Shariah principles and has complied with applicable guidelines pertaining to Shariah matters, and principles, concepts and rulings endorsed by the Shariah Advisory Council of the Securities Commission Malaysia for the FYE2019.

In addition, we wish to notify that, in respect of the FYE2019:

1. The investment portfolios of Axis-REIT do not include any non-real estate assets;
2. The percentage ratio of Shariah non-compliant rental is 1.63%, which is less than the tolerable benchmark of 20%; and
3. There was no acquisition of Shariah non-compliant property.

For and on behalf of the Shariah Adviser,
BIMB SECURITIES SDN BHD

IR. DR. MUHAMAD FUAD ABDULLAH
Designated Shariah Person

Kuala Lumpur
Date: 14 February 2020





AXIS



PROPERTY DETAILS

80 Axis-REIT Property Portfolio Details

80 Central Region

84 Northern Region

84 East Coast Region

84 Southern Region



AXIS-REIT PROPERTY PORTFOLIO DETAILS

Property Name	Acquisition Date	Purchase Price (RM'000)	Total Investment Outlay Including Enhancements as of 31/12/19 (RM'000)	Carrying Value Based on Latest Valuation (RM'000)	
CENTRAL REGION					
1	Menara Axis	03/08/2005	71,400	90,175	112,000
2	Axis Business Campus	30/06/2006	32,500	63,317	80,600
3	Axis Business Park	03/08/2005	84,600	101,906	121,000
4	Axis Technology Centre	15/11/2010	49,000	50,613	61,000
5	Axis Vista	09/12/2008	32,000	34,441	57,500
6	Crystal Plaza	03/08/2005	56,400	68,514	113,700
7	Infinite Centre	03/08/2005	25,450	36,808	43,500
8	Quattro West	30/11/2007	39,800	51,126	56,000
9	Strateq Data Centre	25/01/2008	37,000	42,729	57,000
10	The Annex	01/10/2012	12,000	13,531	20,000

* These are single-tenant properties whereby the carparks are managed by tenant



AXIS-REIT PROPERTY PORTFOLIO DETAILS

	Net Lettable Area (sq. ft.)	Number of Car Park (bays)	Occupancy Rate as at 31/12/19	Major Tenants
	181,168	250	78%	<ul style="list-style-type: none"> Orient Overseas Container Line (M) Sdn Bhd Philips Malaysia Sdn Bhd DHL Asia Pacific Shared Services Sdn Bhd
	155,113	441	85%	<ul style="list-style-type: none"> Krohne (M) Sdn Bhd MIG Network & Consultancy Sdn Bhd Grab Car Sdn Bhd
	330,725	432	90%	<ul style="list-style-type: none"> Fuji Xerox Asia Pacific Pte Ltd Hitachi eBworx Sdn Bhd Alcon Laboratories (M) Sdn Bhd
	170,730	318	50%	<ul style="list-style-type: none"> Fresenius Kabi Malaysia Sdn Bhd Fresenius Medical Care Malaysia Sdn Bhd NZ New Image Sdn Bhd Helukabel Malaysia Sdn Bhd
	118,557	*	100%	<ul style="list-style-type: none"> Mitsubishi Electric Sales Malaysia Sdn Bhd Extrovest Communications Sdn Bhd Sports Direct MST Sdn Bhd
	204,977	250	77%	<ul style="list-style-type: none"> Tenaga Nasional Bhd DHL Asia Pacific Shared Services Sdn Bhd Asiaworks Malaysia Sdn Bhd
	140,417	182	100%	<ul style="list-style-type: none"> Procurri Malaysia Sdn Bhd Konica Minolta Business Solutions (M) Sdn Bhd C Melchers Gmbh & Co
	104,196	130	43%	<ul style="list-style-type: none"> Kenanga Investment Bank Bhd MIMS Medica Sdn Bhd Roca Malaysia Sdn Bhd
	104,903	*	100%	<ul style="list-style-type: none"> Strateq Data Centre Sdn Bhd
	45,400	31	60%	<ul style="list-style-type: none"> Sports Garage Sdn Bhd



Property Details

AXIS-REIT PROPERTY PORTFOLIO DETAILS

Property Name	Acquisition Date	Purchase Price (RM'000)	Total Investment Outlay Including Enhancements as of 31/12/19 (RM'000)	Carrying Value Based on Latest Valuation (RM'000)	
CENTRAL REGION - SELANGOR					
11	Wisma Academy Parcel	01/10/2012	73,000	77,287	74,500
12	Wisma Kemajuan	16/12/2005	29,000	37,954	65,600
13	Axis Aerotech Centre @ Subang	07/02/2018	19,876 [#]	73,075	89,500
14	Axis Mega Distribution Centre	15/10/2010	85,000	258,766	314,000
15	Axis MRO Hub	18/12/2014	52,500	53,640	53,300
16	Axis Shah Alam Distribution Centre 1	31/07/2007	18,500	22,507	37,200
17	Axis Shah Alam Distribution Centre 2	31/03/2015	45,000	47,020	48,350
18	Axis Shah Alam Distribution Centre 3	18/12/2014	183,000	187,011	192,000
19	Axis Shah Alam Distribution Centre 4	04/06/2018	83,000	84,270	86,000
20	Axis Northport Distribution Centre 1 (formerly known as Axis Steel Centre)	20/10/2009	65,000	66,917	78,100
21	Bukit Raja Distribution Centre	14/12/2009	71,750	78,427	108,000
22	Fonterra HQ	16/11/2007	7,200	11,196	20,600
23	Axis Industrial Facility @ Rawang (formerly known as Scomi Facility @ Rawang)	15/11/2016	42,696	42,696	42,000

[#] Land lease

* These are single-tenant properties whereby the carparks are managed by tenant



AXIS-REIT PROPERTY PORTFOLIO DETAILS

	Net Lettable Area (sq. ft.)	Number of Car Park (bays)	Occupancy Rate as at 31/12/19	Major Tenants
	236,075	407	70%	Dataprep (Malaysia) Sdn Bhd Ban Leong Technologies Sdn Bhd Tenaga Nasional Berhad Ingram Micro (Malaysia) Sdn Bhd
	199,008	254	76%	Total Oil Malaysia Sdn Bhd Fossil Time Malaysia Sdn Bhd Hawley & Hazel Marketing Sdn Bhd Brightstar Distribution Sdn Bhd
	178,978.60	*	100%	Upeca Aerotech Sdn Bhd
	515,000 (Phase 1)	*	100% (Phase 1)	Nestlé Products Sdn Bhd
	161,280	*	100%	SR Technics Malaysia Sdn Bhd
	110,406	*	100%	Upeca Aerotech Sdn Bhd
	164,400	*	100%	Total Logistics Services (M) Sdn Bhd Tele-Paper (M) Sdn Bhd
	685,082	*	100%	POS Logistics Berhad LF Logistics Services (M) Sdn Bhd
	254,233	*	100%	Teraju Sinar Sdn Bhd
	339,194	*	100%	Northport (Malaysia) Berhad
	456,435	*	100%	LF Logistics Services (M) Sdn Bhd
	35,710	*	85%	Fonterra Brands (M) Sdn Bhd
	302,621	*	0%	



Property Details

Services
 Logistics
 Consumer products
 Manufacturing

AXIS-REIT PROPERTY PORTFOLIO DETAILS

Property Name	Acquisition Date	Purchase Price (RM'000)	Total Investment Outlay Including Enhancements as of 31/12/19 (RM'000)	Carrying Value Based on Latest Valuation (RM'000)
CENTRAL REGION - NEGERI SEMBILAN				
24 Emerson Industrial Facility Nilai	30/08/2012	26,500	27,443	35,000
25 Senawang Industrial Facility	05/12/2018	18,500	18,933	21,000
NORTHERN REGION				
26 Axis Facility @ Batu Kawan	19/12/2019	3,916 [#]	14,545	16,000
27 Bayan Lepas Distribution Centre	17/01/2012	48,500	50,318	61,600
28 Axis Hypermarket @ Sungai Petani (formerly known as Giant Hypermarket)	07/09/2007	38,000	38,973	49,000
29 Seberang Prai Logistics Warehouse 1	05/03/2010	17,390	17,821	24,000
30 Seberang Prai Logistics Warehouse 2	05/03/2010	6,860	7,384	9,400
31 Seberang Prai Logistics Warehouse 3	15/02/2012	59,000	62,555	69,500
EAST COAST REGION				
32 Wasco Facility @ Kuantan	05/12/2017	120,000	157,619	155,000
SOUTHERN REGION				
33 Axis Steel Centre @ SiLC	30/12/2014	153,500	155,949	163,000
34 Beyonics i-Park Campus Block A	28/01/2016	14,231	14,470	16,500
35 Beyonics i-Park Campus Block B	28/01/2016	12,899	13,115	15,000
36 Beyonics i-Park Campus Block C	28/01/2016	11,737	11,934	14,000
37 Beyonics i-Park Campus Block D	28/01/2016	22,133	22,504	25,000
38 Beyonics i-Park Campus Block E	09/08/2018	31,500	32,099	32,000

Land lease

* These are single-tenant properties whereby the carparks are managed by tenant



Property Details

AXIS-REIT PROPERTY PORTFOLIO DETAILS

	Net Lettable Area (sq. ft.)	Number of Car Park (bays)	Occupancy Rate as at 31/12/19	Major Tenants
	291,642	*	100%	Emerson Process Management Manufacturing (M) Sdn Bhd
	148,011	*	100%	Nippon Wiper Blade (M) Sdn Bhd
	44,000	*	0%	Federal Express Services (M) Sdn Bhd (Target commencement 1 March 2020)
	205,151	*	100%	DHL Properties (M) Sdn Bhd
	138,000	*	100%	TF Value-Mart Sdn Bhd
	106,092	*	100%	LF Logistics Services (M) Sdn Bhd
	41,893	*	100%	LF Logistics Services (M) Sdn Bhd
	395,225	*	100%	Schenker Logistics (M) Sdn Bhd
	506,753	*	100%	Wasco Coatings Malaysia Sdn Bhd
	688,011	*	100%	Yongnam Engineering Sdn Bhd
	67,260	*	100%	Beyonics Technology (Senai) Sdn Bhd
	60,967	*	100%	Beyonics Technology (Senai) Sdn Bhd
	55,476	*	100%	Beyonics Precision Machining Sdn Bhd
	104,606	*	100%	Beyonics Precision Machining Sdn Bhd
	132,706	*	100%	Beyonics Precision Malaysia Sdn Bhd

Services
 Logistics
 Consumer products
 Manufacturing



AXIS-REIT PROPERTY PORTFOLIO DETAILS

Property Name	Acquisition Date	Purchase Price (RM'000)	Total Investment Outlay Including Enhancements as of 31/12/19 (RM'000)	Carrying Value Based on Latest Valuation (RM'000)
SOUTHERN REGION (CONTINUED)				
39 D8 Logistics Warehouse	01/03/2011	30,000	30,689	40,100
40 D21 Logistics Warehouse	30/04/2008	27,000	28,413	29,000
41 FCI Senai	15/11/2007	12,300	12,693	25,360
42 Indahpura Facility 1	09/08/2018	7,200	7,343	8,000
43 Kerry Warehouse	24/07/2017	33,000	33,725	38,200
44 Niro Warehouse	30/04/2008	14,500	15,234	27,700
45 Nusajaya Tech Park Facility 1	30/09/2019	42,000	42,773	42,000
46 Nusajaya Tech Park Facility 2	30/09/2019	13,800	14,105	15,500
47 Pasir Gudang Logistics Warehouse 1	04/08/2008	12,500	13,814	21,300
48 Tesco Bukit Indah	01/10/2010	75,600	76,969	106,000

Additional information:

- (i) Details on title of properties are available on the website www.axis-reit.my/type.php
- (ii) Details on encumbrances are contained in Note 4 to the Financial Statements

* These are single-tenant properties whereby the carparks are managed by tenant



AXIS-REIT PROPERTY PORTFOLIO DETAILS

	Net Lettable Area (sq. ft.)	Number of Car Park (bays)	Occupancy Rate as at 31/12/19	Major Tenants
	171,000	*	100%	Nippon Express (M) Sdn Bhd
	174,920	*	100%	Damco Logistics Malaysia Sdn Bhd
	136,619	*	100%	FCI Connectors Malaysia Sdn Bhd
	33,448	*	100%	Oerlikon Balzers Coating Malaysia Sdn Bhd
	163,000	*	100%	Kerry Ingredients (Malaysia) Sdn Bhd
	167,193	*	100%	Niro Ceramic (M) Sdn Bhd
	104,694	*	100%	GKN Engine Systems Component Repair Sdn Bhd
	42,068	*	100%	SternMaid Asia Pacific Sdn. Bhd.
	130,743	*	100%	Guan Chong Cocoa Manufacturer Sdn Bhd
	233,579	*	100%	Tesco Stores (M) Sdn Bhd



Property Details



RISK & STRATEGY

90	Operating Environment	100	Risk
92	Stakeholder Engagement	104	Materiality Assessment
96	2021 Strategy Plan	105	Sustainability Statement





OPERATING ENVIRONMENT

The ever-changing dynamics of the global business environment impacts way we approach and operate our business and manage our stakeholders. With this in mind, we have engineered our strategy to proactively address these externalities while capitalising on any opportunities that may arise in order to stay at the forefront of our industry.

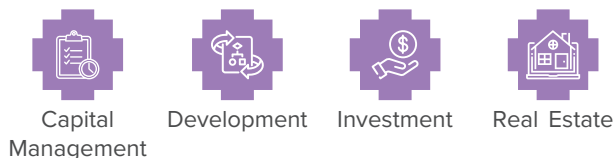


Risk & Strategy

Macroeconomic Landscape

Malaysia's economy expanded at a slower pace of 4.4% in 3Q2019 (2Q2019: 4.9%)¹, impacted by on-going trade tensions and heightened external uncertainties. The services and manufacturing sectors continued to sustain the country's economic growth. From 2017 to September 2019, contribution from the manufacturing sector remained fairly stable, accounting for 22.3% to 22.4% of the country's total GDP¹.

Link to Strategy



Capital Management Development Investment Real Estate

Implication to the Industry

Despite the slower economic growth, the manufacturing sector saw 671 projects approved in the first three quarters of 2019. These projects involved total investments of RM57.7 billion¹, with 54,162¹ job opportunities. Selangor attracted the most investments, accounting for RM16.4 billion (or 28.5%) of the total, followed by Penang (RM13.3 billion or 23.0%), Kedah (RM7.8 billion or 13.5%), Johor (RM7.7 billion or 13.3%) and Perak (RM4.8 billion or 8.4%)¹. The resilience of the manufacturing sector underpins continued demand industrial properties, particularly in rapidly-growing industrial areas in Selangor, Penang, Kedah and Johor.

Our Response Moving Forward

- Prudent capital management
- Property acquisition strategy continues to focus on industrial warehouses and manufacturing facilities as the preferred asset class in rapidly-growing industrial areas

Digitalisation

Digitalisation and automation have steadily transformed industrial orientation in Malaysia toward higher value-added industrial activities². The government has been supportive of this transformation, and in Budget 2020, allocated RM550 million in Smart Automation matching grants and capital allowance incentives to further boost the automation of business processes³. Additionally, the projected rise of e-commerce in the coming years will increase demand for efficient logistics facilities that enable fast movement of goods, as well as design and space that maximises capacity in tight urban footprints⁴.

Link to Strategy



Development Investment Real Estate Facilities Management

Implication to Business

The continued rise and proliferation of technological innovations and e-commerce will drive demand for efficient, strategically-located state-of-the art facilities. This, in turn, will require future builds, asset acquisitions and AEs to cater to these demands. Enhancements in industrial operations and decreased dependency on labour will also change industrial space use in the long term.

Our Response Moving Forward

- Look into retrofitting existing properties to support digitalisation and automation of processes and functions, where suitable

OPERATING ENVIRONMENT



Climate Change Link to Strategy


Globally, extreme weather such as flooding, hurricanes and elevated sea levels, as well as changes to weather patterns such as irregular frequency of rain, wind and higher temperatures, have become more prevalent. Among climate catastrophes that caught headlines this year include the heatwave in south-eastern Australia, Hurricane Dorian in the United States and the massive flooding in Iran, which collectively resulted in millions of deaths and/or massive forced displacement⁴. In Malaysia, several states are facing an increased risk of water shortage and stress, further complicating urban water resource management and distribution within the region⁵.




Capital Management




Development



Investment



Real Estate



Facilities Management


Implication to Business Our Response Moving Forward

Climate hazards can potentially affect the value of real estate investments. Capital investments for repair, replacement and adaptation measures would be required to restore the functionality and safety of our properties. Properties in locations that are prone to climate-related hazards may also face reduced attractiveness, which might concurrently affect marketability.


- ESG aspects to be considered during due diligence on new acquisitions
- Adopt energy and water efficient design

Sustainable Design Link to Strategy


Widespread awareness on the impact of climate change, coupled with the emergence and increasing prevalence of sophisticated technologies, have spurred demand for more sustainable buildings. Developers are integrating sustainability features into developments that lower the environmental impact over the assets' lifespan without compromising comfort, durability and functionality⁶. Similarly, property owners and seekers are increasingly motivated to be more environmentally conscious.




Capital Management




Development



Investment



Real Estate



Facilities Management

Implication to Business Our Response Moving Forward

We anticipate that tenants will increasingly demand/expect our existing properties to incorporate more sustainability features. We also expect this trend to apply for future 'built-to-lease' projects. This suggests an upcoming need for capital investments and industry expertise for both new builds and retrofitting work on existing buildings.

- Collaborate with tenants to incorporate ESG features into existing properties, where possible
- Regular communication and networking with industry professionals on the development of trends, demands and consumer sentiment

¹ Knight Frank (2019), Property Market Overview 2019
² CBRE (2019), Malaysia Real Estate Market Outlook 2019
³ The Malaysian Reserve (2019), Budget 2020 highlights <<https://themalaysianreserve.com/2019/10/11/budget-2020-highlights/>>
⁴ The Guardian (2019), Climate crisis linked to at least 15 \$1 billion plus disasters in 2019
⁵ National Hydraulic Research Institute of Malaysia (2019), Water Stress Index <<https://n-hydaa.nahrim.gov.my/NahrimPublic/snapshot/WsiOne3Public.php>>
⁶ PwC (2019), Real Estate 2020 Building the Future

STAKEHOLDER ENGAGEMENT

We are committed to maintaining good communications and establishing positive relationships with all our stakeholders as we see this as fundamental to building a sustainable business. Details of our stakeholder engagement methods, concerns and responses are presented in the following table.

Stakeholder Group	Axis-REIT's Goal	Key Concerns	Axis-REIT's Response	Engagement Mode	Frequency
Board of Directors	Engage Board of Directors for industry expertise and insights on the Fund's growth and strategy	<ul style="list-style-type: none"> Financial performance Business strategy and growth Corporate governance practices 	<ul style="list-style-type: none"> Providing regular communication of the Fund's financial performance and business strategy Keeping up-to-date with the latest corporate governance and compliance practices 	Board meetings	Quarterly
				Annual General Meetings ("AGM")	Annually
Senior Management	Build a strong and competent leadership team to develop and execute business strategies and goals	<ul style="list-style-type: none"> Financial performance Business strategy and growth Employee management 	<ul style="list-style-type: none"> Maintaining active engagement with industry experts, professionals and consultants Monitoring business performance against Key Performance Indices ("KPIs") and established targets Encouraging close collaboration between business functions to promote efficiency and productivity 	Management meetings	Weekly

Risk & Strategy

STAKEHOLDER ENGAGEMENT

Stakeholder Group	Axis-REIT's Goal	Key Concerns	Axis-REIT's Response	Engagement Mode	Frequency
Employees	Provide an equal opportunity work environment that recognises the talents of individuals, supports their professional growth, and increases employee retention, commitment and loyalty	<ul style="list-style-type: none"> • Opportunities for career advancement • Competitive remuneration and benefits 	<ul style="list-style-type: none"> • Keeping up-to-date with market remuneration rates • Management looks internally to fill vacancies and provides opportunities for employee advancement • Providing sufficient training for all employees • Ensuring employee appraisals are done in a fair manner 	Team building events	Annually
				Departmental activities/training	Quarterly
				Employee appraisals	Annually
Tenants	Forge strong relationships, satisfy tenants' business space needs	<ul style="list-style-type: none"> • Maintenance of properties • Quick responses to queries/complaints 	<ul style="list-style-type: none"> • Enforcing regular maintenance schedules • Notifying tenants of potential disruption(s) to tenant services and amenities • Enabling and ensuring facility managers are contactable at all times 	One-on-one meetings	Ongoing
				'Hello Axis' tenant management portal	As required
				Festive greetings	As required



STAKEHOLDER ENGAGEMENT

Stakeholder Group	Axis-REIT's Goal	Key Concerns	Axis-REIT's Response	Engagement Mode	Frequency
Unitholders	Proactively engage with Unitholders and provide up-to-date, timely and transparent information	<ul style="list-style-type: none"> • Transparency of dealings • Financial performance of the Fund • Timely dissemination of information on material disclosures 	<ul style="list-style-type: none"> • Adhering to regulatory rules, corporate governance and international reporting standards • Disseminating up-to-date information via Bursa Securities and Axis-REIT's corporate website 	AGMs	Annually
				Unitholders' Meetings	As required
				Timely announcements on Bursa Securities website and corporate website	Ongoing
Investment Community	Proactively engage the investment community through multiple channels of communication to ensure timely and transparent disclosures	<ul style="list-style-type: none"> • Transparency of dealings • Timely dissemination of information on material disclosures 	<ul style="list-style-type: none"> • Adhering to regulatory rules, corporate governance and international reporting standards • Disseminating up-to-date information via Bursa Securities and Axis-REIT's corporate website 	One-on-one meetings with investors locally and overseas	Throughout the year
				Local and overseas investor conferences	Throughout the year
				Briefings for analysts	Bi-annually
Regulatory Bodies	Engage regulatory bodies to ensure that the Manager is aware of and complies with the latest rules and regulatory requirements	<ul style="list-style-type: none"> • Regulatory compliance 	<ul style="list-style-type: none"> • Attending meetings and events to stay abreast with regulatory developments and to understand new regulations 	One-on-one meetings	When required
				Attending talks and conferences organised by regulators	When required
Suppliers	Engage credible and reliable suppliers	<ul style="list-style-type: none"> • To have a clear understanding of the scope of work expected • Adherence to timelines • Ensuring payments are made on time 	<ul style="list-style-type: none"> • Working closely with suppliers to ensure clear understanding of the scope of work and timelines • Progress meetings with suppliers 	Tenders	When required
				One-on-one meetings	When required



STAKEHOLDER ENGAGEMENT

Stakeholder Group	Axis-REIT's Goal	Key Concerns	Axis-REIT's Response	Engagement Mode	Frequency
Service Contractors/ Providers	Engage competent service contractors and providers who provide exceptional technical services	<ul style="list-style-type: none"> To have a clear understanding of the scope of work expected Adherence to timelines Ensuring payments are made on time 	<ul style="list-style-type: none"> Progress meetings with suppliers 	Vendor Evaluation	Annually
				One-on-one meetings	When required
				Tender Interview	When required
Industry Associations/ Professional Bodies	Keep abreast with changes and updates in the market. Where possible, for Axis-REIT to take the lead in lobbying new amendments that could take the industry forward	<ul style="list-style-type: none"> Providing updates on changes in laws and regulations Fair representation of the industry's needs and demands to regulators 	<ul style="list-style-type: none"> Attending meetings and events to stay abreast on industry developments and to understand new practices in the industry Providing feedback when necessary 	Attending regular meetings and events organised	When required
Media	To provide timely and accurate information to members of the media	<ul style="list-style-type: none"> Receiving the latest updates and news on Axis-REIT 	<ul style="list-style-type: none"> Engaging a public relations company to manage press engagements, and to ensure press releases are disseminated in a timely manner and to field requests for interviews 	One-on-one meetings	When required
				Press briefings	When required
				Annual gathering	When required
Local Communities	Fulfil the role of a good corporate citizen by supporting local Non-Governmental Organisations and charities	<ul style="list-style-type: none"> Long-term support from the business community to help address issues faced or support causes championed 	<ul style="list-style-type: none"> Engaging with various community organisations to keep abreast with issues faced by local communities Supporting projects that are relevant to the Manager's mission and within its financial means 	Promote employee volunteer programmes	As appropriate
				Contribution for emergency situations	As appropriate



2021 STRATEGY PLAN

Axis-REIT’s 2021 Strategy Plan identifies five pillars that define focus areas in building a sustainable business and creating value for our stakeholders. Practicing prudent capital management, delivering excellent tenant experiences while maximising opportunities from new acquisitions and development projects will allow us to deliver value to our stakeholders and returns for Unitholders.

DEVELOPMENT

In pursuit of diversifying the Fund’s property portfolio, the Manager ventured into ‘built-to-lease’ development projects by collaborating with tenants to meet their business needs. Effective and efficient project management ensures development projects are designed and delivered with the highest quality, and in a timely and cost-efficient manner, whereby new builds provide flexibility to be reconfigured for future use.

Risk & Strategy

Link to Risk:

 Development	 Real Estate	 ESG
 Compliance	 Human Resource	 Information Technology

Link to Sustainability Matter:

 Quality Assets & Services - New Acquisitions	 Business Ethics	 Responsible Supply Chain Management
 Resource Management	 Occupational Health & Safety	 Energy & Carbon Footprint

Strategic Focus Areas

1. Selection of competent contractors and consultants
2. Selection of building materials for easy maintenance and sustainability
3. To meet tenant specifications and satisfaction

Key Activities in 2019

1. Conducted tender exercise for selection of contractors
2. Incorporated sustainable building materials in request for proposals to contractors
3. Managed contractors’ performance to complete quality projects, within budget and in a timely manner

For more information:

- Quality Assets and Services – New Acquisitions, page 113
- Responsible Supply Chain Management, page 118
- Business Ethics, page 116
- Resource Management, page 120
- Occupational Health and Safety, page 124
- Energy and Carbon Footprint, page 133

2021 STRATEGY PLAN

CAPITAL MANAGEMENT

The Manager adopts a prudent and proactive capital management strategy to support the Fund’s operational requirements and distributions. Amid fluid market conditions and changing geopolitical developments, the Manager aims to deliver steady and sustainable growth by effectively managing our financing portfolio.

Link to Risk:



Link to Sustainability Matter:



Strategic Focus Areas

1. Close monitoring of profit rate movements
2. Diversify sources of funding

Key Activities in 2019

1. Regular engagement with banks to ensure that the Fund has sufficient liquidity for both risk management and potential growth
2. Maintained a well-balanced spread between long-term and short-term financing
3. Close monitoring of financing levels

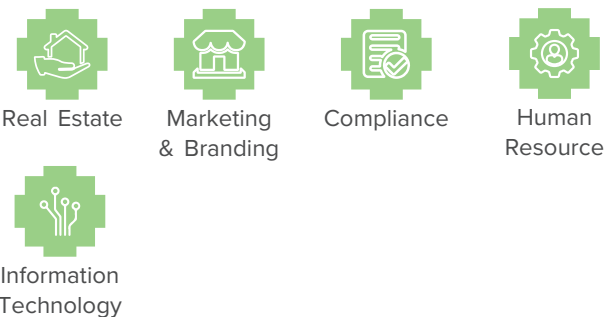
For more information:

- Financial Review, page 44
- Economic Performance, page 105
- Business Ethics, page 116

REAL ESTATE

The Manager actively manages the Fund’s properties through positioning the portfolio to capitalise on long-term opportunities. By leveraging on ‘built-to-lease’ development projects and tenant partnerships, the Manager is able to curate a successful portfolio of properties that meets tenants’ business needs, while concurrently fulfilling the Fund’s aim of maximising returns to Unitholders.

Link to Risk:



Link to Sustainability Matter:



Strategic Focus Areas

1. Build strong brand awareness of Axis-REIT
2. Forge strong relationships with existing tenants
3. Strengthen the property portfolio with quality new builds and secure credible and reliable tenants

Key Activities in 2019

1. Regular engagement and networking with real estate industry players
2. Active marketing of properties to prospective tenants with increased reach through digital marketing channels
3. Engagement with existing tenants on workspace expansion

For more information:

- Tenant Satisfaction, page 107
- Business Ethics, page 116
- Embracing Innovation and Technology, page 121

2021 STRATEGY PLAN

FACILITIES MANAGEMENT

To uphold tenant satisfaction, the Manager focuses on preserving the value of properties and providing superior tenant experience through the proactive delivery of services. Simply put, tenants are the driving force behind Axis-REIT’s success and market leading position, and so their experience with the Manager’s services and people is of utmost importance to the business.

Link to Risk:



Real Estate



ESG



Compliance



Human Resource



Information Technology

Link to Sustainability Matter:



Quality Assets & Services - Existing Assets



Business Ethics



Responsible Supply Chain Management



Resource Management



Tenant Satisfaction



Occupational Health & Safety



Energy & Carbon Footprint



Waste Management



Water Management

Strategic Focus Areas

1. Introduction and implementation of Facilities Management best practices
2. Effective adherence to building codes of compliance
3. Enhance OSH efforts and measures

Key Activities in 2019

1. Implemented environmentally effective energy management programmes during renovation/repairs/AEIs to reduce carbon footprint and achieve electricity and water savings
2. Regular maintenance and enhancements to the ‘Hello Axis’ tenant management portal
3. Developed training programmes for Facilities Management Team to upskill technical and non-technical competencies
4. Selected quality vendors with adequate competencies and experience
5. Conducted annual vendor evaluation
6. Introduced supplier code of conduct
7. Introduced Health, Safety and Environment (“HSE”) policy

For more information:

- Quality Assets and Services – Existing Assets, page 111
- Business Ethics, page 116
- Responsible Supply Chain Management, page 118
- Resource Management, page 120
- Tenant Satisfaction, page 107
- Occupational Health and Safety, page 124
- Energy and Carbon Footprint, page 133
- Waste Management, page 134
- Water Management, page 136

2021 STRATEGY PLAN

INVESTMENT

As the Fund aspires to expand its portfolio of properties, the Manager continues to maintain a robust and active acquisition pipeline, leveraging on industry insights to identify potential acquisition targets with favourable locations and compelling competitive advantages.

Link to Risk:



Investment



Development



ESG



Compliance



Human Resource



Information Technology

Link to Sustainability Matter:



Quality Assets & Services - New Acquisitions



Business Ethics



Responsible Supply Chain Management



Resource Management



Risk & Strategy

Strategic Focus Areas | **Key Activities in 2019**

1. Develop and maintain a robust and active acquisition pipeline
2. Enhance portfolio of industrial assets by focusing on logistics and manufacturing facilities with potential for future enhancements
3. Sourcing and evaluating offices/business parks located in strategic locations with potential to fetch better value.

1. Continuous engagement with agents, property players, and related parties
2. Secured quality acquisition targets for the Fund
3. Maintained and strengthened network of third-party consultants, as well as due diligence consultants who are competent and timely on delivery

For more information:

- Investment Review, page 60
- Quality Assets and Services – New Acquisitions, page 113
- Business Ethics, page 116
- Responsible Supply Chain Management, page 118
- Resource Management, page 120

RISK

Effective management of risk throughout our operations is critical to the performance, sustainability and success of Axis-REIT. With this in mind, the Manager continually strives to improve and enhance our non-financial risk management capabilities. In 2019, the Manager took the first step to harmonise the Enterprise Risk Management (“ERM”) and materiality assessment process by reviewing its risk register to incorporate ESG aspects and integrating existing risk parameters as part of the materiality assessment. The table below presents a summary of the Manager’s most material business risks in 2019, along with mitigating actions taken and links between each risk to our strategy and sustainability matters.

Risks	Description	Impact	Mitigating Actions
Financial	Risk of rising financing costs and inability to obtain financing from banks due to stringent capital market requirements	<ul style="list-style-type: none"> Unable to meet financial obligations due to tight cash flows Inability to meet target DPU 	<ul style="list-style-type: none"> Close monitoring of internal financing levels Hedge profit rates by entering Islamic Profit Rate Swaps (“IPRS”) Implemented placement exercise through fund raising via private placement
Investment	Risk of acquiring assets exposed to conditions such as non-compliance with building regulations, unfavourable vendors and tenant circumstances, alongside environmental and social complications	<ul style="list-style-type: none"> Financial penalty due to non-compliance Affect overall property portfolio performance Decline in property values and yields Additional capital expenditure to enhance properties to comply with existing regulations Aborted transactions Reputational damage 	<ul style="list-style-type: none"> Incorporate ESG considerations into due diligence process Conduct preliminary due diligence with competent consultants and land surveyors Obtain approval from Executive Committee, Trustee and Board of Directors
Compliance	Risk of non-compliance with the applicable laws and regulations affecting the property portfolio and the Fund as a listed entity	<ul style="list-style-type: none"> Financial penalty due to non-compliance Reputational damage 	<ul style="list-style-type: none"> Monitor compliance with Occupational Safety and Health Act, Environmental Quality Act, building code compliance, by-laws of the local councils Regular engagements with relevant regulators, local authorities, local councils, consultants, corporate advisers and legal solicitors Directors and employees regularly attend briefings and training to keep abreast with the latest development in applicable rules and regulations
Information Technology	Risk of data and information loss due to cyber-attacks and breaches	<ul style="list-style-type: none"> Disruption to daily operations High financial expense to recover IT infrastructure and data loss Loss of confidence among tenants and business partners 	<ul style="list-style-type: none"> Purchase only approved and licensed hardware and software from reputable and established suppliers Daily server backup and recovery



RISK



Link to Strategy

Link to Sustainability Matters



Capital Management



Economic Performance



Investment



Quality Assets & Services - New Acquisitions



Responsible Supply Chain Management



Investment



Development



Facilities Management



Business Ethics



Occupational Health & Safety



Real Estate



Capital Management



Investment



Development



Facilities Management



Cybersecurity



Real Estate



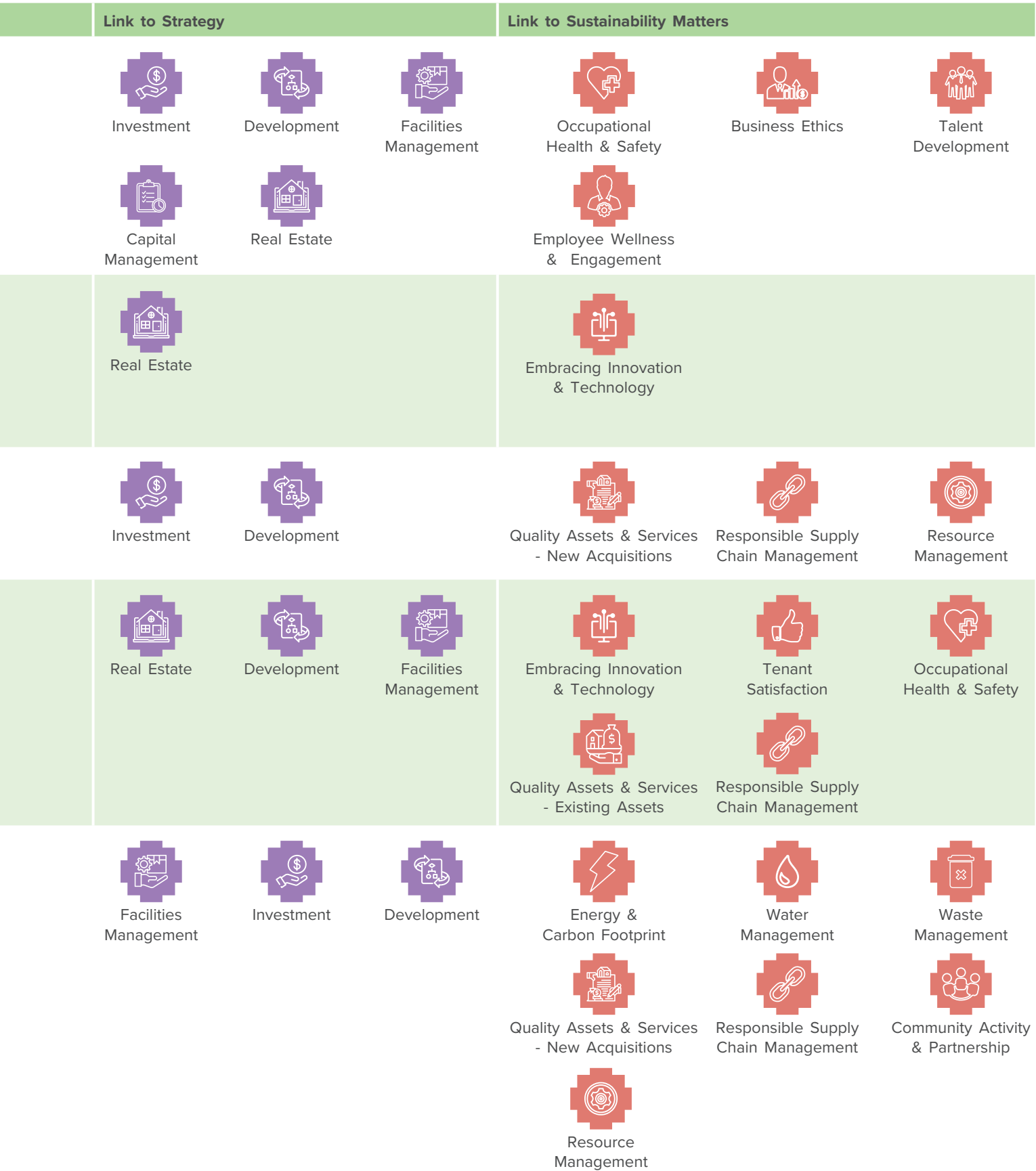
Capital Management

RISK

Risks	Description	Impact	Mitigating Actions
Human Resource	Risk of failure to attract and retain competent and experienced employees	<ul style="list-style-type: none"> Unable to provide professional services to tenants 	<ul style="list-style-type: none"> Conduct performance appraisal Provide training programmes for employees Review remuneration structure annually
Marketing and Branding	Risk of communicating inaccurate property information to potential tenants and ineffective marketing/ advertising campaigns	<ul style="list-style-type: none"> Loss of competitive advantage Impaired credibility and reputational damage 	<ul style="list-style-type: none"> Regular engagement with real estate agents and other industry players Axis-REIT Brand Toolkit as a guiding policy to conduct marketing and advertising activities Timely update to website and marketing collaterals to reflect accurate and updated property information
Development	Risk from cost overruns and delays in completion of 'built-to-lease' development projects	<ul style="list-style-type: none"> Adverse impact to cash flows Reduced profits Inability to meet income payment distribution goals 	<ul style="list-style-type: none"> Regular meetings with consultants and contractors throughout the development project Stringent cost control and monitoring Issue progress reports of development projects
Real Estate	Risk of increased vacancy rates, decreased rental rates and property obsolescence	<ul style="list-style-type: none"> Decline in property values and yields Reduced investor interest Decline in tenant satisfaction 	<ul style="list-style-type: none"> Maintain good relationships with tenants, real estate agents and professional valuers Conduct regular property maintenance and AEs to preserve asset values Regular safety inspection by HSSE Manager
ESG	Risk of overlooking ESG considerations in vendor selection, evaluation process and day-to-day operations alongside stakeholder expectations for the Manager to conduct corporate social responsibility programmes	<ul style="list-style-type: none"> Financial penalty due to non-compliance of ESG regulations and requirements Loss of social license to operate within the community Loss of competitive advantage 	<ul style="list-style-type: none"> Incorporate ESG considerations into the vendor evaluation and selection process Explore initiatives to reduce environmental impacts Organise corporate social responsibility programmes



RISK



MATERIALITY ASSESSMENT

Axis-REIT’s sustainability matters are issues that have the potential to affect our ability to create value in the short, medium and long-term. The Manager conducted a materiality assessment process to ensure that the viewpoints and expectations of all stakeholders are considered, and that these matters are continuously taken into consideration within our functional and business units.

Step 1: Review Existing Sustainability Matters

As a start, the materiality assessment process conducted in 2018 was revisited to ensure that issues, risks and opportunities that are most important to Axis-REIT’s stakeholders and ability to create value over time are captured. As part of the review, the material matters were refined to consider Axis-REIT’s strategy, governance, performance and prospects, as well as the associated risks identified through our structured risk management framework. In addition, we undertook a benchmarking exercise against industry peers and drew inspiration from global reporting assessment criteria and frameworks to develop a preliminary list of Axis-REIT’s sustainability matters. This year, Axis-REIT has increased its sustainability matters (from ten in 2018) to reflect the inclusion of more environment-focused matters as they become more important in our industry and business operations. The environmental matters introduced this year include water management and waste management.

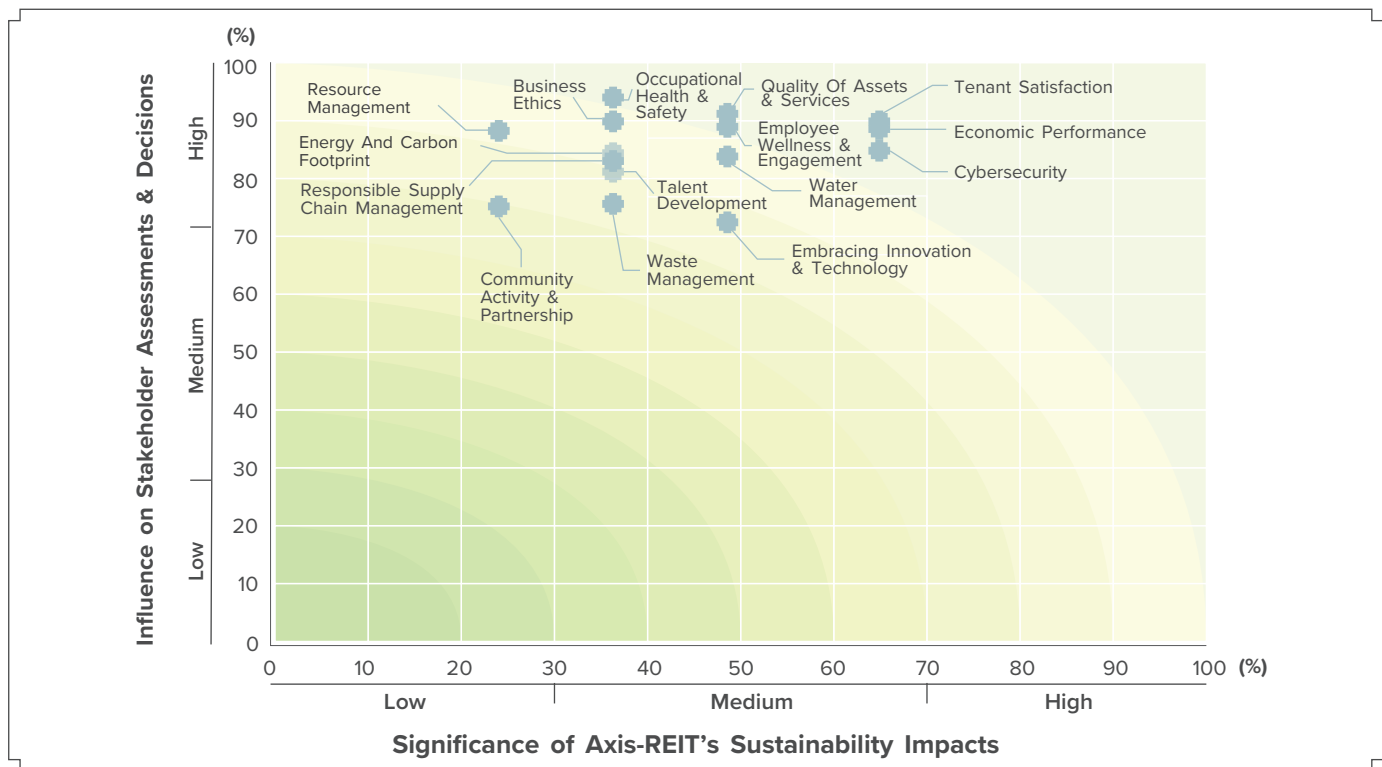
Step 2: Stakeholder Prioritisation & Engagement

This year, five stakeholder groups were engaged to gauge their perception of the importance of Axis-REIT’s sustainability matters. We engaged with the Board of Directors, the Senior Management Team, employees, tenants, as well as service contractors and service providers through online surveys and teleconference calls.

Step 3: Prioritisation of Sustainability Matters

To further prioritise these sustainability matters, the Senior Management Team conducted an impact assessment exercise, studying the likelihood and impact of these matters on the Manager’s ability to create value in the short, medium and long term. The outcome of the materiality assessment process is illustrated in the Materiality Matrix below.

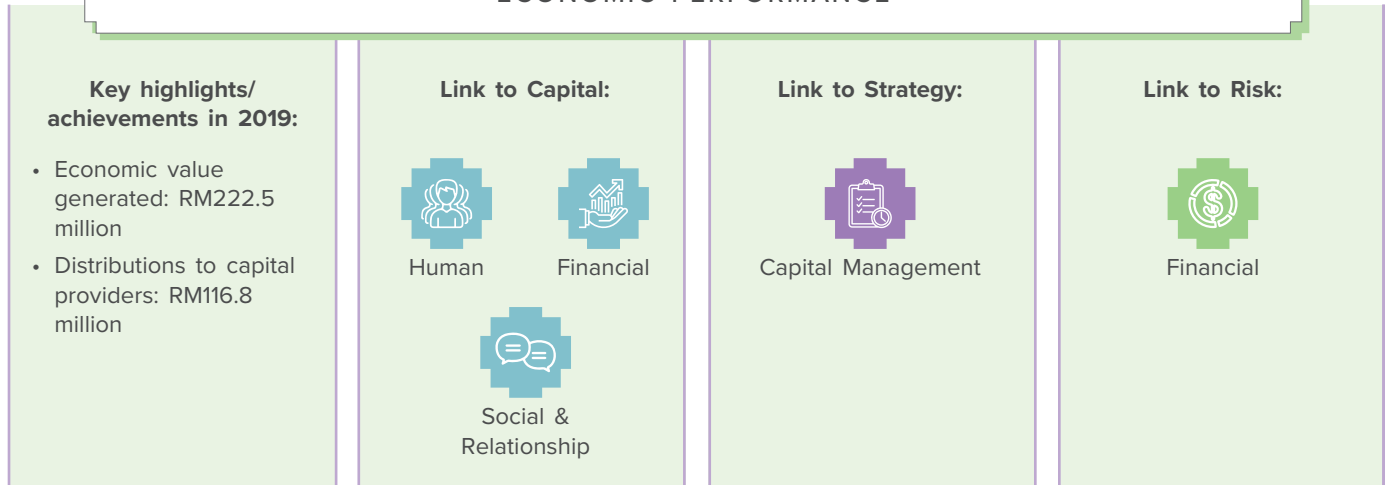
Materiality Matrix (FYE2019)



Based on the diagram above, Axis-REIT’s top sustainability matters are Economic Performance, Tenant Satisfaction, Cybersecurity, Quality Assets and Services (New Acquisition and Existing Assets), Employee Wellness and Engagement as well as Occupational Health and Safety. Please refer to our Sustainability Statement for more information on our sustainability initiatives and performance.

SUSTAINABILITY STATEMENT

ECONOMIC PERFORMANCE



Risk & Strategy

The Manager remains committed to deliver long-term sustainable distributions and capital stability through prudent capital management. In FYE2019, the Fund reported a revenue of RM222.5 million as compared to RM210.6 million in the previous financial year, a increase of 5.6%. In addition, the economic

value distributed, and economic value retained increased by 8.7% and 0.01% respectively. For further information on the Fund's economic performance, please refer to the Financial Review on page 44 of the IAR.

KEY INITIATIVES & MEASURES IN 2019

Disciplined Investment Strategy

To ensure the Fund continues to generate financial returns for Axis-REIT's stakeholders and Unitholders, the Manager manages financial resources through the implementation of a disciplined investment strategy. As part of its investment discipline, the Manager also maintains a proactive portfolio management strategy to preserve and enhance the value of the Fund's properties and identify assets that are approaching or have attained optimal returns, for disposal consideration.

Cost Discipline and Optimisation

The Manager also adopts careful management of operating costs against financial projections, budgets, benchmarking portfolio efficiency ratios against the best in industry.

Efficient Management of Working Capital and Liquidity

To ensure working capital and liquidity supports business activities and strategic plans, the Fund maintains an optimal balance of short-term and long-term financing.

Effective Risk Management and Governance Framework

The Manager recognises that effective risk management practices and governance framework are critical components of the Fund's business. Therefore, the Risk Management and Governance Framework details an approach in the event of such risks materialising, and ensures we have the tools to effectively respond to any adverse developments.

SUSTAINABILITY STATEMENT

KPIS & TARGETS

	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)
Economic value generated (Revenue)	172,715	210,588	222,464
Operating costs	26,512	27,827	30,756
Employee wages and benefits	–	–	–
Payment to capital providers	92,457	107,825	116,752
Payment to government	9,778	7,168	6,263
Community investment	98	47	60
Economic value distributed	119,066	135,699	147,568
Economic value retained	53,649	74,889	74,896

VALUE TO BUSINESS & STAKEHOLDERS

Axis-REIT is committed to create value for our stakeholders and the broader community in which we operate. Over and above income distributions to Unitholders, the Fund generates economic value through its business activities as an industrial and office space provider, which indirectly facilitates trade, job creation and economic activity.






The Fund's property development projects, portfolio investments and AElS directly generate economic activities and translate to job creation in the construction, real estate and other related industries. Our withholding tax on income distribution also add to the government coffers towards nation building, while our direct community contributions, particularly in education, are aimed at long term value creation.

OUTLOOK & PRIORITIES FOR 2020

In the following year, we continue to put emphasis on implementing a disciplined investment strategy, optimising costs, efficient management of working capital and liquidity and effective risk management and governance framework.

SUSTAINABILITY STATEMENT

TENANT SATISFACTION

<p>Key highlights/ achievements in 2019:</p> <ul style="list-style-type: none"> Improved tenant satisfaction ratings Maintenance of high occupancy rates (> 90%) 	<p>Link to Capital:</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>Social & Relationship</p> </div> <div style="text-align: center;">  <p>Intellectual</p> </div> </div>	<p>Link to Strategy:</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>Real Estate</p> </div> <div style="text-align: center;">  <p>Facilities Management</p> </div> </div>	<p>Link to Risk:</p> <div style="text-align: center;">  <p>Real Estate</p> </div>
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Tenants are an important priority at Axis-REIT. The Manager continuously strive to anticipate and provide superior services and workspace solutions that meet tenants’ business needs. We believe these are key to maintaining high tenant satisfaction and retention rates.

The Real Estate and Facilities Management Teams work hand-in-hand to attend to the needs and requests of our tenants. While the Facilities Management Team provides routine and ad-hoc maintenance, the Real Estate Team oversees asset management and leasing functions across the property portfolio.



Risk & Strategy

KEY INITIATIVES & MEASURES IN 2019

In addition to traditional marketing methods, the Marketing Team utilised digital marketing platforms to extend reach to potential new tenants. These platforms, which included Google Ads, listings on property websites, as well as SMS and email blasts to agents, helped the Real Estate Team achieve their leasing targets. Details of the digital marketing platforms we engaged are available in the “Embracing Innovation and Technology” section of the IAR.

Regular Tenant Engagement

Axis-REIT’s web-based tenant management portal, known as ‘Hello Axis’ (helloaxis.com.my), is a platform for tenants to raise or monitor service requests, apply or terminate season parking, receive circulars, lodge complaints and learn about the emergency and evacuation procedures of their premises. Through this platform, we are able to identify and respond to enquiries and maintenance issues raised by tenants within 24 hours.

As part of our tenant management strategy, our Real Estate Team will proactively engage our tenants to understand their needs and concerns, as well as to obtain feedback. Where applicable, the Manager also discusses potential improvement plans that would better serve them in the future. By understanding tenant priorities on matters such as building amenities and connectivity, the Manager is able to make better-informed resource-allocation decisions that address unique market needs.

AEIs

As part of the Manager’s efforts to drive tenant retention, it takes a proactive approach to AEIs, thereby keeping the Fund’s property portfolio competitive, relevant and sought-after. AEIs undertaken in 2019 involved major enhancement works and modernisation to building façades, as well as mechanical and electrical systems, e.g. upgrading lifts and air conditioning systems and installing sensor lighting and taps that are environmentally friendly. These efforts keep our properties up-to-date and competitive and increase the likelihood of tenancy renewals as well as space expansion.

Tenant Profile Screening

A big part of the success of the Fund is attributed to our tenant profile. Our robust tenant screening process allows the Manager to select quality and creditworthy tenants. Among the criteria assessed include company financial backgrounds, the nature of businesses and industries, and the sustainability of businesses. To minimise credit risk, a stringent credit evaluation process is conducted before a prospective tenant is offered a tenancy. This evaluation process is repeated annually to monitor each tenant’s credit worthiness. The table below details common tenant issues and expectations and how we have resolved them.

SUSTAINABILITY STATEMENT

Common tenant issues/ expectations

Corrective actions taken

Housekeeping

Facilities Management Team and contractors collaborate to regularly inspect, monitor and improve the housekeeping of Axis-REIT's properties.

Ambient Room Temperature

Check the HVAC system functionality and undertake necessary corrective actions.

KPIS & TARGETS

This year, the Manager is pleased to report an increase in tenant satisfaction rates from the 'Hello Axis' portal. The chart below details the number of tickets raised, resolved and outstanding alongside the overall satisfaction rating by our tenants. For the 'Hello Axis' portal, tenant satisfaction ratings run from a scale of 1 (poor) to 5 (excellent).

Building Type	Tenants' Online Service Requests			Satisfaction Rating by Tenants
	Tickets Raised	Resolved	Outstanding	
2017				
Multi-Tenant	213	213	0	3.34
Single-Tenant	58	58	0	3.84
Total Average				3.59
2018				
Multi-Tenant	235	235	0	3.65
Single-Tenant	69	69	0	4.07
Total Average				3.86
2019				
Multi-Tenant	274	272	2	3.74
Single-Tenant	103	94	9	4.43
Total Average				4.09

The 11 tickets outstanding in 2019 are due to the tickets being raised by the tenants in the last few days of the year.

SUSTAINABILITY STATEMENT

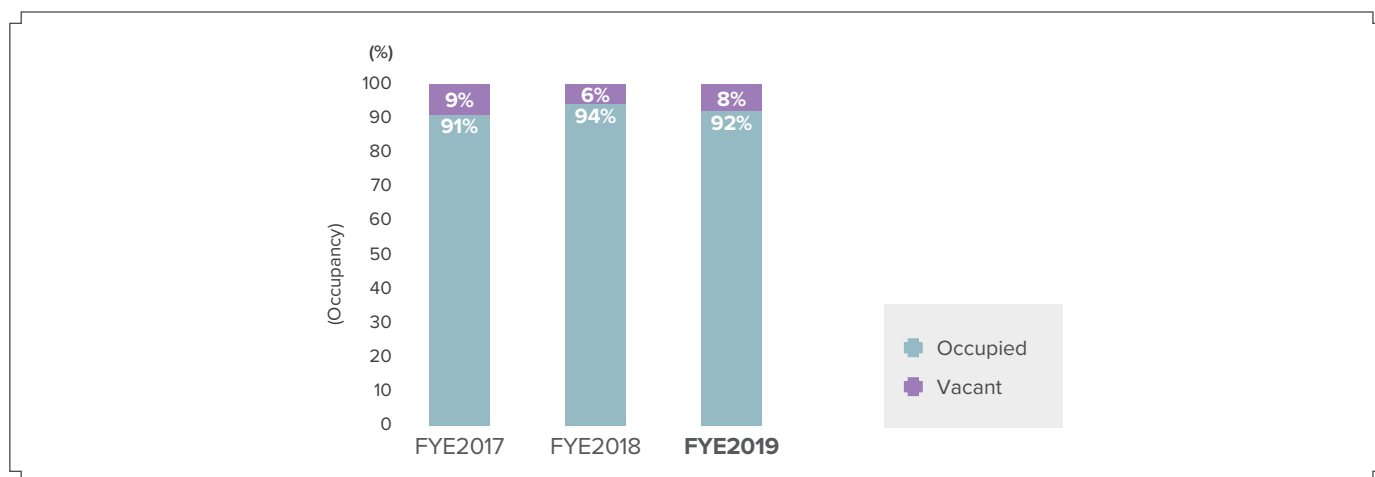
In 2019, the Manager also broadened its tenant satisfaction survey to include questions on response time, safety and security at our properties, and tenants' perception of Axis-REIT as their preferred business space partner. Tenants were required to rate their experience with Axis-REIT on a scale of 1 (Poor) to 10 (Excellent), and the results of the survey are presented in the table below:

	2018	2019
How would you rate Axis-REIT's services?/How would you rate our response time?	6.87	6.95
Would you recommend Axis-REIT's properties and services to your friends and business partners?	6.91	7.13
Is Axis-REIT your preferred business space partner?	N/A	7.13
How would you rate the safety and security at our properties?	N/A	7.11

During the year, the Manager observed an improvement in ticket response times. For multi-tenanted buildings, we responded to 81% of tickets raised in less than 24 hours, while at single-tenanted buildings, we responded to 95% of tickets within 24 hours.

Type of Building	2017		2018		2019	
	Ticket Response Time		Ticket Response Time		Ticket Response Time	
	< 24 hrs	> 24 hrs	< 24 hrs	> 24 hrs	< 24 hrs	> 24 hrs
Multi-Tenant	87%	13%	81%	19%	81%	19%
Single-Tenant	72%	28%	86%	14%	95%	5%

Occupancy rate of Axis-REIT's property portfolio stood at 92% as at 31 December 2019, following the success of the Real Estate Team's efforts in securing tenancies for 2.04 million sq. ft. of space in 2019. These comprised new tenancies, as well as tenancy renewals, where the team successfully achieved an 84% tenant retention rate in 2019.



As at 31 December 2019, Axis-REIT's tenant base comprised 152 local and international companies from a diverse range of industries and geographical locations, thereby minimising industry concentration risk.



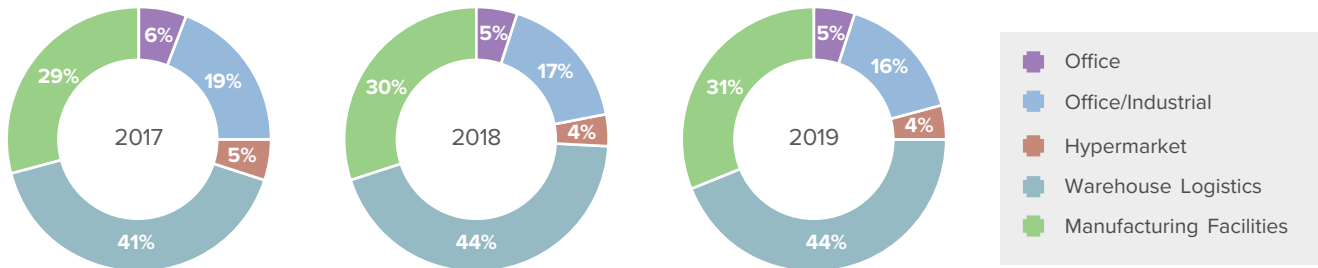
SUSTAINABILITY STATEMENT

As an industrial space provider, the Fund’s portfolio is dominated by office/industrial buildings, warehouse logistics properties and manufacturing facilities. Tenants of these properties are mainly local and multinational companies, as well as government-linked companies (“GLCs”) that have been loyal, long-term tenants of the Fund, providing a stable income stream and minimal risk of default. Our largest tenants (by rental income) are from the logistics and manufacturing industries. The portfolio’s ten biggest tenants (by revenue contribution) are involved in third-party logistics services, manufacturing electrical and electronic products, and providing multi-disciplinary engineering and construction services.



Risk & Strategy

Portfolio Diversification by Asset Type (on NLA)



VALUE TO BUSINESS



High tenant satisfaction drives tenant retention, thereby improving property returns and positively impacting property values.



Strong rapport with tenants maximises occupancy rates and rental income.



High tenant satisfaction improves the perception and reputation of Axis-REIT’s brand image as the preferred business space partner in the country.

VALUE TO STAKEHOLDERS

Tenants are provided superior services and workspace solutions that suit their business needs.

OUTLOOK & PRIORITIES FOR 2020

For the coming year, the Manager will continue to place emphasis on providing superior customer service and regular tenant engagement to improve its tenant satisfaction and retention rates.

SUSTAINABILITY STATEMENT

QUALITY ASSETS & SERVICES – EXISTING ASSETS



Risk & Strategy

The quality of assets and the accompanying services offered in the Fund’s portfolio are core to its success as a REIT. The approach undertaken by the Manager to oversee the selection and acquisition of new assets and developments, as well as in maintaining the quality of existing assets and services to ensure that our tenants are in a safe, secure, clean and comfortable environment are detailed in the section below.

The Facilities Management Team is responsible for providing routine and ad-hoc maintenance services to preserve and uphold the quality and physical condition of all properties in

Axis-REIT’s portfolio at all times. The team works closely with the Project Management and Real Estate Teams on upgrades, refurbishments and AELs, and where relevant, the redevelopment of existing assets.

With Axis-REIT’s expansion into ‘built-to-lease’ developments, the Project Management Team is tasked with overseeing project development from beginning to end, to ensure that projects are completed according to specifications, on schedule and within budget.

KEY INITIATIVES & MEASURES IN 2019

Preventive Maintenance of Existing Assets

Axis-REIT’s Preventive Maintenance Programme aims to ensure that all properties are adequately and effectively maintained throughout their service life, and that maintenance efforts are undertaken efficiently. The programme ensures that appropriate decisions are made in selecting maintenance strategies based on the allocated maintenance budget. Maintenance work is carried out once in a month, or as recommended by the Operations and Maintenance (“O&M”) Manual. To further strengthen the functionality and durability of property facilities and systems, we also carry out the following initiatives:

- Daily checklists for mechanical, electrical and plumbing (“MEP”) systems and non-MEP systems.
- Appointment of competent service contractors to undertake routine service and maintenance work as recommended in the O&M Manual.
- Internal auditors conduct annual preventive maintenance check.
- Regular communication and feedback via tenant engagement on the functionality of facilities and systems.

Our building managers keep regular communication with service providers to facilitate consultation on issues that require improvement when service reports are submitted. The Facilities Management Team closely supervises service providers and contractors in carrying out routine maintenance work to ensure their work complies with the O&M Manual. This establishes an efficient routine maintenance schedule to reduce downtime arising from possible failure of systems and services, as well as lift and air-conditioning breakdowns. Additionally, monthly meetings between service providers and contractors, and representatives from the Facilities Management Team, facilitates regular engagement between the parties to discuss areas for improvement in the quality and efficiency of their services.

To ensure the Manager’s employees are well-equipped and up-to-date on technical and regulatory developments, the Facilities Management Team conducts a minimum of four training sessions a year, focusing on areas such as health and safety, as well as technical and non-technical skills. For details of technical and non-technical training programmes provided, please refer to the Occupational Health and Safety section of this Sustainability Statement.

SUSTAINABILITY STATEMENT

AEIs

During the reporting year, total capital incurred on AEIs amounted to RM9.1 million. The Facilities Management Team and Project Management Team oversaw the following key upgrading, refurbishment and AEIs in 2019:

AEI Projects	Description
Axis Shah Alam Distribution Centre 2	Installation of new sprinkler system
Wisma Academy	Refurbishment of toilets and common areas
Menara Axis	Upgrading of facade and common areas
Seberang Perai Logistics Warehouse 3	Enhancement of electrical and mechanical systems

KPIS & TARGETS

As a testimony of our successful efforts to enhance and maintain our existing properties, our occupancy rate continues to report above the 90% mark in 2019. This has contributed to positive rental income for the year and distribution earnings for the Fund.

	2017	2018	2019
Rental income (RM'000) #	154,537	186,180	205,016
DPU (sen)	8.26	8.74	9.26
Occupancy Rate	91%	94%	92%

Excluding lease incentives adjustment and unbilled lease income receivable pursuant to requirements of the MFRS 16 to recognised income on a straight line basis.

VALUE TO BUSINESS

Ensures the quality of existing properties are maintained and preserved.

Reduces unpredictable and heavy expenses due to significant and urgent repairs.

Ensures properties remain relevant and competitive.

VALUE TO STAKEHOLDERS

Proper building maintenance ensures that the multi-tenanted properties remain clean and safe, thereby maintaining tenant satisfaction and retention.

Limits dangers and liabilities due to dilapidation/deterioration of buildings.

Compliance with relevant regulatory standards set by the government and local authorities.

OUTLOOK & PRIORITIES FOR 2020

In the coming year, the Manager will continue to maintain and enhance its existing portfolio through consistent maintenance and regular AEIs. In the long run, this will lead to better returns for the Fund.

SUSTAINABILITY STATEMENT

QUALITY ASSETS & SERVICES – NEW ACQUISITIONS



Risk & Strategy

The quality of Axis-REIT’s properties are integral to the Fund’s success. The Manager’s approach in selecting and acquiring new properties and developments, as well as in maintaining the quality of existing properties and services, are detailed in the section below.

The key responsibility of the Investments Team is to source and secure new properties for the Fund, building a robust pipeline of suitable investments for the Manager’s consideration as potential acquisition targets to grow Axis-REIT’s portfolio of assets. The Investments Team identifies potential disposal opportunities for the Fund in the normal course of its investment strategy. In evaluating acquisition opportunities, they are guided by the following investment criteria:



SUSTAINABILITY STATEMENT

KEY INITIATIVES & MEASURES IN 2019

New Asset Acquisition

The asset acquisition due diligence process sets the foundation for the successful purchase of high quality, yield-accretive assets. When viable assets are identified and have received approval from the Board of Directors, Trustee and Shariah Adviser, an extensive due diligence process then begins, to ensure the acquisitions meet the Fund's investment criteria. The due diligence process involves the following processes – land survey, valuation, financial, building's technical and legal due diligence.

During this process, the Manager closely monitors the risk of surrounding pollution and contamination that could impede the operations of on-site businesses and negatively affect tenant wellbeing. This has significantly reduced the likelihood of unforeseen environmental damage that could impact current and future tenants.

Built-to-Lease Development

With limited "Grade A" assets in the market, venturing into 'built-to-lease' projects enables the Fund to curate and customise its very own "Grade A" assets that cater to clients' specific business needs and objectives.

The Project Management Team advises on aspects such as civil and structural components, as well as materials selection for 'built-to-lease' development projects, with feedback from Facilities Management alongside tenants and consultants. This is followed by feasibility studies that are conducted to determine the viability of concepts and ideas proposed by consultants and contractors to ensure the project is operationally and technically feasible, as well as economically viable.

As Axis-REIT seeks to incorporate green initiatives into its 'built-to-lease' projects, the Manager has included rainwater harvesting systems and LED lighting systems, as requested by tenants, along with other industry best practices and requirements by local authorities.

CASE STUDY

During 2019, the Manager secured its third 'built-to-lease' project – a single-storey warehouse facility with office space for FedEx. Construction commenced in August 2019 and is slated for completion and handover by end-February 2020. Upon completion of the construction, Axis-REIT will sub-lease the land, together with the logistics warehouse facility, to FedEx.

Total capital incurred: RM14.55 million¹

- Custom-built logistics warehouse, designed and built to FedEx's specifications.
- Rainwater harvesting system installed to cater for delivery truck cleaning activities.
- Developed on 2.5 acres of land, with a gross built up area of 44,000 sq. ft.

¹ Total capital incurred including land cost

This is a significant milestone for the Manager and Axis-REIT, and we have ensured that the development (of the warehousing facility) is of the highest standards and the expectations of FedEx's business needs and requirements are met. The team is working towards on-time project delivery and at the time of reporting, is pending the Certificate of Completion and Compliance.



SUSTAINABILITY STATEMENT

KPIS & TARGETS

Following the extensive due diligence exercises undertaken during the year, the Manager successfully acquired two properties. Salient features of the new acquisitions are detailed below. Additionally, the Manager has embarked on its third 'built-to-lease' project in Batu Kawan, Penang.

	Acquisition 1	Acquisition 2	Development Project
Property Name	Nusajaya Tech Park Facility 1	Nusajaya Tech Park Facility 2	Axis Facility @ Batu Kawan
Purpose of Use	Aerospace related manufacturing and services	Manufacturing, processing and storage of food ingredients	Logistics warehouse
Current Tenant	GKN Engine Systems Component Repair Sdn Bhd	Sternmaid Asia Pacific Sdn Bhd	Federal Express Services (M) Sdn Bhd
Acquisition Price/ Development cost (including land)	RM42.0 million	RM13.8 million	RM14.55 million

VALUE TO BUSINESS

With two acquisitions completed in 2019, the Fund's space under management increased by 146,762 sq. ft., and incremental revenue from these acquisitions contributed positively to the Fund's overall DPU.

During the year, the Fund also embarked on and completed the development of Axis Facility @ Batu Kawan. The 44,000 sq. ft. warehouse facility is slated for handover by end-February 2020, with a fixed, 10 + 5 year lease to FedEx commencing in March 2020.

Adding such quality 'built-to-lease' assets to Axis-REIT's portfolio increases returns to the Fund.

VALUE TO STAKEHOLDERS

The Manager's robust due diligence process provides transparency and control over the quality of the Fund's acquisitions. It also builds confidence and predictability of a pipeline of potential acquisitions and growth for our valued investors.

Compliance with relevant regulatory standards set by the government and local authorities.

OUTLOOK & PRIORITIES FOR 2020

Looking ahead, the Manager aims to incorporate more ESG criteria into its due diligence processes. This is in line with Axis-REIT's efforts to more comprehensively assess and mitigate ESG risks. Among the criteria the Manager will consider are hazardous waste and soil contamination, where it will put into consideration the properties' previous occupiers, the nature of their business activities and industries over the last 10 years.

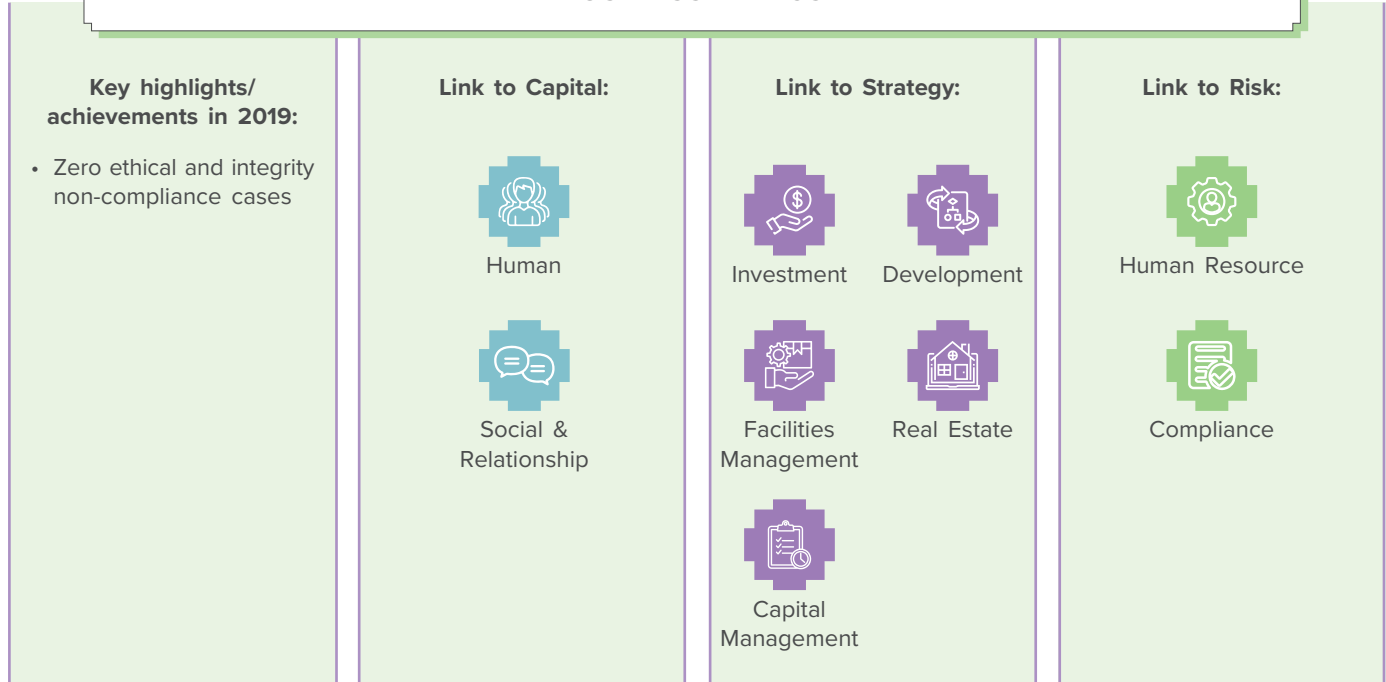
As total investments in the manufacturing sector continues to rise, our acquisition strategy will continue to focus on industrial warehouses and manufacturing facilities as our preferred asset class.



SUSTAINABILITY STATEMENT

Risk & Strategy

BUSINESS ETHICS



The call for good corporate governance has put businesses under pressure to demonstrate compliance, accountability and transparency. In view of this, we pay close attention and ensure that we comply with all the rules and regulations applicable to our business.

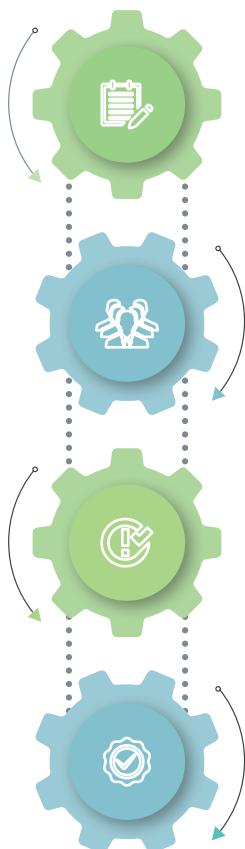
KEY INITIATIVES & MEASURES IN 2019

The Manager’s commitment to uphold the highest standard of integrity is mainly reflected in the Code of Conduct (“COC”). It applies to all employees acting for and on behalf of the Manager. It contains policies on managing conflicts of interest, privacy and confidentiality, gifts/entertainment policies, and standards of behaviour expected of each employee. All new employees of the Manager are required to understand the elements of our COC, HSE policy and other related policies as part of the induction programme.

The Manager also established a Whistle Blowing policy for employees, directors, suppliers and tenants to report any misconduct, criminal offences or malpractices. The policy requires for all concerns raised to be treated fairly and properly, and for the anonymity of the whistle-blower to be preserved. Where the issue warrants further investigation, the Manager will carry out the necessary inspections and corrective measures.

SUSTAINABILITY STATEMENT

Whistle-blowing process:



Upon identifying the occurrence of possible malpractices, the whistle-blower (acting in good faith and with reasonable belief) can raise a report via a letter sent directly to the Chairman of the Board of Directors, the Senior Independent Non-Executive Director or the CEO. Employees of the Manager may also report possible malpractices to their immediate superiors.

An employee will be assigned to handle the case and the whistle-blower will be kept informed of the person in charge and the subsequent course of action that will be taken under the investigation procedures. The whistle-blower's identity will not be disclosed without prior consent, and in special cases (e.g. if evidence is required in court) a dialogue will be held with the whistle-blower and the employee in charge on alternative ways to resolve the case.

Issues that are not resolved will be reported to the Senior Independent Non-Executive Director.

All valid reports made, including decisions and actions taken, must be documented, and where necessary, steps will be implemented to prevent similar incidents from occurring.

KPIS & TARGETS

The Manager is pleased to report that no cases of ethical or integrity breaches were reported in 2019. We attribute this to our present integrity policies and the professional conduct of our employees at all levels.

VALUE TO BUSINESS



Minimises the risk of financial losses arising from ethical and/or integrity breaches, both at the Manager and at Axis-REIT's level.



Minimises business malpractices that can jeopardise the reputation and performance of the Fund.



Upholding strong business ethics and integrity creates a harmonious environment where employees embrace ethical business practices and behaviours.



Good corporate governance boosts employee morale and increases productivity by inspiring greater confidence in the leaders of the Manager. This fosters better synergies within the organisation to achieve the Fund's desired objectives.



SUSTAINABILITY STATEMENT

VALUE TO STAKEHOLDERS

The Manager demonstrates a high level of accountability and transparency, which has earned the confidence of the business community, regulators, capital markets and the public at large.

OUTLOOK & PRIORITIES FOR 2020

As we look to improve compliance management and monitoring processes, we are in the midst of formulating our anti-bribery policy and framework. This is expected to be formalised in June 2020. The COC is also currently being reviewed to include anti-bribery provisions for directors. Additionally, we are updating Axis-REIT's trust deed to comply with the prevailing rules and regulations.

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

Key highlights/ achievements in 2019:

- Effective supplier and service providers pre-evaluation and monitoring process.

Link to Capital:



Social & Relationship



Manufactured

Link to Strategy:



Development



Investment



Facilities Management

Link to Risk:



Development



Real Estate



ESG



Investment

Our supplier and service providers are an integral part of our business operations and are essential in ensuring tenant satisfaction, which in turn, contributes to the success of the Fund. Given this, the Manager has put in place checks and measures to prevent interruptions to our supply chain and to reduce the risk exposures throughout our supply chain system.

The Facilities Management and Project Management Teams are responsible for selecting, appointing and managing their suppliers, contractors and service providers, who serve different functions for the Fund.

The newly established Suppliers Code of Conduct places emphasis for procurement activities to be performed in an ethical, transparent and socially responsible manner. It details the quality standards, health and safety practices, as well as business ethics required of the Manager's suppliers, service providers and their employees when doing business with the Manager.

KEY INITIATIVES & MEASURES IN 2019

To ensure new suppliers and service providers meet our quality standards, a pre-evaluation process subjects all suppliers and service providers to CTOS screenings and background checks to evaluate their financial stability and identify potential involvement in ethical breaches. Other criteria assessed include financial performance, responsiveness, price, delivery, quality, after sales service and effectiveness of management.

For existing suppliers, the Manager conducts an annual vendor evaluation process to identify opportunities for improvement in areas such as responsiveness, price, delivery, quality, after sales service and effectiveness of management. Following the evaluation, vendors receiving scores of 55 points and above are retained as approved vendors for future engagements. Vendors who fail the evaluation are either suspended temporarily or de-registered from the approved vendor list. This ensures the Manager continually drives positive supplier performance and reduces supply chain risks.

SUSTAINABILITY STATEMENT

Vendor Evaluation Criteria:

<p>1 Responsiveness</p> <ul style="list-style-type: none"> • On request for quotations/proposals • On technical/commercial requests 	<p>2 Price</p> <ul style="list-style-type: none"> • Pricing • Terms and conditions • Billing/invoicing 	<p>3 Delivery</p> <ul style="list-style-type: none"> • Timeliness • Flexibility on delivery requests • Resolution of delays
<p>4 Quality</p> <ul style="list-style-type: none"> • Consistency of quality • Submission of required documentation • Conformity to drawings and HSE requirements • Job site performance/quality of work 	<p>5 After Service</p> <ul style="list-style-type: none"> • Technical support and expertise • Defect rectification • Other support/closure 	
<p>6 Effectiveness of management</p> <ul style="list-style-type: none"> • Professional conduct and communication • Effectiveness of job-site supervision 	<p>7 Finance (CTOS screenings)</p> <ul style="list-style-type: none"> • Background checks • Financial standing 	

The Manager believes in building long-term partnerships with the suppliers and service providers it works with. To continue successful collaborations with suppliers and service providers, the Facilities Management Team, HSSE Manager and Facilities Managers meet with service providers and contractors to discuss their performance and issues faced, including payment and invoicing matters. These regular engagements and dialogue sessions strengthen our supplier and service provider relationships, minimises costs and improves tenant services.

KPIS & TARGETS

The Manager supports the local economy by engaging with local suppliers. During the reporting year, the Manager engaged entirely with local suppliers and service providers for its development projects, maintenance works and AElS, with total local procurement expenditure at RM18.5 million. As a result, the Manager has benefited from sourcing locally through greater control over the quality of technical capabilities and materials supplies.

	2017	2018	2019
Local suppliers	100%	100%	100%
Procurement expenditure (RM'000)	17,252	14,998	18,529

SUSTAINABILITY STATEMENT

VALUE TO BUSINESS

Effective supply chain management directly impacts tenant satisfaction through the quality and timeliness of services provided.

Stringent vendor selection reduces the risk of reputational harm from association with unethical suppliers.

Effective supply chain management can minimise cost overruns and delays in the completion of AEs and property development projects.

VALUE TO STAKEHOLDERS

Tenants are assured of professional maintenance services on a timely basis.

AEs and property development projects are delivered on time, within budget and in accordance to the agreed scope.

OUTLOOK & PRIORITIES FOR 2020

Moving forward, the Manager’s due diligence strategy on suppliers and service providers/contractors will incorporate more ESG aspects as part of its efforts to mitigate our ESG risks along our supply chain.

RESOURCE MANAGEMENT

Key highlights/ achievements in 2019:

- Sourcing of quality construction materials, energy saving products, and renewable energy components for new developments and AEs.

Link to Capital:



Manufactured



Financial

Link to Strategy:



Development



Facilities Management

Link to Risk:



Development



ESG

As we grow the Fund’s portfolio of ‘built-to-lease’ development projects, resource management is integral in project management. Identifying and monitoring resources helps reduce costs and increase margins, while minimising the environmental impact arising from our business operations. The Manager emphasises local procurement for its developments as a demonstration of our support for the local economy.

For ‘built-to-lease’ developments and asset enhancement projects, the Project Management Team works closely with the Facilities Management and Real Estate Teams to ensure projects are completed according to agreed specifications, schedule and budget.

KEY INITIATIVES & MEASURES IN 2019

During the year, the Manager continued to explore options for sustainable construction materials and designs that will reduce its environmental impact and present significant operational cost savings. We do so by participating in various conferences and industry-specific dialogues to understand the latest developments in the industry. This ensures that we keep abreast with current market trends and remain competitive to our tenants.

SUSTAINABILITY STATEMENT

The Manager collaborates with its service providers (e.g. consultants, architects, developers, sub-contractors) to enhance property features to meet tenants' requirements, including sustainable designs and features, where required. Following this, the Manager conducts feasibility studies to determine the viability of sustainable concepts and ideas proposed by contractors and/or architects to ensure projects are operationally and technically viable, as well as economically justifiable.

VALUE TO BUSINESS

The usage of quality construction materials, energy saving products, and renewable energy components in property developments and AEIs drive long-term maintenance cost savings.

VALUE TO STAKEHOLDERS

Effective and efficient resource management supports tenant satisfaction by enabling our property solutions to meet their business space needs.

OUTLOOK & PRIORITIES FOR 2020

In future 'built-to-lease' developments and AEIs, the Manager endeavours to incorporate sustainability considerations into design and material selections. This will include exploring options to utilise sustainable construction materials and designs that will reduce environmental impacts and present significant operational cost savings.

EMBRACING INNOVATION & TECHNOLOGY

Key highlights/ achievements in 2019:

- Website visitor traffic increased by 124%
- Enhancements to 'Hello Axis' tenant management portal

Link to Capital:



Financial



Intellectual



Social & Relationship

Link to Strategy:



Real

Link to Risk:



Real Estate



Marketing & Branding

The real estate market and consumers are continuously evolving, and with the advent of new technologies, there is a need to consistently drive innovation and performance. Our investment in innovation ensures that we keep abreast with the latest technologies to better serve our customers' ever-changing needs, and to remain relevant in the industry.

The Marketing Team is responsible for assisting the Real Estate Team in generating leads for potential new tenants, creating new avenues for interaction, and reaching out to new audiences and current stakeholders. The Marketing Team also arranges tenant and agent engagement programmes. The Facilities Management Team is responsible for facilities management and maintenance, upgrading and actively responding to tickets raised by tenants via 'Hello Axis', Axis-REIT's tenant management portal.



SUSTAINABILITY STATEMENT

KEY INITIATIVES & MEASURES IN 2019

Launched in 2017, 'Hello Axis', has improved the Manager's property management business efficiency by leaps and bounds. It is an efficient help desk management system that provides proactive solutions to facilitate quality customer assistance and support within the accepted Service Level Agreements ("SLAs"). The portal provides real-time data with 24/7 accessibility, enabling the Manager and tenants to track progress of maintenance work, and is an excellent platform for communication. The portal also simplifies various time-consuming, tedious, day-to-day processes, which saves the support team time and in handling tenant complaints and requests. It minimises the total time spent on processing and tracking service request, raises tenant satisfaction, and strengthens brand image and customer loyalty.

In 2019, the Manager made further enhancements to 'Hello Axis' by implementing more efficient monitoring and tracking features, providing greater transparency on the progress of action/rectification efforts from the time an issue is logged to the final resolution. The Manager has also launched a mobile version of 'Hello Axis' for technicians to update their tickets as they are completed. This simplifies an otherwise time-consuming, daily process, and saves the tenant support team time and effort in handling tenant complaints and requests.

In addition to traditional marketing, the Manager began utilising digital marketing platforms to communicate with stakeholders and potential tenants. Examples of marketing platforms include Google Ads, property websites, SMS blasts and email blasts. These digital marketing platforms have allowed the Manager to reach more agents and potential tenants, as well as to monitor marketing reach in a more efficient manner. This helps the Real Estate Team achieve their targets through strengthening their relationships with agents, and facilitates communication with business owners. It enables the Real Estate Team to identify new leads and potential tenants via agents or direct calls from businesses whereby the enquiry lead generation data is monitored on a weekly basis and reported to the Board on a quarterly basis.

KPIS & TARGETS

During the year, website visitor traffic increased by 124% compared to 2018. We attribute the increase to improvements in website quality, Google Ads and Search Engine Optimisation initiatives. Around half of all traffic are web users who are directed to our website Leasing page through Google Ads.



VALUE TO BUSINESS

Since going digital in 2019, enquiries to view properties have more than doubled. Most leads are derived from digital advertising campaigns as well as agent communication campaigns.

VALUE TO STAKEHOLDERS

Improved accessibility for interested potential tenants to view Axis-REIT's properties.

'Hello Axis' facilitates various tenant service functions, such as submitting maintenance requests at any time.

OUTLOOK & PRIORITIES FOR 2020

The Manager will continue to build on the strengths of 'Hello Axis' and explore potential improvements, where needed.

For 2019, some of the leads on potential tenants came from online/digital marketing, as well as from our network of established real estate agents. As such, in 2020, the Manager will be more focused on improving its digital marketing campaigns and maintaining our contact strategy with real estate agents.



SUSTAINABILITY STATEMENT

CYBERSECURITY

Key highlights/ achievements in 2019:

- No data breach or cyber-attack reported

Link to Capital:



Intellectual



Social & Relationship

Link to Risk:



Information Technology



Risk & Strategy

In an increasingly digitised world, concerns regarding online safety and data privacy have become more prevalent. Against this backdrop, the Manager believes managing data privacy and strengthening cybersecurity resilience is critical in building the trust of our stakeholders.

The Human Resource Department is responsible for overseeing the data privacy and protection of its employees and stakeholders. All matters related to information security, protection initiatives and associated risks are monitored to create a strong and resilient control environment. The Manager's Cyber Risk Policy and Procedures underline clear rules and guidelines on accessing, transferring and managing information and data in a responsible manner.

KEY INITIATIVES & MEASURES IN 2019



The Manager worked with an outsourced vendor to establish a data protection system for the Fund. We have in place a firewall and antivirus system for data and information protection. These systems are reviewed and updated on a regular basis.



The Manager's outsourced IT vendor updates the firewall on the advice of the SC on the latest threats such as ransomware and distributed denial-of-service ("DDoS") attacks.



To protect our tenants' personal data, all information is stored and only accessible by the relevant departments. For additional security, tenant information is also stored in a designated location with restricted access by authorised parties only.



To educate and update employees on potential cyber threats and risks, the Manager disseminates emails on the latest developments in data protection and privacy. The emails are aimed at raising awareness on the importance of online safety and outlines ways to minimise cyber risks in our day-to-day operations.

KPIS & TARGETS

We are pleased to report that there is no incidents of data leaks and loss, privacy breaches or non-compliance in 2019.

SUSTAINABILITY STATEMENT

VALUE TO BUSINESS



Proper IT infrastructure and internal controls mitigate the risk of unnecessary expenditures that would arise from cybersecurity breaches such as data loss, theft and phishing.



Prevents disruption of business workflows that rely heavily on information and data.



Reduces downtime and avoids additional costs of data and network restoration.

VALUE TO STAKEHOLDERS

Builds trust and confidence between Axis-REIT and its stakeholder groups in forming business partnerships and collaborations.

OUTLOOK & PRIORITIES FOR 2020

To upgrade server infrastructure to improve performance, efficiency and reliability.

To provide employees with cybersecurity training to educate employees on cybersecurity risks and how to avoid them, as well as security best practices to adopt in day-to-day operations.

OCCUPATIONAL HEALTH & SAFETY

Key highlights/ achievements in 2019:

- Implementation of HSE Policy
- Maintained zero fatalities at work
- Continuous OSH training and induction for staff and contractors' workers

Link to Capital:



Human



Social & Relationship

Link to Strategy:



Facilities Management



Development

Link to Risk:



Human Resource



Compliance



Real Estate

The health and safety of the Manager's employees, service providers and tenants are important. We have in place a strong culture of safety that is supported by continuous training, supervision and monitoring to ensure that everyone has the required skills and knowledge to undertake their job functions safely.

The Facilities Management Team is responsible for creating a safe, healthy and conducive environment across the Fund's operations and multi-tenanted buildings. We are guided by Axis-REIT's HSE Policy, which sets out guidelines and procedures for establishing and implementing programmes that will reduce workplace and job hazards and educate all employees on safety standards.

SUSTAINABILITY STATEMENT

KEY INITIATIVES & MEASURES IN 2019

Safety Culture and Work Environment

To create and maintain a safe and healthy environment within our operations, the Manager employed a qualified Health, Safety, Security and Environment (“HSSE”) manager to conduct regular workspace inspections to ensure employees and the service providers and contractors the Manager works with abide by Axis-REIT’s HSE policy and industry best practices on safety and health. The HSE requirements and expectations are depicted in our tender documents for compliance by the relevant contractors, where HSE matters are communicated prior to commencing work (pre-mobilisation), as well as during the execution of work. HSE matters include highlighting elements of HSE planning, risk assessment and control, operational control, as well as verification and continual improvements. Other initiatives to promote a safety culture and work environment include the following:



Implemented a Job Safety Analysis (“JSA”) policy that requires our contractors to establish documented risk assessments prior to commencing work on a project.



Contractors are required to commit to HSE compliance by appointing a competent person to oversee HSE matters.



Axis-REIT’s in-house Renovation Work Manual is made accessible to relevant parties to ensure compliance with HSE expectations and requirements.



Maintain compliance records of relevant equipment and activities in our buildings with the relevant authorities such as the Department of Occupational Safety and Health (“DOSH”), BOMBA and the Construction Industry Development Board (“CIDB”).



Provide Personal Protective Equipment (“PPE”) to employees and ensure contractors and sub-contractors’ workers working at our project sites and assets are equipped with the necessary PPE.



Conduct ‘Lesson Learnt’ sessions on past accidents and expected improvements to relevant parties including employees and contractors.

Safety Education and Training

To enhance employee safety awareness, and in the interest of preventing workplace accidents, the Manager conducted regular OSH related training programmes for the Facilities Management Team during the year. The programmes typically covered health and safety, as well as technical and non-technical HSE-related matters. These include areas such as safety and emergency evacuation, safe usage of electrical systems, lift operations and management, as well as industry best practices of Working at Height (“WAH”) and confined space activities. For specialised skills and knowledge, we send employee representatives to attend externally organised training programmes.

New employees, external service providers and contractors are required to undergo a HSE induction programme prior to commencing building maintenance, servicing and refurbishment works. This way, the Manager does its part to limit workplace hazards and reduce accidents within our operations and properties.



SUSTAINABILITY STATEMENT

KPIS & TARGETS

During the reporting year, the Manager recorded zero employee, contractor and subcontractor work-related injuries. However, two cases of contractor and subcontractor work-related incidents were reported. Work-related incidents were due to safety negligence at work sites and handling of tools and equipment. Corrective measures undertaken include safety briefing reminders to contractors and subcontractors. Additionally, tools and equipment were upgraded to improve safety usage and features.

The Manager is also pleased to report zero cases of work-related ill health and an overall lower absentee rate for our employees.

	2017		2018		2019	
	Male	Female	Male	Female	Male	Female
Absentee Rate (%) ¹	3.59	3.64	2.00	2.53	1.69	1.98

¹ The Absentee Rate is the total absentee days lost, relative to the total days scheduled to be worked by the employees in the reporting period, expressed as a percentage, as defined by the GRI Standards.

VALUE TO BUSINESS



VALUE TO STAKEHOLDERS

Demonstration of the Manager’s accountability and responsibility in managing its health and safety obligations towards its employees.

Demonstration of commitment to working within health and safety principles.

OUTLOOK & PRIORITIES FOR 2020

Achieve and maintain positive HSE safety performance.

Maintain compliance with rules and regulations imposed by DOSH, DOE and CIDB throughout our operations.

Inculcate positive awareness and knowledge on HSE requirements through formal HSE training programmes conducted by approved training providers.

Monitor compliance of service providers and contractors according to tender documents during maintenance works as well as AEs.

Establish a Hazard Identification, Risk Assessment and Risk Control (“HIRARC”) process.

SUSTAINABILITY STATEMENT

TALENT DEVELOPMENT

Key highlights/
achievements in 2019:

- 7.5 average training hours per employee

Link to Capital:



Human



Financial



Intellectual

Link to Risk:



Human Resource



Risk & Strategy

Employee development is an important priority for the Manager. In our pursuit of continuous success, we recognise that talent development is critical in ensuring we have the required technical expertise and knowledge to support our future growth.

The Human Resource Department and Heads of Departments are responsible for creating opportunities for learning and talent development with the aim of ensuring employees are equipped with the relevant skillsets that are aligned with business needs.

KEY INITIATIVES & MEASURES IN 2019



Conducted year-end performance appraisals to assess the performance of all employees, their career needs and plans. The appraisal process allows us to track employee strengths and weaknesses, identify the best candidates for career progression and offer feedback for areas of improvement.



Learning opportunities are made available through requests from Heads of Departments and the CEO to address any skill and competency gaps, as well as to align our employees' professional needs, job specifications and industry demands.



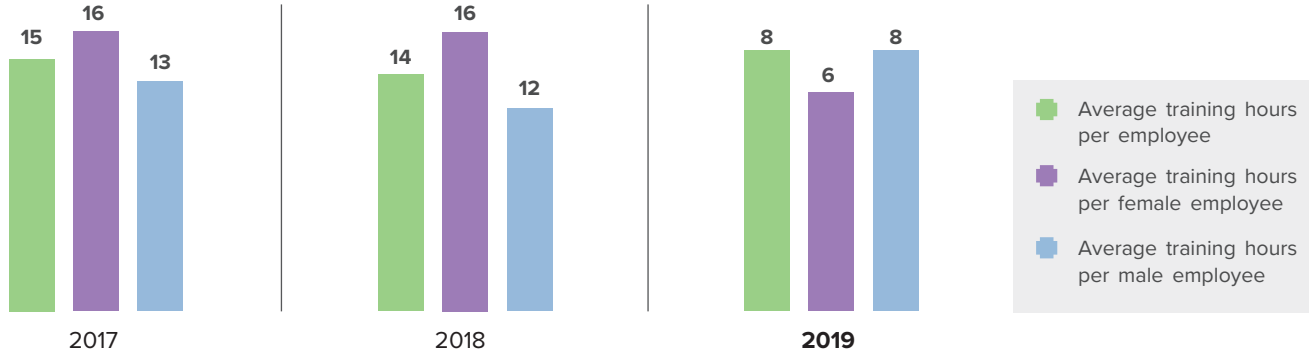
In addition to training programmes, we provided on-the-job training for employees. All new employees of the Manager are assigned to a buddy to teach them the skills, knowledge and competencies needed in their roles.

SUSTAINABILITY STATEMENT

KPIS & TARGETS

During the reporting year, total investment in training and development programmes amounted to RM40,134. The charts below detail the average training hours per employee, female and male employee and according to employee category.

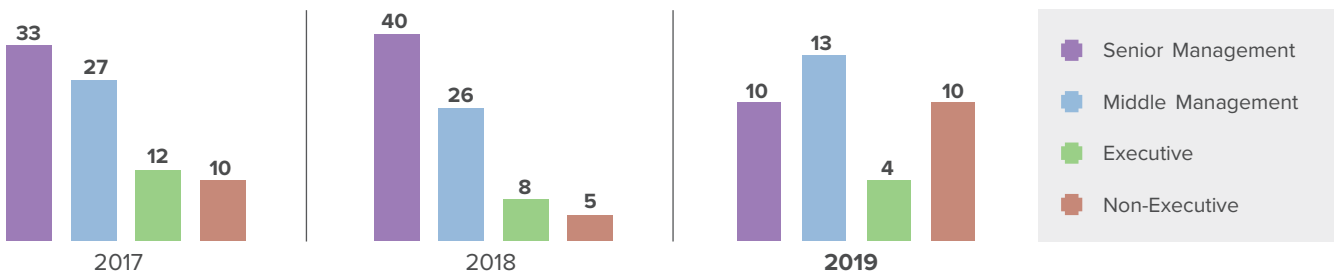
Average training hours by gender per annum



Total training hours by gender per annum



Average training hours by employee category per annum



In 2019, all employees received regular performance and career development reviews. We ensure all employees receive constructive feedback to ensure they remain motivated, driven and aligned with organisational goals.

	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
Employees receiving regular performance and career development reviews (%)	100%	100%	100%	100%	100%	100%

Risk & Strategy

SUSTAINABILITY STATEMENT

VALUE TO BUSINESS

Learning and development improves employee performance by uplifting their skillsets and competencies to perform work more effectively, efficiently and productively.



Providing opportunities for self-development improves employee satisfaction and morale.



Training and development is seen as an additional employee benefit, which in turn, reduces employee turnover as employees feel valued and invested in their professional roles.



VALUE TO STAKEHOLDERS

The Manager practices fair employment treatment and policies.

Employees with high morale and productivity translates to better services to tenants.

OUTLOOK & PRIORITIES FOR 2020

To ensure every employee attends at least one training session.

EMPLOYEE WELLNESS & ENGAGEMENT

Key highlights/ achievements in 2019:

- Low employee turnover rate of 5%

Link to Capital:



Human



Financial

Link to Risk:



Human Resource

The Manager's employees are the backbone of the business and it is the Manager's responsibility to create a conducive work environment where employees are able to draw upon their full potential and feel empowered. To achieve this, the Manager places strong emphasis on employee welfare and equal opportunities at work.

The Human Resource Department manages all aspects of employee benefits and welfare and handles all employee relations matters within the organisation. The Employee Handbook, which defines the Manager's policies as well as employee benefits and perks, guides our employment practices.

SUSTAINABILITY STATEMENT

KEY INITIATIVES & MEASURES IN 2019



The Manager practices an 'Open Door' policy where employees can raise concerns or feedback to the Heads of Departments or the Human Resource Manager. This encourages effective communication between employees and management and lays a strong foundation for trust and long-term relationships within the workplace.

Other forms of communication include Facebook posts to disseminate the latest news, events and progress of the Fund.



The Manager also continued efforts to improve our employees' work-life balance by organising sports activities such as badminton and futsal.



The Manager's employee benefits include Group Personal Accident insurance, Group hospitalisation, disability and invalidity coverage, retirement provisions and parental leave.



In addition to protecting employee welfare and wellness, the Manager organised annual trips and celebrated major festivals such as Chinese New Year, Hari Raya and Deepavali as company-wide initiatives to strengthen employee relations.

Risk & Strategy



Chinese New Year celebration



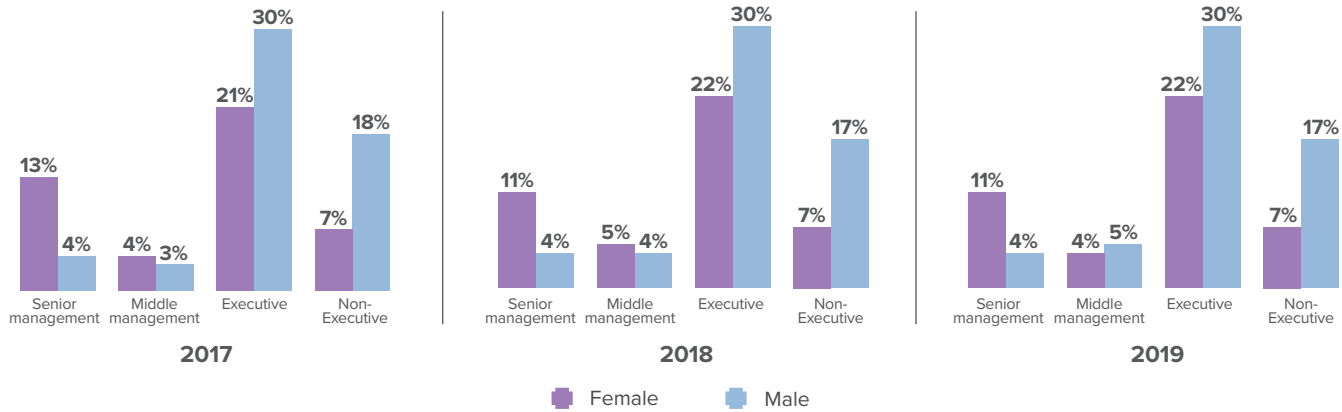
Hari Raya celebration

SUSTAINABILITY STATEMENT

KPIS & TARGETS

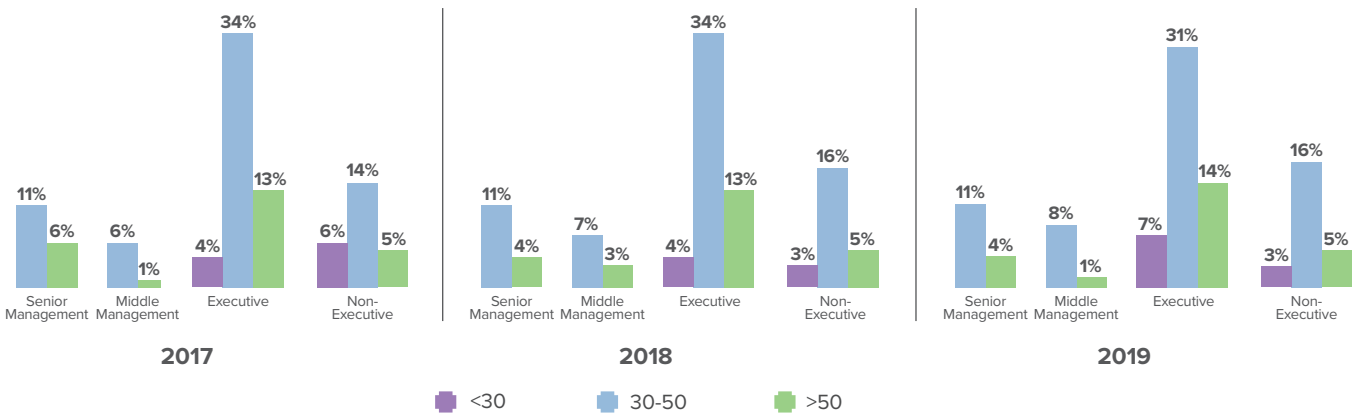
We embrace a balanced mix of younger and experienced hires. The gender, age group and employee categories are shown below.

Gender



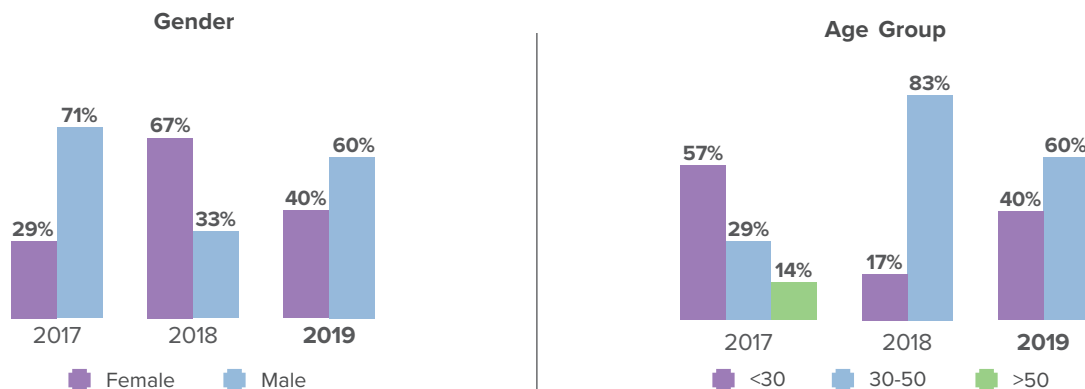
Risk & Strategy

Age Group



The gender and age distributions of new hires are shown below.

New Hires



SUSTAINABILITY STATEMENT

During the reporting year, the Manager recorded a turnover rate of 5%. The Human Resource department continues to communicate regularly with resigning employees to identify areas for improvement in regard to employment practices, employee welfare and benefits.

Employee Turnover by Gender and Age Group

	Gender					
	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
Employee turnover rate	36%	64%	100%	0%	60%	40%

Employee Category	Age Group								
	2017			2018			2019		
	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Employee turnover rate	18%	73%	9%	0%	100%	0%	0%	80%	20%



Risk & Strategy

VALUE TO BUSINESS

Offering employee perks and benefits are important in attracting and retaining competent employees.



Prioritising a healthy lifestyle improves employee morale and productivity.



VALUE TO STAKEHOLDERS

Assurance that the Manager practices fair employment treatment and policies.

High employee morale and productivity translates to better service to Axis-REIT's tenants.

OUTLOOK & PRIORITIES FOR 2020

Looking ahead, the Manager aims to start an employee sports club in 2020. This is in line with its goal of emphasising work-life balance and introducing healthier lifestyle habits.

SUSTAINABILITY STATEMENT

ENERGY & CARBON FOOTPRINT








Risk & Strategy

Electricity is essential and critical in ensuring reliable and dependable building services. Much of the Manager’s focus is placed on ensuring quality services to our tenants. This also means that we seek to reduce emissions, invest in renewable energy and improve the Fund’s portfolio to be more resilient to climate and environmental concerns such as flooding.

The Facilities Management Team is responsible for monitoring the usage of electricity at our multi-tenanted buildings. The team records and reports monthly electricity usage at these buildings. Any abnormal spikes in monthly consumption are promptly investigated, and where necessary, appropriate rectification measures will be undertaken to prevent recurrences.

KEY INITIATIVES & MEASURES IN 2019

 <p>Conventional lighting in common areas replaced with LED lighting.</p>	 <p>Lease of roof space to tenants to install solar panels. As at 31 December 2019, 526,261 sq. ft. of roof space across our portfolio was rented out for solar panel installation.</p>	 <p>Conducted regular checks to ensure all equipment is in good condition and to replace old equipment, sensor lighting, etc.</p>
 <p>Installation of sensor lighting in toilets and lobbies.</p>	 <p>Joint inspection of electrical meters at our multi-tenanted properties with Tenaga Nasional Berhad.</p>	

KPIS & TARGETS

In 2019, total electricity consumption at multi-tenanted buildings across the Fund’s portfolio was reduced by approximately 0.23%, while electricity intensity was reduced by 0.23%.

Total Electricity Consumption	2017	2018	2019
Electricity consumption (kWh)	5,021,454	4,271,018	4,261,125
Electricity intensity (kWh/sq. ft.)	2.73	2.32	2.31

Note:
Electricity consumption and electricity intensity for 2017 and 2018 have been restated in line with improved methodology used: Electricity Consumption (kWh)/Net Lettable Area (sq. ft.)

SUSTAINABILITY STATEMENT

This year, GHG emissions and GHG emission intensity was reduced by 0.23% as a result of the Manager’s energy efficiency initiatives.

Total GHG Emissions	2017	2018	2019
GHG Emissions Scope 2 (tonnes CO2)	3,485	2,964	2,957
GHG Intensity Scope 2 (kgCO2/sq.)	1.89	1.61	1.61

Note:

1. GHG emissions and intensity Scope 2 for 2017 and 2018 have been restated in line with improved methodology for electricity consumption.
2. The emission factor used is taken from the emission factor of Peninsular Malaysia Grid from Malaysian Green Technology Corporation (GreenTech Malaysia) Study on Grid Connected Electricity Baseline in Malaysia (Year: 2014) dated April 2016.

VALUE TO BUSINESS

The management of energy used within the Fund’s properties ensures that buildings are energy efficient, thereby minimising the loss of energy and financial resources and increasing cost savings.

VALUE TO STAKEHOLDERS

Effective energy management ensures that Axis-REIT’s stakeholders are satisfied with the Manager’s services as it ensures stability and reliability of building services.

OUTLOOK & PRIORITIES FOR 2020

The Manager will continue to monitor electricity consumption at our multi-tenanted buildings and identify opportunities to improve energy efficiency.

WASTE MANAGEMENT

Key highlights/ achievements in 2019:

- Continuation of waste reduction and green initiatives and activities

Link to Capital:



Financial



Natural

Link to Strategy:



Facilities Management

Link to Risk:



ESG

Axis-REIT’s business operations inevitably produces a significant amount of waste. As the Fund’s portfolio continues to grow, waste management is crucial for mitigating the impact of waste on the environment and ecosystem. As such, the Manager continuously strives to identify opportunities to improve environmental management efforts and to enhance resource conservation and efficiency.

SUSTAINABILITY STATEMENT

KEY INITIATIVES & MEASURES IN 2019



The Manager pursues green management activities within multi-tenanted buildings by encouraging recycling of paper, plastic, metal, glass and office waste among our employees and tenants. This initiative reduced waste generation and educated employees and tenants on simple initiatives that go a long way to helping this cause.

The Manager ensures that all waste is disposed by licensed waste contractors. The Manager also requires its contractors to dispose of waste in a responsible manner in accordance with regulatory requirements.



In its service agreements with refuse collection vendors for multi-tenanted buildings, the Manager requires proper disposal of waste at authorised sites.



VALUE TO BUSINESS

Reduces the amount of waste generated and disposed of in landfills.



Avoids financial penalties and suspension/removal of critical licenses required for operations.



Improves branding and image as the public is becoming increasingly vigilant to waste practices of businesses.



VALUE TO STAKEHOLDERS

Reduces pollution to the air, surrounding soil and water sources.

Provides comfort to Axis-REIT's tenants by keeping the environment and surrounding facilities safe and clean.

OUTLOOK & PRIORITIES FOR 2020

Moving forward, the Manager is looking to identify improvement opportunities to further reduce waste and improve waste management and disposal practices.

SUSTAINABILITY STATEMENT



Risk & Strategy



WATER MANAGEMENT

<p>Key highlights/ achievements in 2019:</p> <ul style="list-style-type: none"> Installation of rainwater harvesting system at Axis Aerotech Centre @ Subang and Axis Facility @ Batu Kawan 	<p>Link to Capital:</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  Natural </div> <div style="text-align: center;">  Financial </div> </div>	<p>Link to Strategy:</p> <div style="text-align: center;">  Facilities Management </div>	<p>Link to Risk:</p> <div style="text-align: center;">  ESG </div>
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Water is a critical natural resource to our business. It is extensively used within our building facilities such as air-conditioning, washroom facilities, cleaning, landscaping and fire protection. As demand for water is on the rise, especially in water stressed regions, it is crucial for the Manager to conserve water and take multiple steps to reduce wastage of water.

The Facilities Management Team is responsible for the management of water usage at our multi-tenanted buildings. The team records and reports monthly water consumption at these buildings. Any abnormal spikes in monthly consumption are promptly investigated with appropriate rectification measures undertaken to prevent recurrences.

KEY INITIATIVES & MEASURES IN 2019

<p>Conducting monthly maintenance checks to ensure that air-conditioning systems (which are the largest contributors to overall water consumption levels), are operating at optimum levels.</p> 	 <p>Conducting regular checks to ensure all equipment is in good condition, and to repair and/or replace old pipes, sensor taps and other equipment where necessary.</p>
 <p>Installing a rainwater harvesting system at Axis Mega Distribution Centre, Axis Aerotech Centre @ Subang and Axis Facility @ Batu Kawan which collects and reuses rainwater.</p>	<p>Exploring water efficiency projects at Crystal Plaza and Wisma Academy Parcel to ensure security of supply, and reduced water consumption. During the year, we increased the capacity of our water storage tanks at these properties from two days to four days (in the event of a water shortage).</p> 

KPIS & TARGETS

Axis-REIT's total water consumption and intensity has increased by 3% from the previous year. Moving forward, the Manager will continue to monitor and carry out water efficiency initiatives to reduce our consumption.

Total Water Consumption	2017	2018	2019
Water consumption (m ³)	112,091	94,754	97,206
Water intensity (m ³ /sq. ft.)	0.061	0.051	0.053

Note:
Methodology: Water consumption (m³)/Net Lettable Area (sq. ft.)

SUSTAINABILITY STATEMENT

VALUE TO BUSINESS

Effective and efficient water management is becoming increasingly critical to businesses. Effective water management gives us the ability to conserve water, thereby increasing cost savings. This way, in the event of a water shortage, operations will continue with minimal disruptions to Axis-REIT's tenants and employees.

VALUE TO STAKEHOLDERS

Through the Manager's effective water management efforts, we are able to reduce disruptions to Axis-REIT's tenants' day-to-day business activities that would arise from water shortages. Our regular checks also give assurance of the Manager's competence to Axis-REIT's tenants and stakeholders.

OUTLOOK & PRIORITIES FOR 2020

The Manager will continue to explore opportunities to conserve water consumption within our building facilities, as well as practice good water conservation habits.

COMMUNITY ACTIVITY & PARTNERSHIP

Key highlights/ achievements in 2019:

- 926 beneficiaries from community engagement initiatives
- 574 employee volunteer hours on community engagement

Link to Capital:



Social &
Relationship

Link to Risk:



ESG

Axis-REIT remains committed in our role as a responsible corporate citizen, and we are mindful of the environment in which we operate, including the needs of the local communities around us.

KEY CSR PROGRAMMES IN 2019



1. Blood donation drive: Axis-REIT regularly provides space for blood donation drives and promotes the importance of blood donation to its tenants and visitors. In 2019, we sponsored two blood donation drives that were held in the second and fourth quarter.



SUSTAINABILITY STATEMENT

2. Larian Bomba: Axis-REIT donated RM1,400 to Larian Bomba – an event organised by the Fire and Rescue Department of Malaysia (“Bomba”) that was held on 18 August 2019. Our contribution was in support of Bomba’s initiatives towards healthy living. The event attracted an estimated 6,000 participants from the community and Bomba members.

3. School Donation: Axis-REIT donated a total of RM10,000 to the SMK(P) Pudu Building Fund during 2019. The donation was aimed at supporting the school’s efforts to create a conducive learning environment for its students. A total of 619 students benefitted from the building fund.

In addition to philanthropy and blood donation drives, our Corporate Social Responsibility (“CSR”) programmes focus on promoting safety and health in the local community.



4. AXIS Fire Safety and Emergency Evacuation Training: On 13 April 2019, we organised a Fire Safety and Emergency Evacuation training session for staff and tenants. Conducted by Code Red Survival Academy, this was the first in a series of sessions aimed at raising health and safety awareness in our community.



5. AXIS Women’s Safety Programme: On 22 June 2019, we organised a Women’s Safety Programme for our tenants and staff. The programme, which was conducted by Code Red Survival Academy, covered simple techniques to counter crime directed at women as well as personal safety measures that can be taken.

SUSTAINABILITY STATEMENT



6. **AXIS Children’s Safety Programme:** In August 2019, we organised a Children’s Safety Programme for the children of staff, tenants and the community, in partnership with Malaysia International Search and Rescue (“MISAR”). The training was for children aged 4 to 11 years and covered topics such as fire safety and escape, personal safety, earthquake safety and escalator safety. A total of 160 children benefitted from this programme.



Risk & Strategy

KPIS & TARGETS

In 2019, there was a significant increase in the number of community initiatives from the previous year. The average volunteer hours per employee was 6 hours.

	2018	2019
Number of beneficiaries	258	926
Total Employee Volunteer Hours	416	573

VALUE TO BUSINESS

Improves business reputation and image. Helps bolster employee morale, which in turn, has a positive impact on productivity.

VALUE TO STAKEHOLDERS

Provides opportunities for employees, tenants and the community to learn about health and safety matters, as well as opportunities to “give back” to the community via time and effort on social initiatives.

Direct benefit for beneficiaries receiving donations.

Facilitates employee interaction with local communities and tenants, which helps foster better understanding and rapport.

OUTLOOK & PRIORITIES FOR 2020

Axis-REIT endeavours to organise and support more community programmes that promote health and safety among employees and the surrounding community.



INFINITE CENTER





GOVERNANCE

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- 154** Audit Committee Report
- 159** Statement on Risk Management and Internal Control
- 162** Directors' Responsibility Statement



CORPORATE GOVERNANCE OVERVIEW STATEMENT

ARMB, being the management company of Axis-REIT, is pleased to present this Corporate Governance Overview Statement, which has been approved by the Board, and which provides insights into the best practices adopted by the Manager in managing Axis-REIT.

The Manager recognises that an effective corporate governance culture is critical to its performance and consequently the success and sustainability of Axis-REIT. The Manager is committed to high standards of corporate governance and has adopted a comprehensive corporate governance framework that meets best practice principles.

The following sections describe the Manager’s corporate governance framework, practices and policies, which are substantially in accordance with the Malaysian Code on Corporate Governance that came into effect on 26 April 2017 (“CG Code”):

Governance

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

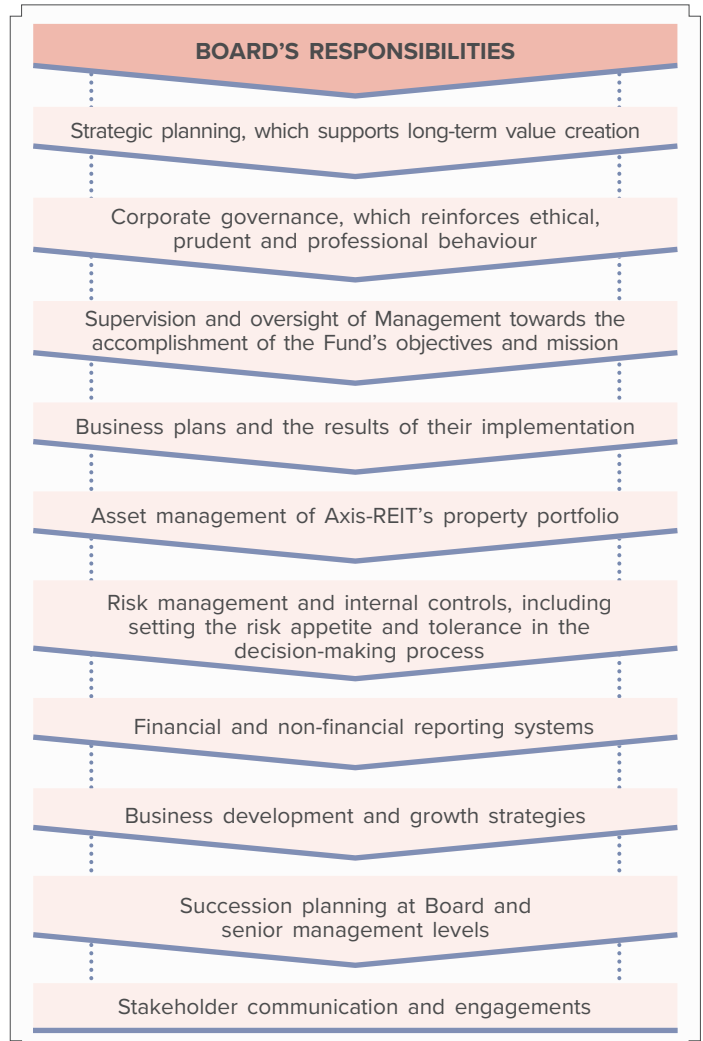
The Manager of Axis-REIT and the Board of Directors

ARMB is the appointed Manager of Axis-REIT in accordance with the terms of the trust deed constituting Axis-REIT (“Deed”). Pursuant to the Deed, the Manager has the duty to act honestly, with due care and diligence, and in the best interest of the Unitholders of Axis-REIT.

The Manager, being licensed under the Capital Markets and Services Act, 2007, is also required to observe and meet the minimum standards of conduct in the capital market as regulated by the SC.

The Manager has the general power over the assets of the Fund. The Manager’s main responsibility is to manage the assets and liabilities of Axis-REIT for the benefit of the Unitholders of Axis-REIT. The primary role of the Manager, as led by the Board, is to set the strategic direction of the Fund and make recommendations to the Trustee of Axis-REIT on portfolio asset management, acquisitions, divestments, enhancements and developments that are in line with the agreed strategy. The Manager is also responsible for business planning, capital management and risk management of the Fund.

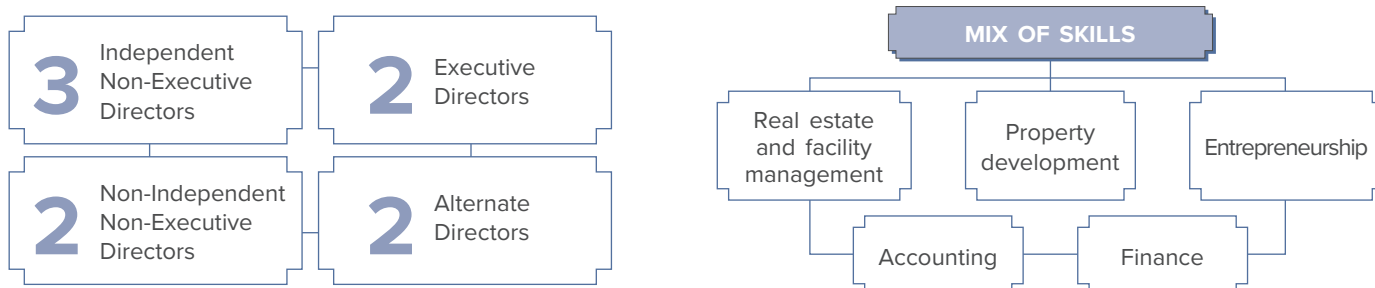
The overview of the Board’s responsibilities in carrying out the duties of the Manager in accordance with the Deed, is as follows:



CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Composition

As at 31 December 2019, the Board of Directors comprised the following:



The Board, with its mixture of Executive and Non-Executive Directors from diverse professional backgrounds, enables Management to tap their expertise and broad business experience when deliberating issues with the Board. The roles and responsibilities of the Board in discharging its fiduciary leadership functions are elaborated in the Board Charter, which can be accessed at Axis-REIT’s corporate website, www.axis-reit.com.my.

Adoption of New Best Practices

During FYE2019, Axis-REIT’s market capitalisation rose and crossed the RM2.0 billion threshold. In consideration that Axis-REIT would enter its financial year ending 31 December 2020 (“FYE2020”) as a large company by the definition of the CG Code, the Board, at its meeting held in April 2019, had considered and approved the following:

- adoption of integrated reporting to improve the quality of information in the Annual Report
- facilitation of Directors’ annual assessments by an independent party

Annual Assessment of Directors

In October 2019, the Board engaged a third-party consultant, Archer Consulting Group Sdn Bhd (“ACG”), to facilitate the independent assessment of the Board, Board Committees and each individual Director. ACG conducted these assessments through face-to-face interviews and electronic conferencing with the Directors. Based on the assessment results and the evaluation by the Nomination Committee of the Board, the Board recommended no change to its composition.

Independent Directors made up one-third of the Board and this complies with the requirements prescribed under the SC’s Guidelines on Listed Real Estate Investment Trusts (“Listed REIT Guidelines”). The Board considers the current composition to be satisfactory, and any proposed change to the composition will require a careful and in-depth review based on the size, requisite mix of skills and competencies of the Board.

On having 30% women directors on Board, the Board in its Board Charter recognises gender as an important attribute to Board’s effectiveness and has committed to have at least one female director on the Board.

Chairman of the Board and CEO

The positions of Chairman and CEO are held by separate persons in order to maintain an effective segregation of duties. This division of responsibilities is defined in the Board Charter and is summarised below:

Chairman of the Board	CEO
<ul style="list-style-type: none"> • provides leadership to the Board in relation to all aspects of the Board’s roles and responsibilities • ensures that members of the Board work together with Management in a constructive manner to address strategies, business operations, financial performance and risk management issues • plays a role in the Manager’s external relationship with stakeholders 	<ul style="list-style-type: none"> • has full executive responsibilities over the execution of the agreed business policies and directions set by the Board, and over all operational decisions in managing Axis-REIT • works closely with all the heads of department through weekly cross-departmental meetings in reviewing matters relating to operational issues, capital management, investment proposals, leasing activities, facilities and project management

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Strategic Planning and Target Setting

At the beginning of FYE2019, the Board reviewed and approved the budget of Axis-REIT, which provided the financial roadmap and targets for each department in executing the business plans of the Manager and Axis-REIT. Throughout the financial year, the Manager remained guided by Axis-REIT's 2021 Strategy Plan, which was approved by the Board in August 2016. This 2021 Strategy Plan, which sets out the long-term, five-year initiatives towards growing the Fund's Assets Under Management to RM5 billion by 2021, provided the guiding principles for the CEO and Senior Management Team to focus on in their efforts to deliver the best performance, productivity and results.

The Manager took a step further by embarking on integrated reporting in 2019 where the CEO and the Senior Management Team focused on integrated thinking of the relationship between all functional units within the organisation. During the gap assessment process under integrated reporting, Management reviewed its strategic focus areas towards the achievement of the 2021 Strategy Plan and through this process, incorporated the non-financial risks in relation to ESG matters in addition to the identified financial risks affecting the business and operations of Axis-REIT.

Details of the strategic focus areas are set out under the Risk and Strategy Section of this Report.



Board Meetings and Procedures

The Board met every quarter in FYE2019 to review, discuss and approve the release of Axis-REIT's quarterly and annual financial results. It also reviewed proposed acquisitions and disposals, corporate plans and the annual budget, capital management proposals, property reports, investor relations reports, as well as the performance of the Manager and Axis-REIT against the previously-approved budget, together with other proposals tabled by Management. The CEO led the business performance reporting at each Board meeting. The Chief Financial Officer, Head of Real Estate, Head of Investments and the Investments & Investor Relations Senior Manager, who are heads of departments of the Manager, were also present at the Board meetings to present their reports and to facilitate the review and deliberation of issues and matters presented to the Directors at such meetings. Via such conduct at Board meetings, the Board is able to oversee, assess and monitor Management's performance in administering the business of the Manager and Axis-REIT.

Prior to each Board meeting, the Executive Committee of the Board would meet to review all reports and proposals from Management before a comprehensive executive committee report is compiled and presented to the Directors at Board meetings. Such executive committee reports contain financial and operational updates, as well as proposals and recommendations for the Board's consideration, deliberation and decision.

All meeting dates are determined and fixed in advance so that all Directors are able to schedule and commit their time effectively. This is governed by the Board Charter, where expectations on time commitment are set. Directors who are abroad or travelling will have the option of participating in meetings via telephone and video conference arrangements.

Notices of meetings and their agendas are issued to all Directors no less than seven days in advance by the Company Secretary. The relevant meeting papers are compiled and distributed to all Directors as soon as practicable after the notices of meetings have been issued, within five business days prior to the date of meeting.

Access to Information and Advice

All members of the Board have access to all information in relation to the Manager and Axis-REIT at Board meetings, as well as through enquiries made via established channels. Emails are the most commonly used method to disseminate information to the Directors on a timely basis. The Board is also kept up-to-date via monthly financial updates circulated by the Finance department of the Manager, and this enables the Board to monitor and assess the performance and prospects of the Fund. All Directors have access to the rules and regulations governing the Fund and the Manager, as well as other policies approved by the Board via the Company Secretary, who maintains such corporate documents. The Manager also has a panel of financiers and consultants who provide professional advice in the areas of financing, capital markets, legal, property valuation and engineering due diligence, from whom advice can be sought. By having access to expert advice, the Board is able to ensure its decision-making mechanism is effective and result-oriented.

Company Secretary and Head of Compliance

The Board is supported by a professionally-qualified and competent Company Secretary who is also the Head of Compliance of the Manager. She is responsible for ensuring that the Board, Board Committees and shareholder/unitholder meeting procedures, corporate policies and procedures, and applicable rules and regulations are adhered to. The Company Secretary attended every Board meeting and Board Committee meeting held in FYE2019, and thereafter prepared the minutes of proceedings for approval by the respective Chairmen. The Company Secretary also kept the Board abreast of all relevant regulatory updates to laws and requirements at physical

CORPORATE GOVERNANCE OVERVIEW STATEMENT

meetings, as well as via email. As the Head of Compliance of the Manager, she also assists the CEO in legal and corporate compliance matters by liaising and working closely with the appointed external solicitors and professional advisers.

At the Board meeting held in April 2019, the Company Secretary had advised the Board on the best practices to be adopted by large companies. The best practices adopted by the Board are disclosed above.

A notable new development in the legal landscape during the year was the introduction of Section 17A of the Malaysian Anti-Corruption Act 2009 (“MACC Act”), which generally imposes a new corporate liability on commercial organisations for their failure to prevent corruption. The Company Secretary ensured that this new legal development was brought to the attention of Management and the Board during Management and Board meetings. She also presented the ‘Guidelines on Adequate Procedures’ issued by the Prime Minister’s Department to the Board for notation.

Apart from ensuring that the risk management framework of the Manager takes into account corruption risks, the Board also engaged its legal solicitors to advise and assist the Manager in order to ensure that it will be ready for this new regulatory requirement once it is enforced in June 2020.

The following steps were mobilised by the legal solicitors during FYE2019:

- Conducted awareness training for Directors and Management
- Facilitated interview sessions with Management and other officers of the Manager in order to understand the business and operations of the Manager
- Reviewed the Manager’s existing Code of Conduct, Whistle-Blowing Policy and other relevant policies

The Board endeavours to put in place an anti-corruption framework for the Manager, in line with the ‘Guidelines on Adequate Procedures’ before June 2020.

Board Charter, Code of Conduct and Whistle-Blowing Policy

Policies	Scope
Board Charter	Provides a clear description of the responsibilities of the Board, its Directors and the Board Committees
Code of Conduct	Outlines the rules of professional conduct, proper practices and ethical behaviour expected of the Manager and its personnel
Whistle-Blowing Policy	Facilitates the management of reports and claims filed in relation to possible improprieties in matters relating to financial reporting, compliance, misconduct and other malpractices

These policies can be accessed on Axis-REIT’s corporate website. They are currently under review for the purpose of incorporating the policies, processes and procedures that will address anti-corruption risks.

Board Remuneration and Remuneration Policy

As Axis-REIT is externally managed by ARMB, it has no employees, and the Directors sit on the Board of ARMB. The Manager, strategically led by the Board, ensures that it appoints experienced and well-qualified personnel to handle its day-to-day operations. All Directors and employees of the Manager are remunerated by the Manager and not by the Fund. The Manager is a privately-owned company.

Details of the Remuneration Committee, which is responsible for the determination of the remuneration policy framework of the Manager’s Directors, are set out in the Remuneration Committee section below.

In line with the Board’s remuneration policy, which is documented in the Board Charter of the Manager, the Remuneration Committee, at its meeting, reviews the annual remuneration proposals presented by the Executive Committee. The Chairman of the Remuneration Committee, who is an Independent Non-Executive Director, brings his experience and exposure to facilitate the review of the proposals presented by the Executive Committee. The Board perceives that the Chairman of the Remuneration Committee contributes to the independent element of the review process.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

There was no change in the Board's remuneration policy and in FYE2019, the Remuneration Committee carried out the same process of reviewing the remuneration packages of the CEO and other Directors. In reviewing the CEO's remuneration, her leadership, performance and contributions to Axis-REIT were the key indicators assessed by the Remuneration Committee. Directors' Fees are reviewed based on market factors. All proposals were then recommended to the Board for its final decision, and abstentions from voting by interested Directors were recorded by the Company Secretary.

All remuneration matters at senior management level are reviewed and determined by the Executive Committee and where required, on a case-to-case basis, the Board's guidance and/or approval is sought.

A brief overview of the Directors' remuneration (comprising salaries, other emoluments, fees, meeting allowances and benefits-in-kind) in respect of FYE2019 is presented below:

Range of Remuneration Per Annum	Executive Directors	Non-Executive Directors
RM50,000 - RM200,000	1	5
RM200,001 - RM400,000	–	–
RM400,001 - RM600,000	–	–
RM600,001 and above	1	–

Note: Details of Directors' and senior management's individual remunerations are not disclosed as the Directors and senior management are remunerated by the Manager, which is a privately-owned company. The Manager believes that the overview presented above is sufficient for public disclosure, and that the non-disclosure of individual remunerations is essential to protect the interests of the Manager and its officers.

Board Committees and their Roles

The Board delegates certain functions to the Board Committees to assist in discharging its duties. These delegated functions are as follows:

EXECUTIVE COMMITTEE	AUDIT COMMITTEE
<ul style="list-style-type: none"> Manages the business of the Manager and Axis-REIT in accordance with the vision and mission established and approved by the Board Oversees and monitors the day-to-day business activities of the Manager and Axis-REIT Oversees the internal talent and senior leadership/key management team and its succession planning 	<ul style="list-style-type: none"> Assists the Board in ensuring that a balanced and understandable assessment of Axis-REIT's financial position and prospects is presented to the investing public Assists the Board in the areas of internal controls, risk management and governance processes of Axis-REIT and the Manager
REMUNERATION COMMITTEE	NOMINATION COMMITTEE
<ul style="list-style-type: none"> Recommends to the Board the policy framework for the remuneration of the Executive and Non-Executive Directors of the Board, as well as key management officers (if any) Reviews the remuneration framework from time to time, to ensure that the Manager attracts and retains individuals of the highest calibre 	<ul style="list-style-type: none"> Ensures that the Manager recruits, retains and develops the best available executive and non-executive directors Reviews succession at Board level Assesses the Board's structure, size and composition Evaluates the Directors' mix of skills, expertise and level of competencies

The Board Committees are guided by their respective Terms of Reference. The Terms of Reference of the Audit Committee, Nomination Committee and Remuneration Committee are available for reference on Axis-REIT's corporate website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

► **Audit Committee**

The Audit Committee has the oversight duty to ensure that the financial reporting systems, internal controls and risk management systems of the Manager are robust.



The Audit Committee Report, which contains a summary of activities carried out by the Committee during FYE2019, is set out as a separate section in this Report.

► **Remuneration Committee**

As the Directors of the Manager are remunerated by the Manager and not by the Fund, the Executive Committee of the Manager plays an important role in presenting proposals to the Remuneration Committee. In this regard, Dato' Abas Carl Gunnar Bin Abdullah and Mr Stephen Tew Peng Hwee @ Teoh Peng Hwee sit on the Remuneration Committee as members, and they have the task of representing the Executive Committee in presenting remuneration proposals for consideration by the Remuneration Committee, under the scrutiny of its Independent Chairman.

The Board had determined the composition of the Remuneration Committee to be as described above, and accepted its departure from the recommended composition as stated in the CG Code. To the Board, the views of the Executive Committee are essential in the deliberation process, especially in reviewing the remuneration proposal for the CEO. This is because the Executive Committee oversees the primary management activities and business of Axis-REIT and thus, has a better understanding of the performance and contributions of the CEO.

► **Nomination Committee**

The chair of the Nomination Committee is the Senior Independent Director of the Board. He plays an important support role to the Chairman in fostering strong relationships and balance across the Board.

The Nomination Committee undertook the following activities in FYE2019, which were the annual affairs of this Committee:



- Reviewed the performance evaluation carried out on the Board, Directors and Board Committees based on the assessment results compiled by the external facilitator. The Nomination Committee had expressed satisfaction with the level of corporate governance values/practices which are embedded in the functions of the Board, operations and management processes of the Manager



- Considered and made no recommendation to revise the recruitment criteria



- Adopted the criteria for the annual assessment of Directors (including the assessment of independence and the assessment of Directors whose tenures had exceeded nine years) as employed by the external facilitator in their assessment processes



- Reviewed the existing composition of the Board, as well as the effectiveness of the Board and Board Committees. No change to the Board's composition was recommended by the Committee



- Considered the gender diversity of the Manager, bearing in mind the recommendation to have 30% female board representation pursuant to the CG Code. The Board is of the opinion that the selection of suitable candidates for appointment to the Board must be based on merit



- Reviewed succession plans at Board level



- Assessed the training needs of the Directors. The Manager is committed to arranging annual in-house training sessions for the Directors and senior management of the Manager



- Reviewed the term of office and performance of the Audit Committee in accordance with Paragraph 15.20 of the MMLR. No exception was noted from the assessment results



- Assessed the retiring Directors in accordance with the Constitution of the Manager and recommended to the Board their respective re-elections



CORPORATE GOVERNANCE OVERVIEW STATEMENT

Assessment of Independent Directors

The Board undertook an annual evaluation of its three Independent Directors, namely YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin, Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor and Encik Mohd Sharif Bin Hj Yusof, based on the results of the assessment that was facilitated by ACG. ACG's report had indicated that pursuant to the interviews conducted, the Independent Directors demonstrated that they are objective and independent in expressing their views and in participating in deliberations and decision-making of the Board and Board Committees.

All three Independent Directors were also subject to additional evaluations, given that they had served on the Board as Independent Directors for more than nine years. Accordingly, the Board assessed the three Independent Directors, taking into consideration their tenure on the Board, and considered them still independent.

The Board was of the opinion that their independence has not been materially compromised by the length of their service as Independent Directors of the Board. Accordingly, and as good practice, the Board will seek approval from the Manager's sole shareholder for the retention of the three Independent Directors at the Manager's annual general meeting to be held during FYE2020. This will enable the sole shareholder (who has control over the appointment of Directors) to determine whether the Independent Directors are fit to remain on the Board in their current roles.

The mechanism provided under the CG Code in relation to the two-tier voting process for the re-appointment of Independent Directors is not applicable to the Manager because the Manager is a wholly-owned subsidiary of a private company.

Attendance at Board and Board Committee Meetings in FYE2019

Board of Directors	Designation	Attendance
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Independent Non-Executive Chairman	3/4
Dato' Abas Carl Gunnar Bin Abdullah (Alternate Director: Alex Lee Lao)	Executive Deputy Chairman	3/4
Stephen Tew Peng Hwee @ Teoh Peng Hwee	Non-Independent Non-Executive Director	4/4
Leong Kit May	Chief Executive Officer/Executive Director	4/4
Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Independent Non-Executive Director	4/4
Mohd Sharif Bin Hj Yusof	Senior Independent Non-Executive Director	3/4
Alvin Dim Lao (Alternate Director: Jancis Anne Que Lao)	Non-Independent Non-Executive Director	2/4
Executive Committee Members	Designation	Attendance
Dato' Abas Carl Gunnar Bin Abdullah (Alternate Director: Alex Lee Lao)	Chairman	3/4
Stephen Tew Peng Hwee @ Teoh Peng Hwee	Member	4/4
Leong Kit May	Member	4/4
Audit Committee Members	Designation	Attendance
Mohd Sharif Bin Hj Yusof	Chairman	4/4
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Member	4/4
Alvin Dim Lao (Alternate Director: Jancis Anne Que Lao)	Member	3/4

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Remuneration Committee Members	Designation	Attendance
Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Chairman	1/1
Dato' Abas Carl Gunnar Bin Abdullah (Alternate Director: Alex Lee Lao)	Member	1/1
Stephen Tew Peng Hwee @ Teoh Peng Hwee	Member	1/1

Nomination Committee Members	Designation	Attendance
Mohd Sharif bin Hj Yusof	Chairman	1/1
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Member	1/1
Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Member	1/1

Directors' Training

The Board ensures that its members have access to appropriate continuing education programmes to stay updated on relevant developments, and to enhance their skills and strengthen their participation in Board deliberations. The Company Secretary, on behalf of the Nomination Committee, compiles a list of training topics relating to governance, audit and risk management, innovation, law, and regulations for consideration by the Directors and Audit Committee members.

Details of training programmes attended by Directors in FYE2019 were compiled by the Company Secretary for reporting to the Nomination Committee and the Board accordingly. An in-house training session on the implications of Section 17A of the MACC Act, entitled the "Guidelines on Adequate Procedures", conducted by Lee Hishammuddin Allen & Gledhill ("LHAG"), was also organised for all Directors in October 2019.

All the Directors of the Manager have attended training programmes during FYE2019. Some Directors remain actively involved in speaking engagements and presented talks at conferences and seminars. The details of Directors' participation in talks and training programmes are as follows:

Director	Date	Events
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	3-4 September 2019	Asia Pacific Property Leaders' Summit 2019
	21 October 2019	Guidelines on Adequate Procedures by LHAG
Dato' Abas Carl Gunnar bin Abdullah	21 October 2019	Guidelines on Adequate Procedures by LHAG
Stephen Tew Peng Hwee @ Teoh Peng Hwee	15-16 March 2019	Malaysian Annual Real Estate Convention Summit 2019
	21 October 2019	Guidelines on Adequate Procedures by LHAG



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Director	Date	Events
Leong Kit May	3 January 2019	CIMB 11th Annual Malaysia Corporate Day
	8 March 2019	Women in Law: Challenges & Perspectives
	20 March 2019	Invest Malaysia Conference 2019
	3 April 2019	Secrets to Success in the Financial Industry Financial Planning Symposium 2019
	1 August 2019	LHAG Tax, SST & Customs Seminar 2019
	3-4 September 2019	Asia Pacific Property Leaders' Summit 2019
	26 September 2019	The 6th Edition REITS Asia Pacific 2019, Singapore
	21 October 2019	Guidelines on Adequate Procedures by LHAG
	22 October 2019	Maybank Global Markets Economic Outlook for 2020
	31 October 2019	MRMA-APREA Malaysia REIT Forum 2019
	1 November 2019	Briefing on Corporate Liability Provision and Anti-Corruption by Securities Commission Malaysia
	7 November 2019	EY C-Suite Forum 2019
Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	14 January 2019	KPMG – Special Dialogue with LHDN (KPMG Tax Seminar)
	28 January 2019	Launching Ceremony of National Housing Policy Book
	1 March 2019	MAPEX 2019: REHDA Opening Ceremony of Home Ownership
	19 March 2019	Maybank: Invest Malaysia 2019 – The Capital Market Forum
	23 April 2019	CEO Roundtable: Coping with the New Property Landscape: Overcoming Challenges
	29 June 2019	REHDA Annual Delegates Conference
	15 August 2019	Leadership Roundtable “Competitive Leadership in the Era of VUCA”
	21 October 2019	Guidelines on Adequate Procedures by LHAG
	29 October 2019	AMInvestment Bank: Macro Update of Property Sector
	19 November 2019	CEO Series – Annual Developers Conference The Progress of the Central Region Development
	20 November 2019	Corporate Liability on Corruption Implications of S17A of the MACC Act Business Updates and Insights



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Director	Date	Events
Mohd Sharif bin Hj Yusof	6 August 2019	ACI Breakfast Roundtable 2019 by KPMG
	21 October 2019	Guidelines on Adequate Procedures by LHAG
Alvin Dim Lao	21 January 2019	JP Morgan Philippine Conference
	27-28 February 2019	UBS CEO/CFO Forum
	3-5 September 2019	APREA Asia Pacific Property Leader Summit
	4 November 2019	2019 Revised Corporation Code of the Philippines
Alex Lee Lao	4 November 2019	2019 Revised Corporation Code of the Philippines
Jancis Anne Que Lao	August-October 2019	Commercial Real Estate Analysis and Investment (online short course)
	2-3 October 2019	Fundamentals of Corporate Directorship – Module C Financial Language in the Boardroom
	21 October 2019	Guidelines on Adequate Procedures by LHAG

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT**An Effective Audit Committee**

The Audit Committee plays an important role in the governance structure of the Manager, and this Committee discharged its duties in accordance with its Terms of Reference throughout FYE2019.



More details on how the Audit Committee had discharged its duties in FYE2019 are presented in the Audit Committee Report.

Assessment of the External Auditors

The assessment of the External Auditors of Axis-REIT for re-engagement is an annual affair for the Manager.

In facilitating the Audit Committee in its evaluation of the proposed re-appointment of Messrs KPMG PLT as the External Auditors for Axis-REIT for FYE2019, the Company Secretary had formulated two assessment tools which were approved and adopted by the Audit Committee. The tools involved an interview process with the Partner-in-Charge, facilitated by the Company Secretary, and an evaluation checklist completed by Management. The results of these assessments formed the basis of the Audit Committee's evaluation of the External Auditors.

The evaluation process was conducted in April 2019 and the evaluation tools addressed the following criteria:

- Calibre of the external audit firm
- Quality of the audit process, scope and planning
- Effectiveness of the audit communications
- Auditors' independence and objectivity
- Auditors' suitability for re-appointment

Upon due assessment, the Audit Committee recommended to the Board the re-engagement of Messrs KPMG PLT as the External Auditors of Axis-REIT in respect of FYE2019, for onward recommendation to the Trustee for approval. The re-appointment of the External Auditors of Axis-REIT is not subject to the approval of the Unitholders.

The private engagements held between the Audit Committee and the External Auditors without the presence of Management also provided a platform for the Audit Committee to gauge the working relationship between the External Auditors and Management, as well as the level of independence demonstrated by the External Auditors.

Risk Management and Internal Control Systems

Effective risk management is a fundamental part of the Manager's business strategy. It ensures that there are no adverse disruptions to the Manager's pursuit and accomplishment of Axis-REIT's business goals and objectives, and mitigates any potential loss that may negatively impact the Unitholders of Axis-REIT so as to preserve their investments.



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Risk management has been part of the Manager's day-to-day operations and is embedded in the operational functions of the Manager. The barometer for risk management is the Risk Register, which was formulated by the Manager to capture and periodically monitor key risk areas. The Risk Register is reviewed by the Audit Committee on a quarterly basis for reporting to the Board.



Further details on the risk management framework of the Manager are contained in the Statement on Risk Management and Internal Control.

The internal audit function is outsourced to an independent consultancy firm, Baker Tilly Monteiro Heng Governance Sdn Bhd, which carries out the audit review based on an approved internal audit plan. The Internal Auditors report directly to the Audit Committee and attend the quarterly Audit Committee meetings where internal audit reports are presented and discussed. The Audit Committee has the delegated function of monitoring the performance of the internal audit function and its effectiveness for reporting to the Board on a quarterly basis.



Further details on the internal audit activities are also contained in the Statement on Risk Management and Internal Control.

Assessment of the Effectiveness and Independence of the Internal Audit Function

The Audit Committee conducted its annual assessment on the effectiveness and independence of the internal audit function. The evaluation was based on the results of the interview with the person-in-charge of the internal audit function, which was conducted by the Company Secretary using the assessment tool adopted by the Audit Committee.

The Audit Committee was satisfied that:

- (i) The internal audit team members are free from any relationships and/or conflict of interest, which could impair their objectivity and independence.
- (ii) The number of staff and resources allocated to the internal audit works of the Manager is adequate.
- (iii) There has been no change to the internal audit approach applied in FYE2019, and the internal audit function of the Manager is carried out in accordance with the industry's best practices, benchmarked against the applicable practices in the International Standards for Professional Practice of Internal Auditing.

- (iv) The team leader from Baker Tilly Monteiro Heng Governance Sdn Bhd, who is in-charge of the internal audit function of the Manager, is independent, experienced, and possesses the qualifications required to render his internal audit services.

The engagement of the Internal Auditors, including their professional fees, are also reviewed and renewed annually where the Audit Committee, in its review, would take into account the performance of the Internal Auditors' past services, their level of independence in carrying out their internal audit work, and their working relationship with Management.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Disclosure and Communication with Unitholders and the Investing Community

The Manager has established a strong culture of continuous disclosure and transparent communication with Unitholders and the investing community. The Manager achieves this through timely and full disclosure of all material information relating to Axis-REIT by way of public announcements on Bursa Securities' website, through the Fund's corporate website at www.axis-reit.com.my, as well as through press releases, analyst briefings and retail roadshows.

Corporate Website

The Manager has in place a dedicated section for corporate governance on Axis-REIT's corporate website, which provides information such as the Board Charter, Code of Conduct, Whistle-blowing Policy and Terms of Reference. The Manager has dedicated personnel responsible for updating the Fund's corporate website with pertinent and relevant information in a regular and timely manner.

In FYE2019, two new policies, i.e. the Supplier Code of Conduct, and the HSE Policy, were added onto the corporate website. Stakeholders who have or intend to have business dealings or associations with the Manager and Axis-REIT are expected to read and understand these policies which are made publicly available.

The Board is committed to promoting effective communication and proactive engagements with Unitholders and the investing community through the Investor Relations department of the Manager. This department is guided by the Fund's Investor Relations and Corporate Disclosure Policy, which is also accessible on Axis-REIT's corporate website.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

Enhanced Governance in the Investor Relations Function

In order to keep the investing public aware of the timing of the release of Axis-REIT's quarterly financial results, the Manager continued its practice of announcing the targeted date for such releases ("Targeted Date") within two weeks prior to each Board meeting throughout FYE2019. This practice was enhanced in the beginning of this year (FYE2020), where a black-out period was introduced. This black-out period will commence when the announcement of the Targeted Date is released to Bursa Securities. During this period, the CEO and Management Team are not allowed to meet and/or be involved in any communications or arrangements that are related to investor relations until the quarterly financial results are announced and disseminated to the investing public. Due to this black-out period, the practice of announcing the Targeted Date was changed from two weeks to five market days prior to the Targeted Date.

The Manager views the preservation of price-sensitive information as highly important to prevent against any leakage of information, whether inadvertently or intentionally, and thus, implemented the policy described above.



Further details on communications with Unitholders, the investing community, analysts and fund managers are covered in the Manager's Discussion and Analysis.

Other Stakeholder Engagements and Relationship Management

The Manager also places emphasis on engaging other stakeholders such as its employees, the tenants of Axis-REIT, and local communities. These engagements contribute to the business decision-making process as they provide insights and ideas to meet stakeholders' expectations and sustainable goals. The Marketing department is tasked with undertaking the various marketing initiatives and activities.

AGM and Unitholders' Meetings

AGMs and Unitholders' meetings are the primary forums where Unitholders are presented with quality information that enables them to have a better appreciation of the goals and objectives of Axis-REIT, the milestones achieved during the year, the challenges faced, as well as the prospects of the Fund. Concurrently, these sessions also serve as a platform for Unitholders to bring their expectations and concerns to the attention of the Manager.

The Seventh AGM of Axis-REIT was convened and held on 30 April 2019, with the AGM Notice being issued together with the 2018 Annual Report on 28 February 2019. Ample time was allocated for Unitholders to read through the 2018 Annual Report and consider the resolutions that would be tabled at the AGM. Sufficient explanatory notes were also given in the AGM Notice to facilitate Unitholders' consideration of the resolutions for which their approval was sought.

At the AGM, the Manager presented an update on Axis-REIT's financial performance for FYE2018, as well as its activities, progress and prospects. The Board provided opportunities for Unitholders present at the meeting to raise questions pertaining to the business activities of Axis-REIT. The Chairman, CEO and other Directors of the Manager were present at the AGM to answer queries posed. The Senior Management Team, including the Company Secretary, played an important part in facilitating the smooth running of the AGM.



A summary of the AGM is contained in the summary of minutes of the Seventh AGM, which is available on Axis-REIT's corporate website.

On 3 December 2019, a Unitholders' Meeting was convened and held for the purpose of seeking the specific approval from Unitholders for the placement of new units to the Employees Provident Fund Board and Kumpulan Wang Persaraan (Diperbadankan), who are both major Unitholders of Axis-REIT. The circulars to Unitholders, which had been prepared by the appointed principal adviser, were issued to all Unitholders in accordance with the prescribed timeframe.

At this meeting, Unitholders were able to obtain clarifications on the rationale for the placement exercise and its impact on Axis-REIT. The Ordinary Resolutions in relation to the placement of new units to the Employees Provident Fund Board and Kumpulan Wang Persaraan (Diperbadankan) were voted on by poll and duly approved by the Unitholders.

Proceedings at AGM and Unitholders' Meetings

All voting procedures at the AGM and Unitholders' Meeting were conducted electronically where the process was systematically managed, ensuring accurate voting results being generated.

Compliance Statement

The Board is satisfied that the Manager has substantially applied the principles and best practice recommendations prescribed under the CG Code in its management of Axis-REIT during FYE2019. This Statement has been tabled and approved by the Board of Directors on 20 January 2020.



AUDIT COMMITTEE REPORT

Recognising the critical role of an audit committee in the corporate governance process of an organisation, the Board of ARMB voluntarily established an Audit Committee when Axis-REIT was listed in 2005. When the revamped MMLR of Bursa Securities came into effect on 9 April 2018, the establishment of an audit committee in the management company of a REIT became mandatory.

The Audit Committee has the delegated oversight responsibilities from the Board to ensure that the interests of the Unitholders of Axis-REIT are safeguarded.

1. Composition of the Audit Committee

The Audit Committee comprises three Non-Executive members, two of whom (including the Chairman) are Independent Non-Executive Directors of the Board. One of the Audit Committee members has an alternate director.

The composition of the Audit Committee in respect of FYE2019 was as follows:

Chairman:

- (a) Mohd Sharif Bin Hj Yusof
– Senior Independent Non-Executive Director

Members:

- (b) YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin
– Independent Non-Executive Chairman
- (c) Alvin Dim Lao
– Non-Independent Non-Executive Director
(Alternate Director: Ms Jancis Anne Que Lao)

2. Audit Committee Meetings

The Audit Committee held four meetings during FYE2019. Details of the attendance of the Audit Committee members are set out in the Corporate Governance Overview Statement of this Report. The meeting dates were pre-determined in advance to ensure the availability of each member. Meeting papers were circulated to all the Audit Committee members within five business days prior to the meetings by way of electronic means and hard copy.

3. Terms of Reference

The Audit Committee has a set of Terms of Reference that guides the discharge of its roles and responsibilities. The said Terms of Reference was updated in October 2019 to incorporate an enhanced procedure in connection with the review of non-audit fees.



Details of the Audit Committee's Terms of Reference are available on the corporate website of Axis-REIT at www.axis-reit.com.my

4. Summary of Activities carried out by the Audit Committee during the Financial Year

The primary role of the Audit Committee is to monitor, oversee, review and evaluate the effectiveness and adequacy of the Manager's financial management and reporting system, as well as the risk management and internal control environment in which the Manager operates in managing Axis-REIT. The Audit Committee also has the delegated responsibilities to assist the Board in overseeing the external and internal audit functions, conflict of interest situations and related party transactions ("RPT").

The Audit Committee had, in the discharge of its duties and responsibilities during the financial year under review, carried out the following activities:

Financial Reporting:

- (a) Reviewed at every quarterly meeting held in FYE2019, the quarterly financial results for public release to ensure adherence to legal and regulatory reporting requirements before recommending the same to the Board for approval.

AUDIT COMMITTEE REPORT

- (b) Reviewed the audited financial statements of Axis-REIT for FYE2018, which were prepared in accordance with the Deed of Axis-REIT, the applicable SC rules and guidelines, MFRS and IFRS, prior to recommending the same to the Board for approval. The audited financial statements of Axis-REIT for FYE2018 were issued and circulated to the Unitholders in February 2019, in line with the prescribed requirements.

At the meeting held on 17 January 2019, the External Auditors presented to the Audit Committee the results of the FYE2018 audit conducted on Axis-REIT, where significant audit matters such as valuations of investment properties, revenue recognition and compliance with Axis-REIT's Sukuk covenants, were discussed.

- (c) Reviewed the key audit matter and other audit focus areas in respect of FYE2018. There was no change to the key audit matter in the audited financial statements for FYE2018 as compared to the previous year. Valuations of investment properties were the most significant audit area for Axis-REIT, given that investment properties represented the single largest category of assets on the Fund's statement of financial position as at 31 December 2018. The Auditors had, in their audit review procedures, among others, reviewed the valuation processes adopted by the Manager, and assessed the appropriateness of the valuation methodologies used by considering their respective merits based on the occupancy status and/or conditions of each property.
- (d) Kept abreast on the application of the new accounting standards such as the MFRS 15 (Revenue from Contracts with Customers), MFRS 9 (Financial Instruments) and MFRS 16 (Leases) in the financials of Axis-REIT, and the impact of the Finance Act 2018 (gazetted on 27 December 2018) on the investment properties of Axis-REIT. The External Auditors ensured that the Audit Committee members were briefed on the impact assessment results on the current and prior year's financial statements, arising from the applicable standards and rules.

External Audit:

- (a) Evaluated the suitability and independence of the External Auditors at the meeting held on 23 April 2019 against evaluation criteria established. Following a satisfactory assessment, the Audit Committee recommended to the Board their re-appointment as Auditors of Axis-REIT in respect of FYE2019 for onward recommendation to the Trustee of Axis-REIT.



Further details on the Assessment of the External Auditors are set out in the Corporate Governance Overview Statement.

- (b) Noted the External Auditors' confirmation of their firm's independence in accordance with the terms of all relevant professional and regulatory requirements.
- (c) Ensured that Axis-REIT's appointed External Auditors were duly registered with the Audit Oversight Board ("AOB") of the SC based on the verification carried out by the Company Secretary on the AOB's Register of Auditors as at 28 February 2019 available on the SC's website.
- (d) Reviewed with the External Auditors, at the meeting held on 21 October 2019, their audit plan for FYE2019, audit approach, and reporting requirements prior to the commencement of audit works for the year under review. The valuation of investment properties is the potential key audit matter in the audit process for FYE2019.
- (e) Reviewed the FYE2019 audit fees of Axis-REIT and its wholly-owned subsidiary, Axis REIT Sukuk Berhad (a special-purpose vehicle established for issuance of Sukuk, an Islamic financing instrument), for recommendation to the Board, prior to seeking the approval from the Trustee of Axis-REIT.

The Audit Committee also considered the non-audit fees applicable to Axis-REIT and Axis REIT Sukuk Berhad for FYE2019, and was satisfied that the non-audit fees were not of significant nature and were necessary compliance costs in order for Axis-REIT and Axis REIT Sukuk Berhad to comply with the relevant requirements.

During the year, the Audit Committee assessed and considered the proposed appointment of KPMG Management & Risk Consulting Sdn Bhd ("KPMG MRC") to provide advisory services in relation to integrated reporting. In view that KPMG MRC is an affiliated firm of the External Auditors, Messrs KPMG PLT, the Audit Committee has a duty to review the proposed engagement and the non-audit fee in relation thereto, in accordance with its Terms of Reference.



AUDIT COMMITTEE REPORT

The Audit Committee considered the factors relating to the level of independence, delivery of services and rationale for shortlisting KPMG MRC before satisfying itself that the non-audit fee payable for the services to be rendered by KPMG MRC would not pose any threat to the independence of Messrs KPMG PLT as the External Auditors.

The details of the audit and non-audit fees for FYE2019 are disclosed below:


Fees applicable to Axis-REIT		Fees applicable to Axis REIT Sukuk Berhad	
Audit	Non-Audit	Audit	Non-Audit
RM123,000	RM113,600 [^]	RM10,000	RM12,000 ^{^^}

[^] An amount of RM103,600 is in respect of the consultancy fee for services rendered in connection with integrated reporting.

^{^^} Fee for the review of the Financial Service Coverage Ratio in relation to the Sukuk Programme established under Axis REIT Sukuk Berhad

Internal Audit:


- (a) Reviewed on a quarterly basis, the internal audit reports and follow-up review reports with the Internal Auditors, and ensured that action plans recommended are agreed upon and implemented by Management on a timely basis.

 **A summary of the activities of the (outsourced) internal audit function carried out in FYE2019 are contained in the Statement on Risk Management and Internal Control**

- (b) Evaluated the Internal Auditors and recommended to the Board their re-engagement to carry out the internal audit function in respect of the 2019/2020 audit cycles, at the meeting held on 23 April 2019. The Audit Committee also reviewed the internal audit fees applicable for the 2019/2020 audit cycles before the same was approved by the Board.
- (c) Reviewed with the Internal Auditors, the internal audit plan for the 2019/2020 audit cycles, which covers four audit cycles, and agreed with the methodologies (risk-driven approach) employed by the Internal Auditors.

Risk Management and Others:

- (a) Reviewed the Risk Management Report containing the Risk Register, prepared by Management, on a quarterly basis.

 **Details of the risk management processes of the Manager are contained in the Statement on Risk Management and Internal Control**

- (b) Reviewed on a quarterly basis, the list of RPTs and recurrent RPTs (“RRPTs”) involving interests of related parties who are Directors of the Manager and ultimate major shareholders of the Manager or persons connected to them.
- (c) Reviewed and recommended for the Board’s approval, at the meeting held on 17 January 2019, the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the 2018 Annual Report of Axis-REIT, issued in February 2019, ensuring that these reports contained informative and meaningful disclosures in line with prescribed regulatory requirements.
- (d) Reviewed, at each quarterly meeting, the income distributions of Axis-REIT which were made in accordance with the distribution policy of Axis-REIT, in order to ensure the adequacy of the realised income for each distribution prior to recommending the proposal to the Board.

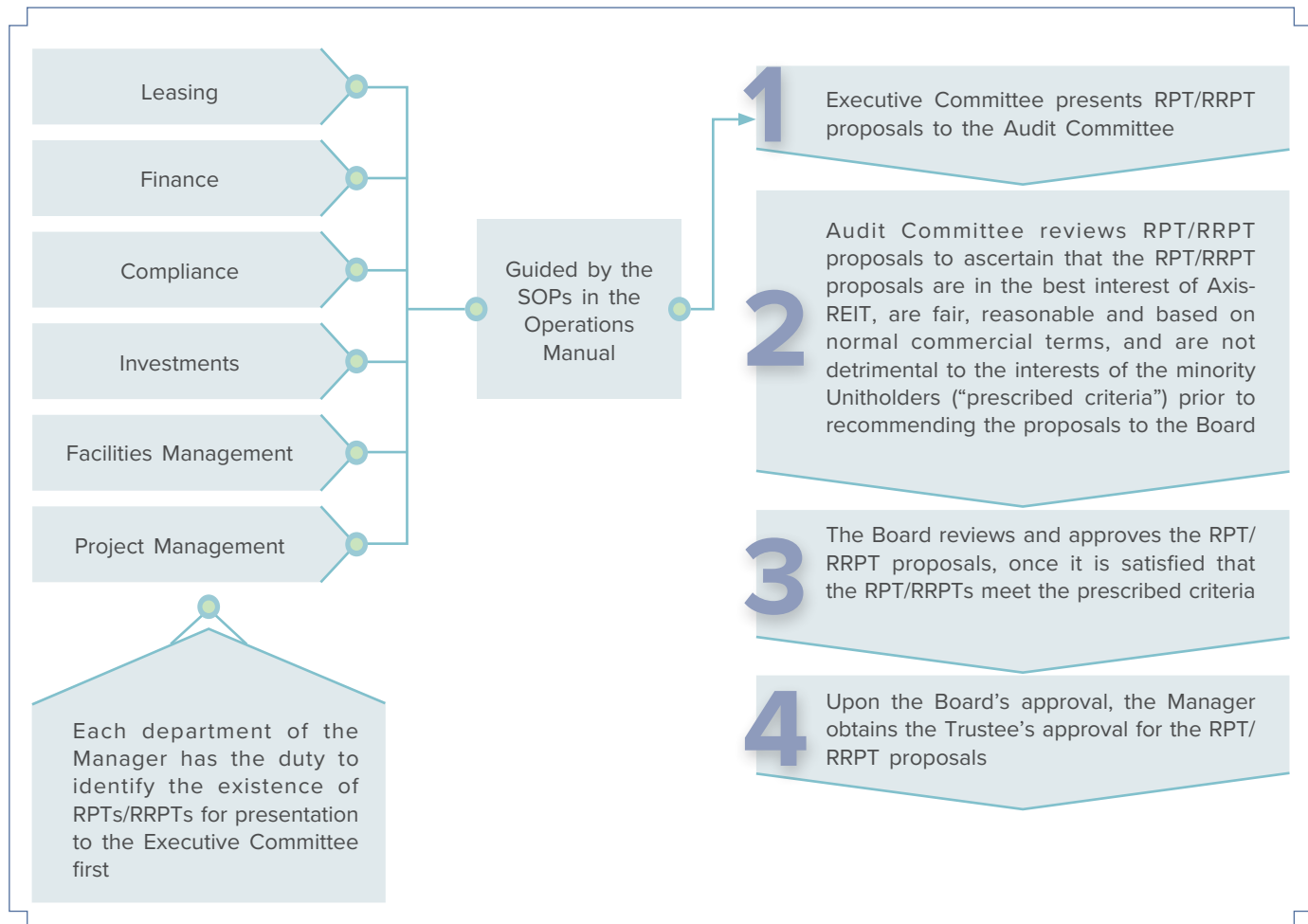
5. Review of Related Party Transactions

Principally and pursuant to the SC’s Guidelines on Listed REITs, the Manager has the duty to ensure that all RPTs, dealings, investments and appointments are made on terms that are the best available for the REIT, and which are no less favourable to the REIT than an arm’s length transaction between independent parties. The Manager must also manage any and all situations where a conflict of interest arises.



AUDIT COMMITTEE REPORT

The diagram below depicts the control mechanism that is governed by the standard operating procedures (“SOPs”) contained in the Manager’s Operations Manual:



Following the implementation of the SC’s Guidelines on Listed REITs and the revamped MMLR which became effective and applicable to REITs since 9 April 2018, the Manager had in place the following controls throughout FYE2019:

- (i) Up-to-date internal procedures and reporting obligations which comply with the prescribed requirements governing RPTs and RRPTs.
- (ii) Up-to-date Operations Manual containing the SOPs governing RPTs and RRPTs.

The Audit Committee had reviewed all RPTs and RRPTs, as presented by Management on a quarterly basis, and there was no material RPT or RRPT requiring Unitholders’ approval in FYE2019.

All Directors are required to provide declaration letters of their interest(s) and disclosures of conflict of interest situation(s) on a quarterly basis, and all declarations are documented and kept in the statutory records of the Manager.

6. Relationship with the External Auditors and Internal Auditors

The Board, via the Audit Committee, maintains a formal and transparent relationship with the External Auditors as well as the Internal Auditors. The Audit Committee has direct and unrestricted access to both the External and Internal Auditors. The Audit Committee had, during the year, met twice, on 17 January 2019 and 21 October 2019, with the External Auditors without the presence of Management, to discuss issues, problems and reservations (if any) that the External Auditors wished to highlight to the Committee. A private session was also held between the Audit Committee and the Internal Auditors on 21 October 2019 for the same purpose.

Both the External and Internal Auditors had been extended good cooperation from Management and they were able to access information to carry out their functions effectively.

AUDIT COMMITTEE REPORT

7. Annual Assessment of the Audit Committee

The Audit Committee assessed its own performance against the Terms of Reference of the Audit Committee by completing the assessment form prepared by the Company Secretary prior to the assessment by the Nomination Committee of the Board. The assessment results were satisfactory to the Nomination Committee and the same was subsequently reviewed by the Board. The Board, upon due assessment, was satisfied that each member of the Audit Committee and the Audit Committee as a whole, had carried out their duties diligently and effectively in accordance with the Audit Committee's Terms of Reference.

This annual assessment process was carried out on 21 October 2019 by the Audit Committee, the Nomination Committee and the Board, in compliance with Paragraph 15.20 of the MMLR.

8. Internal Audit Function

The internal audit function of the Manager is outsourced to an independent consultancy firm, Baker Tilly Monteiro Heng Governance Sdn Bhd. The outsourced Internal Auditors have the professional duty to assist the Board to review the system of internal control, risk management and governance practices of the Manager in managing Axis-REIT. Where necessary, the Internal Auditors, upon

completion of the audit cycle, may make recommendations for improvements to the existing processes and procedures. Their internal audit scope (risk-driven approach) encompasses a financial control review, compliance review, risk assessment and governance review on the identified auditable areas. The annual internal audit plan is tabled to the Audit Committee for approval prior to commencement of audit work.



Details of the internal audit activities are contained in the Statement on Risk Management and Internal Control

The Audit Committee had, on 21 October 2019, conducted its annual assessment on the effectiveness and independence of the internal audit function, and the outcome of the assessment was also reported to the Board.



Details relating to the assessment of the effectiveness and independence of the internal audit function are disclosed in the Corporate Governance Overview Statement



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant To Paragraph 15.26(b) Of The Main Market Listing Requirements

Introduction

The Board of Directors (“Board”) of Axis REIT Managers Berhad, being the management company (“Manager”) of Axis Real Estate Investment Trust (“Axis-REIT” or “Fund”) is committed to maintaining a sound and effective system of internal control to safeguard the interests of the Unitholders of Axis-REIT and the investments and assets of Axis-REIT. The Board is ultimately responsible for the risk management and internal control systems of the Manager in managing Axis-REIT and it is assisted by the Audit Committee of the Manager who has the delegated function to oversee these areas.

Key Elements of the Risk Management and Internal Control System

Operations Manual

The Manager has policies and procedures encapsulated in the Operations Manual that are tailored to the needs of the respective departments, which provide an overview of the Manager’s responsibilities in relation to the management of Axis-REIT. The Management team of the Manager (“Management”) is committed to being guided by the Operations Manual to ensure consistency of operational procedures and practices within the organisation.

The Manager had, during the financial year ended 31 December 2019 (“FYE2019”), updated the Operations Manual to incorporate the following:

- (i) updates on the carpark system operations; and
- (ii) takeover procedures for tenants who are moving out.

Financial Controls and Business Management

The Board of the Manager had, at its meeting held in January 2019, approved the annual budget for FYE2019 which underwent a target-setting process carried out by each department with detailed reviews at all levels of operations. The Manager had been guided by the approved budget in managing Axis-REIT throughout FYE2019. Monthly financial updates had also been provided to the Directors in order to give timely assessments of the Fund’s performance and prospects. Management closely monitored the Fund’s actual financial performance at all levels on a monthly basis.

The Manager is still committed to the 2021 Strategy Plan, which encompasses the Manager’s long-term 5-year initiatives for Axis-REIT in its pursuit of its corporate objectives. The Manager embarked on a sustainability training programme in September 2019 in relation to integrated reporting, where the Chief Executive Officer (“CEO”) and management team attended a one day session of awareness training on integrated reporting. The team subsequently met in October 2019 to review the risks, strategy and key performance indicators, a process that involves gap assessment and roadmap development to realign and integrate business and sustainability risks to the business strategy. The Management identified the strategic focus areas for FYE2019 during this integration process.

The Manager also has a policy on financial limits and approving authority for its operating and capital expenditure. All major operating and capital expenditure in respect of FYE2019 had been recommended by the Executive Committee of the Manager and approved by the Board of the Manager prior to implementation. There has been no change in the authority limits established by the Manager in respect of FYE2019.

Management meetings chaired by the CEO and attended by all heads of department (“HODs”) were held to review operational activities, management issues, financial performance and business development proposals, including the deliberation of relevant strengths, weaknesses, opportunities and threats faced by the Manager in managing Axis-REIT. Separate operations meetings, attended by the facilities, project and leasing teams, were held as and when needed to review and discuss the facilities and project management issues in relation to all the properties within the Fund’s portfolio.

The Executive Committee of the Manager met with Management on a quarterly basis to review, assess and discuss business updates, investment proposals and financial performance, as well as to resolve key operational, financial and other key management issues faced by Management during FYE2019. Significant issues were highlighted and discussed at Board meetings for the Board’s ultimate decisions.

The Yardi Voyager system (“the system”) is a synchronised platform for capturing and processing data related to tenant and debt management, payment processing, financial reporting, advanced budgeting and finance, as well as job costing. The Manager has carried out tests on improvements made to the system to ensure that the processes are effective in generating timely and accurate information for Management’s action and decision-making, operationally and financially.

During the year, the Manager had enhanced the purchase order process within the system to include the supplier code of conduct and the health, safety and environment (“HSE”) policy, which are important policies to be observed by the vendors, suppliers and service providers of Axis-REIT. Another improvement made to the system was the automatic generation of email notifications of invoices issued to tenants. This process was also tested to ensure its functionality. Training was provided to new and existing staff to ensure smooth operation of the system with minimum disruption to the day-to-day operations of the Fund.

To manage its financial risk, Axis-REIT had issued RM240.0 million in nominal value Islamic Medium Term Notes of 7 years (“3rd Unrated Sukuk”) in FYE2019 pursuant to the Fund’s Islamic Medium Term Notes Programme (“Sukuk Programme”) of up to RM3 billion in nominal value with perpetual tenure. The 3rd Unrated Sukuk issuance has reduced Axis-REIT’s exposure to short term financing and also strengthened its financing maturity profile. As at the reporting date, Axis-REIT had a total of RM420.0 million in nominal value Islamic Medium Term Notes



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

issued pursuant to the Sukuk Programme. The RM420.0 million comprises RM110.0 million (10-year tenure) and RM310.0 million (7-year tenure) in nominal value Islamic Medium Term Notes.

Pursuant to the Manager's capital management strategy, the Manager had successfully implemented and completed the placement exercises totalling 197,965,000 new units of Axis-REIT in two tranches, which were exercised from the general mandate to issue new units obtained from the Unitholders of Axis-REIT at the last annual general meeting held on 30 April 2019 and the specific approval obtained from the Unitholders of Axis-REIT at the Unitholders' meeting held on 3 December 2019. The net proceeds raised from these placements have been utilised to pare down the short-term financing of Axis-REIT.

Investment Controls

The Board of the Manager reviews, evaluates and decides on strategic investment proposals covering acquisitions and disposals as recommended by the Executive Committee of the Manager. Management has in place procedures to identify potential acquisitions and assess the viability of the proposed acquisitions prior to recommending such proposals to the Board for consideration and decision. Due diligence processes are also in place to ensure that Axis-REIT acquires yield-accretive assets that will enhance the property portfolio of the Fund. Disposal processes are also in place to ensure that the interests of the Unitholders of Axis-REIT are safeguarded at all times. Management also monitors the performance of each property in the portfolio of Axis-REIT on a monthly basis, in terms of property yield, portfolio efficiency and occupancy levels.

During the financial year under review, Axis-REIT embarked on its third built-to-suit project which is located within the Batu Kawan Industrial Park, Penang. As of the date of this report, the development of Axis Facility @ Batu Kawan ("the Project") has been completed with the issuance of Certificate of Practical Completion on 30 December 2019. The lease is expected to commence in March 2020, pending the issuance of the Certificate of Completion and Compliance, which is expected by end-February 2020.

Tenant Relationship Management

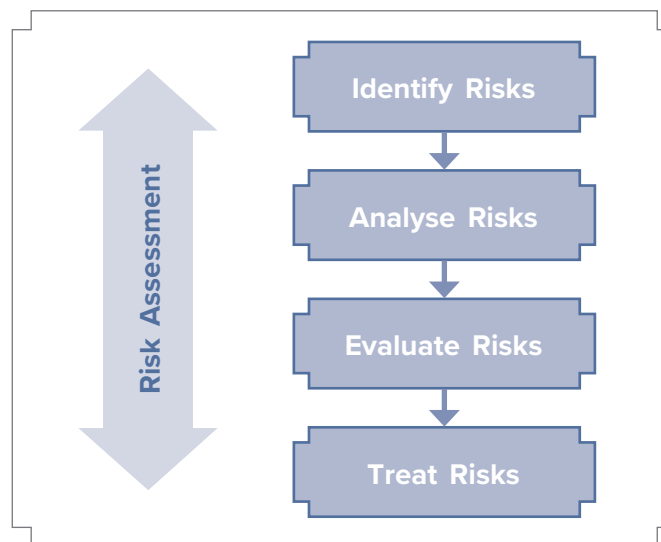
The Manager has a customised online tenant management portal known as "Hello Axis" that facilitates the communication of announcements, general feedback, property maintenance requests and form downloads by tenants. This tenant portal reduces the manual paper flow between landlord and tenant, and is a green initiative towards environmental sustainability. It provides a platform for the facilities and leasing teams to track feedback and complaints from tenants, to address and rectify issues raised by tenants, and to ensure action plans and follow up measures are carried out to a satisfactory level and in a timely manner. During the year under review, Axis-REIT has continued to carry out tenant satisfaction surveys via a third-party service provider to gauge tenants' awareness of its efforts to continuously improve tenant relationships. These

initiatives were taken by the Manager to improve the facility management services rendered to tenants, as well as to strengthen tenant relationships as a factor in safeguarding the future rental income of Axis-REIT.

Risk Management and Risk Register

Risk management is part of Management's day-to-day operations. It facilitates the timely response to evolving business risks, whether arising from factors within Axis-REIT, or from changes in the business environment in which Axis-REIT operates. The Risk Register assists Management in its risk management processes to identify risks, consider the likelihood of a risk occurring, the impact of a particular risk if it materialises, and the action plans to mitigate the identified risks.

The Risk Register follows the relevant guidance from the International Standards Organization (ISO) 31000 – Risk Management – Principles & Guidelines. The diagram below shows the risk management processes as encapsulated in the procedures underlying the Risk Register:



The Manager has carried out a quarterly update of the Risk Register which focuses on business, real estate management, financial, compliance, information technology and risk management systems. The Risk Register segregates risk areas based on departmental components. The HODs are responsible for their respective risk components and report directly to the CEO on risk issues and mitigating factors. Updates were made to the Risk Register on a quarterly basis capturing data arising from management analysis, management action plans and monitoring activities undertaken by each HOD on an on-going basis. During the year, the Risk Register was enhanced to incorporate non-financial risks relating to social and governance matters. All updates were compiled by the Head of Compliance, who assists the CEO in this area, for reporting purposes. The Risk Management Report, which comprises an executive summary and the detailed Risk Register, were presented to the Audit Committee and Board at their quarterly meetings. The Audit

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Committee reviewed the Risk Management Report at each of its meetings held in FYE2019, and the same was tabled to the Board. There was no significant issue arising from the risk management review in respect of FYE2019.

The following provides some insights into how the Manager monitored and managed identified key risks affecting Axis-REIT on an on-going basis during FYE2019:

- An HSE policy and a supplier code of conduct were formulated and implemented to set out the expectations on all employees with regard to HSE requirements in the discharge of their operational duties, and on other stakeholders in their performance of services and business conduct. These policies are put in place to address the safety and security risks in relation to the tenants and properties of Axis-REIT, and to ensure good ethics and quality delivery of services by vendors, suppliers and service providers;
- Procedures for tenant background checks were improved to ensure an effective due diligence process (“Know-Your-Client”) is conducted on prospective tenants. This enables the Fund to secure a sustainable tenant base and to mitigate tenants’ credit risks;
- A clause to comply with the Anti-Money Laundering Act has now been incorporated into tenancy agreements executed with new tenants. This is necessary to address compliance risks;
- The Manager had updated and standardised the list for tracking of fire extinguishers for all multi-tenanted buildings, which enhances building compliance in terms of fire safety; and
- The Manager has commenced formulating an anti-corruption framework in order to comply with anti-corruption laws in Malaysia. This framework is also essential to help prevent the occurrence of corrupt practices within its business activities.

Internal Audit Function and its Activities

Based on the agreed internal audit plan, the outsourced Internal Auditors had assisted the Manager in reviewing the internal control systems relating to Axis-REIT’s operations, procedures and processes. The Internal Auditors had reviewed and reported the results of the audit to the Audit Committee on the following internal audit work carried out during FYE2019:

1. Internal audit review on project and facilities management, and building security and safety controls;
2. Internal audit review on rental or lease procedures and tenant relationship management;
3. Internal audit review on transactions with related parties, corporate governance and risk management procedures; and
4. Internal audit review on financial controls on billing and collection procedures, as well as debt monitoring and control.

There were no material weaknesses or deficiencies noted for the internal audit reviews mentioned above. As for the corporate governance practices, the Internal Auditors had raised observations which had been deliberated and addressed by the Audit Committee and Board respectively.

Internal audit follow-up reviews were also carried out by the Internal Auditors on previous audit reviews for reporting to the Audit Committee on a quarterly basis.

The costs incurred by the Manager for the outsourced Internal Audit Function in respect of FYE2019 amounted to RM67,000. The Audit Committee, in its review of this Statement, was satisfied that there were no significant control deficiencies noted during the financial year under review that had a material impact on Axis-REIT’s financial performance or business operations.

Appraisal of the System of Risk Management and Internal Controls

The Board of the Manager had appraised the adequacy, effectiveness and integrity of the system of risk management and internal controls framework that was in place during the financial year under review up to the date of approval of this Statement. The Board of the Manager has received assurance from the CEO and Chief Financial Officer that the risk management and internal control system set in place by the Manager, in relation to managing the operations of Axis-REIT, is operating adequately and effectively, in all material aspects.

Review of This Statement

The Board of the Manager has ensured that this Statement is reviewed in accordance with Paragraph 15.23 of the Main Market Listing Requirements for inclusion in the Integrated Annual Report of Axis-REIT for FYE2019.

This Statement has been tabled and approved by the Board on 20 January 2020.



DIRECTORS' RESPONSIBILITY STATEMENT

In Preparing the Annual Audited Financial Statements

In accordance with Paragraph 15.26(a) of the MMLR of Bursa Securities, the Board is pleased to report that the financial statements of Axis-REIT for FYE2019 have been drawn up in accordance with the provisions of the Third Principal Deed constituting Axis-REIT dated 28 November 2013, the SC's Listed REIT Guidelines, applicable securities laws and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of Axis-REIT as at 31 December 2019 and of the results of its operations and cash flows for the year then ended.

The Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- considered that all relevant approved accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis.

The Directors have a general responsibility for taking such steps to safeguard the assets of Axis-REIT, and to detect and prevent fraud as well as other irregularities.





FINANCIAL STATEMENTS

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MANAGER'S REPORT

Axis REIT Managers Berhad, as the management company ("Manager") of Axis Real Estate Investment Trust ("Axis-REIT" or "Fund"), has the pleasure of presenting this report together with the audited financial statements of Axis-REIT for the financial year ended 31 December 2019 ("FYE2019").

Axis-REIT was formed to own and invest primarily in industrial and office real estate. The primary investment objectives of Axis-REIT are:

- a) To provide unitholders of Axis-REIT ("Unitholders") with a stable and growing distribution of income; and
- b) To achieve long-term growth in the net asset value ("NAV") per unit of the Fund.

The Manager is pleased to report that the Fund has been successful in achieving its investment objectives as set out above and there was no change in the investment objectives of Axis-REIT in respect of FYE2019. There was also no significant change in the state of affairs of Axis-REIT during the financial year under review up to the date of this report.

The Manager is committed to the pursuit of the Fund's investment objectives via the following management strategies:

- a) Facilities management strategy
- b) Real estate strategy
- c) Development strategy
- d) Capital management strategy
- e) Investment strategy

There was no change in the strategies and policies employed during the financial year under review as compared to that of the preceding year.

DIRECTORS

The Directors of the Manager who have held office during FYE2019 until the date of this report are as follows:

YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin
 Dato' Abas Carl Gunnar Bin Abdullah
 Tew Peng Hwee @ Teoh Peng Hwee
 Leong Kit May
 Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor
 Mohd Sharif Bin Hj Yusof
 Alvin Dim Lao
 Alex Lee Lao (Alternate Director to Dato' Abas Carl Gunnar Bin Abdullah)
 Jancis Anne Que Lao (Alternate Director to Alvin Dim Lao)

DIRECTORS' BENEFITS

As at the end of FYE2019, there did not subsist any arrangement to which the Manager is a party, where the arrangement enables any Director or all Directors of the Manager to acquire benefits by way of the acquisition of units in, or debentures of Axis-REIT, nor did such arrangement subsist at any time during the financial year.

Since the end of the previous financial year, no Director of the Manager has received or become entitled to receive any benefit by reason of a contract made by the Fund or a related corporation with the Director, or with a firm in which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 24 of the audited financial statements of Axis-REIT.

MANAGER'S REPORT

DIRECTORS' INTERESTS

The interests of the Directors of the Manager in the units of Axis-REIT in respect of FYE2019 are as follows:

	Number of units			As at 31.12.2019 '000 Units
	As at 1.1.2019 '000 Units	Acquired '000 Units	Sold '000 Units	
Direct interest:				
– Dato' Abas Carl Gunnar Bin Abdullah	24,254	–	350	23,904
– YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	20	–	–	20
– Tew Peng Hwee @ Teoh Peng Hwee	56,550	–	41	56,509
– Alex Lee Lao	56,387	350	–	56,737
– Leong Kit May	43	–	–	43
– Jancis Anne Que Lao	844	1,100	–	1,944
Indirect interest:				
– Dato' Abas Carl Gunnar Bin Abdullah*	10,304	–	–	10,304
– Alex Lee Lao [#]	3,153	–	–	3,153

Notes:

- (i) The information above was prepared based on the Directors' disclosures made pursuant to the provisions of the Third Principal Deed dated 28 November 2013 constituting Axis-REIT ("Deed")
- (ii) Save as disclosed above, the other Directors of the Manager did not have any interest, whether direct or indirect, in the units of Axis-REIT
- (iii) * Deemed interested in the direct unitholdings of his spouse, Datin Kuyas Emiloglu (also known as Ka Ya-Shih), and daughter, Amanda Tan Myhre
- (iv) # Deemed interested in the direct unitholdings of his brothers, Lao, Yin-Yong Lee and Leon Lee Lao

MANAGER'S FEES

The Manager receives a fee equivalent to 1.0% per annum of the NAV of Axis-REIT, calculated on a monthly basis and payable to the Manager monthly in arrears. There will be no payment due to the Manager by way of remuneration for its services upon the subscription for the purchase or sale of units in Axis-REIT or upon any distribution of income and capital.

Any increase in the Manager's fee above 1.0% per annum must be approved by the Trustee of Axis-REIT and Unitholders by way of a majority resolution (consisting of not less than two-thirds of Unitholders voting thereat) passed at a Unitholders' meeting convened in accordance with the Deed.

For the financial year under review, the total Manager's fee was RM17,201,237, representing 1.0% per annum of the NAV of Axis-REIT for the period from 1 January 2019 to 31 December 2019.

The Manager is also entitled to an acquisition and disposal fee of 1.0% and 0.5% respectively based on the purchase and disposal considerations of real estate assets upon the completion of such transactions. For the financial year under review, there were three acquisitions completed by Axis-REIT resulting in a total acquisition fee of RM597,165 being paid to the Manager.

Save for the expenses incurred for the general overheads and costs of services which the Manager is expected to provide, or falling within the normal expertise of the Manager, the Manager has the right to be reimbursed for fees, costs, charges, expenses and outgoings incurred by it that are directly related and necessary to the business of the Fund.



MANAGER'S REPORT

SOFT COMMISSION

The Manager did not receive any soft commissions from any dealer or broker by virtue of transactions conducted for the Fund during the financial year under review.

OTHER INFORMATION

Before the financial statements of Axis-REIT were prepared, the Manager took reasonable steps:

- i) to ascertain that appropriate action had been taken in relation to writing off bad debts and making provisions for doubtful debts and was satisfied that all known bad debts had been written off and that adequate provisions had been made for doubtful debts; and
- ii) to ensure that all current assets which were unlikely to be realised in the ordinary course of business, including the value of current assets as shown in the accounting records of Axis-REIT, had been stated at the lower of cost and net realisable value.

As at the date of this report, the Manager is not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to a substantial extent; and
- ii) that would render the values attributed to the current assets in Axis-REIT's financial statements misleading; and
- iii) which have arisen that would render adherence to the existing method of valuation of assets or liabilities of Axis-REIT misleading or inappropriate; and
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of Axis-REIT misleading.

As at the date of this report, there does not exist:

- i) any charge on the assets of Axis-REIT that has arisen since the end of the financial year and which secures the liabilities of any other person; and
- ii) any contingent liability in respect of Axis-REIT that has arisen since the end of the financial year.

In the opinion of the Manager:

- i) no contingent liability or other liability of Axis-REIT has become enforceable, or is likely to become enforceable within the 12-month period after the end of FYE2019 which, in the opinion of the Manager, will or may affect the ability of Axis-REIT to meet its obligations as and when they fall due; and
- ii) the results of the operations of Axis-REIT for the financial year ended 31 December 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature; and
- iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report, that is likely to substantially affect the results of the operations of Axis-REIT for the financial year in which this report is made.

MANAGER'S REPORT

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to continue in office.

Signed for and on behalf of the Manager of Axis-REIT, Axis REIT Managers Berhad, in accordance with a resolution of the Board of Directors.

TEW PENG HWEE @ TEOH PENG HWEE

Director

LEONG KIT MAY

Chief Executive Officer/Executive Director

Date: 14 February 2020



STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	2019 RM'000	2018 RM'000
Assets			
Non-current assets			
Investment properties	4	2,990,610	2,798,500
Equipment	5	3,201	3,021
		2,993,811	2,801,521
Current assets			
Receivables, deposits and prepayments	6	39,325	20,928
Cash and cash equivalents	7	52,545	18,014
Total current assets		91,870	38,942
Total assets		3,085,681	2,840,463
Financed by:			
Unitholders' funds			
Unitholders' capital	8	1,583,791	1,247,069
Reserves		494,973	417,012
Total unitholders' funds		2,078,764	1,664,081
Non-current liabilities			
Tenants' deposits		44,840	57,706
Deferred tax liability	9	8,615	4,402
Financing	10	500,277	245,867
		553,732	307,975
Current liabilities			
Tenants' deposits		19,597	4,704
Payables and accruals	11	48,006	50,203
Financing	10	385,582	813,500
Total current liabilities		453,185	868,407
Total liabilities		1,006,917	1,176,382
Total unitholders' funds and liabilities		3,085,681	2,840,463
Net asset value ("NAV")		2,078,764	1,664,081
Number of units in circulation ('000 units)		1,435,250	1,237,285
NAV per unit (RM)			
– Before income distribution		1.4484	1.3449
– After income distribution		1.4374 [#]	1.3204

[#] NAV per unit after reflecting realised income to be distributed as final 2019 income distribution of 1.10 sen per unit payable on 9 March 2020.

The notes on pages 175 to 221 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Revenue	12	222,464	210,588
Property operating expenses	13	(30,756)	(27,827)
Net property income		191,708	182,761
Profit income		1,434	725
Change in fair value of investment properties	4.1.1	94,064	35,607
Fair value change on Islamic derivatives		(933)	(306)
Net (loss)/gain on financial liabilities measured at amortised cost		(2,348)	3,687
Net property income and investment income		283,925	222,474
Manager's fees	1(b)	17,201	16,188
Trustee's fees	1(c)	892	857
Audit fees		133	121
Non-audit fees			
– KPMG PLT		22	17
– Local affiliate of KPMG PLT		104	–
Tax agent's fees		17	17
Net remeasurement of loss allowance		(26)	215
Depreciation of equipment	5	570	472
Administrative expenses		2,171	2,498
Islamic financing costs		48,360	41,754
Valuation fees		1,030	887
Non-property expenses		70,474	63,026
Net income before tax		213,451	159,448
Tax expense	14	(4,213)	(4,469)
Net income for the year and total comprehensive income for the year attributable to unitholders		209,238	154,979



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

for the year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Net income for the year is made up as follows:			
Realised			
– Net income before lease incentive adjustment		116,209	107,046
– Lease incentive adjustment (non-distributable)		(1,030)	6,396
		115,179	113,442
Unrealised			
– Change in fair value of investment properties, as per valuation	4.1	101,553	42,558
– Net (loss)/gain on financial liabilities measured at amortised cost		(2,348)	3,687
– Provision for deferred tax on change in fair value of investment properties		(4,213)	(4,402)
Fair value change on Islamic derivatives		(933)	(306)
		94,059	41,537
		209,238	154,979
Earnings per unit (sen)	15	16.61	12.57
Number of units in circulation ('000 units)		1,435,250	1,237,285
Earnings per unit (before Manager's fees)			
– Gross (sen)		17.97	13.89
– Net (sen)		17.97	13.89
Net income distribution			
First, Second, Third and Fourth interim income distributions totalling 8.16 sen per unit paid on 31 May 2019, 30 August 2019, 29 November 2019 and 9 December 2019 (2018: 6.29 sen per unit paid on 4 June 2018, 7 September 2018 and 10 December 2018), respectively.			
		100,964	77,512
Final income distribution of 1.10 sen per unit payable on 9 March 2020 (2018: Final income distribution of 2.45 sen per unit paid on 28 February 2019).			
		15,788	30,313
	16	116,752	107,825

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(CONTINUED)**

for the year ended 31 December 2019

	Note	2019	2018
Distribution per unit			
– Gross (sen) – interim		8.16	6.29
– final		1.10	2.45
	16	9.26	8.74
– Net (sen)* – interim		8.16	6.29
– final		1.10	2.45
	16	9.26	8.74

* Withholding tax will be deducted for distributions made to the following categories of unitholders:

	Withholding tax rate	
	2019	2018
Resident corporate	N/A [^]	N/A [^]
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	24%	24%
Non-resident institutional	10%	10%

[^] to tax at prevailing rate



The notes on pages 175 to 221 are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSET VALUE

for the year ended 31 December 2019

	Total unitholders' capital RM'000	Distributable Realised income RM'000	Non- distributable 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
Total comprehensive income for the year	–	113,442	41,537	154,979
<i>Contributions by and distributions to unitholders</i>				
Issuance of units	6,892	–	–	6,892
Issuing expenses	(76)	–	–	(76)
Distributions to unitholders	–	(88,850)	–	(88,850)
Total transactions with unitholders	6,816	(88,850)	–	(82,034)
At 31 December 2018/1 January 2019	1,247,069	32,192	384,820	1,664,081
Net income for the year	–	115,179	94,059	209,238
Total comprehensive income for the year	–	115,179	94,059	209,238
<i>Contributions by and distributions to unitholders</i>				
Issuance of units	340,500	–	–	340,500
Issuing expenses	(3,778)	–	–	(3,778)
Distributions to unitholders	–	(131,277)	–	(131,277)
Total transactions with unitholders	336,722	(131,277)	–	205,445
At 31 December 2019	1,583,791	16,094	478,879	2,078,764

Note 8



STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Cash flows from operating activities			
Net income before tax		213,451	159,448
<i>Adjustments for:</i>			
Islamic financing costs		48,360	41,754
Profit income		(1,434)	(725)
Change in fair value of investment properties	4	(101,553)	(42,558)
Depreciation of equipment	5	570	472
Net loss/(gain) on financial liabilities measured at amortised cost		2,348	(3,687)
Net remeasurement of loss allowance		(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
Acquisition of investment properties	4	(61,087)	(198,787)
Enhancement of investment properties	4	(29,374)	(74,076)
Acquisition of equipment	5	(750)	(1,016)
(Increase)/decrease in pledged Islamic deposits		(11,160)	3,437
Net cash used in investing activities		(100,937)	(269,717)
Cash flows from financing activities			
Islamic financing cost paid		(48,069)	(42,405)
(Repayment of)/Proceeds from financing		(413,348)	301,851
Proceeds from issuance of/(Redemption of) Islamic Medium Term Notes ("Sukuk")		239,420	(85,000)
Proceeds from/(Repayment of) finance lease liabilities		33	(306)
Income distribution paid to unitholders		(131,277)	(88,850)
Proceeds from issue of units		340,500	6,892
Issuing expenses on units		(3,778)	(76)
Net cash (used in)/from financing activities		(16,519)	92,106



STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Net increase/(decrease) in cash and cash equivalents		23,371	(13,418)
Cash and cash equivalents at 1 January		9,619	23,037
Cash and cash equivalents at 31 December	(i)	32,990	9,619

(i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	2019 RM'000	2018 RM'000
Cash and bank balances	7	20,948	8,314
Islamic deposits placed with licensed banks	7	31,597	9,700
		52,545	18,014
Less: Islamic deposits placed with licensed banks – pledged	7	(19,555)	(8,395)
		32,990	9,619

The notes on pages 175 to 221 are an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Axis Real Estate Investment Trust (“Axis-REIT”) is a Malaysia-domiciled real estate investment trust constituted pursuant to the Third Principal Deed dated 28 November 2013 (“the Deed”) between Axis REIT Managers Berhad (“the Manager”) and RHB Trustees Berhad (“the Trustee”). The Deed is regulated by the Securities Commission Act, 1993, the Securities Commission’s Guidelines on Listed Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings. Axis-REIT will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of Clause 26 of the Deed. The addresses of its registered office and principal place of business are as follows:

Registered office

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Principal place of business

Penthouse, Menara Axis
No. 2, Jalan 51A/223
46100 Petaling Jaya
Selangor Darul Ehsan

The financial statements as at and for the financial year ended 31 December 2019 comprise the financial statements of Axis-REIT and its wholly owned subsidiary, Axis REIT Sukuk Berhad, a company incorporated in Malaysia, whose principal activity is to raise financing on behalf of Axis-REIT.

Axis-REIT is principally engaged in investing in a diverse portfolio of properties with the primary objective of achieving an attractive level of return from rental income and long-term capital growth. There has been no significant change in the nature of this activity during the year.

Axis-REIT was formally admitted to the Main Board of Bursa Malaysia Securities Berhad on 3 August 2005.

Axis-REIT has entered into several service agreements in relation to the management of Axis-REIT and its property operations. The fee structures of these services are as follows:

(a) Property management fees

The Property Manager, Axis Property Services, is entitled to a fee in respect of the management of the investment properties owned by Axis-REIT as provided for in the Deed. The fee is based on a certain graduated scale as provided for in the provisions of the revised Valuers, Appraisers and Estate Agents Act, 1981 as required by the Securities Commission’s Guidelines on Listed Real Estate Investment Trusts. The property management fees are payable monthly in arrears.

(b) Manager’s fees

Pursuant to the Deed, the Manager is entitled to receive a fee of up to a maximum of 1% (2018: 1%) per annum of the Net Asset Value of Axis-REIT, calculated on a monthly accrual basis and payable monthly in arrears. The Manager’s fees for the year ended 31 December 2019 of RM17,201,237 (2018: RM16,188,142) is 1% (2018: 1%) of the monthly Net Asset Value.

The Manager is also entitled to receive an acquisition fee or a disposal fee of 1% or 0.5% (2018: 1% or 0.5%) of the purchase price or the disposal price, respectively, of any investment property purchased or disposed directly or indirectly by Axis-REIT which is payable after the completion of the acquisition or the disposal. The acquisition fees for the financial year ended 31 December 2019 is RM597,165 (2018: RM1,951,000) which was 1% of the purchase price. The acquisition fees are included in the acquisition cost of the investment properties acquired (Note 4).

(c) Trustee’s fees

Pursuant to the Deed, the Trustee is entitled to receive a fee of 0.05% (2018: 0.05%) per annum of the Net Asset Value of Axis-REIT calculated on a monthly accrual basis and payable monthly in arrears. The Trustee’s fees for the year ended 31 December 2019 is RM892,000 (2018: RM857,000).

These financial statements were approved by the Board of Directors of the Manager on 14 February 2020.



NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of Axis-REIT have been prepared in accordance with the Deed, the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, applicable securities laws, Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by Axis-REIT:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Axis-REIT plans to apply the abovementioned accounting standards, amendments and interpretations, where applicable, from the annual period beginning on 1 January 2020 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2020.

Axis-REIT does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to Axis-REIT.

The initial application of the applicable accounting standards, amendments and interpretations are not expected to have any material financial impact to the current period and prior period financial statements of Axis-REIT.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except as otherwise stated in the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the functional currency of Axis-REIT. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements other than as disclosed in Note 4 – Investment properties.



NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by Axis-REIT as compared to those applied in the previous financial statements. There was no material impact arising from the adoption of MFRS 16 on Axis-REIT's financial statements.

(a) Basis of consolidation**(i) Subsidiaries**

Axis-REIT has established a special purpose company, Axis REIT Sukuk Berhad, for the purpose of raising financing on behalf of Axis-REIT. Axis REIT Sukuk Berhad is consolidated as if it is a subsidiary of Axis-REIT.

Subsidiaries are entities, including structured entities, controlled by Axis-REIT. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Axis-REIT controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive.

Axis-REIT also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the financial statements of Axis-REIT.

(b) Financial instruments**(i) Recognition and initial measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, Axis-REIT becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement***Financial assets***

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless Axis-REIT changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.



NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective profit method. The amortised cost is reduced by impairment losses. Profit income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Profit income is recognised by applying the effective profit rate to the gross carrying amount except for credit impaired financial assets (see note 3(g)(i)) where the effective profit rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost as described above are measured at fair value through profit or loss. This includes Islamic derivative financial assets. On initial recognition, Axis-REIT may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values. Net gains or losses, including any profit or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (see note 3(g)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are Islamic derivatives and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, Axis-REIT may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss if:

- (i) doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (ii) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about Axis-REIT is provided internally on that basis to Axis-REIT's key management personnel; or
- (iii) a contract contains one or more embedded Islamic derivatives and the host is not a financial asset/liability in the scope of MFRS 9, where the embedded Islamic derivatives significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with gains or losses, including any Islamic financing costs, recognised in the profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial instruments (continued)****(ii) Financial instrument categories and subsequent measurement (continued)*****Financial liabilities (continued)*****(a) Fair value through profit or loss (continued)**

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, Axis-REIT recognises the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective profit method.

Islamic financing costs and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or is transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Investment properties**Investment properties carried at fair value**

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised financing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

Subsequently, investment properties are measured at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.



NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investment properties (continued)

Investment properties carried at fair value (continued)

The fair value of investment properties held by Axis-REIT as a right-of-use asset reflects the expected cash flows. Accordingly, where valuation obtained for a property is net of all payments expected to be made, Axis-REIT added back any recognised lease liability to arrive at the carrying amount of the investment property using the fair value model.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(d) Equipment

(i) Recognition and measurement

Items of equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

The gain and loss on disposal of an item of equipment is determined by comparing the proceeds from disposal with the carrying amount of equipment and is recognised net within profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to Axis-REIT, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of equipment. The estimated useful lives for the current and comparative periods are as follows:

• Office equipment, furniture and fittings	10 years
• Car park machines	10 years
• Software	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(e) Leases**

Axis-REIT has adopted MFRS 16 during the year. The adoption of MFRS 16 does not have any significant impact to the financial statements.

Current financial year**(i) Definition of a lease**

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Axis-REIT assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, Axis-REIT allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which Axis-REIT is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement**(a) As a lessee**

Axis-REIT recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Axis-REIT's incremental financing rate. Generally, Axis-REIT uses their incremental financing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that Axis-REIT is reasonably certain to exercise; and
- penalties for early termination of a lease unless Axis-REIT is reasonably certain not to terminate early.



NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

Axis-REIT excludes variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

Axis-REIT has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Axis-REIT recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When Axis-REIT acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, Axis-REIT makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, Axis-REIT applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When Axis-REIT is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which Axis-REIT applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective profit method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in Axis-REIT's estimate of the amount expected to be payable under a residual value guarantee, or if Axis-REIT changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

Axis-REIT recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".



NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(e) Leases (continued)****Previous financial year****(i) Finance lease**

Leases in terms of which Axis-REIT assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset.

Leasehold land which in substance was a finance lease was classified as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where Axis-REIT does not assume substantially all the risks and rewards of ownership were classified as operating leases and, except for property interest held under operating lease, the leased assets were not recognised on Axis-REIT's statement of financial position. Property interest held under an operating lease, which was held to earn rental income or for capital appreciation or both, was classified as investment property and measured using fair value model.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and Islamic deposits placed with banks and highly liquid Shariah-compliant investments which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged Islamic deposits, if any.

(g) Impairment**(i) Financial assets**

Axis-REIT recognises loss allowances for expected credit losses on financial assets measured at amortised cost and tenancy contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

Axis-REIT measures loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and tenancy contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, Axis-REIT considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Axis-REIT's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which Axis-REIT is exposed to credit risk.

Axis-REIT estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.



NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment (continued)

(i) Financial assets (continued)

At each reporting date, Axis-REIT assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when Axis-REIT determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with Axis-REIT's procedures for recovery of amounts due.

(ii) Other assets

The carrying amounts of other assets (except for investment properties that are measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(h) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issuing expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Units

Units are classified as equity.

(i) Provisions

A provision is recognised if, as a result of a past event, Axis-REIT has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(j) Revenue****(i) Rental income**

Rental income consists of income from the leasing of investment properties.

Rental income from investment properties is recognised in profit or loss on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives are recognised as an integral part of the total rental income, over the term of the lease.

(ii) Car park income

Car park income is recognised upon collection for daily parking and over time when services are delivered for season parking.

(iii) Other income

Other income consists of income from services, signage rental, compensation charges and other associated income. Other income is recognised over time when services are delivered.

(iv) Profit income

Profit income is recognised as it accrues using the effective profit method in profit or loss.

(k) Expenses**(i) Property expenses**

Property expenses consist of property management fees, quit rent and assessment, and other property outgoings in relation to investment properties where such expenses are the responsibility of Axis-REIT.

Property management fees are recognised on an accrual basis using the applicable formula, as stipulated in Note 1(a).

(ii) Manager's fees

Manager's fees are recognised on an accrual basis using the applicable formula, as stipulated in Note 1(b).

(iii) Trustee's fees

Trustee's fees are recognised on an accrual basis using the applicable formula, as stipulated in Note 1(c).

(l) Islamic financing costs

Islamic financing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective profit method.

Islamic financing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of Islamic financing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, Islamic financing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of Islamic financing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific Islamic financing pending their expenditure on qualifying assets is deducted from the Islamic financing costs eligible for capitalisation.



NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3(c), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Earnings per unit

Axis-REIT presents basic earnings per unit ("EPU").

Basic EPU is calculated by dividing the net income for the year attributable to unitholders of Axis-REIT by the weighted average number of units in circulation during the year.

(o) Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.



NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(o) Fair value measurement (continued)**

When measuring the fair value of an asset or a liability, Axis-REIT uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that Axis-REIT can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

Axis-REIT recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. INVESTMENT PROPERTIES

	2019 RM'000	2018 RM'000
Land and buildings at fair value:		
At 1 January	2,798,500	2,482,200
Acquisitions	61,087	198,787
Enhancements	29,470	74,955
Change in fair value	101,553	42,558
At 31 December	2,990,610	2,798,500

Included in acquisitions during the year is RM597,165 (2018: RM1,951,000) which relates to acquisition fees paid to the Manager (Note 1(b)).

Included in enhancements during the year are development costs amounting to RM356,000 (2018: RM24,629,000) incurred on Axis Mega Distribution Centre, of which Nil (2018: RM422,000) is related to capitalisation of financing costs, RM9,718,000 (2018: RM42,806,000) incurred on Axis Aerotech Centre @ Subang, of which RM38,000 (2018: RM457,000) is related to capitalisation of financing costs and RM10,337,000 (2018: Nil) incurred on Axis Facility @ Batu Kawan, of which RM58,000 (2018: Nil) is related to capitalisation of financing costs, respectively.



NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT PROPERTIES (CONTINUED)

2019

Property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Existing use	Occupancy rates as at		Fair value as at 31.12.2019 RM'000	Cost of investment as at 31.12.2019 RM'000	Percentage of fair value to Net Asset Value as at 31.12.2019 %
					31.12.2019 %	31.12.2019 %			
Menara Axis (e) ^{^^}	Leasehold	99	46	Petaling Jaya	Commercial office	78.2	112,000	90,175	5.4
Crystal Plaza (a) ^{^^}	Leasehold	99	40	Petaling Jaya	Commercial office	76.8	113,700	68,514	5.5
Axis Business Park (e) ^{^^}	Leasehold	99	41	Petaling Jaya	Office/Industrial	90.3	121,000	101,906	5.8
Infinite Centre (b) [^]	Leasehold	99	46	Petaling Jaya	Office/Industrial	100.0	43,500	36,808	2.1
Wisma Kemajuan (e) [^]	Leasehold	99	46	Petaling Jaya	Office/Industrial	75.6	65,600	37,954	3.2
Axis Business Campus (i) [^]	Leasehold	99	48	Petaling Jaya	Office/Industrial	85.1	80,600	63,317	3.9
Axis Shah Alam DC 1 (j)	Freehold	-	-	Shah Alam	Warehouse/Logistics	100.0	37,200	22,507	1.8
Axis Hypermarket (k) ^{^^}	Freehold	-	-	Sungai Petani	Hypermarket	100.0	49,000	38,973	2.4
FCI Senai (a) [^]	Leasehold	60	48	Senai, Johor	Manufacturing facilities	100.0	25,360	12,693	1.2
Fonterra HQ (f)	Freehold	-	-	Shah Alam	Office/Industrial	84.7	20,600	11,196	1.0
Quattro West (h) ^{^^}	Leasehold	99	53	Petaling Jaya	Commercial office	43.5	56,000	51,126	2.7
Strateq Data Centre (b) [^]	Leasehold	99	49	Petaling Jaya	Office/Industrial	100.0	57,000	42,729	2.7
D21 Logistics									
Warehouse (h) ^{^^}	Leasehold	60	36	Tanjung Pelepas	Warehouse/Logistics	100.0	29,000	28,413	1.4
Niro Warehouse (a)	Leasehold	60	32	Pasir Gudang	Warehouse/Logistics	100.0	27,700	15,234	1.3
Pasir Gudang Logistic Warehouse 1 (a)	Leasehold	60	48	Pasir Gudang	Warehouse/Logistics	100.0	21,300	13,814	1.0
Axis Vista (e) ^{^^}	Leasehold	99	47	Petaling Jaya	Office/Industrial	100.0	57,500	34,441	2.8
Axis Northport Distribution Centre 1 (h) ^{^^} **	Leasehold	99	83	Klang	Warehouse/Logistics	100.0	78,100	66,917	3.8
Bukit Raja Distribution Centre (a) ^{^^}	Freehold	-	-	Klang	Warehouse/Logistics	100.0	108,000	78,427	5.2
Seberang Prai Logistic Warehouse 1 (g) [^]	Leasehold	60	34	Seberang Prai	Warehouse/Logistics	100.0	24,000	17,821	1.2
Seberang Prai Logistic Warehouse 2 (g) [^]	Leasehold	60	34	Seberang Prai	Warehouse/Logistics	100.0	9,400	7,384	0.5
Tesco Bukit Indah (a) ^{^^}	Freehold	-	-	Johor Bahru	Hypermarket	100.0	106,000	76,969	5.1
Axis Mega Distribution Centre (a) ^{^^}	Leasehold	99	72	Kuala Langat	Warehouse/Logistics	100.0	314,000	258,766	15.1





NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT PROPERTIES (CONTINUED)

2019

Property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Location	Existing use	Occupancy rates as at 31.12.2019		Fair value as at 31.12.2019		Cost of investment as at 31.12.2019		Percentage of fair value to Net Asset Value as at 31.12.2019	
						%	%	RM'000	RM'000	RM'000	RM'000	%	%
Axis Technology Centre (j) [^]	Leasehold	99	48	Petaling Jaya	Office/Industrial	49.9	61,000	50,613	50,613	2.9			
D8 Logistics Warehouse (a) [^]	Leasehold	60	36	Johor Bahru	Warehouse/Logistics	100.0	40,100	30,689	30,689	1.9			
Bayan Lepas Distribution Centre (e) [^]	Leasehold	60	43	Bayan Lepas	Warehouse/Logistics	100.0	61,600	50,318	50,318	3.0			
Seberang Prai Logistic Warehouse 3 (g)	Leasehold	60	33/49	Seberang Prai	Warehouse/Logistics	100.0	69,500	62,555	62,555	3.3			
Emerson Industrial Facility Nilai (j) [^]	Leasehold	99	76	Nilai	Manufacturing facilities	100.0	35,000	27,443	27,443	1.7			
Wisma Academy Parcel (c) [^]	Leasehold	99	43	Petaling Jaya	Office/Industrial	70.2	74,500	77,287	77,287	3.6			
The Annex (c) [^]	Leasehold	99	43	Petaling Jaya	Office/Industrial	60.4	20,000	13,531	13,531	1.0			
Axis MRO Hub (e)	Leasehold	99	66	Shah Alam	Manufacturing facilities	100.0	53,300	53,640	53,640	2.6			
Axis Shah Alam DC 3 (c)	Freehold	-	-	Shah Alam	Warehouse/Logistics	100.0	192,000	187,011	187,011	9.2			
Axis Steel Centre @ SILC (l) [^]	Freehold	-	-	Nusajaya	Manufacturing facilities	100.0	163,000	155,949	155,949	7.8			
Axis Shah Alam DC 2 (e)	Leasehold	99	47	Shah Alam	Warehouse/Logistics	100.0	48,350	47,020	47,020	2.3			
Beyonics i-Park Campus Block A (d) [^]	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0	16,500	14,470	14,470	0.8			
Beyonics i-Park Campus Block B (d) [^]	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0	15,000	13,115	13,115	0.7			
Beyonics i-Park Campus Block C (d) [^]	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0	14,000	11,934	11,934	0.7			
Beyonics i-Park Campus Block D (d) [^]	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0	25,000	22,504	22,504	1.2			
Axis Industrial Facility @ Rawang (c) **	Freehold	-	-	Rawang	Manufacturing facilities	0.0	42,000	42,696	42,696	2.0			
Kerry Warehouse (a)	Leasehold	60	54	Johor Bahru	Warehouse/Logistics	100.0	38,200	33,725	33,725	1.8			
Wasco Facility @ Kuantan (a) [^]	Leasehold	99	90	Kuantan	Manufacturing facilities	100.0	155,000	157,619	157,619	7.5			



NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT PROPERTIES (CONTINUED)

2019

Property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Location	Existing use	Occupancy rates as at		Fair value as at 31.12.2019 RM'000	Cost of investment as at 31.12.2019 RM'000	Percentage of fair value to Net Asset Value as at 31.12.2019 %
						31.12.2019 %	31.12.2019 %			
Axis Aeratech Centre @ Subang (h)*	Leasehold	49	47	Subang	Manufacturing facilities	100.0		89,500	73,075	4.3
Axis Shah Alam DC 4 (h)	Freehold	-	-	Shah Alam	Warehouse/Logistics	100.0		86,000	84,270	4.1
Indahpura Facility 1 (d) ^	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0		8,000	7,343	0.4
Beyonics i-Park Campus Block E (d)^	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0		32,000	32,099	1.5
Senawang Industrial Facility (e)	Freehold	-	-	Senawang	Warehouse/Logistics	100.0		21,000	18,933	1.0
Nusajaya Tech Park Facility 1 (d)	Freehold	-	-	Iskandar Puteri, Johor	Manufacturing facilities	100.0		42,000	42,773	2.0
Nusajaya Tech Park Facility 2 (d)	Freehold	-	-	Iskandar Puteri, Johor	Manufacturing facility	100.0		15,500	14,105	0.7
Axis Facility @ Batu Kawan (h)	Leasehold	30	30	Simpang Ampat, Penang	Warehouse/Logistics	100.0		16,000	14,545	0.8
Total								2,990,610	2,515,346	



NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT PROPERTIES (CONTINUED)

- (a) D8 Logistics Warehouse, Bukit Raja Distribution Centre, Axis Mega Distribution Centre, Pasir Gudang Logistics Warehouse 1, Niro Warehouse, Kerry Warehouse, FCI Senai, Tesco Bukit Indah, Wasco Facility @ Kuantan and Crystal Plaza were valued on 24 July 2019, 26 July 2019, 2 August 2019, 28 August 2019, 28 August 2019, 28 August 2019, 29 August 2019, 4 September 2019, 21 October 2019 and 6 December 2019, respectively by Rahim & Co. International Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation, except for Axis Mega Distribution Centre comprising phase 1 site, which is the developed portion known as Nestle Distribution Centre and phase 2 site, which is the undeveloped portion of the remaining land, using the investment method and comparison method of valuation respectively.
- (b) Strateq Data Centre and Infinite Centre were valued on 15 August 2019 and 5 September 2019, respectively by PA International Property Consultants Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (c) Axis Shah Alam DC 3, Axis Industrial Facility @ Rawang, Wisma Academy Parcel and The Annex were valued on 31 July 2019, 20 August 2019, 20 November 2019 and 2 December 2019, respectively by Savills (Malaysia) Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation except for Axis Industrial Facility @ Rawang which uses the cost method of valuation and The Annex which uses comparison method of valuation.
- (d) Beyonics i-Park Campus Block A, B, C, D and E, Indahpura Facility 1, Nusajaya Tech Park Facility 1 and 2 were valued on 25 September 2019, 25 September 2019, 25 November 2019 and 27 November 2019, respectively by C H Williams Talhar & Wong Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (e) Axis Vista, Bayan Lepas Distribution Centre, Axis MRO Hub, Senawang Industrial Facility, Axis Shah Alam DC 2, Wisma Kemajuan, Axis Business Park and Menara Axis were valued on 23 July 2019, 5 September 2019, 30 October 2019, 7 November 2019, 14 November 2019, 21 November 2019, 3 December 2019 and 6 December 2019, respectively by First Pacific Valuers Property Consultants Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (f) Fonterra HQ was valued on 19 August 2019 by KGV International Property Consultants (M) Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (g) Seberang Prai Logistic Warehouse 1 and 2 and 3 were valued on 14 October 2019 and 15 October 2019, respectively by Henry Butcher Malaysia (Penang) Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment and cost methods of valuation.
- (h) D21 Logistics Warehouse, Axis Aerotech Centre @ Subang, Axis Northport Distribution Centre 1, Axis Shah Alam DC 4, Quattro West and Axis Facility @ Batu Kawan were valued on 22 July 2019, 19 August 2019, 20 August 2019, 22 October 2019, 21 November 2019 and 31 December 2019, respectively by PPC International Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation except Axis Shah Alam DC 4 which uses cost method of valuation.
- (i) Axis Business Campus and Axis Technology Centre were both valued on 21 November 2019 by Nawawi Tie Leung Property Consultants Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the cost method of valuation.
- (j) Emerson Industrial Facility Nilai and Axis Shah Alam DC 1 were valued on 7 November 2019 and 4 December 2019, respectively by Knight Frank Malaysia Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (k) Axis Hypermarket was valued on 26 September 2019 by Savills (Penang) Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.



NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT PROPERTIES (CONTINUED)

- (l) Axis Steel Centre @ SiLC was valued on 22 October 2019 by Savills (Johor) Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- ^ These properties are charged to financial institutions for revolving credit and term financing facilities granted to Axis-REIT (Note 10).
- ^^ These properties are charged to the Sukukholders for Islamic Medium Term Notes (“Sukuk”) (Note 10).
- ¥ Fixed land lease of 30 years until 23 March 2025 with an option to renew for a further term of 30 years.
- * Fixed land lease of 30 years with an automatic renewal and/or extension for a further 19 years up to 30 December 2066.
- ** Axis Hypermarket, Axis Northport Distribution Centre 1 and Axis Industrial Facility @ Rawang are formerly known as Giant Hypermarket, Axis Steel Centre and Scomi Facility @ Rawang, respectively.





NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT PROPERTIES (CONTINUED)

2018

Property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Location	Existing use	Occupancy rates as at		Fair value as at 31.12.2018 RM'000	Cost of investment as at 31.12.2018 RM'000	Percentage of fair value to Net Asset Value as at 31.12.2018 %
						31.12.2018 %	31.12.2018 %			
Menara Axis (e) ^{^^}	Leasehold	99	47	Petaling Jaya	Commercial office	68.4	68.4	110,000	87,898	6.6
Crystal Plaza (a) ^{^^}	Leasehold	99	41	Petaling Jaya	Commercial office	70.8	70.8	113,500	67,734	6.8
Axis Business Park (c) ^{^^}	Leasehold	99	42	Petaling Jaya	Office/Industrial	68.4	68.4	120,600	101,692	7.2
Infinite Centre (a) [^]	Leasehold	99	47	Petaling Jaya	Office/Industrial	87.0	87.0	42,500	35,825	2.6
Wisma Kemajuan (e) [^]	Leasehold	99	47	Petaling Jaya	Office/Industrial	71.7	71.7	65,400	37,744	3.9
Axis Business Campus (i) [^]	Leasehold	99	49	Petaling Jaya	Office/Industrial	68.5	68.5	80,000	62,804	4.8
Axis Shah Alam DC 1 (f)	Freehold	-	-	Shah Alam	Warehouse/Logistics	100.0	100.0	32,700	22,507	2.0
Giant Hypermarket (g) [^]	Freehold	-	-	Sungai Petani	Hypermarket	100.0	100.0	49,000	38,973	2.9
FCI Senai (f) [^]	Leasehold	60	49	Senai, Johor	Manufacturing facilities	100.0	100.0	22,000	12,693	1.3
Fonterra HQ (c)	Freehold	-	-	Shah Alam	Office/Industrial	84.7	84.7	19,000	11,196	1.1
Quattro West (a) ^{^^}	Leasehold	99	54	Petaling Jaya	Commercial office	50.2	50.2	56,000	51,126	3.4
Strateq Data Centre (f) [^]	Leasehold	99	50	Petaling Jaya	Office/Industrial	100.0	100.0	57,000	42,729	3.4
D21 Logistics Warehouse (h) [≠]	Leasehold	60	37	Tanjung Pelepas	Warehouse/Logistics	100.0	100.0	29,000	28,413	1.7
Niro Warehouse (d)	Leasehold	60	33	Pasir Gudang	Warehouse/Logistics	100.0	100.0	20,000	15,234	1.2
Pasir Gudang Logistic Warehouse 1 (d)	Leasehold	60	49	Pasir Gudang	Warehouse/Logistics	100.0	100.0	17,000	13,731	1.0
Axis Vista (e) ^{^^}	Leasehold	99	48	Petaling Jaya	Office/Industrial	100.0	100.0	57,300	34,256	3.4
Axis Steel Centre (h) ^{^^}	Leasehold	99	84	Klang	Warehouse/Logistics	100.0	100.0	78,000	66,877	4.7
Bukit Raja Distribution Centre (a) ^{^^}	Freehold	-	-	Klang	Warehouse/Logistics	100.0	100.0	105,000	78,203	6.3
Seberang Prai Logistic Warehouse 1 (c) [^]	Leasehold	60	35	Seberang Prai	Warehouse/Logistics	100.0	100.0	20,500	17,821	1.2
Seberang Prai Logistic Warehouse 2 (c) [^]	Leasehold	60	35	Seberang Prai	Warehouse/Logistics	100.0	100.0	8,200	7,384	0.5
Tesco Bukit Indah (k) ^{^^}	Freehold	-	-	Johor Bahru	Hypermarket	100.0	100.0	97,000	76,924	5.8
Axis Mega Distribution Centre (a) ^{^^}	Leasehold	99	73	Kuala Langat	Warehouse/Logistics	100.0	100.0	300,000	258,373	18.0



NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT PROPERTIES (CONTINUED)

2018

Property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Location	Existing use	Occupancy rates as at		Fair value as at	Cost of investment as at	Percentage of fair value to Net Asset Value as at
						31.12.2018	%			
Axis Technology Centre (e) [^]	Leasehold	99	49	Petaling Jaya	Office/Industrial	48.0		55,000	50,464	3.3
D8 Logistics Warehouse (d) [^]	Leasehold	60	37	Johor Bahru	Warehouse/Logistics	100.0		33,000	30,689	2.0
Bayan Lepas Distribution Centre (e) [^]	Leasehold	60	44	Bayan Lepas	Warehouse/Logistics	100.0		60,000	50,142	3.6
Seberang Prai Logistic Warehouse 3 (g)	Leasehold	60	34/50	Seberang Prai	Warehouse/Logistics	100.0		67,000	62,353	4.0
Emerson Industrial Facility Nilai (j) [^]	Leasehold	99	77	Nilai	Manufacturing facilities	100.0		32,800	27,443	2.0
Wisma Academy Parcel (a) [^]	Leasehold	99	44	Petaling Jaya	Office/Industrial	77.2		73,000	75,869	4.4
The Annex (a) [^]	Leasehold	99	44	Petaling Jaya	Office/Industrial	60.4		20,000	13,439	1.2
Axis MRO Hub (e)	Leasehold	99	67	Shah Alam	Manufacturing facilities	100.0		53,300	53,539	3.2
Axis Shah Alam DC 3 (a)	Freehold	-	-	Shah Alam	Warehouse/Logistics	100.0		185,500	187,011	11.1
Axis Steel Centre @ SILC (k) [^]	Freehold	-	-	Nusajaya	Manufacturing facilities	100.0		163,000	155,949	9.8
Axis Shah Alam DC 2 (e)	Leasehold	99	48	Shah Alam	Warehouse/Logistics	100.0		47,200	45,782	2.8
Beyonics i-Park Campus Block A (d)	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0		16,000	14,469	1.0
Beyonics i-Park Campus Block B (d)	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0		14,500	13,115	0.9
Beyonics i-Park Campus Block C (d)	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0		13,000	11,934	0.8
Beyonics i-Park Campus Block D (d)	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0		23,800	22,504	1.4
Scomi Facility @ Rawang (b)	Freehold	-	-	Rawang	Manufacturing facilities	100.0		44,000	42,696	2.6
Kerry Warehouse (b)	Leasehold	60	55	Johor Bahru	Warehouse/Logistics	100.0		34,000	33,633	2.0
Wasco Facility @ Kuantan (c)	Leasehold	99	91	Kuantan	Manufacturing facilities	100.0		155,000	157,619	9.3

NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT PROPERTIES (CONTINUED)

2018

Property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Location	Existing use	Occupancy rates as at 31.12.2018 %	Fair value as at 31.12.2018 RM'000	Cost of investment as at 31.12.2018 RM'000	Percentage of fair value to Net Asset Value as at 31.12.2018 %
Axis Aerotech Centre @ Subang (h)*	Leasehold	49	48	Subang	Manufacturing facilities	100.0	64,700	63,357	3.9
Axis Shah Alam DC 4 (h)	Freehold	-	-	Shah Alam	Warehouse/Logistics	100.0	83,000	84,270	5.0
Indahpura Facility 1 (d)	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0	8,000	7,343	0.5
Beyonics i-Park Campus Block E (d)	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0	32,000	32,099	1.9
Senawang Industrial Facility (e)	Freehold	-	-	Senawang	Warehouse/Logistics	100.0	21,000	18,933	1.3
Total							2,798,500	2,424,789	



NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT PROPERTIES (CONTINUED)

- (a) Crystal Plaza, Infinite Centre, Quattro West, Bukit Raja Distribution Centre, Axis Mega Distribution Centre, Wisma Academy Parcel, The Annex and Axis Shah Alam DC 3 were valued on 27 August 2018, 20 August 2018, 11 October 2018, 11 October 2018, 7 November 2018, 5 July 2018, 5 July 2018 and 13 November 2018, respectively by Savills (Malaysia) Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation except The Annex which use comparison method of valuation.
- (b) Scomi Facility @ Rawang and Kerry Warehouse were valued on 28 August 2018 and 3 December 2018, respectively by PA International Property Consultants Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (c) Axis Business Park, Fonterra HQ, Seberang Prai Logistics Warehouse 1, Seberang Prai Logistics Warehouse 2 and Wasco Facility @ Kuantan were valued on 30 August 2018, 12 October 2018, 16 October 2018, 16 October 2018 and 4 December 2018, respectively by Rahim & Co. International Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation except for Seberang Prai Logistic Warehouse 1 and 2 which use the cost method of valuation.
- (d) Niro Warehouse, Pasir Gudang Logistic Warehouse 1, D8 Logistics Warehouse, Beyonics i-Park Campus Block A, B, C, D and E and Indahpura Facility 1 were valued on 10 July 2018, 10 July 2018, 20 August 2018, 13 July 2018, 4 December 2018 and 4 December 2018, respectively by C H Williams Talhar & Wong Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (e) Wisma Kemajuan, Axis Vista, Axis Technology Centre, Bayan Lepas Distribution Centre, Axis MRO Hub, Axis Shah Alam DC 2, Menara Axis and Senawang Industrial Facility were valued on 30 August 2018, 11 October 2018, 9 November 2018, 9 November 2018, 5 November 2018, 5 November 2018, 19 December 2018 and 17 December 2018, respectively by First Pacific Valuers Property Consultants Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (f) Axis Shah Alam DC 1, FCI Senai and Strateq Data Centre were valued on 28 August 2018, 6 July 2018 and 11 October 2018, respectively by KGV International Property Consultants (M) Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (g) Giant Hypermarket and Seberang Prai Logistic Warehouse 3 were valued on 29 August 2018 and 31 October 2018, respectively by Henry Butcher Malaysia (Penang) Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment and cost methods of valuation.
- (h) D21 Logistics Warehouse, Axis Steel Centre, Axis Shah Alam DC 4 and Axis Aerotech Centre @ Subang were valued on 16 July 2018, 14 December 2018, 24 December 2018 and 21 December 2018, respectively by PPC International Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation except Axis Aerotech Centre @ Subang and Axis Shah Alam DC 4 which use cost method of valuation and comparison method of valuation.
- (i) Axis Business Campus was valued on 21 August 2018, by Nawawi Tie Leung Property Consultants Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the cost method of valuation.
- (j) Emerson Industrial Facility Nilai was valued on 14 December 2018, by Knight Frank Malaysia Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (k) Tesco Bukit Indah and Axis Steel Centre @ SiLC were valued on 2 November 2018 and 18 December 2018, respectively by Savills (Johor) Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.

NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT PROPERTIES (CONTINUED)

- ^ These properties are charged to financial institutions for revolving credit and term financing facilities granted to Axis-REIT (Note 10).
- ^^ These properties are charged to the Sukukholders for Islamic Medium Term Notes ("Sukuk") (Note 10).
- ¥ Fixed land lease of 30 years until 23 March 2025 with an option to renew for a further term of 30 years.
- * Fixed land lease of 30 years with an automatic renewal and/or extension for a further 19 years up to 30 December 2066.

The following are recognised in profit or loss in respect of investment properties:

	Note	2019 RM'000	2018 RM'000
Revenue	12	222,464	210,588
Property operating expenses	13	(30,756)	(27,827)
Change in fair value of investment properties	4.1.1	94,064	35,607

4.1 Fair value information

As at 31 December 2019, the fair value of investment properties amounting to RM2,990,610,000 (2018: RM2,798,500,000) is categorised as Level 3 in accordance with MFRS 13, using unobservable inputs.

Level 3 fair value

The following table shows a reconciliation of Level 3 fair value:

	Note	2019 RM'000	2018 RM'000
At 1 January		2,798,500	2,482,200
Acquisitions		61,087	198,787
Enhancements		29,470	74,955
		2,889,057	2,755,942
Gains and losses recognised in profit or loss			
Change in fair value - unrealised	4.1.1	101,553	42,558
At 31 December		2,990,610	2,798,500

4.1.1 The change in fair value as presented in the profit or loss of RM94,064,000 (2018: RM35,607,000) is after offsetting unbilled lease income receivable amounting to RM7,489,000 (2018: RM6,951,000).



NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT PROPERTIES (CONTINUED)

4.1 Fair value information (continued)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
<p>a) The investment method considers income and expense data relating to the subject property being valued and estimates value through a capitalisation process. Capitalisation relates to income (usually a net income figure) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalisation rates), yield or discount rates (reflecting measures of return on investment), or both. In general, the principle of substitution holds that the income stream which produces the highest return commensurate with a given level of risk leads to the most probable value figure.</p>	<ul style="list-style-type: none"> • Risk-adjusted term capitalisation rates ranging from 5.75% - 8.00% (2018: 6.00% - 7.50%). • Risk-adjusted reversion capitalisation rates of 6.15% - 8.50% (2018: 6.50% - 8.00%). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • Risk-adjusted term capitalisation rates were lower (higher). • Risk-adjusted reversion capitalisation rates were lower (higher).
<p>b) The comparison method considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. In general, the property being valued is compared with sales of similar properties that have been transacted in the open market. Listing and offering may also be considered. Valuation under this method may be significantly affected by the timing and the characteristics (such as location, accessibility, design, size and condition) of the property transactions used for comparison.</p>	<ul style="list-style-type: none"> • Adjusted land value ranging from RM70 - RM300 per sq. ft. (2018: RM145 per sq. ft. to RM300 per sq. ft.). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • Adjusted land value per sq. ft. was higher (lower).

NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT PROPERTIES (CONTINUED)

4.1 Fair value information (continued)

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
<p>c) The cost method considers the summation of the value components of the land and cost of building. The value components of land are estimated based on location, plot size, accessibility and other relevant factors. The cost of building is determined based on current estimates of reconstruction cost less depreciation or replacement cost less depreciation, obsolescence and existing physical condition of the building. The reconstruction or replacement cost of building is derived from estimates of current market prices for materials, labour and present construction techniques. Valuation under this method may be significantly affected by the location of the property and the market prices for materials and labour.</p>	<ul style="list-style-type: none"> • Land value ranging from RM41 per sq. ft. to RM251 per sq. ft. (2018: RM45 per sq. ft. to RM243 per sq. ft). • Main floor area cost ranging from RM70 per sq. ft. to RM210 per sq. ft. (2018: RM70 per sq. ft. to RM320 per sq. ft.). • Depreciation rates ranging from 1.5% to 30% (2018: 2% to 5%). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • Land value were higher (lower). • Main floor area cost were higher (lower). • Depreciation rates were lower (higher).

Valuation processes applied by Axis-REIT for Level 3 fair value

The fair value of investment properties is determined by external, independent registered valuers approved by the Securities Commission, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. A valuation is carried out on each property within Axis-REIT's investment property portfolio once every calendar year.

Highest and best use

Axis-REIT's current use of the investment properties are their highest and best uses as there are no other factors to suggest that a different use would maximise the value of the investment properties.



NOTES TO THE FINANCIAL STATEMENTS

5. EQUIPMENT

	Office equipment, furniture and fittings RM'000	Car park machines RM'000	Software RM'000	Total RM'000
Cost				
At 1 January 2018	30	3,394	795	4,219
Additions	913	103	–	1,016
At 31 December 2018/1 January 2019	943	3,497	795	5,235
Additions	481	269	–	750
At 31 December 2019	1,424	3,766	795	5,985
Accumulated depreciation				
At 1 January 2018	15	1,389	338	1,742
Depreciation for the year	44	348	80	472
At 31 December 2018/1 January 2019	59	1,737	418	2,214
Depreciation for the year	121	369	80	570
At 31 December 2019	180	2,106	498	2,784
Carrying amounts				
At 31 December 2019	1,244	1,660	297	3,201
At 31 December 2018	884	1,760	377	3,021

Leased equipment

At 31 December 2019, the net carrying amount of leased equipment was RM553,689 (2018: RM672,927).

6. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	2019 RM'000	2018 RM'000
Trade			
Trade receivables		4,207	4,630
Tenancy contract assets	6.1	5,366	6,396
		9,573	11,026
Non-trade			
Other receivables		4,747	5,130
Deposits	6.2	23,418	2,524
Prepayments		1,587	2,248
		29,752	9,902
		39,325	20,928

6.1 Tenancy contract assets relate to Axis-REIT's rights to rental income for premises that have been occupied by tenants but not yet billed at the reporting date. Rental income is recognised on a straight line basis including rent free period. Rental will be billed in accordance with the billing terms as set out in the tenancy agreements.



NOTES TO THE FINANCIAL STATEMENTS

6. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

6.2 Included in deposits is RM20,466,000 (2018: RM410,000) paid for potential new acquisitions of investment properties.

7. CASH AND CASH EQUIVALENTS

	2019 RM'000	2018 RM'000
Cash and bank balances	20,948	8,314
Islamic deposits placed with licensed banks	31,597	9,700
	52,545	18,014

Included in Islamic deposits placed with licensed banks is an amount of RM300,000 (2018: RM300,000) which is pledged for banking facilities granted to Axis-REIT (Note 10) and an amount of RM19,255,000 (2018: RM8,095,000) which is maintained in a Finance Service Reserve Account with a licensed bank to cover a minimum of 12 months' financing costs for Sukuk issued by Axis-REIT's special purpose company, Axis REIT Sukuk Berhad (Note 10).

8. TOTAL UNITHOLDERS' FUNDS**8.1 Unitholders' capital**

	2019 Number of units '000	2018 Number of units '000
Issued and fully paid up:		
At 1 January	1,237,285	1,232,327
Issued for cash	197,965	–
Issued under Income Distribution Reinvestment Plan ("IDRP")	–	4,958
At 31 December	1,435,250	1,237,285
	2019 RM'000	2018 RM'000
Issued and fully paid up:		
At 1 January	1,247,069	1,240,253
New units issued: 197,965,000 units @ RM1.72 per unit (2018: 4,958,485 units @ RM1.39)	340,500	6,892
Issuing expenses	(3,778)	(76)
At 31 December	1,583,791	1,247,069



NOTES TO THE FINANCIAL STATEMENTS

8. TOTAL UNITHOLDERS' FUNDS (CONTINUED)

8.2 Unitholdings of substantial unitholders, Directors of the Manager and their related parties

The following are details of the units and value held by substantial unitholders, Directors of the Manager and their related parties.

	2019		2018	
	Number of units '000	Market value RM'000	Number of units '000	Market value RM'000
Axis-REIT's substantial unitholders' direct unitholding:				
Lembaga Tabung Haji	74,263	131,446	71,996	112,314
Kumpulan Wang Persaraan (Diperbadankan)	134,296	237,704	97,580	152,225
Employees Provident Fund Board	200,386	354,683	198,262	309,289
Axis-REIT's substantial unitholders' indirect unitholding:				
Kumpulan Wang Persaraan (Diperbadankan) (i)	32,197	56,989	35,077	54,720
Directors of the Manager - direct unitholding:				
Dato' Abas Carl Gunnar Bin Abdullah	23,904	42,310	24,254	37,836
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	20	35	20	31
Tew Peng Hwee @ Teoh Peng Hwee	56,509	100,021	56,550	88,218
Alex Lee Lao (ii)	56,737	100,424	56,387	87,964
Leong Kit May	43	76	43	67
Jancis Anne Que Lao (iii)	1,944	3,441	844	1,317
Directors of the Manager - indirect unitholding:				
Dato' Abas Carl Gunnar Bin Abdullah (iv)	10,304	18,238	10,304	16,074
Alex Lee Lao (v)	3,153	5,581	3,153	4,919
Direct unitholdings of close family members of the Directors of the Manager:				
Datin Kuyas Emiloglu (also known as Ka Ya-Shih)	10,231	18,109	10,231	15,960
Leon Lee Lao	2,307	4,083	2,307	3,599
Lao, Yin-Yong Lee	846	1,497	846	1,320
Tan Siew Geok	925	1,637	925	1,443
Jeanette Ivy Robertson Lomax	255	451	515	803
Amanda Tan Myhre	73	129	73	114
John Lee Lao	1,187	2,101	1,187	1,852
Dean Lee Lao	2,403	4,253	2,403	3,749
Edward Teoh Eu Shang	5	9	6	9
Maxine Teoh Sui Vern	4	7	7	11
Adrian Teoh Eu Min	6	11	12	19

NOTES TO THE FINANCIAL STATEMENTS

8. TOTAL UNITHOLDERS' FUNDS (CONTINUED)**8.2 Unitholdings of substantial unitholders, Directors of the Manager and their related parties (continued)**

Notes:

- (i) Held by fund managers of Kumpulan Wang Persaraan (Diperbadankan).
- (ii) Alex Lee Lao is an alternate director to Dato' Abas Carl Gunnar Bin Abdullah.
- (iii) Jancis Anne Que Lao is an alternate director to Alvin Dim Lao.
- (iv) Deemed interested in the direct unitholdings of his spouse, Datin Kuyas Emiloglu (also known as Ka Ya-Shih) and his daughter, Amanda Tan Myhre.
- (v) Deemed interested in the direct unitholdings of his brothers, Lao, Yin-Yong Lee and Leon Lee Lao.
- (vi) Amanahraya Trustees Berhad - Amanah Saham Bumiputera, which was disclosed as a substantial unitholder in the previous financial year, ceased to be a substantial unitholder with effect from 2 August 2019. Amanahraya Trustees Berhad – Amanah Saham Bumiputera currently holds 39,450,000 units (2018: 110,000,000 units) at market value of RM69,826,500 (2018: RM171,600,000).

The market value of the units was determined by multiplying the number of units with the market price as at 31 December 2019 of RM1.77 (2018: RM1.56).

9. DEFERRED TAX LIABILITY

For investment properties that are expected to be realised through sale, the measurement of deferred tax asset or liability pertaining to the investment property will be based on the Real Property Gains Tax ("RPGT") rate. It is the business model of Axis-REIT to hold investment properties to earn rental income and for long-term capital growth. Hence, there are no expected disposals of investment properties held for less than 5 years.

Based on the Finance Act 2019 which was gazetted in December 2019, it was clarified that the RPGT rate of 10% is prescribed for disposal of investment properties held for more than 5 years for a trustee of a trust. The Finance Act 2019 also clarified that the acquisition price of a real property acquired before 1 January 2000 is deemed to be the market value as at 1 January 2013.

As a result of the above, Axis-REIT has recognised additional deferred tax expense of RM4,213,000, as disclosed in Note 14.



NOTES TO THE FINANCIAL STATEMENTS

10. FINANCING

	Note	2019 RM'000	2018 RM'000
Non-current			
Islamic Medium Term Notes ("Sukuk")	10.1	350,000	180,000
Finance lease liabilities	10.2	140	55
Term financing	10.3	151,500	66,500
Transaction costs			
– Sukuk	10.1	(814)	(500)
– Term financing	10.3	(549)	(188)
		500,277	245,867
Current			
Secured revolving credit	10.4	315,500	813,344
Finance lease liabilities	10.2	104	156
Islamic Medium Term Notes ("Sukuk")	10.1	70,000	–
Transaction costs			
– Sukuk	10.1	(22)	–
		385,582	813,500
		885,859	1,059,367

10.1 Islamic Medium Term Notes ("Sukuk")

Axis-REIT's wholly owned subsidiary, Axis REIT Sukuk Berhad, has an Islamic Medium Term Note Programme ("Sukuk Programme") of up to RM3.0 billion in nominal value. It is a perpetual programme that commenced on 13 July 2012. Details of the Sukuk issued are set out as follows.

First Sukuk

On 13 July 2012, Axis REIT Sukuk Berhad issued RM110.0 million Sukuk in nominal value pursuant to the Sukuk Programme.

The First Sukuk of RM110.0 million was issued to re-finance Axis-REIT's existing financing facilities. The First Sukuk, which comprises four tranches have obtained long-term ratings of AAA, AA1, AA2 and AA3, respectively from RAM Rating Services Berhad ("RAM") on 4 July 2012. The expected maturity date is 10 years from the issuance date and the legal maturity date is 12 years from the issuance date.

The transaction costs relating to the First Sukuk issuance of RM110.0 million which amounted to RM1.277 million are amortised and charged to profit or loss over the expected tenure of the First Sukuk of 10 years.

The First Sukuk is secured over the investment properties as indicated in Note 4 to the financial statements and other securities as advised by the legal counsel of CIMB Investment Bank Berhad ("the Lead Manager") and mutually agreed between Axis-REIT, Axis REIT Sukuk Berhad and the Lead Manager.

Second Sukuk

On 15 August 2013, Axis REIT Sukuk Berhad, issued RM155.0 million Sukuk in nominal value pursuant to the Sukuk Programme.

NOTES TO THE FINANCIAL STATEMENTS

10. FINANCING (CONTINUED)

10.1 Islamic Medium Term Notes (“Sukuk”) (continued)

Second Sukuk (continued)

The Second Sukuk of RM155.0 million was issued to re-finance Axis-REIT’s existing financing facilities. The Second Sukuk, which comprises five tranches have obtained long-term ratings of AAA, AAA, AA1, AA2 and AA3, respectively from RAM on 25 July 2013. The expected maturity dates are 7 years for RM70.0 million and 5 years for RM85.0 million from the issuance date and the legal maturity dates are 9.5 years and 7.5 years, respectively from the issuance date.

The transaction costs relating to the Second Sukuk issuance of RM155.0 million which amounted to RM525,000 are amortised and charged to profit or loss over the expected tenures of the Second Sukuk of 7 years and 5 years.

During the financial year ended 31 December 2018, Axis-REIT had redeemed the 5 year Second Sukuk amounting to RM85.0 million using its existing revolving credit facilities. The 7 year Second Sukuk amounting to RM70.0 million is expected to mature on 14 August 2020.

The Second Sukuk is secured over the investment properties as indicated in Note 4 to the financial statements and other securities as advised by the legal counsel of the Lead Manager and mutually agreed between Axis-REIT, Axis REIT Sukuk Berhad and the Lead Manager.

Third Sukuk

On 7 January 2019, Axis REIT Sukuk Berhad, issued RM240.0 million Sukuk in nominal value pursuant to the Sukuk Programme.

The Third Sukuk of RM240.0 million was issued to re-finance Axis-REIT’s existing financing facilities. The Third Sukuk, which is unrated, has an expected maturity date of 7 years from the issuance date and the legal maturity date is 9 years from the issuance date.

The transaction costs relating to the Third Sukuk issuance of RM240.0 million which amounted to RM579,000 are amortised and charged to profit or loss over the expected tenure of the Third Sukuk of 7 years.

The Third Sukuk is secured over an investment property as indicated in Note 4 to the financial statements and other securities as advised by the legal counsel of the Lead Manager and mutually agreed between Axis-REIT, Axis REIT Sukuk Berhad and the Lead Manager.

10.2 Finance lease liabilities

Finance lease liabilities are subject to financing costs at 3.5% (2018: 3.5%) per annum.

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2019 RM’000	Finance costs 2019 RM’000	Present value of minimum lease payments 2019 RM’000	Future minimum lease payments 2018 RM’000	Finance costs 2018 RM’000	Present value of minimum lease payments 2018 RM’000
Less than one year	118	14	104	177	21	156
Between one and five years	168	28	140	71	16	55
	286	42	244	248	37	211



NOTES TO THE FINANCIAL STATEMENTS

10. FINANCING (CONTINUED)

10.3 Term financing

The term financing of RM66.5 million is secured over investment properties as indicated in Note 4 to the financial statements and is payable on 28 January 2025. The transaction costs related to the term financing amounted to RM314,000 is amortised and charged to profit and loss over the expected tenure of 10 years.

During the financial year, a new term financing of RM85.0 million was obtained and it is secured over the investment properties as indicated in Note 4 to the financial statements. It is payable on 14 May 2022. The transaction costs related to the term financing amounted to RM504,000 is amortised and charged to profit and loss over the expected tenure of 3 years.

10.4 Secured revolving credit

The secured revolving credit is secured over the investment properties as indicated in Note 4 to the financial statements.

10.5 Reconciliation of movement of financing to cash flows arising from financing activities

	At 1.1.2018 RM'000	Net changes from financing cash flows RM'000	Others RM'000	At 31.12.2018/ 1.1.2019 RM'000	Net changes from financing cash flows RM'000	Others RM'000	At 31.12.2019 RM'000
Sukuk	264,304	(85,000)	196	179,500	239,420	244	419,164
Finance lease liabilities	517	(306)	–	211	33	–	244
Term financing	66,280	–	32	66,312	84,496	143	150,951
Secured revolving credit	511,493	301,851	–	813,344	(497,844)	–	315,500
Total liabilities from financing activities	842,594	216,545	228	1,059,367	(173,895)	387	885,859

11. PAYABLES AND ACCRUALS

	Note	2019 RM'000	2018 RM'000
Current Trade			
Trade payables		25,373	25,121
Non-trade			
Other payables and accrued expenses	11.1	21,408	24,790
Islamic derivatives		1,225	292
		22,633	25,082
		48,006	50,203

11.1 Included in other payables and accrued expenses are amounts due to the Manager and the Property Manager of RM2,054,000 (2018: RM1,608,000) and RM673,000 (2018: RM652,000), respectively. These amounts are unsecured, interest-free and payable monthly in arrears.



NOTES TO THE FINANCIAL STATEMENTS

12. REVENUE

	Note	2019 RM'000	2018 RM'000
Rental income from investment properties			
– Rental income billed in accordance with tenancy contracts		205,016	186,180
– Lease incentive adjustment	12.1	(1,030)	6,396
– Unbilled lease income receivables		7,489	6,951
Car park income		6,355	5,890
Other income		4,634	5,171
		222,464	210,588

12.1 Lease incentive adjustment of RM6,396,000, which is non-distributable, had been recognised in the previous financial year ended 31 December 2018 to recognise revenue on a straight-line basis. This amount is amortised over the duration of the tenancy.

13. PROPERTY OPERATING EXPENSES

	Note	2019 RM'000	2018 RM'000
Assessment		4,369	4,169
Service contracts and maintenance		9,416	7,295
Property management fees	1(a)	4,368	3,960
Property management reimbursements		3,265	2,940
Utilities		3,023	3,630
Others		6,315	5,833
		30,756	27,827

14. TAX EXPENSE

	Note	2019 RM'000	2018 RM'000
Current tax expense			
– Under provision in prior year		–	67
Deferred tax expense			
– Current year	9	4,213	4,402
Total tax expense		4,213	4,469



NOTES TO THE FINANCIAL STATEMENTS

14. TAX EXPENSE (CONTINUED)

Reconciliation of tax expense

	Note	2019 RM'000	2018 RM'000
Net income before tax		213,451	159,448
Income tax using Malaysian tax rate of 24%		51,228	38,268
Non-deductible expenses		1,063	983
Effect of fair value change on investment properties which is not subject to tax		(17,652)	(10,205)
Effect of exemption from income tax	14.1	(34,639)	(29,046)
Under provision in prior year		–	67
		–	67
Real Property Gains Tax (“RPGT”)			
Cumulative fair value gain on investment properties subject to RPGT		3,156	–
Effect of changes in RPGT rate		4,348	4,402
Effect of changes in base date of valuation of investment properties for RPGT		(3,291)	–
		4,213	4,469

14.1 Pursuant to the amendment to 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 a real estate investment trust or property trust fund is distributed to its unitholders, the total income of the real estate investment trust or property trust fund for that year of assessment shall be exempted from tax.

15. EARNINGS PER UNIT

The calculation of earnings per unit is based on the net income for the year of RM209,238,000 (2018: RM154,979,000) and the weighted average number of units in circulation during the year of 1,260,031,178 (2018: 1,232,612,086).

NOTES TO THE FINANCIAL STATEMENTS

16. DISTRIBUTION TO UNITHOLDERS

Distribution to unitholders is from the following sources:

	2019 RM'000	2018 RM'000
Net property income		
- current year	191,708	182,761
- prior year (already subject to tax)	186	211
Profit income	1,434	725
	193,328	183,697
Less: Non-property expenses	(70,474)	(63,026)
Tax paid for prior year	(67)	-
	122,787	120,671
Adjustments to earnings available for distribution:		
- depreciation of equipment	570	472
- net measurement of loss allowance	(26)	215
- other non-cash items	(6,459)	(13,347)
	116,872	108,011
Less: Undistributed income	(120)	(186)
	116,752	107,825
Gross distribution per unit (sen)	9.26	8.74
Net distribution per unit (sen)	9.26	8.74

17. PORTFOLIO TURNOVER RATIO

	2019	2018
Portfolio Turnover Ratio ("PTR") (times)	0.03	0.01

The calculation of PTR is based on the average of total acquisitions and total disposals of investment properties in Axis-REIT for the year to the average Net Asset Value during the year calculated on a quarterly basis.

Since the basis of calculating PTR can vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of Axis-REIT's PTR against other real estate investment trusts.

18. MANAGEMENT EXPENSE RATIO

	2019	2018
Management Expense Ratio ("MER") (%)	1.29	1.30

The calculation of MER is based on the total fees incurred by Axis-REIT, including Manager's fees, Trustee's fees, auditors' fees, tax agent's fees and administrative expenses, to the average Net Asset Value during the year calculated on a quarterly basis. Comparison of the MER of Axis-REIT with other real estate investment trusts which use different bases of calculation may not be an appropriate comparison.



NOTES TO THE FINANCIAL STATEMENTS

19. OPERATING SEGMENTS

Segment information is presented based on the information reviewed by the Board of Directors of the Manager for performance assessment and resource allocation. For the purpose of the assessment of segment performance, the Board of Directors of the Manager have focused on its investment properties. This forms the basis of identifying the operating segments of Axis-REIT under MFRS 8, *Operating Segments*.

As the investment properties are similar in terms of economic characteristics and nature of services, the Board of Directors of the Manager are of the view that Axis-REIT only has one reportable segment – leasing of investment properties as already presented in the statement of financial position and statement of profit or loss and other comprehensive income.

Accordingly, no operating segment information has been prepared as Axis-REIT only has one reportable segment.

No geographical segment information has been prepared as all the investment properties of Axis-REIT are located in Malaysia.

20. FINANCIAL INSTRUMENTS

20.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised under MFRS 9 as follows:

- (a) Financial assets measured at amortised cost (“FAAC”);
- (b) Financial liabilities measured at amortised cost (“FLAC”); and
- (c) Fair value through profit or loss (“FVTPL”).

	Carrying amount RM'000	FAAC/FLAC RM'000	FVTPL RM'000
2019			
Financial assets			
Receivables and deposits	32,372	32,372	–
Cash and cash equivalents	52,545	52,545	–
	84,917	84,917	–
Financial liabilities			
Tenants' deposits	64,437	64,437	–
Payables and accruals	48,006	46,781	1,225
Financing	885,859	885,859	–
	998,302	997,077	1,225
2018			
Financial assets			
Receivables and deposits	12,284	12,284	–
Cash and cash equivalents	18,014	18,014	–
	30,298	30,298	–
Financial liabilities			
Tenants' deposits	62,410	62,410	–
Payables and accruals	50,203	49,911	292
Financing	1,059,367	1,059,367	–
	1,171,980	1,171,688	292

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.2 Net gains and losses arising from financial instruments

	2019 RM'000	2018 RM'000
Net gains/(losses) on:		
Fair value through profit or loss	(933)	(306)
Financial assets measured at amortised cost	1,460	510
Financial liabilities measured at amortised cost	(50,708)	(38,067)
Total	(50,181)	(37,863)

20.3 Financial risk management

Axis-REIT has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

20.4 Credit risk

Credit risk is the risk of a financial loss to Axis-REIT if a tenant or counterparty to a financial instrument fails to meet its contractual obligations. Axis-REIT's exposure to credit risk arises principally from its trade receivables from tenants. Axis-REIT performs annual credit evaluation of its tenants and generally does not require collateral other than tenants' deposits.

Receivables*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At each reporting date, Axis-REIT assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or in full after taking into consideration tenants' deposits) when there is no realistic prospect of recovery. This is generally the case when Axis-REIT determines the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to the previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amount in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. Axis-REIT uses ageing analysis to monitor the credit quality of receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period amounts to RM4,207,000 (2018: RM4,630,000) which are collateralised by tenants' deposits.



NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.4 Credit risk (continued)

Receivables (continued)

Recognition and measurement of impairment losses

The following table provides information about the exposure to credit risk and expected credit losses (“ECLs”) for receivables as at 31 December 2019.

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2019			
Past due 1 - 30 days	1,195	–	1,195
Past due 31 - 60 days	1,212	–	1,212
Past due 61 - 90 days	1,116	–	1,116
	3,523	–	3,523
Credit impaired			
Past due more than 90 days	1,333	(649)	684
	4,856	(649)	4,207
2018			
Past due 1 - 30 days	2,825	–	2,825
Past due 31 - 60 days	359	–	359
Past due 61 - 90 days	306	–	306
	3,490	–	3,490
Credit impaired			
Past due more than 90 days	1,815	(675)	1,140
	5,305	(675)	4,630

There are trade receivables where Axis-REIT has not recognised any loss allowance as they are collateralised by tenants' deposits.

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)**20.4 Credit risk (continued)****Receivables (continued)***Recognition and measurement of impairment losses (continued)*

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2019 RM'000	2018 RM'000
Balance at 1 January	675	460
Net remeasurement of loss allowance	(26)	215
Balance at 31 December	649	675

Trade receivables that are individually determined to be impaired relate to tenants who are in significant financial difficulties and have defaulted in payments. For the purpose of quantifying individual impairment, Axis-REIT utilises the deposits received to first off-set against the longest outstanding receivables then the remaining balance is impaired in full. The allowance account in respect of receivables is used to record impairment losses. Unless Axis-REIT is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Cash and cash equivalents

The cash and cash equivalents are placed with licensed banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. Consequently, Axis-REIT is of the view that the loss allowance is not material and hence, it is not provided for.

20.5 Liquidity risk

Liquidity risk is the risk that Axis-REIT will not be able to meet its financial obligations as they fall due. Axis-REIT's exposure to liquidity risk arises principally from its payables and accruals, tenants' deposits and financing.

The Manager monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate to finance Axis-REIT's operations, to distribute income to unitholders and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the Securities Commission's Guidelines on Listed Real Estate Investment Trusts concerning limits on total financing.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.



NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of Axis-REIT's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual profit rate %	Contractual cash flows RM'000	Less than 1 years RM'000	1 - 2 year RM'000	2 - 5 years RM'000	More than 5 years RM'000
Financial liabilities							
2019							
<i>Non-derivative financial liabilities</i>							
Payables and accruals	46,781	–	46,781	46,781	–	–	–
Tenants' deposits*	64,437	–	77,890	19,597	12,123	14,643	31,527
Revolving credit	315,500	3.92 - 4.12	316,563	316,563	–	–	–
Term financing	150,951	3.92 - 4.20	172,584	6,154	6,154	93,724	66,552
Finance lease liabilities	244	3.50	286	122	47	117	–
Sukuk	419,164	4.18 - 4.65	500,089	87,634	16,193	145,622	250,640
	997,077		1,114,193	476,851	34,517	254,106	348,719
<i>Derivative financial liabilities</i>							
Islamic derivatives	1,225	–	1,225	1,225	–	–	–
	998,302		1,115,418	478,076	34,517	254,106	348,719

* The carrying amount of tenants' deposits has been discounted using the imputed profit rate of 4.19% (2018: 4.24%) per annum.



NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of Axis-REIT's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual profit rate %	Contractual cash flows RM'000	Less than 1 years RM'000	1 - 2 year RM'000	2 - 5 years RM'000	More than 5 years RM'000
Financial liabilities							
2018							
<i>Non-derivative financial liabilities</i>							
Payables and accruals	49,911	–	49,911	49,911	–	–	–
Tenants' deposits*	62,410	–	78,214	4,704	25,810	12,423	35,277
Revolving credit	813,344	4.14 - 4.46	816,263	816,263	–	–	–
Term financing	66,312	4.15	82,116	2,567	2,567	7,701	69,281
Finance lease liabilities	211	3.50	248	177	71	–	–
Sukuk	179,500	4.18 - 4.61	201,563	7,974	76,454	117,135	–
	<u>1,171,688</u>		<u>1,228,315</u>	<u>881,596</u>	<u>104,902</u>	<u>137,259</u>	<u>104,558</u>
<i>Derivative financial liabilities</i>							
Islamic derivatives	292	–	292	292	–	–	–
	<u>1,171,980</u>		<u>1,228,607</u>	<u>881,888</u>	<u>104,902</u>	<u>137,259</u>	<u>104,558</u>

* The carrying amount of tenants' deposits has been discounted using the imputed profit rate of 4.19% (2018: 4.24%) per annum.



NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.6 Market risk

Market risk is the risk that changes in market prices such as interest rates that will affect Axis-REIT's financial position or cash flows.

The interest rate is a general economic indicator that will have an impact on Axis-REIT's financial position or cash flows regardless whether it is an Islamic real estate investment trust or otherwise.

Interest rate risk

Axis-REIT's exposure to changes in interest rates relates primarily to its financial assets which have an exposure to interest rates, such as Islamic deposits and financial liabilities which have an exposure to interest rates, such as Sukuk, term financing, revolving credit and finance lease liabilities. Interest rate risk is managed by the Manager on an on-going basis with the primary objective of limiting the extent to which the profit income and financing costs could be affected by adverse movements in interest rates.

Risk management objectives, policies and processes for managing the risk

Axis-REIT has Islamic derivatives (profit rate swaps) with notional contract amounts of RM50,000,000, RM100,000,000 and RM50,000,000, respectively (2018: a profit rate swap with notional contract amount of RM50,000,000 and RM100,000,000, respectively) in order to achieve an approximate mix of fixed and floating rates exposure that is deemed acceptable for Axis-REIT. The swaps mature in May 2020, April 2021 and April 2022, respectively.

Exposure to interest rate risk

The interest rate profile of Axis-REIT's financial instruments which have an exposure to interest rates, based on carrying amounts as at the end of the reporting period was:

	2019 RM'000	2018 RM'000
Financial assets		
<i>Fixed rate instrument</i>		
Islamic deposits placed with licensed banks	31,597	9,700
Financial liabilities		
<i>Fixed rate instruments</i>		
Finance lease liabilities	244	211
Term financing	85,000	–
Sukuk	420,000	180,000
	505,244	180,211
<i>Floating rate instruments</i>		
Term financing	66,500	66,500
Revolving credit	315,500	813,344
	382,000	879,844

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)**20.6 Market risk (continued)****Interest rate risk (continued)***Interest rate risk sensitivity analysis**(a) Fair value sensitivity analysis*

Axis-REIT does not account for any fixed rate financial liabilities at fair value through profit or loss, and Axis-REIT does not designate Islamic derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/ (decreased) profit or loss by the amounts shown below.

	Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000
2019		
Floating rate instruments	(3,820)	3,820
Profit rate swaps	2,000	(2,000)
2018		
Floating rate instruments	(8,798)	8,798
Profit rate swap	1,500	(1,500)

20.7 Fair value information

The carrying amounts of cash and cash equivalents, receivables and deposits, payables and accruals and short term financing approximate their fair values due to the relatively short term nature of these financial instruments.



NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.7 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
2019										
Financial liabilities										
Tenants' deposits	-	-	-	-	-	-	64,437	64,437	64,437	64,437
Islamic derivatives	-	1,225	-	1,225	-	-	-	-	1,225	1,225
Financing	-	-	-	-	-	-	871,532	871,532	871,532	885,615
Finance lease liabilities	-	-	-	-	-	-	273	273	273	244
	-	1,225	-	1,225	-	-	936,242	936,242	937,467	951,521
2018										
Financial liabilities										
Tenants' deposits	-	-	-	-	-	-	62,410	62,410	62,410	62,410
Islamic derivatives	-	292	-	292	-	-	-	-	292	292
Financing	-	-	-	-	-	-	1,020,898	1,020,898	1,020,898	1,059,156
Finance lease liabilities	-	-	-	-	-	-	248	248	248	211
	-	292	-	292	-	-	1,083,556	1,083,556	1,083,848	1,122,069

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)**20.7 Fair value information (continued)****Level 2 fair value*****Islamic derivatives***

The fair value of profit rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of the contracts and using market profit rates for similar instruments at the measurement date.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2018: no transfer in either directions).

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Tenants' deposits, financing and finance lease liabilities	Discounted cash flows using a rate based on the current market rate of Islamic financing facilities of Axis-REIT at the reporting date.

The discount rates used above have incorporated credit risk of Axis-REIT and liquidity risk of the instruments. The inputs for these risks are unobservable because there are no identical or similar instruments to benchmark to.



NOTES TO THE FINANCIAL STATEMENTS

21. CAPITAL MANAGEMENT

Axis-REIT's objectives when managing capital is to maintain a strong capital base and safeguard Axis-REIT's ability to continue as a going concern, so as to maintain the confidence of unitholders, creditors and the market; and to sustain future development of the business. The Directors of the Manager monitor and maintain an optimal financing ratio that complies with regulatory requirements.

During the year 2019, Axis-REIT's strategy was unchanged from 2018. The Directors of the Manager continuously monitor the financing level and consider undertaking a new placement exercise to raise capital when it anticipates the need for funding, taking into consideration investor appetite in the capital market. This internal financing threshold is below that allowed by the Securities Commission's Guidelines on Listed Real Estate Investment Trusts of 50%. The financing ratio at the end of the reporting period were as follows:

	Note	2019 RM'000	2018 RM'000
Total financing	11	885,859	1,059,367
Total assets value		3,085,681	2,840,463
Financing ratio (%)		28.71	37.30

There was no change in Axis-REIT's approach to capital management during the financial year.

22. OPERATING LEASES

Leases as lessor

Axis-REIT leases out its investment properties (Note 4) under operating leases. The future minimum lease receivable under non-cancellable leases is as follows:

	2019 RM'000	2018 RM'000
Less than one year	196,167	188,045
One to two years	171,759	438,717
Two to three years	134,306	684,616
Three to four years	108,310	
Four to five years	104,756	
More than five years	743,375	
	1,458,673	1,311,378



NOTES TO THE FINANCIAL STATEMENTS

23. CAPITAL COMMITMENTS

	2019 RM'000	2018 RM'000
Capital expenditure commitments		
Investment properties		
<i>Contracted but not provided for and payable:</i>		
– Within one year	159,834	26,831

24. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to Axis-REIT if Axis-REIT has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where Axis-REIT and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of Axis-REIT either directly or indirectly. The key management personnel include all the Directors of the Manager and the Trustees, and certain members of senior management of the Manager and the Trustees.

Significant related party transactions

Related party transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Note	2019 RM'000	2018 RM'000
Acquisition of investment properties from related parties of the Directors of the Manager	24.1	–	(38,700)
Rental income received and receivable from companies controlled by the Directors of the Manager		5,526	5,526

24.1 During the financial year ended 31 December 2018, letters of offer were accepted for the proposed acquisition of 3 properties for a total purchase price of RM45,150,000. Axis-REIT subsequently pursued the acquisition of 2 properties. These were completed at a total purchase price of RM38,700,000.



STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 168 to 221 are drawn up in accordance with the Third Principal Deed dated 28 November 2013, the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, applicable securities laws, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Axis Real Estate Investment Trust at 31 December 2019 and of its financial performance and cash flows for the financial year ended on that date.

For and on behalf of the Manager,
Axis REIT Managers Berhad,

Signed on behalf of the Board of Directors of the Manager in accordance with a resolution of the Directors of the Manager:

Tew Peng Hwee @ Teoh Peng Hwee
Director

Leong Kit May
Director

Kuala Lumpur,

Date: 14 February 2020

STATUTORY DECLARATION

I, **Ng Choy Tip**, the Officer of Axis REIT Managers Berhad primarily responsible for the financial management of Axis Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 168 to 221, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Ng Choy Tip (MIA Number: 40667), at Petaling Jaya in the state of Selangor Darul Ehsan on 14 February 2020.

Ng Choy Tip

Before me:



TRUSTEE'S REPORT

to the Unitholders of Axis Real Estate Investment Trust (Established in Malaysia)

We have acted as Trustee of Axis Real Estate Investment Trust ("Axis-REIT") for the financial year ended 31 December 2019. In our opinion and to the best of our knowledge, Axis REIT Managers Berhad ("the Manager") has managed Axis-REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Third Principal Deed ("the Deed") dated 28 November 2013, the Securities Commission's Guidelines on Listed Real Estate Investment Trusts and applicable securities laws during the financial year then ended.

We have ensured that valuation has been carried out on all the properties of Axis-REIT in accordance with the Deed and other regulatory requirements.

We also confirm that the income distributions declared and paid during the financial year ended 31 December 2019 are in line with and are reflective of the objectives of Axis-REIT. Five distributions have been declared for the financial year ended 31 December 2019 as follows:

- 1) 1st interim income distribution of 2.35 sen per unit paid on 31 May 2019;
- 2) 2nd interim income distribution of 2.36 sen per unit paid on 30 August 2019;
- 3) 3rd interim income distribution of 2.35 sen per unit paid on 29 November 2019;
- 4) 4th interim income distribution of 1.10 sen per unit paid on 9 December 2019; and
- 5) Final income distribution of 1.10 sen per unit payable on 9 March 2020.

For and on behalf of the Trustee,
RHB Trustees Berhad
(Company No.: 200201005356 (573019-U))

Tony Chieng Siong Ung

Director

Kuala Lumpur,

Date: 14 February 2020

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF AXIS REAL ESTATE INVESTMENT TRUST (Established in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Axis Real Estate Investment Trust ("Axis-REIT"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in net asset value and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 168 to 221.

In our opinion, the financial statements give a true and fair view of the financial position of Axis-REIT as of 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of Axis-REIT in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matter

Key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial statements of Axis-REIT for the current financial year. This matter was addressed in the context of our audit of the financial statements of Axis-REIT as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of investment properties

Refer to Note 4 to the financial statements.

Axis-REIT owns a portfolio of 48 investment properties comprising office/industrial buildings and logistics warehouses located in Malaysia. Investment properties represent the single largest category of assets on the statement of financial position at RM2,990,610,000 as at 31 December 2019.

These investment properties are stated at their fair values based on independent external valuations.

The valuation process involves judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied i.e. a small change in the assumptions can have a significant impact to the valuation. This is a key audit matter as some of the key assumptions are based on unobservable inputs and hence, significant judgement is required to evaluate the unobservable inputs.

How the matter was addressed in our audit:

We assessed the processes of Axis REIT Managers Berhad ("the Manager") for the selection of the external valuers, the determination of the scope of work of the valuers, and the review and acceptance of the valuations reported by the external valuers.

We evaluated the qualifications and competence of the external valuers based on their membership of a recognised professional body. We also examined the terms of engagement the valuers entered into with the Manager to determine whether there were any matters that might have affected the valuers' objectivity or placed limitations on their scope of work.



INDEPENDENT AUDITORS' REPORT

Key audit matter (continued)

How the matter was addressed in our audit: (continued)

We assessed the appropriateness of the valuation methodologies used by considering their respective merits based on the occupancy status and/or condition of each property. We tested the data applied in the valuers' computation of market value under the income method by checking to lease agreements and other supporting documents. We challenged the capitalisation rates used in the valuation by comparing them against historical rates and available industry data. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the valuers.

We also considered the adequacy of disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

Information Other than the Financial Statements and Auditors' Report Thereon

The Manager is responsible for the other information. The other information comprises the annual report, but does not include the financial statements of Axis-REIT and our auditors' report thereon.

Our opinion on the financial statements of Axis-REIT does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of Axis-REIT, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the Financial Statements of Axis-REIT

The Manager is responsible for the preparation of the financial statements of Axis-REIT so as to give a true and fair view in accordance with the Third Principal Deed dated 28 November 2013, the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, applicable securities laws, Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of Axis-REIT that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of Axis-REIT, the Manager is responsible for assessing Axis-REIT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate Axis-REIT or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements of Axis-REIT

Our objectives are to obtain reasonable assurance about whether the financial statements of Axis-REIT as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of Axis-REIT, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Axis-REIT.

INDEPENDENT AUDITORS' REPORT

Auditors' Responsibilities for the Audit of the Financial Statements of Axis-REIT (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Axis-REIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of Axis-REIT or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Axis-REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of Axis-REIT, including the disclosures, and whether the financial statements of Axis-REIT represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Axis-REIT to express an opinion on the financial statements of Axis-REIT. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of Axis-REIT of the current year and is therefore the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the unitholders of Axis-REIT in accordance with the trust deed of Axis-REIT and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chan Chee Keong
Approval Number: 03175/04/2021 J
Chartered Accountant

Petaling Jaya,

Date: 14 February 2020



UNITHOLDERS' STATISTICS

ANALYSIS OF UNITHOLDINGS AS PER RECORD OF DEPOSITORS

As at 31 January 2020

Issued and fully paid up Units 1,435,250,288 Units (voting right: 1 vote per Unit)

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	% of Unitholders	No. of Units Held	% of Unitholdings
Less than 100	576	9.94%	11,135	Neg
100 - 1,000	1,229	21.22%	638,523	0.04%
1,001 - 10,000	2,391	41.28%	10,254,131	0.71%
10,001 - 100,000	1,089	18.80%	32,105,589	2.24%
100,001 to less than 5% of issued units	505	8.72%	1,139,406,665	79.39%
5% and above of issued units	2	0.04%	252,834,245	17.62%
	5,792	100.00%	1,435,250,288	100.00%

30 LARGEST UNITHOLDERS

Name of Unitholders	No. of Units Held [^]	%
KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	137,296,325	9.57%
CITIGROUP NOMINEES (TEMPATAN) SDN BHD - EMPLOYEES PROVIDENT FUND BOARD	115,537,920	8.05%
LEMBAGA TABUNG HAJI	69,256,800	4.83%
TEW PENG HWEE @ TEOH PENG HWEE	56,509,010	3.94%
ALEX LEE LAO	52,995,267	3.69%
CITIGROUP NOMINEES (TEMPATAN) SDN BHD - EXEMPT AN FOR AIA BHD.	52,169,422	3.63%
AMANAHRAYA TRUSTEES BERHAD - AMANAH SAHAM BUMIPUTERA	39,450,000	2.75%
CITIGROUP NOMINEES (TEMPATAN) SDN BHD - EMPLOYEES PROVIDENT FUND BOARD (AMUNDI)	27,963,659	1.95%
AMANAHRAYA TRUSTEES BERHAD - PUBLIC SMALLCAP FUND	27,318,212	1.90%
MAYBANK NOMINEES (TEMPATAN) SDN BHD - MTRUSTEE BERHAD FOR PRINCIPAL DALI EQUITY GROWTH FUND	25,717,200	1.79%
AMANAHRAYA TRUSTEES BERHAD - AMANAH SAHAM MALAYSIA 3	24,909,314	1.74%
PERMODALAN NASIONAL BERHAD	21,821,600	1.52%
AMANAHRAYA TRUSTEES BERHAD - PUBLIC ITTIKAL SEQUEL FUND	20,611,710	1.44%
MAYBANK NOMINEES (TEMPATAN) SDN BHD - MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND	20,300,000	1.41%
AMANAHRAYA TRUSTEES BERHAD - PUBLIC STRATEGIC SMALLCAP FUND	14,935,595	1.04%
DATO' ABAS CARL GUNNAR BIN ABDULLAH	13,982,650	0.97%
CITIGROUP NOMINEES (TEMPATAN) SDN BHD - EMPLOYEES PROVIDENT FUND BOARD (ASIANISLAMIC)	13,377,440	0.93%
HSBC NOMINEES (TEMPATAN) SDN BHD - HSBC (M) TRUSTEE BHD FOR ZURICH LIFE INSURANCE MALAYSIA BERHAD (LIFE PAR)	13,251,831	0.92%
TOKIO MARINE LIFE INSURANCE MALAYSIA BHD	12,749,135	0.89%
CARTABAN NOMINEES (TEMPATAN) SDN BHD - PBTB FOR TAKAFULINK DANA EKUITI	12,317,100	0.86%
CARTABAN NOMINEES (TEMPATAN) SDN BHD - RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESS FUND	12,074,432	0.84%

UNITHOLDERS' STATISTICS

Name of Unitholders	No. of Units Held [^]	%
AMANAHRAYA TRUSTEES BERHAD - ASN UMBRELLA FOR ASN EQUITY 3	12,044,562	0.84%
AMANAHRAYA TRUSTEES BERHAD - PUBLIC ISLAMIC SELECT TREASURES FUND	12,033,598	0.84%
AMANAHRAYA TRUSTEES BERHAD - PUBLIC ISLAMIC OPPORTUNITIES FUND	10,829,050	0.75%
CITIGROUP NOMINEES (TEMPATAN) SDN BHD - KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	10,411,725	0.73%
KA, YA-SHIH ALSO KNOWN AS MYHRE, KUYAS	10,231,119	0.71%
AMANAH RAYA BERHAD - KUMPULAN WANG BERSAMA SYARIAH	9,800,094	0.68%
AMSEC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR DATO' ABAS CARL GUNNAR BIN ABDULLAH	9,369,288	0.65%
HSBC NOMINEES (TEMPATAN) SDN BHD - HSBC (M) TRUSTEE BHD FOR AFFIN HWANG AIIMAN GROWTH FUND	8,697,100	0.61%
CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD - CIMB ISLAMIC TRUSTEE BERHAD - KENANGA SYARIAH GROWTH FUND	8,337,689	0.58%
	876,298,847	17.62%

[^] according to securities accounts on non-consolidated basis

MAJOR UNITHOLDERS (10% AND ABOVE)

Name of Major Unitholders	Direct Interest		Indirect Interest	
	No. of Units	%	No. of Units	%
EMPLOYEES PROVIDENT FUND BOARD	191,931,003	13.37%	–	–
KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	137,296,325	9.57%	34,107,712 ^{^^}	2.38%

^{^^} Held by Fund Managers of Kumpulan Wang Persaraan (Diperbadankan)

DIRECTORS' INTERESTS

Name of Directors/Alternate Directors	Direct Interest		Indirect Interest	
	No. of Units	%	No. of Units	%
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin (Director)	20,000	Neg	–	–
Dato' Abas Carl Gunnar Bin Abdullah (Director)	23,904,426	1.67%	10,303,759*	0.72%
Stephen Tew Peng Hwee @ Teoh Peng Hwee (Director)	56,509,010	3.94%	–	–
Leong Kit May (Director)	42,614	Neg	–	–
Mohd Sharif Bin Hj Yusof (Director)	–	–	–	–
Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor (Director)	–	–	–	–
Alvin Dim Lao (Director)	–	–	–	–
Alex Lee Lao (Alternate Director)	56,736,865	3.95%	3,153,025**	0.22%
Jancis Anne Que Lao (Alternate Director)	1,944,012	0.14%	–	–

* Deemed interested in the direct unitholdings of his spouse and daughter, Datin Kuyas Emiloglu (also known as Ka Ya-Shih) and Amanda Tan Myhre in Axis-REIT

** Deemed interested in the direct unitholdings of his brothers, Lao, Yin Yong Lee and Leon Lee Lao in Axis-REIT

Remarks:

This Unitholders' Statistics have been prepared as at 31 January 2020 in line with the requirements of Bursa Securities where such information is to be made up to a date not earlier than 6 weeks from the date of the AGM notice



FREQUENTLY ASKED QUESTIONS (FAQ)

► How often does Axis-REIT make an income distribution?

Since 1 January 2009, Axis-REIT has changed its current income distribution policy from semi-annual payment to quarterly payment payable within one month from the book closure date. In the event of IDRPs being applied in conjunction with an income distribution, the income distribution will be paid no later than five market days after one month from the book closure date. However, in certain circumstances such as the issuance of new Units by Axis-REIT during the year, it may be necessary for a special income distribution to be declared and paid at different period(s) in order to attribute income distribution to existing Unitholders. This is to avoid any dilution as a result of the enlarged Unitholders' capital.

► How is this income distribution paid?

Payments are made via direct credit/cheques to each Unitholder with an attached Distribution Tax Voucher detailing entitlement and gross/net amount payable.

► Are there different types of income distribution?

Yes. At the Fund level, the source from which income is distributed could be derived from:

- Current year's realised income before taxation;
- Current year's tax exempt income, if any;
- Portion of 'Accumulated Retained Earnings' that have been taxed;
- Portion of 'Accumulated Retained Earnings' that consist of tax exempt income.

► What is the tax treatment of Unitholders?

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:

Withholding tax will be deducted for distributions made to the following categories of unitholders:

Type of Unitholder	Withholding tax rate		
	2019	2018	2017
Resident corporate	Nil [^]	Nil [^]	Nil [^]
Resident non-corporate	10%	10%	10%
Non-resident individual	10%	10%	10%
Non-resident corporate	24%	24%	24%
Non-resident institutional	10%	10%	10%

[^] Resident corporate Unitholder will enjoy tax transparency but will be subject to the prevailing corporate tax rate.

► How do I calculate my distribution?

For the financial year ended 31 December 2019, the total income distribution was 9.26 sen per unit of which 3.06 sen was derived from utilisation of capital allowances, industrial building allowances and tax exempt profit income, which is not subject to tax.

Type of Unitholder	Assumption: 10,000 Axis-REIT units	
	Gross distribution	Net distribution to Unitholders after deduction of withholding tax
Resident corporate*	926.00	926.00
Resident individual/institutional	926.00	864.00
Foreign corporate	926.00	777.20
Foreign institution	926.00	864.00
Foreign individual	926.00	864.00

* Resident corporate Unitholders will enjoy tax transparency but will be subject to the prevailing corporate tax rate.

FREQUENTLY ASKED QUESTIONS (FAQ)

► **What is my net distribution yield for 2019?**

For the financial year ended 31 December 2019, the total distribution was 9.26 sen per unit.

Type of Unitholder	Net distribution based on IPO price of RM0.625*	Net distribution based on closing price of RM1.77 on 31 December 2019
Resident corporate	14.82%^	5.23%^
Resident individual/institutional	13.82%	4.88%
Foreign corporate	12.44%	4.39%
Foreign institution	13.82%	4.88%
Foreign individual	13.82%	4.88%

* Restated from RM1.25 to reflect the Unit Split

^ Resident corporate Unitholders will enjoy tax transparency but will be subject to the prevailing corporate tax rate.

► **Where can a Unitholder view the Deed of Axis-REIT?**

The Deed is available for inspection during ordinary business hours at the principal place of business of the Manager and at the principal place of business of the Trustee.

► **What is the total number of Axis-REIT Units currently in issue?**

A total of 1,435,250,288 Units are in circulation.

► **How can new Units be issued?**

The Manager may from time to time recommend an increase in the number of Units by way of a rights or bonus issue to existing Unitholders in proportion to their holding of Units, or by way of placement to any person; as consideration issue for subscription or such other methods as may be permitted under the SC's Guidelines on Listed REITs. The issuance of new Units are for Axis-REIT to finance acquisitions or to balance the financing-equity matrix of the Fund.

Issuance of new Units in Axis-REIT will be subject to the prior approval of the Trustee, and Unitholders in the manner as stipulated in the Deed and subject to the applicable laws and requirements.

► **What are my rights as a Unitholder?**

The key rights of Unitholders include rights to receive income and other distributions attributable to the Units held; receive the fund reports of Axis-REIT; and participate in the termination of Axis-REIT by receiving a share of all net cash proceeds derived from the realisation of the assets of Axis-REIT less any liabilities, in accordance with their proportionate interests in Axis-REIT. Unitholders are also entitled to vote on resolutions tabled at meetings of Unitholders

► **How can the Deed be amended?**

Any amendment to the Deed involving material change to the investment objectives of Axis-REIT; or if the amendment may materially or adversely affect the rights of the Unitholders, then such amendment to the Deed may only be approved by a resolution of not less than 2/3 of the Unitholders passed at a meeting of Unitholders duly convened and held in accordance with the Deed. In cases where any amendment to the Deed does not require Unitholders' approval, no amendment may be made to the Deed unless the Trustee and the Manager certify, in their opinion, that such amendment does not materially prejudice the interests of Unitholders and does not operate to release (to any material extent) the Trustee or the Manager from any responsibility to the Unitholders.

► **When does Axis-REIT need to hold its AGM?**

The AGM of Axis-REIT shall be held once in every calendar year within 4 month of the Fund's financial year end and not more than 15 months after the holding of the last preceding AGM. At the AGM, the Manager shall lay before the Unitholders, the annual audited financial statements of Axis-REIT made up to a date not more than four months before the date of the AGM.

► **Who may convene a meeting of Unitholders?**

Either the Trustee or the Manager may convene a meeting of Unitholders at any time, subject to the provisions of the Deed. Unitholders may requisite for a meeting of Unitholders by submitting to the Manager an application to be made by not fewer than 50, or one tenth, whichever is lesser, of all the Unitholders. Subject to the provisions of the Deed, the Manager will have to convene a meeting of Unitholders within 21 days after such requisition is submitted to the Manager at its registered office.

► **Can the Manager vote at Unitholders' meetings of Axis-REIT?**

No, unless it is a meeting held for the proposed removal of the Manager. However related parties (as defined in the Deed) of the Manager may vote provided that they have no interest in the outcome of the transaction laid before the meeting for approval (which is different from the interests of other Unitholders).



FREQUENTLY ASKED QUESTIONS (FAQ)

► Why was Axis-REIT reclassified into an Islamic REIT?

Axis-REIT was reclassified into an Islamic REIT:

- a. To widen its investor base to include local Islamic funds and also to develop investors interest from Islamic foreign funds;
- b. To expedite its asset growth with new strategic partners;
- c. To become the first Office Industrial REIT on a global platform which complied with the then SC's Guidelines on Islamic REITs.

► What are the salient compliance requirements of an Islamic REIT pursuant to the SC's Guidelines on Listed REITs?

The salient compliance requirements are:

- a. Rental obtained from non-compliant activities must not exceed the 20% benchmark as determined by the Shariah Advisory Council ("SAC") of the SC;
- b. An Islamic REIT is not permitted to own real estate in which all the tenants operate Shariah non-compliant activities even if the percentage of rental based on turnover is less than the 20% benchmark;
- c. All forms of investments, deposits and financing instruments of an Islamic REIT must comply with the Shariah principles;
- d. An Islamic REIT must use the Takaful schemes to insure its real estate, unless Takaful is not available or commercially viable.

► Is an Islamic REIT permitted to own (purchase) real estate in which the tenant(s) operate(s) mixed activities that are compliant and non-compliant according to the Shariah principles?

An Islamic REIT is permitted to own (purchase) real estate in which its tenant(s) operate(s) mixed activities that are compliant and non-compliant, according to the Shariah principles. However, the management company of the Islamic REIT must perform some additional compliance assessments before acquiring real estate that has tenant(s) who operate(s) mixed activities.

► What are non-permissible activities?

Rental activities that are classified as non-permissible as decided by the SAC are:

- (a) conventional banking;
- (b) conventional insurance;
- (c) gambling;
- (d) liquor and liquor-related activities;
- (e) pork and pork-related activities;
- (f) non-halal food and beverages;
- (g) tobacco and tobacco-related activities;
- (h) stockbroking or share-trading in Shariah non-compliant securities;
- (i) Shariah non-compliant entertainment; and
- (j) other activities deemed non-compliant according to Shariah.

► Must Axis-REIT comply with additional requirements prescribed by SC for Islamic REITs?

Yes. Previously, the SC's Guidelines on Islamic REITs essentially provide Shariah guidance on the investment and business activities of Islamic REITs. As Axis-REIT is a listed REIT, this has since been superseded by the SC's Guidelines on Listed REITs, which sets out the additional requirements for listed Islamic REITs.



GLOSSARY

<IR> Framework	: International <IR> Framework
AEIs	: Asset Enhancement Initiatives
AFM	: Axis Facilities Management Sdn Bhd
AGM	: Annual General Meeting
ARMB or the Manager	: Axis REIT Managers Berhad, being the Manager of Axis-REIT
Axis-REIT/The Fund/The Trust	: Axis Real Estate Investment Trust
Bursa Securities	: Bursa Malaysia Securities Berhad
CDS	: Central Depository System
Deed	: The Third Principal Deed dated 28 November 2013 executed between the Trustee and the Manager constituting Axis-REIT
DPU	: Distribution per Unit
ESG	: Environmental, Social and Governance
FYE	: Financial Year Ended/Ending
GDP	: Gross Domestic Product
Financing ratio	: Financing to Total Assets
IDRP	: Income Distribution Reinvestment Plan
Islamic REITs	: REITs that comply with the applicable Shariah principles, concepts and rulings endorsed by the SAC
MER	: Management Expense Ratio
NAV	: Net Asset Value
NLA	: Net Lettable Area, which consists of the total gross floor area less the common areas, such as corridors, amenities area and management offices of the building
Property Manager	: Axis Property Services
REIT(s)	: Real Estate Investment Trust(s)
RM and sen	: Ringgit Malaysia and sen, respectively
SAC	: Shariah Advisory Council
SC	: Securities Commission Malaysia
SC's Guidelines on Listed REITs	: Guidelines on Listed Real Estate Investment Trusts issued by the SC on 15 March 2018, as may be amended from time to time
Trustee of Axis-REIT/the Trustee	: RHB Trustees Berhad, being the Trustee of Axis-REIT
Unit(s)	: Undivided interest(s) in Axis-REIT as constituted by the Deed
Unit Split	: Subdivision of every one existing Unit into two Units that was completed on 9 September 2015
Unitholder(s)	: Holder(s) of the Units
WALE	: Weighted Average Lease Expiry



NOTICE OF EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting (“AGM”) of Axis Real Estate Investment Trust (“Axis-REIT”) will be convened and held at Ballroom 1, Sheraton Petaling Jaya Hotel, Jalan Utara C, 46200 Petaling Jaya, Selangor Darul Ehsan on Thursday, 23 April 2020 at 10.00 a.m., for the following purposes:

ORDINARY BUSINESS

To receive the Audited Financial Statements for the financial year ended 31 December 2019 of Axis-REIT together with the Reports attached thereon.

SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions of Axis-REIT:

ORDINARY RESOLUTION NO. 1

PROPOSED RENEWAL OF THE AUTHORITY TO ALLOT AND ISSUE NEW UNITS IN AXIS-REIT (“UNITS”) OF UP TO 20% OF THE TOTAL NUMBER OF UNITS ISSUED IN AXIS-REIT, TO FACILITATE A PLACEMENT EXERCISE (“PROPOSED RENEWAL OF AUTHORITY”)

“THAT pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), and subject to requisite approvals being obtained, approval be hereby given to the Directors of Axis REIT Managers Berhad (“Manager”) to allot and issue new Units, to facilitate Axis-REIT in raising funds via a placement exercise (“Proposed Placement”), at any time to any such persons, upon such terms and conditions as they may, in their absolute discretion, deem fit and in the best interest of Axis-REIT, provided that the aggregate number of new Units to be issued pursuant to this resolution, when aggregated with the number of Units issued during the preceding 12 months, does not exceed 20% of the total number of Units issued in Axis-REIT;

THAT such authority, once renewed, shall continue to be in force until:

- (i) the conclusion of the next AGM of Axis-REIT following this AGM where the Proposed Renewal of Authority is passed, at which time the authority will lapse, unless by a resolution passed by the Unitholders at that AGM, such authority is renewed; or
- (ii) the Proposed Renewal of Authority is revoked or varied by a resolution passed by the Unitholders at a Unitholders’ meeting,

whichever is the earliest;

THAT such new Units to be issued under the Proposed Placement (“Placement Units”) shall, upon allotment and issue, rank equally in all respects with the Units already in existence except that the Placement Units will not be entitled to any distributable income, right, benefit, entitlement and/or any other distribution that may be declared, made or paid before the date of allotment and issue of the Placement Units;

AND THAT authority be and is hereby given to the Directors of the Manager and RHB Trustees Berhad (“Trustee”) (acting for and on behalf of Axis-REIT), to give effect to the Proposed Renewal of Authority including but not limited to the creation of the requisite new Units and with full powers to assent to any condition, modification, variation, arrangement and/or amendment in relation to the Proposed Renewal of Authority as they may deem fit in the best interest of Axis-REIT and/or as may be imposed by the relevant authorities **AND FURTHER THAT** the Directors of the Manager and the Trustee (acting for and on behalf of Axis-REIT), are to implement, finalise, complete and do all such acts and things (including executing such documents as may be required) in relation to the Proposed Renewal of Authority.”

NOTICE OF EIGHTH ANNUAL GENERAL MEETING

ORDINARY RESOLUTION NO. 2**PROPOSED RENEWAL OF THE AUTHORITY TO ALLOT AND ISSUE UP TO 138,425,476 NEW UNITS IN AXIS-REIT FOR THE PURPOSE OF THE INCOME DISTRIBUTION REINVESTMENT PLAN (“IDRP”) THAT PROVIDES THE UNITHOLDERS OF AXIS-REIT THE OPTION TO REINVEST THEIR INCOME DISTRIBUTION IN NEW UNITS (“PROPOSED RENEWAL OF IDRPA AUTHORITY”)**

THAT pursuant to the approval from the Unitholders obtained on 21 August 2015 for, among others, the renewal of the authority to allot and issue new Units for the purpose of the IDRPA, approval be and is hereby given to the Directors of the Manager and the Trustee (acting for and on behalf of Axis-REIT), to renew the authority for the Board to allot and issue new Units from time to time pursuant to the IDRPA upon such terms and conditions as they may, in their absolute discretion, deem fit and in the best interest of Axis-REIT, provided that the aggregate number of the new Units to be issued pursuant to this resolution does not exceed 138,425,476 new Units, including such number of new Units to be issued pursuant to the IDRPA in conjunction with the final income distribution for the period from 14 November 2019 to 31 December 2019 which was declared on 20 January 2020;

THAT such authority, once renewed, shall continue to be in force until:

- (i) the conclusion of the next AGM of Axis-REIT following this AGM where the Proposed Renewal of IDRPA Authority is passed, at which time the authority will lapse, unless by a resolution passed by the Unitholders at that AGM, such authority is renewed; or
- (ii) the Proposed Renewal of IDRPA Authority is revoked or varied by a resolution passed by the Unitholders at a Unitholders’ meeting,

whichever is the earliest;

THAT such new Units to be issued under the Proposed Renewal of IDRPA Authority shall, upon allotment and issue, rank equally in all respects with the Units already in existence except that the Units will not be entitled to any distributable income, right, benefit, entitlement and/or any other distribution that may be declared, made or paid before the date of allotment and issue of such Units;

AND THAT authority be and is hereby given to the Directors of the Manager and the Trustee (acting for and on behalf of Axis-REIT), to give effect to the Proposed Renewal of IDRPA Authority including but not limited to the creation of the requisite new Units and with full powers to assent to any condition, modification, variation, arrangement and/or amendment in relation to the Proposed Renewal of IDRPA Authority as they may deem fit in the best interest of Axis-REIT and/or as may be imposed by the relevant authorities **AND FURTHER THAT** the Directors of the Manager and the Trustee (acting for and on behalf of Axis-REIT), are to implement, finalise, complete and do all such acts and things (including executing such documents as may be required) in relation to the Proposed Renewal of IDRPA Authority.”

By Order of the Board of

AXIS REIT MANAGERS BERHAD (200401010947 (649450-W))

Management company of Axis Real Estate Investment Trust

Rebecca Leong Siew Kwan

Chartered Secretary

(SSM PC No. 202008000587) (MAICSA 7045547)

Kuala Lumpur

28 February 2020



NOTICE OF EIGHTH ANNUAL GENERAL MEETING

Notes:

- (1) A Unitholder shall be entitled to attend and vote at any meeting of Unitholders and shall be entitled to appoint up to 2 persons, whether a Unitholder or not, as its proxy to attend and vote.
- (2) Where a Unitholder is a corporation, its duly authorised representative shall be entitled to attend and vote at the meeting and shall be entitled to appoint up to 2 persons (whether a Unitholder or not) as its proxy to attend and vote.
- (3) Where a Unitholder appoints 2 proxies, the appointment shall be invalid unless it specifies the proportions of its holdings to be represented by each proxy.
- (4) If the Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("Authorised Nominee"), it may appoint at least 1 proxy (but no more than 2) in respect of each securities account it holds with Units of Axis-REIT standing to the credit of the said securities account.
- (5) If the Unitholder is an exempt Authorised Nominee which holds Units for multiple beneficial owners in 1 securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
- (6) Only a depositor whose name appears in the Record of Depositors of Axis-REIT as at 16 April 2020 shall be regarded as a Unitholder and entitled to attend, speak and vote at this AGM of Axis-REIT or appoint proxy(ies) to attend and vote on his/her behalf.
- (7) The Instrument of Proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if the appointor is a corporation, the Instrument of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.
- (8) To be valid, the original Instrument of Proxy duly completed and signed must be deposited at the registered office of the Manager at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting (facsimile copy of Instrument of Proxy would be disregarded).

EXPLANATORY NOTES ON:

Ordinary Business

There shall be no voting on the Ordinary Business of this AGM given that the laying of the Audited Financial Statements for the financial year ended 31 December 2019 of Axis-REIT together with the Reports attached thereon, before the Unitholders at this AGM is meant for discussion only. This is in accordance with Paragraph 13.18(b) of the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia.

Other than the aforesaid Ordinary Business, there is no other ordinary business to be transacted at this AGM.

Special Business – Ordinary Resolution No. 1 : Proposed Renewal of Authority

- (a) The Manager proposes to renew the authority to allot and issue up to 20% of the total number of Units issued in Axis-REIT, to facilitate Axis-REIT in raising funds via the Proposed Placement. The Proposed Renewal of Authority will empower the Directors with the flexibility to allot and issue new Units at any time via the Proposed Placement to any such persons, upon such terms and conditions as they may, in their absolute discretion, deem fit and in the best interest of Axis-REIT, provided that the aggregate number of new Units to be issued pursuant to the Proposed Renewal of Authority, when aggregated with the number of Units issued during the preceding 12 months, does not exceed 20% of the total number of Units issued in Axis-REIT.
- (b) The Directors of the Manager had implemented a placement exercise pursuant to the general mandate, which was procured and approved by the Unitholders at the Seventh AGM of Axis-REIT convened and held on 30 April 2019, where 160,850,000 new Placement Units were issued and listed on Bursa Securities on 15 November 2019. The proceeds raised from this placement exercise were utilised to pare down Axis-REIT's existing bank financing (including finance cost payable), which had been taken up to finance acquisitions of real estate and also to provide headroom for future investments.

NOTICE OF EIGHTH ANNUAL GENERAL MEETING

- (c) With the Proposed Renewal of Authority, delays and further costs involved in convening separate Unitholders' meetings to approve such issue of new Units to raise funds can be avoided. The Manager will have the flexibility to raise funds via the Proposed Placement for Axis-REIT, as and when such need arises. The proceeds, after deducting the estimated expenses, to be raised from the issuance of the Placement Units, may be used, at the Directors' absolute discretion, for:
- (i) repayment of Axis-REIT's existing bank financing (including finance cost payable), which are taken up to finance acquisitions of real estate;
 - (ii) future investments;
 - (iii) capital expenditure, including development costs; and
 - (iv) working capital purposes.

Special Business – Ordinary Resolution No. 2 : Proposed Renewal of IDRP Authority

- (a) The Manager proposes to renew the authority to allot and issue up to 138,425,476 new Units, representing approximately 9.64% of the existing issued fund size of Axis-REIT of 1,435,250,288 Units, for the purpose of the IDRP. The Proposed Renewal of IDRP Authority will empower the Directors with the flexibility to allot and issue new Units at any time under the IDRP, provided that the aggregate number of Units to be issued pursuant to the Proposed Renewal of IDRP Authority does not exceed 138,425,476 new Units, including such number of new Units to be issued pursuant to the IDRP in conjunction with the final income distribution for the period from 14 November 2019 to 31 December 2019 ("2019 Final Income Distribution") which was declared on 20 January 2020.
- (b) The Unitholders had, at the Seventh AGM of Axis-REIT convened and held on 30 April 2019 approved, among others, the authority to allot and issue up to 138,425,476 new Units pursuant to the IDRP. Axis-REIT had applied the IDRP to the 2019 Final Income Distribution which was declared on 20 January 2020 ("2019 IDRP"). The actual number of new Units to be issued on 9 March 2020 (being the payment date for the 2019 Final Income Distribution) pursuant to the 2019 IDRP could not be determined at this juncture as such number of new Units is subject to the election by the entitled Unitholders whose names appear on the Records of Depositors of Axis-REIT as at 5:00 p.m. on 4 February 2020.
- (c) In view of the foregoing, the remaining number of new Units that can be allotted and issued pursuant to the Proposed Renewal of IDRP Authority will be up to 138,425,476 new Units less such number of new Units to be issued pursuant to the 2019 IDRP, subject to the Unitholders' approval being obtained at the forthcoming AGM for the Proposed Renewal of IDRP Authority.
- (d) The net proceeds to be raised from the new Units to be issued pursuant to the 2019 IDRP in conjunction with the 2019 Final Income Distribution (after deducting the related issuing expenses) shall be utilised to refurbish and/or renovate the properties of Axis-REIT.
- (e) Any proceeds to be raised from the issuance(s) of new Units pursuant to the Proposed Renewal of IDRP Authority, if such authority is renewed at the forthcoming AGM, shall be utilised to refurbish and/or renovate the properties of Axis-REIT.

Personal Data Notice

In view of the enforcement of **Personal Data Protection Act 2010** ("Act") which regulates the processing of personal data in commercial transactions, the Act applies to us, **Axis REIT Managers Berhad**, being the management company of Axis-REIT.

The personal data processed by us may include your name, contact details, and mailing address and any other personal data derived from any documentation. We may use or disclose your personal data to any person we may engage for the purpose of the issuance of the Notice of AGM, despatch of the 2019 Integrated Annual Report and the convening of the AGM of Axis-REIT. As such, it is necessary for us to obtain your personal data in order to carry out the said purposes.

Subject to the requirements under the Act, if you would like to make any enquiries of your personal data, please contact us using any of the following modes:

Mailing address : Axis REIT Managers Berhad
Penthouse, Menara Axis, No. 2, Jalan 51A/223
46100 Petaling Jaya, Selangor Darul Ehsan

Telephone/Fax No : 603-7958 4882/603-7957 6881

E-mail Address : pdpa@axis-reit.com.my



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REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted under the laws of Malaysia)

INSTRUMENT OF PROXY

*I/We (*NRIC No./Passport No./Company No.)
of
being a Unitholder of **Axis Real Estate Investment Trust ("Axis-REIT")** hereby appoints:

.....
(*NRIC No./Passport No.) (Tel./Mobile No.)
of

or failing him/her, *the Chairman of the meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Eighth Annual General Meeting of Axis-REIT to be held at Ballroom 1, Sheraton Petaling Jaya Hotel, Jalan Utara C, 46200 Petaling Jaya, Selangor Darul Ehsan on Thursday, 23 April 2020 at 10.00 a.m. or at any adjournment thereof.

RESOLUTION		FOR	AGAINST
Ordinary Resolution No. 1	Proposed Renewal of Authority		
Ordinary Resolution No. 2	Proposed Renewal of IDRP Authority		

Please indicate with an "X" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he/she thinks fit.

Dated this day of 2020

Central Depository System Account No.	No. of Units held in Axis-REIT

.....
Signature of Unitholder OR Common Seal

* Strike out whichever is not desired.

Notes:

- (1) A Unitholder shall be entitled to attend and vote at any meeting of Unitholders and shall be entitled to appoint up to 2 persons, whether a Unitholder or not, as its proxy to attend and vote.
- (2) Where a Unitholder is a corporation, its duly authorised representative shall be entitled to attend and vote at the meeting and shall be entitled to appoint up to 2 persons (whether a Unitholder or not) as its proxy to attend and vote.
- (3) Where a Unitholder appoints 2 proxies, the appointment shall be invalid unless it specifies the proportions of its holdings to be represented by each proxy.
- (4) If the Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("Authorised Nominee"), it may appoint at least 1 proxy (but no more than 2 in respect of each securities account it holds with Units of Axis-REIT standing to the credit of the said securities account.
- (5) If the Unitholder is an exempt Authorised Nominee which holds Units for multiple beneficial owners in 1 securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
- (6) Only a depositor whose name appears in the Record of Depositors of Axis-REIT as at 16 April 2020 shall be regarded as a Unitholder and entitled to attend, speak and vote at this AGM of Axis-REIT or appoint proxy(ies) to attend and vote on his/her behalf.
- (7) The Instrument of Proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if the appointor is a corporation, the Instrument of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.
- (8) To be valid, the original Instrument of Proxy duly completed and signed must be deposited at the registered office of the Manager at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting (facsimile copy of Instrument of Proxy would be disregarded).

Fold this flap for sealing

Then fold here

**AFFIX
STAMP**

Management Company of Axis Real Estate Investment Trust

Axis REIT Managers Berhad

c/o Securities Services (Holdings) Sdn Bhd

Level 7, Menara Milenium

Jalan Damanlela

Pusat Bandar Damansara

Damansara Heights

50490 Kuala Lumpur

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LOCATIONS OF INVESTMENT PROPERTIES

CENTRAL REGION

Petaling Jaya

- 1) Menara Axis
- 2) Axis Business Campus
- 3) Axis Business Park
- 4) Axis Technology Centre
- 5) Axis Vista
- 6) Crystal Plaza
- 7) Infinite Centre
- 8) Quattro West
- 9) Strateq Data Centre
- 10) The Annex
- 11) Wisma Academy Parcel
- 12) Wisma Kemajuan

Shah Alam/Klang

- 13) Axis Aerotech Centre @ Subang
- 14) Axis Mega Distribution Centre
- 15) Axis MRO Hub
- 16) Axis Shah Alam Distribution Centre 1
- 17) Axis Shah Alam Distribution Centre 2
- 18) Axis Shah Alam Distribution Centre 3
- 19) Axis Shah Alam Distribution Centre 4
- 20) Axis Northport Distribution Centre 1
- 21) Bukit Raja Distribution Centre
- 22) Fonterra HQ

Rawang

- 23) Axis Industrial Facility @ Rawang

Nilai

- 24) Emerson Industrial Facility Nilai

Senawang

- 25) Senawang Industrial Facility

NORTHERN REGION

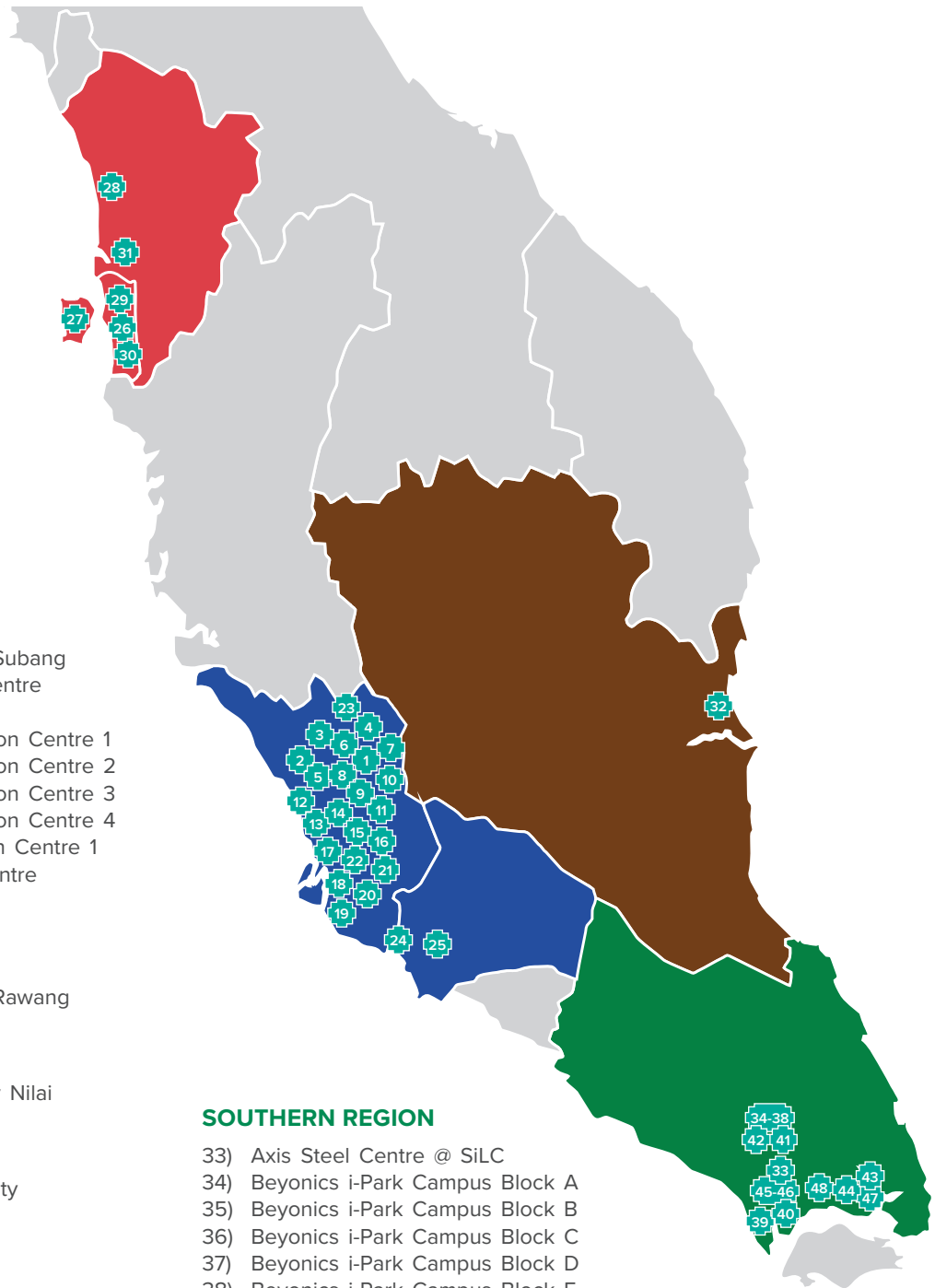
- 26) Axis Facility @ Batu Kawan
- 27) Bayan Lepas Distribution Centre
- 28) Axis Hypermarket @ Sungai Petani
- 29) Seberang Prai Logistics Warehouse 1
- 30) Seberang Prai Logistics Warehouse 2
- 31) Seberang Prai Logistics Warehouse 3

EAST COAST REGION

- 32) Wasco Facility @ Kuantan

SOUTHERN REGION

- 33) Axis Steel Centre @ SiLC
- 34) Beyonics i-Park Campus Block A
- 35) Beyonics i-Park Campus Block B
- 36) Beyonics i-Park Campus Block C
- 37) Beyonics i-Park Campus Block D
- 38) Beyonics i-Park Campus Block E
- 39) D8 Logistics Warehouse
- 40) D21 Logistics Warehouse
- 41) FCI Senai
- 42) Indahpura Facility 1
- 43) Kerry Warehouse
- 44) Niro Warehouse
- 45) Nusajaya Tech Park Facility 1
- 46) Nusajaya Tech Park Facility 2
- 47) Pasir Gudang Logistics Warehouse 1
- 48) Tesco Bukit Indah



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