

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF FINANCIAL POSITION

	(UNAUDITED) AS AT END OF CURRENT QUARTER 30.9.2020 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2019 RM'000
ASSETS		
Non-Current Assets		
Investment properties	3,148,999	2,990,610
Equipment	2,910	3,201
Total Non-Current Assets	3,151,909	2,993,811
Current Assets		
Receivables, deposits and prepayments	135,661	39,325
Islamic deposits placed with licensed banks	18,835	31,597
Cash and bank balances	15,437	20,948
Total Current Assets	169,933	91,870
TOTAL ASSETS	3,321,842	3,085,681
LIABILITIES		
Non-Current Liabilities		
Tenants' deposits	54,404	44,840
Deferred tax liability	8,615	8,615
Financing	500,551	500,277
Total Non-Current Liabilities	563,570	553,732
Current Liabilities		
Payables and accruals	60,534	67,603
Financing	560,543	385,582
Total Current Liabilities	621,077	453,185
TOTAL LIABILITIES	1,184,647	1,006,917
<u>FINANCED BY:</u>		
<u>UNITHOLDERS' FUNDS</u>		
Unitholders' capital	1,595,506	1,583,791
Distributable income	62,809	16,094
Non-distributable reserves	478,880	478,879
	2,137,195	2,078,764
TOTAL UNITHOLDERS' FUNDS AND LIABILITIES	3,321,842	3,085,681
NET ASSET VALUE	2,137,195	2,078,764
NUMBER OF UNITS IN CIRCULATION	1,442,331,296	1,435,250,288
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.4818	1.4484
- After income distribution	1.4378 (Note 1)	1.4374

(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 second interim income distribution of 2.15 sen which was paid on 2 October 2020 and also the realised income to be distributed as 2020 third interim income distribution of 2.25 sen per unit payable on 30 November 2020.

AXIS REAL ESTATE INVESTMENT TRUST

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.9.2020 RM'000	Preceding Year Corresponding Quarter 30.9.2019 RM'000	Current Year To date 30.9.2020 RM'000	Preceding Year To date 30.9.2019 RM'000
TOTAL TRUST INCOME *	57,166	53,864	167,425	161,827
Property income	57,248	54,047	167,146	161,598
Lease incentive adjustment (non-distributable) **	(238)	(412)	(455)	(646)
Unbilled lease income receivable ***	1,990	2,047	5,791	6,141
Less : Assessment	59,000	55,682	172,482	167,093
Quit rent	(1,190)	(1,083)	(3,520)	(3,261)
Other property operating expenditure	(369)	(277)	(1,094)	(847)
	(7,184)	(6,449)	(20,457)	(18,465)
Net property income	50,257	47,873	147,411	144,520
Profit income	156	229	734	875
Unbilled lease income ***	(1,990)	(2,047)	(5,791)	(6,141)
Fair value change on derivatives	136	(287)	(1,540)	(1,104)
Net gain/(loss) on financial liabilities measured at amortised cost	425	(1,568)	1,541	(2,901)
NET PROPERTY AND INVESTMENT INCOME	48,984	44,200	142,355	135,249
Manager's fees	5,316	4,149	15,858	12,469
Trustee's fees	279	219	832	660
Depreciation	154	147	459	420
Auditors' fees	34	34	100	100
Tax agent's fee	4	4	13	13
Provision of doubtful/bad debts	5	493	70	491
Administrative expenses	995	855	2,974	2,696
Islamic financing cost #	9,805	12,150	29,256	36,610
NON-PROPERTY EXPENSES	16,592	18,051	49,562	53,459
NET TRUST INCOME	32,392	26,149	92,793	81,790
NET INCOME FOR THE PERIOD	32,392	26,149	92,793	81,790

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 30.9.2020 RM'000	Preceding Year Corresponding Quarter 30.9.2019 RM'000	Current Year To date 30.9.2020 RM'000	Preceding Year To date 30.9.2019 RM'000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	32,392	26,149	92,793	81,790
EARNINGS PER UNIT (EPU) (sen) ##	2.24	2.11	6.44	6.61
NET INCOME FOR THE PERIOD IS MADE UP AS FOLLOWS:				
Realised				
- property income	32,069	28,416	93,247	86,441
- lease incentive adjustment (non-distributable) **	(238)	(412)	(455)	(646)
Unrealised - Net gain/(loss) on financial liabilities measured at amortised cost	425	(1,568)	1,541	(2,901)
Unrealised - Fair value change on derivatives	136	(287)	(1,540)	(1,104)
	32,392	26,149	92,793	81,790

(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 1,440,548,122 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 SEPTEMBER 2019 (UNAUDITED)

	Total Unitholders' Capital RM'000	<i>Distributable</i> Realised Income RM'000	<i>Non-Distributable</i> Unrealised Income RM'000	Total Unitholders' Funds RM'000
At 1 January 2019	1,247,069	32,192	384,820	1,664,081
Net income for the period	-	85,795	(4,005)	81,790
<i>Total comprehensive income for the period</i>	-	85,795	(4,005)	81,790
Contributions by and distributions to unitholders				
Distribution to Unitholders	-	(88,590)	-	(88,590)
<i>Total transactions with unitholders</i>	-	(88,590)	-	(88,590)
At 30 September 2019	1,247,069	29,397	380,815	1,657,281

AXIS REAL ESTATE INVESTMENT TRUST

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

FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020 (UNAUDITED)

	Total Unitholders' Capital RM'000	<i>Distributable</i> Realised Income RM'000	<i>Non-Distributable</i> Unrealised Income RM'000	Total Unitholders' Funds RM'000
At 1 January 2020	1,583,791	16,094	478,879	2,078,764
Net income for the year	-	92,792	1	92,793
<i>Total comprehensive income for the period</i>	-	92,792	1	92,793
Contributions by and distributions to unitholders				
Issuance and placement of units	11,825	-	-	11,825
Issuing expenses	(110)	-	-	(110)
Distribution to Unitholders #	-	(46,077)	-	(46,077)
<i>Total transactions with unitholders</i>	11,715	(46,077)	-	(34,362)
At 30 September 2020	1,595,506	62,809	478,880	2,137,195

(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 and the first interim income distribution for financial year 2020 of 2.10 sen per unit which were paid on 9 March 2020 and 3 July 2020, respectively

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	Current Year To Date 30.9.2020 RM'000	Preceding Year To Date 30.9.2019 RM'000
Cash flows from operating activities		
Net income before taxation	92,793	81,790
Adjustments for :-		
Islamic financing cost	29,256	36,610
Profit income	(734)	(875)
Depreciation of equipment	459	420
(Gain)/loss on financial liabilities measured at amortised cost	(1,541)	2,901
Impairment losses on trade receivables	70	491
Fair value change on Islamic derivatives	1,540	1,104
Operating income before changes in working capital	121,843	122,441
Changes in working capital		
Receivables, deposits and prepayments	(97,976)	(23,398)
Payables and accruals	(1,871)	(10,248)
Tenants' deposits	5,937	(427)
Net cash from operating activities	27,933	88,368
Cash flows from investing activities		
Profit income received	734	875
Enhancement of investment properties	(3,721)	(16,424)
Acquisition of investment properties	(154,668)	(56,879)
Acquisition of equipment	(168)	(750)
Decrease/(increase) in pledged deposits	3,000	(11,160)
Net cash used in investing activities	(154,823)	(84,338)
Cash flows from financing activities		
Islamic financing cost paid	(28,930)	(36,610)
Proceeds from financing, net	174,909	127,420
Income distribution paid to unitholders	(46,077)	(88,590)
Proceeds from issuance of units	11,825	-
Issuing expenses	(110)	-
Net cash from financing activities	111,617	2,220

AXIS REAL ESTATE INVESTMENT TRUST

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

	Current Year	Preceding Year
	To Date	To Date
	30.9.2020	30.9.2019
	RM'000	RM'000
Net (decrease)/increase in cash and cash equivalents	(15,273)	6,250
Cash and cash equivalents at beginning of year	32,990	9,619
Cash and cash equivalents at end of year	<u>17,717</u>	<u>15,869</u>
Cash and cash equivalents		
Cash and bank balances	15,437	14,020
Islamic deposits placed with licensed banks	18,835	21,404
	<u>34,272</u>	<u>35,424</u>
Less: Islamic deposits placed with licensed banks - pledged	(16,555)	(19,555)
	<u>17,717</u>	<u>15,869</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 second interim income distribution of 2.15 sen per unit, totaling RM31,010,000 in respect of the period from 1 April 2020 to 30 June 2020 was declared during the quarter under review and was paid on 2 October 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 July 2020 to 30 September 2020 as the 2020 third interim income distribution of 2.25 sen per unit, which includes a non-taxable portion of approximately 0.41 sen per unit derived from capital allowances, industrial building allowances and tax-exempt profit income which is not subject to tax.

The 2020 third interim income distribution will be payable on 30 November 2020 and the book closure date is 5 November 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 September 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 SPA had been executed on 26 August 2020 for the proposed related party acquisition by Axis-REIT of a manufacturing facility located in Section 15 Shah Alam, Selangor, for a purchase consideration of RM95,000,000. This proposed acquisition is still pending completion.
- g) A SPA had been executed on 3 September 2020 for the proposed acquisition by Axis-REIT of a warehouse facility located in Shah Alam, Selangor, for a purchase consideration of RM11,870,000.
- 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. The due diligence exercise for this proposed acquisition is currently on-going.

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 September 2020 (“3Q2020”), Axis-REIT registered a total trust income of RM57,166,000. The realised net income from operations was RM31,831,000 after deducting total expenditure of RM25,335,000, of which RM8,743,000 were attributable to property expenses and RM16,592,000 to non-property expenses.

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

The total net asset value stood at RM2,137,195,000 and the net asset value per unit (before income distribution) was RM1.4818.

Nine Months Results

For the nine months ended 30 September 2020, Axis-REIT recorded a total revenue of RM167,425,000. The realised net income from operations was RM92,792,000 after deducting total expenditure of RM74,633,000, of which RM25,071,000 were attributable to property expenses and RM49,562,000 to non-property expenses.

A total of RM61,299,000 was declared as the 2020 first and second interim income distribution which translated to 4.25 sen per unit, were paid on 3 July 2020 and 2 October 2020 respectively.

Axis-REIT has further set aside RM32,452,000 (approximately 99% of total income available for distribution in respect of the period from 1 July 2020 to 30 September 2020) as the 2020 third interim income distribution which translates to 2.25 sen per unit payable on 30 November 2020.

Maintenance costs & major capital expenditure

During the financial period ended 30 September 2020, a total of RM3,673,000 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 30.9.2020 RM'000	Immediate Preceding Quarter 30.6.2020 RM'000	%
Property income	57,248	55,023	4.0%
Less : Property expenses	(8,743)	(8,165)	7.1%
Net property income	48,505	46,858	3.5%
Profit income	156	347	-55.0%
Less: Non-property expenses	(16,592)	(16,239)	2.2%
Net income before lease incentive adjustment (non-distributable)	32,069	30,966	3.6%
Lease incentive adjustment, net (Note 1)	(238)	118	
Net income before tax (Realised)	31,831	31,084	2.4%

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 3Q2020, Axis-REIT's property income was RM57,248,000, 4% higher compared to the immediate preceding quarter ("2Q2020") of RM55,023,000, mainly due to contributions from newly acquired properties and higher carpark income in 3Q2020 as the Fund has given waiver on season carpark rental for all its multi-tenanted buildings during the period of Movement Control Order.

Property expenses was RM8,743,000, 7.1% higher compared to 2Q2020 of RM8,165,000, mainly due to the enlarged size of the portfolio and also the higher maintenance cost.

During the quarter under review, net income before lease incentive adjustment was RM32,069,000, 3.6% higher compared to 2Q2020 of RM30,966,000, due to higher property income.

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 32% 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, the property portfolio size of Axis-REIT remains at 51 properties as at 30 September 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 30.9.2020 RM'000	Preceding Year Corresponding Quarter 30.9.2019 RM'000	Current Year To date 30.9.2020 RM'000	Preceding Year To date 30.9.2019 RM'000
Gross rental income	57,010	53,635	166,691	160,952
Profit income	156	229	734	875
	57,166	53,864	167,425	161,827
Less: Expenses	(25,335)	(25,860)	(74,633)	(76,032)
Realised income for the period	31,831	28,004	92,792	85,795
Add: Non-cash items	397	1,052	984	1,557
Total realised income available for the period	32,228	29,056	93,776	87,352
Add: Brought forward undistributed realised income available for distribution	369	206	120	186
Total realised income available for distribution	32,597	29,262	93,896	87,538
Less: Income to be distributed for the quarter/period	(32,452)	(29,076)	(93,751)	(87,352)
Balance undistributed realised income available for distribution	145	186	145	186
Distribution per unit (sen)	2.25	2.35	6.50	7.06

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 nine-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 ("General Mandate") from the unitholders at the 8th annual general meeting ("AGM") (fully virtual) of Axis-REIT convened and held on 17 June 2020. This General Mandate is valid until the conclusion of the next AGM to be held in 2021.

- 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 30.9.2020 (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	560,543	385,582
Long term financing		
- Secured Islamic Medium Term Notes/hire purchase denominated in MYR	500,551	500,277

B12. DERIVATIVES

As at 30 September 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 RM'000	Fair Value RM'000	Maturity
3-year IPRS – derivative liability	100,000	(1,385)	Less than 1 years
3-year IPRS – derivative liability	50,000	(1,380)	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 30.9.2020	Preceding Year Corresponding Quarter 30.9.2019	Current Year To date 30.9.2020	Preceding Year To date 30.9.2019
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting / (charging):				
Profit income	156	229	734	875
Islamic financing costs	(9,805)	(12,150)	(29,256)	(36,610)
Depreciation of equipment	(154)	(147)	(459)	(420)
Provision for doubtful/ bad debts	5	493	70	491
Fair value change on derivatives	136	(287)	(1,540)	(1,104)

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 30.9.2020	Immediate Preceding Quarter Ended 30.6.2020
Number of units in issue (units)	1,442,331,296	1,442,331,296
EPU (realised) (sen)	2.21 ⁽¹⁾	2.15 ⁽¹⁾
EPU (include unrealised income) (sen)	2.24 ⁽¹⁾	2.16 ⁽¹⁾
Net realised income for the period (RM'000)	31,831	31,084
Distribution per unit (DPU) (sen)	2.25	2.15
Net Asset Value (NAV) (RM'000)	2,137,195	2,135,092
NAV Per Unit (RM)	1.4818	1.4803
Market Value Per Unit (RM)	2.16	2.06

⁽¹⁾ Based on total units in issue of 1,442,331,296 units.

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 September 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 21 October 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)

Petaling Jaya

21 October 2020