

**AXIS REAL ESTATE INVESTMENT TRUST**

**CONDENSED STATEMENT OF FINANCIAL POSITION**

	(UNAUDITED) AS AT END OF CURRENT QUARTER 30.6.2020 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2019 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Investment properties	3,147,968	2,990,610
Equipment	3,064	3,201
<b>Total Non-Current Assets</b>	<b>3,151,032</b>	<b>2,993,811</b>
<b>Current Assets</b>		
Receivables, deposits and prepayments	38,730	39,325
Islamic deposits placed with licensed banks	70,278	31,597
Cash and bank balances	14,818	20,948
<b>Total Current Assets</b>	<b>123,826</b>	<b>91,870</b>
<b>TOTAL ASSETS</b>	<b>3,274,858</b>	<b>3,085,681</b>
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Tenants' deposits	53,707	44,840
Deferred tax liability	8,615	8,615
Financing	500,465	500,277
<b>Total Non-Current Liabilities</b>	<b>562,787</b>	<b>553,732</b>
<b>Current Liabilities</b>		
Payables and accruals	64,427	67,603
Financing	512,552	385,582
<b>Total Current Liabilities</b>	<b>576,979</b>	<b>453,185</b>
<b>TOTAL LIABILITIES</b>	<b>1,139,766</b>	<b>1,006,917</b>
<b><u>FINANCED BY:</u></b>		
<b><u>UNITHOLDERS' FUNDS</u></b>		
Unitholders' capital	1,595,506	1,583,791
Distributable income	61,267	16,094
Non-distributable reserves	478,319	478,879
	<b>2,135,092</b>	<b>2,078,764</b>
<b>TOTAL UNITHOLDERS' FUNDS AND LIABILITIES</b>	<b>3,274,858</b>	<b>3,085,681</b>
<b>NET ASSET VALUE</b>	<b>2,135,092</b>	<b>2,078,764</b>
<b>NUMBER OF UNITS IN CIRCULATION</b>	<b>1,442,331,296</b>	<b>1,435,250,288</b>
<b>NET ASSET VALUE PER UNIT (RM)</b>		
- Before income distribution	<b>1.4803</b>	<b>1.4484</b>
- After income distribution	<b>1.4378</b> (Note 1)	<b>1.4374</b>

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the financial statements.)

Note 1 – Being Net Asset Value Per Unit after reflecting the payment of 2020 first interim income distribution of 2.10 sen which was paid on 3 July 2020 and also the realised income to be distributed as 2020 second interim income distribution of 2.15 sen per unit payable on 2 October 2020.

**AXIS REAL ESTATE INVESTMENT TRUST**

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.6.2020 RM'000	Preceding Year Corresponding Quarter 30.6.2019 RM'000	Current Year To date 30.6.2020 RM'000	Preceding Year To date 30.6.2019 RM'000
<b>TOTAL TRUST INCOME *</b>	55,488	54,194	110,259	107,963
Property income	55,023	53,676	109,898	107,551
Lease incentive adjustment (non-distributable) **	118	84	(217)	(234)
Unbilled lease income receivable ***	1,928	1,286	3,801	4,094
Less : Assessment	57,069	55,046	113,482	111,411
Quit rent	(1,174)	(1,083)	(2,330)	(2,178)
Other property operating expenditure	(418)	(261)	(725)	(570)
	(6,573)	(5,958)	(13,273)	(12,016)
Net property income	48,904	47,744	97,154	96,647
Profit income	347	434	578	646
Unbilled lease income ***	(1,928)	(1,286)	(3,801)	(4,094)
Fair value change on derivatives	(33)	(413)	(1,676)	(817)
Net gain/(loss) on financial liabilities measured at amortised cost	69	525	1,116	(1,333)
<b>NET PROPERTY AND INVESTMENT INCOME</b>	<b>47,359</b>	<b>47,004</b>	<b>93,371</b>	<b>91,049</b>
Manager's fees	5,307	4,148	10,542	8,320
Trustee's fees	278	221	553	441
Depreciation	154	140	305	273
Auditors' fees	33	36	66	66
Tax agent's fee	4	4	9	9
(Reversal)/Provision of doubtful/bad debts	(11)	193	65	(2)
Administrative expenses	767	855	1,979	1,841
Islamic financing cost #	9,707	12,360	19,451	24,460
<b>NON-PROPERTY EXPENSES</b>	<b>16,239</b>	<b>17,957</b>	<b>32,970</b>	<b>35,408</b>
<b>NET TRUST INCOME</b>	<b>31,120</b>	<b>29,047</b>	<b>60,401</b>	<b>55,641</b>
<b>NET INCOME FOR THE PERIOD</b>	<b>31,120</b>	<b>29,047</b>	<b>60,401</b>	<b>55,641</b>

**AXIS REAL ESTATE INVESTMENT TRUST**

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

	INDIVIDUAL QUARTER		CUMMULATIVE QUARTER	
	Current Year Quarter 30.6.2020 RM'000	Preceding Year Corresponding Quarter 30.6.2019 RM'000	Current Year To date 30.6.2020 RM'000	Preceding Year To date 30.6.2019 RM'000
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>31,120</b>	<b>29,047</b>	<b>60,401</b>	<b>55,641</b>
EARNINGS PER UNIT (EPU) (sen) ##	2.16	2.35	4.20	4.50
<b>NET INCOME FOR THE PERIOD IS MADE UP AS FOLLOWS:</b>				
Realised				
- property income	30,966	28,851	61,178	58,025
- lease incentive adjustment (non-distributable) **	118	84	(217)	(234)
Unrealised - Net gain/(loss) on financial liabilities measured at amortised cost	69	525	1,116	(1,333)
Unrealised - Fair value change on derivatives	(33)	(413)	(1,676)	(817)
	31,120	29,047	60,401	55,641

(The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the financial statements)

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

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

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

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

## EPU for the current quarter is computed based on net income for the quarter divided by total units in issue of 1,442,331,296 units and EPU for the current period is based on the weighted average number of units in issue of 1,439,646,738 units. EPU for preceding year corresponding quarter/period is based on number of units in issue of 1,237,285,288 units.

**AXIS REAL ESTATE INVESTMENT TRUST**

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE**

FROM 1 JANUARY 2019 TO 30 JUNE 2019 (UNAUDITED)

	<b>Total Unitholders' Capital RM'000</b>	<i>Distributable</i> <b>Realised Income RM'000</b>	<i>Non-Distributable</i> <b>Unrealised Income RM'000</b>	<b>Total Unitholders' Funds RM'000</b>
<b>At 1 January 2019</b>	1,247,069	32,192	384,820	1,664,081
Net income for the period	-	57,791	(2,150)	55,641
<i>Total comprehensive income for the period</i>	-	57,791	(2,150)	55,641
<b>Contributions by and distributions to unitholders</b>				
Distribution to Unitholders	-	(59,389)	-	(59,389)
<i>Total transactions with unitholders</i>	-	(59,389)	-	(59,389)
<b>At 30 June 2019</b>	<b>1,247,069</b>	<b>30,594</b>	<b>382,670</b>	<b>1,660,333</b>

**AXIS REAL ESTATE INVESTMENT TRUST**

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

FROM 1 JANUARY 2020 TO 30 JUNE 2020 (UNAUDITED)

	<b>Total Unitholders' Capital RM'000</b>	<i>Distributable</i> <b>Realised Income RM'000</b>	<i>Non-Distributable</i> <b>Unrealised Income RM'000</b>	<b>Total Unitholders' Funds RM'000</b>
<b>At 1 January 2020</b>	1,583,791	16,094	478,879	2,078,764
Net income for the year	-	60,961	(560)	60,401
<i>Total comprehensive income for the period</i>	-	60,961	(560)	60,401
<b>Contributions by and distributions to unitholders</b>				
Issuance and placement of units	11,825	-	-	11,825
Issuing expenses	(110)	-	-	(110)
Distribution to Unitholders #	-	(15,788)	-	(15,788)
<i>Total transactions with unitholders</i>	11,715	(15,788)	-	(4,073)
<b>At 30 June 2020</b>	<b>1,595,506</b>	<b>61,267</b>	<b>478,319</b>	<b>2,135,092</b>

(The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the financial statements.)

# Includes the payment of final income distribution for financial year 2019 of 1.10 sen per unit which was paid on 9 March 2020.

**AXIS REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2020 (UNAUDITED)**

	<b>Current Year To Date 30.6.2020 RM'000</b>	<b>Preceding Year To Date 30.6.2019 RM'000</b>
<b>Cash flows from operating activities</b>		
Net income before taxation	60,401	55,641
Adjustments for :-		
Islamic financing cost	19,451	24,460
Profit income	(578)	(646)
Depreciation of equipment	305	273
(Gain)/loss on financial liabilities measured at amortised cost	(1,116)	1,333
Impairment losses/(reversal of impairment losses) on trade receivables	65	(2)
Fair value change on Islamic derivatives	1,676	817
Operating income before changes in working capital	80,204	81,876
<b>Changes in working capital</b>		
Receivables, deposits and prepayments	530	(7,425)
Payables and accruals	(650)	(6,962)
Tenants' deposits	5,781	3,400
<b>Net cash from operating activities</b>	<b>85,865</b>	<b>70,889</b>
<b>Cash flows from investing activities</b>		
Profit income received	578	646
Enhancement of investment properties	(2,690)	(10,484)
Acquisition of investment property	(154,668)	-
Acquisition of equipment	(168)	(364)
Pledged deposits	-	(11,160)
<b>Net cash used in investing activities</b>	<b>(156,948)</b>	<b>(21,362)</b>
<b>Cash flows from financing activities</b>		
Islamic financing cost paid	(19,229)	(24,460)
Proceeds from financing, net	126,936	48,143
Income distribution paid to unitholders	(15,788)	(59,389)
Proceeds from issuance of units	11,825	-
Issuing expenses	(110)	-
<b>Net cash from/(used in) financing activities</b>	<b>103,634</b>	<b>(35,706)</b>

**AXIS REAL ESTATE INVESTMENT TRUST**

**CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2020 (UNAUDITED) (CONT'D)**

	<b>Current Year</b>	<b>Preceding Year</b>
	<b>To Date</b>	<b>To Date</b>
	<b>30.6.2020</b>	<b>30.6.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Net increase in cash and cash equivalents	32,551	13,821
Cash and cash equivalents at beginning of year	32,990	9,619
Cash and cash equivalents at end of year	<u>65,541</u>	<u>23,440</u>
<b>Cash and cash equivalents</b>		
Cash and bank balances	14,818	12,762
Islamic deposits placed with licensed banks	70,278	30,233
	<u>85,096</u>	<u>42,995</u>
Less: Islamic deposits placed with licensed banks - pledged	<u>(19,555)</u>	<u>(19,555)</u>
	<u>65,541</u>	<u>23,440</u>

(The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the financial statements.)

NOTES TO THE QUARTERLY REPORT

**A. DISCLOSURE REQUIREMENTS AS PER MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134**

**A1. BASIS OF PREPARATION**

The quarterly financial report is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The accounting policies and methods of computation used in the preparation of the quarterly financial report are consistent with those adopted in the preparation of the audited financial information of Axis Real Estate Investment Trust (“Axis-REIT” or “Trust” or “Fund”) for year ended 31 December 2019.

**A2. AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2019**

The audit report of the financial statements of Axis-REIT for the preceding financial year ended 31 December 2019 was not qualified.

**A3. SEASONALITY OR CYCLICALITY OF OPERATIONS**

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

**A4. UNUSUAL ITEMS**

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

**A5. CHANGES IN ESTIMATES**

This is not applicable as no estimates were previously reported.

**A6. DEBT AND SHARIAH-COMPLIANT EQUITY SECURITIES**

There were no issuances, cancellation, repurchase, resale and payment of debt and Shariah-compliant equity securities for the current quarter.

**A7. INCOME DISTRIBUTION**

The 2020 first interim income distribution of 2.10 sen per unit, totaling RM30,289,000 in respect of the period from 1 January 2020 to 31 March 2020 was declared during the quarter under review and was paid on 3 July 2020.

Axis REIT Managers Berhad, the management company of Axis-REIT (“Manager”) has proposed to distribute 99% from realised income available for distribution generated from operations for the period from 1 April 2020 to 30 June 2020 as the 2020 second interim income distribution of 2.15 sen per unit, which includes a non-taxable portion of approximately 0.51 sen per unit derived from capital allowances, industrial building allowances and tax-exempt profit income which is not subject to tax.

The 2020 second interim income distribution will be payable on 2 October 2020 and the book closure date is 10 September 2020.



A8. SEGMENTAL REPORTING

No segment information is prepared as Axis-REIT's activities are in one industry segment in Malaysia.

A9. VALUATIONS OF INVESTMENT PROPERTIES

The investment properties are valued based on valuations performed by independent registered valuers.

A10. MATERIAL EVENTS

There was no material event as at the latest practicable date from the date of the last annual reporting period except for the following:

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

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

Since commencement of the FedEx Development Project up to 30 June 2020, a total of RM14,593,000 has been incurred (including Project Land).

The FedEx Development Project had obtained its Certificate of Practical Completion on 30 December 2019 and Certificate of Completion and Compliance on 28 February 2020 respectively.

The FedEx Development Project had been completed and its vacant possession delivered to FedEx in accordance with the Sublease Agreement.

Additional details on the Proposed Land Lease and FedEx Development Project are also disclosed under note B10(c) below.

- b) A sale and purchase agreement ("SPA") had been executed on 17 July 2019 for the proposed acquisition by Axis-REIT of a manufacturing facility located in Bayan Lepas Free Industrial Zone Phase IV, Bayan Lepas, Pulau Pinang for a purchase consideration of RM20,500,000. This proposed acquisition is still pending completion.
- c) A SPA had been executed on 8 October 2019 for the proposed acquisition by Axis-REIT of a manufacturing facility located within Kawasan Perindustrian Nilai II, Nilai, Negeri Sembilan, for a purchase consideration of RM50,000,000. The proposed acquisition was completed on 28 February 2020 and the property is now known as Axis Facility 2 @ Nilai.
- d) A SPA had been executed on 24 December 2019 for the proposed acquisition by Axis-REIT of a manufacturing facility located in Kawasan Perindustrian Bukit Raja, Klang, Selangor, for a purchase consideration of RM37,000,000. The proposed acquisition was completed on 17 March 2020 and the property is now known as Axis Facility 2 @ Bukit Raja.
- e) A SPA had been executed on 14 October 2019 for the proposed acquisition by Axis-REIT of a warehouse facility located within Pelabuhan Tanjung Pelepas, Gelang Patah, Johor, for a purchase consideration of RM65,000,000. The proposed acquisition was completed on 9 June 2020 and the property is now known as D37c Logistics Warehouse.

A10. MATERIAL EVENTS (CON'T)

- f) A letter of offer had been duly accepted for the proposed acquisition by Axis-REIT of a manufacturing facility located in Kota Kinabalu, Sabah for a proposed purchase consideration of RM60,000,000. The transaction has been discontinued.
- g) A letter of offer had been duly accepted for the proposed acquisition by Axis-REIT of a manufacturing facility located in Johor Bahru, Johor for a proposed purchase consideration of RM25,500,000. The transaction has been discontinued.
- h) Letters of offer had been duly accepted for the proposed acquisition by Axis-REIT of three 1 ½ storey detached factories within Kawasan Perindustrian i-Park all in Mukim Kulai, Daerah Kulajaya, Johor for a total proposed purchase consideration of RM28,195,000.
- i) A letter of offer had been duly accepted for the proposed acquisition by Axis-REIT of a manufacturing facility located in Shah Alam, Selangor for a proposed purchase consideration of RM11,870,000.
- j) A SPA has been executed on 26 August 2020 for the proposed related party acquisition by Axis-REIT of a warehouse facility located in Section 15 Shah Alam, Selangor for a purchase consideration of RM95,000,000.

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

There was no change in the composition of the fund size of Axis-REIT for the current quarter under review and the fund size stands at 1,442,331,296 units.

A12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

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

**B. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF BURSA SECURITIES MAIN MARKET LISTING REQUIREMENTS**

**B1. REVIEW OF PERFORMANCE**

The Manager is pleased to report the following financial results:

Quarter Results

For the quarter ended 30 June 2020 (“2Q2020”), Axis-REIT registered a total trust income of RM55,488,000. The realised net income from operations was RM31,084,000 after deducting total expenditure of RM24,404,000, of which RM8,165,000 were attributable to property expenses and RM16,239,000 to non-property expenses.

The Manager has proposed to distribute 99% from realised income available for distribution generated from operations for the second quarter of 2020.

The total net asset value stood at RM2,135,092,000 and the net asset value per unit (before income distribution) was RM1.4803.

Half Year Results

For the six months ended 30 June 2020, Axis-REIT recorded a total revenue of RM110,259,000. The realised net income from operations was RM60,961,000 after deducting total expenditure of RM49,298,000, of which RM16,328,000 were attributable to property expenses and RM32,970,000 to non-property expenses.

A total of RM30,289,000 was declared as the 2020 first interim income distribution which translated to 2.10 sen per unit and paid on 3 July 2020.

Axis-REIT has further set aside RM31,010,000 (approximately 99% of total income available for distribution in respect of the period from 1 April 2020 to 30 June 2020) as the 2020 second interim income distribution which translates to 2.15 sen per unit payable on 2 October 2020.

Maintenance costs & major capital expenditure

During the financial period ended 30 June 2020, a total of RM2,642,000 has been incurred for enhancement of the properties of Axis-REIT and a total of RM48,000 has been incurred for the completed development project i.e. FedEx Development Project.

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

	Current Year Quarter 30.6.2020 RM'000	Immediate Preceding Quarter 31.3.2020 RM'000	%
Property income	55,023	54,875	0.3%
Less : Property expenses	(8,165)	(8,163)	0.0%
Net property income	46,858	46,712	0.3%
Profit income	347	231	50.2%
Less: Non-property expenses	(16,239)	(16,731)	-2.9%
Net income before lease incentive adjustment (non-distributable)	30,966	30,212	2.5%
Lease incentive adjustment, net (Note 1)	118	(335)	
Net income before tax (Realised)	31,084	29,877	4.0%

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

**B2. MATERIAL CHANGES IN INCOME BEFORE TAXATION FOR THE QUARTER AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER (CON'T)**

For 2Q2020, Axis-REIT's property income was RM55,023,000, 0.3% higher compared to the immediate preceding quarter ("1Q2020") of RM54,875,000, mainly due to contributions from newly acquired properties.

During the quarter under review, net income before lease incentive adjustment was RM30,966,000, 2.5% higher compared to 1Q2020 of RM30,212,000, due to higher property income and lower expenses.

**B3. PROSPECTS**

The Manager remains cautious of the current Covid-19 pandemic which has caused global economic downturn. While the pandemic's impact on Axis-REIT's operations and financials have been manageable thus far, should the pandemic prolong or worsen unexpectedly this may impact Axis-REIT's performance for the rest of the financial year ending 31 December 2020.

During this challenging and uncertain time, the Manager is actively managing the portfolio and exercising prudent capital management at all times in order for Axis-REIT to deliver sustainable EPU and DPU payout to Unitholders. Positively, the current gearing level of 31% provides headroom for Axis-REIT to continue its yield accretive acquisition strategy should good opportunities come along.

**B4. INVESTMENT OBJECTIVES**

The Manager is pleased to report that since the listing of Axis-REIT, the Trust has been successful in achieving the investment objectives where the Trust has set out to provide the unitholders with a stable income distribution and to achieve growth in net asset value per unit of the Trust by acquiring high quality accretive properties with strong recurring rental income. There was no change in the investment objectives of Axis-REIT as at the date of this report.

**B5. STRATEGIES AND POLICIES**

There was no change in the strategies and policies employed since the issuance of the 2019 Integrated Annual Report of Axis-REIT.

**B6. PORTFOLIO COMPOSITION**

During the quarter under review, Axis-REIT had completed the acquisition of D37c Logistics Warehouse on 9 June 2020. The property portfolio size of Axis-REIT increased from 50 to 51 properties as at 30 June 2020.

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

This is not applicable as there was no issuance of new units by Axis-REIT during the current financial quarter.

## B8. INCOME DISTRIBUTION

Distribution to unitholders is from the following sources:

	Current year quarter 30.6.2020 RM'000	Preceding Year Corresponding Quarter 30.6.2019 RM'000	Current Year To date 30.6.2020 RM'000	Preceding Year To date 30.6.2019 RM'000
Gross rental income	55,141	53,760	109,681	107,317
Profit income	347	434	578	646
	55,488	54,194	110,259	107,963
Less: Expenses	(24,404)	(25,259)	(49,298)	(50,172)
Realised income for the period	31,084	28,935	60,961	57,791
Add: Non-cash items	25	249	587	505
Total realised income available for the period	31,109	29,184	61,548	58,296
Add: Brought forward undistributed realised income available for distribution	270	222	120	186
Total realised income available for distribution *	31,379	29,406	61,668	58,482
Less: Income to be distributed for the quarter/period	(31,010)	(29,200)	(61,299)	(58,276)
Balance undistributed realised income available for distribution	369	206	369	206
Distribution per unit (sen)	2.15	2.36	4.25	4.71

\* There are no unrealised losses arising during the period or brought forward from previous year.

## B9. TAXATION

### Trust Level

Pursuant to the amendment of Section 61A of the Income Tax Act, 1967 under the Finance Act 2006 which was gazetted on 31 December 2006, where in the basis period for a year of assessment, 90% or more of the total income of the trust is distributed to unitholders, the total income of the trust for that year of assessment shall be exempted from tax.

Thus, based on the income distribution for the six-month period to date of approximately 99% of the realised income before tax, Axis-REIT should not incur any tax expense for the financial year.

### Unitholders' Level

Pursuant to the amended Section 109D(2) of the Income Tax Act, 1967 under the Finance Act 2009 which was gazetted on 8 January 2009, the following withholding tax rates would be applicable on distribution of income which is tax exempt at Axis-REIT's level:

#### Resident unitholder:

- |  |   |
|--|---|
| a) Resident company:                         | Tax flow through; thus no withholding tax |
| b) Unitholder other than a resident company: | Withholding tax at 10%                    |

#### Non-resident unitholder:

- |   |                        |
|---|------------------------|
| a) Non-resident company:  | Withholding tax at 24% |
| b) Non-resident institutional investor:                         | Withholding tax at 10% |
| c) Non-resident other than company and institutional investors: | Withholding tax at 10% |

B10. STATUS OF CORPORATE PROPOSALS

- a) The unitholders of Axis-REIT had at the Unitholders' Meeting convened and held on 30 April 2013, approved the authority to allot and issue up to 2,000,000 new units for the purpose of the payment of management fee to the Manager in the form of new units ("Payment of Management Fee Authority") and its corresponding increase in fund size of Axis-REIT pursuant to the Payment of Management Fee Authority.

Following the completion of the unit split exercise of Axis-REIT and the partial implementation of the Payment of Management Fee Authority, the number of new units permitted to be issued pursuant to the Payment of Management Fee Authority is up to a maximum of 3,044,000 new units.

Axis-REIT had obtained approval from Bursa Securities on 1 October 2015 for an extension of time to complete the Payment of Management Fee Authority from 4 October 2015 until full issuance of the new units permitted to be issued pursuant to the Payment of Management Fee Authority. There is no issuance pursuant to the Payment of Management Fee Authority during the quarter under review.

- b) Axis-REIT had obtained the approval for the proposed renewal of the authority to allot and issue new units in Axis-REIT of up to 20% of the issued fund size of Axis-REIT to facilitate a placement exercise from the unitholders at the 8th annual general meeting (fully virtual) of Axis-REIT convened and held on 17 June 2020.
- c) Axis-REIT, vide an announcement dated 15 July 2019, proposed to undertake the following:
- (i) lease of the Project Land from PDC pursuant to the Proposed Land Lease; and
  - (ii) construct a single-storey warehouse facility with office space having a gross built-up area of approximately 44,000 sq.ft. inclusive of ancillary buildings and external elements on the Project Land for FedEx and the subsequent sub-lease to FedEx.

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

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

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

B11. FINANCING

	Current Financial Period Ended 30.6.2020 (RM'000)	Preceding Financial Period Ended 31.12.2019 (RM'000)
Short term financing		
- Secured Islamic revolving credit/ Islamic Medium Term Notes/hire purchase denominated in MYR	512,552	385,582
Long term financing		
- Secured Islamic Medium Term Notes/hire purchase denominated in MYR	500,465	500,277

B12. DERIVATIVES

As at 30 June 2020, the Trust has the following Islamic Profit Rate Swap (“IPRS”) to hedge against the fluctuation of future movement in profit rate on its short term financing. Axis-REIT is currently using the said IPRS to hedge against its other revolving credit financing and the unrealised gain/(loss) of the derivatives had been recognised in the profit or loss:

	Notional Value <u>RM'000</u>	Fair Value <u>RM'000</u>	<u>Maturity</u>
3-year IPRS – derivative liability	100,000	(1,544)	Less than 1 years
3-year IPRS – derivative liability	50,000	(1,357)	Less than 3 years

B13. MATERIAL LITIGATION

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

B14. SOFT COMMISSION RECEIVED

There was no soft commission received by the Manager or its delegates during the quarter under review.

B15. PROFIT FOR THE PERIOD

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.6.2020	Preceding Year Corresponding Quarter 30.6.2019	Current Year To date 30.6.2020	Preceding Year To date 30.6.2019
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting / (charging):				
Profit income	347	434	578	646
Islamic financing costs	(9,707)	(12,360)	(19,451)	(24,460)
Depreciation of equipment	(154)	(140)	(305)	(273)
Reversal/(provision) of doubtful/ bad debts	11	(193)	(65)	2
Fair value change on derivatives	(33)	(413)	(1,676)	(817)

Save for the above, the other items listed under Appendix 9B (Note 16) of the Main Market Listing Requirements of Bursa Securities are not applicable.

B16. SUMMARY OF DPU, EPU, NAV AND MARKET PRICE

	Current Quarter Ended 30.6.2020	Immediate Preceding Quarter Ended 31.3.2020
Number of units in issue (units)	1,442,331,296	1,442,331,296
EPU (realised) (sen)	2.15 <sup>(1)</sup>	2.08 <sup>(2)</sup>
EPU (include unrealised income) (sen)	2.16 <sup>(1)</sup>	2.04 <sup>(2)</sup>
Net realised income for the period (RM'000)	31,084	29,877
Distribution per unit (DPU) (sen)	2.15	2.10
Net Asset Value (NAV) (RM'000)	2,135,092	2,103,972
NAV Per Unit (RM)	1.4803	1.4587
Market Value Per Unit (RM)	2.06	1.83

**B16. SUMMARY OF DPU, EPU, NAV AND MARKET PRICE (CON'T)**

- (1) Based on total units in issue of 1,442,331,296 units.
- (2) Based on average number of units in issue. The total number of units issued was increased from 1,435,250,288 units to 1,442,331,296 units with the successful issuance and listing of 7,081,008 new units arising from IDRP completed on 10 March 2020.

**B17. RESPONSIBILITY STATEMENT**

In the opinion of the Directors of the Manager, this quarterly report has been prepared in accordance with MFRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Securities so as to give a true and fair view of the financial position of Axis-REIT as at 30 June 2020 and of its financial performance and cash flows for the quarter/period ended on that date and duly authorised for release by the Board of the Manager on 26 August 2020.

**BY ORDER OF THE BOARD**

**REBECCA LEONG SIEW KWAN**  
Chartered Secretary  
**AXIS REIT MANAGERS BERHAD**  
(200401010947 (649450-W))  
(As the Manager of AXIS REAL ESTATE INVESTMENT TRUST)

Kuala Lumpur  
26 August 2020