

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF FINANCIAL POSITION

| | (UNAUDITED) AS AT END OF CURRENT QUARTER 30.6.2021 RM'000 | (AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2020 RM'000 |
|---|--|---|
| ASSETS | | |
| Non-Current Assets | | |
| Investment properties | 3,444,564 | 3,280,240 |
| Equipment | 2,671 | 2,870 |
| Total Non-Current Assets | 3,447,235 | 3,283,110 |
| Current Assets | | |
| Receivables, deposits and prepayments | 36,219 | 41,165 |
| Islamic deposits placed with licensed banks | 27,133 | 25,941 |
| Cash and bank balances | 13,769 | 13,867 |
| Total Current Assets | 77,121 | 80,973 |
| TOTAL ASSETS | 3,524,356 | 3,364,083 |
| LIABILITIES | | |
| Non-Current Liabilities | | |
| Tenants' deposits | 56,437 | 57,733 |
| Deferred tax liability | 9,122 | 9,122 |
| Financing | 523,837 | 500,643 |
| Total Non-Current Liabilities | 589,396 | 567,498 |
| Current Liabilities | | |
| Payables and accruals | 49,220 | 62,041 |
| Financing | 756,400 | 611,540 |
| Total Current Liabilities | 805,620 | 673,581 |
| TOTAL LIABILITIES | 1,395,016 | 1,241,079 |
| <u>FINANCED BY:</u> | | |
| <u>UNITHOLDERS' FUNDS</u> | | |
| Unitholders' capital | 1,603,219 | 1,595,506 |
| Distributable income | 29,576 | 31,493 |
| Non-distributable reserves | 496,545 | 496,005 |
| | 2,129,340 | 2,123,004 |
| TOTAL UNITHOLDERS' FUNDS AND LIABILITIES | 3,524,356 | 3,364,083 |
| NET ASSET VALUE | 2,129,340 | 2,123,004 |
| NUMBER OF UNITS IN CIRCULATION | 1,446,481,518 | 1,442,331,296 |
| NET ASSET VALUE PER UNIT (RM) | | |
| - Before income distribution | 1.4721 | 1.4719 |
| - After income distribution | 1.4481 (Note 1) | 1.4494 |

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the financial statements.)

Note 1 – Being Net Asset Value Per Unit after reflecting the payment of 2021 first interim income distribution of 2.23 sen which was paid on 31 May 2021 and also the realised income to be distributed as 2021 second interim income distribution of 2.40 sen per unit payable on 30 August 2021.

AXIS REAL ESTATE INVESTMENT TRUST

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

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|--|---|--|--|
| | Current Year Quarter 30.6.2021 RM'000 | Preceding Year Corresponding Quarter 30.6.2020 RM'000 | Current Year To date 30.6.2021 RM'000 | Preceding Year To date 30.6.2020 RM'000 |
| TOTAL TRUST INCOME * | 60,376 | 55,488 | 117,858 | 110,259 |
| Property income | 60,201 | 55,023 | 117,891 | 109,898 |
| Lease incentive adjustment (non-distributable) ** | 51 | 118 | (261) | (217) |
| Unbilled lease income receivable *** | 1,231 | 1,928 | 2,260 | 3,801 |
| Less : Assessment | 61,483 | 57,069 | 119,890 | 113,482 |
| Quit rent | (1,292) | (1,174) | (2,571) | (2,330) |
| Other property operating expenditure | (341) | (418) | (711) | (725) |
| | (6,413) | (6,573) | (13,347) | (13,273) |
| Net property income | 53,437 | 48,904 | 103,261 | 97,154 |
| Profit income | 124 | 347 | 228 | 578 |
| Unbilled lease income *** | (1,231) | (1,928) | (2,260) | (3,801) |
| Fair value change on derivatives | 633 | (33) | 1,336 | (1,676) |
| Net (loss)/gain on financial liabilities measured at amortised cost | (178) | 69 | (796) | 1,116 |
| NET PROPERTY AND INVESTMENT INCOME | 52,785 | 47,359 | 101,769 | 93,371 |
| Manager's fees | 5,308 | 5,307 | 10,659 | 10,542 |
| Trustee's fees | 280 | 278 | 560 | 553 |
| Depreciation | 159 | 154 | 317 | 305 |
| Auditors' fees | 39 | 33 | 72 | 66 |
| Tax agent's fee | 4 | 4 | 8 | 9 |
| Provision of doubtful/bad debts | 3,631 | (11) | 3,631 | 65 |
| Administrative expenses | 763 | 767 | 1,599 | 1,979 |
| Islamic financing cost # | 11,231 | 9,707 | 21,591 | 19,451 |
| NON-PROPERTY EXPENSES | 21,415 | 16,239 | 38,437 | 32,970 |
| NET TRUST INCOME | 31,370 | 31,120 | 63,332 | 60,401 |
| NET INCOME FOR THE PERIOD | 31,370 | 31,120 | 63,332 | 60,401 |

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 30.6.2021 RM'000 | Preceding Year Corresponding Quarter 30.6.2020 RM'000 | Current Year To date 30.6.2021 RM'000 | Preceding Year To date 30.6.2020 RM'000 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 31,370 | 31,120 | 63,332 | 60,401 |
| EARNINGS PER UNIT (EPU) (sen) ## | 2.17 | 2.16 | 4.38 | 4.20 |
| NET INCOME FOR THE PERIOD IS MADE UP AS FOLLOWS: | | | | |
| Realised | | | | |
| - property income | 30,864 | 30,966 | 63,053 | 61,178 |
| - lease incentive adjustment (non-distributable) ** | 51 | 118 | (261) | (217) |
| Unrealised - Net (loss)/gain on financial liabilities measured at amortised cost | (178) | 69 | (796) | 1,116 |
| Unrealised - Fair value change on derivatives | 633 | (33) | 1,336 | (1,676) |
| | 31,370 | 31,120 | 63,332 | 60,401 |

(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 2020 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/period is computed based on net income for the quarter divided by weighted average number of units in issue of 1,446,481,518 units and EPU for the current period is based on the weighted average number of units in issue of 1,444,876,460 units. EPU for preceding year corresponding quarter is based on number of units in issue of 1,442,331,296 units and EPU for the preceding period is based on the weighted average number of units in issue of 1,439,646,738 units.

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

FROM 1 JANUARY 2020 TO 30 JUNE 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 | - | 60,961 | (560) | 60,401 |
| <i>Total comprehensive income for the period</i> | - | 60,961 | (560) | 60,401 |
| Contributions by and distributions to unitholders | | | | |
| 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) |
| At 30 June 2020 | 1,595,506 | 61,267 | 478,319 | 2,135,092 |

AXIS REAL ESTATE INVESTMENT TRUST

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

FROM 1 JANUARY 2021 TO 30 JUNE 2021 (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 2021 | 1,595,506 | 31,493 | 496,005 | 2,123,004 |
| Net income for the period | - | 62,792 | 540 | 63,332 |
| <i>Total comprehensive income for the period</i> | - | 62,792 | 540 | 63,332 |
| Contributions by and distributions to unitholders | | | | |
| Issuance and placement of units | 7,802 | - | - | 7,802 |
| Issuing expenses | (89) | - | - | (89) |
| Distribution to Unitholders # | - | (64,709) | - | (64,709) |
| <i>Total transactions with unitholders</i> | 7,713 | (64,709) | - | (56,996) |
| At 30 June 2021 | 1,603,219 | 29,576 | 496,545 | 2,129,340 |

(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 2020 and the accompanying explanatory notes attached to the financial statements.)

Includes the payment of final income distribution for financial year 2020 of 2.25 sen per unit and the first interim income distribution for financial year 2021 of 2.23 sen per unit which were paid on 11 March 2021 and 31 May 2021, respectively.

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

| | Current Year To Date 30.6.2021 RM'000 | Preceding Year To Date 30.6.2020 RM'000 |
|---|--|--|
| Cash flows from operating activities | | |
| Net income before taxation | 63,332 | 60,401 |
| Adjustments for :- | | |
| Islamic financing cost | 21,591 | 19,451 |
| Profit income | (228) | (578) |
| Depreciation of equipment | 317 | 305 |
| Loss / (gain) on financial liabilities measured at amortised cost | 796 | (1,116) |
| Impairment losses on trade receivables | 3,631 | 65 |
| Fair value change on Islamic derivatives | (1,336) | 1,676 |
| Operating income before changes in working capital | 88,103 | 80,204 |
| Changes in working capital | | |
| Receivables, deposits and prepayments | 1,315 | 530 |
| Payables and accruals | (17,054) | (650) |
| Tenants' deposits | 3,477 | 5,781 |
| Net cash from operating activities | 75,841 | 85,865 |
| Cash flows from investing activities | | |
| Profit income received | 228 | 578 |
| Enhancement of investment properties | (13,762) | (2,690) |
| Acquisition of investment property | (150,562) | (154,668) |
| Acquisition of equipment | (118) | (168) |
| Pledged deposits | (765) | - |
| Net cash used in investing activities | (164,979) | (156,948) |
| Cash flows from financing activities | | |
| Islamic financing cost paid | (21,324) | (19,229) |
| Proceeds from financing, net | 167,787 | 126,936 |
| Income distribution paid to unitholders | (64,709) | (15,788) |
| Proceeds from issuance of units | 7,802 | 11,825 |
| Issuing expenses | (89) | (110) |
| Net cash from financing activities | 89,467 | 103,634 |

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2021 (UNAUDITED) (CONT'D)

| | Current Year | Preceding Year |
|---|---------------------|-----------------------|
| | To Date | To Date |
| | 30.6.2021 | 30.6.2020 |
| | RM'000 | RM'000 |
| Net decrease in cash and cash equivalents | 329 | 32,551 |
| Cash and cash equivalents at beginning of period | 23,253 | 32,990 |
| Cash and cash equivalents at end of period | <u>23,582</u> | <u>65,541</u> |
| Cash and cash equivalents | | |
| Cash and bank balances | 13,769 | 14,818 |
| Islamic deposits placed with licensed banks | 27,133 | 70,278 |
| | <u>40,902</u> | <u>85,096</u> |
| Less: Islamic deposits placed with licensed banks - pledged | <u>(17,320)</u> | <u>(19,555)</u> |
| | <u>23,582</u> | <u>65,541</u> |

(The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2020 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 statements of Axis Real Estate Investment Trust (“Axis-REIT” or “Trust” or “Fund”) for year ended 31 December 2020.

A2. AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2020

The audit report of the financial statements of Axis-REIT for the preceding financial year ended 31 December 2020 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

During the quarter under review, the 2021 first interim income distribution of 2.23 sen per unit, totaling RM32,257,000 in respect of the period from 1 January 2021 to 31 March 2021 was paid on 31 May 2021.

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 2021 to 30 June 2021 as the 2021 second interim income distribution of 2.40 sen per unit, which includes a non-taxable portion of approximately 0.51 sen per unit derived from capital allowances and industrial building allowances and tax-exempt profit income which is not subject to tax.

The 2021 second interim income distribution will be payable on 30 August 2021 and the book closure date is 4 August 2021.

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) 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 has been discontinued in view of the non-fulfilment of the condition precedent as stipulated in the SPA by the vendor within the prescribed conditional period despite several extensions of time being granted by Axis-REIT.
- b) SPAs had been executed on 19 November 2020 for the proposed related party acquisitions by Axis-REIT of three 1 ½ storey detached factories within Kawasan Perindustrian i-Park all in Mukim Kulai, Daerah Kulaijaya, Johor for a total proposed purchase consideration of RM28,195,000. The proposed acquisitions were completed, ie Property 2 was completed on 12 January 2021 (now known as Indahpura Facility 2), Property 1 was completed on 26 February 2021 (now known as Indahpura Facility 3) and Property 3 was completed on 3 March 2021 (now known as Beyonics i-Park Campus - Block F).
- c) A SPA has been executed on 5 March 2021 for the proposed acquisition by Axis-REIT of a manufacturing facility located in Kawasan Perindustrian Bukit Raja Selatan, Shah Alam, Selangor for a purchase consideration of RM120,000,000. The proposed acquisition was completed on 31 March 2021 and the property is now known as Bukit Raja Distribution Centre 2.
- d) A SPA has been executed on 15 March 2021 for the proposed acquisition by Axis-REIT of a warehouse located in Kawasan Perindustrian Pasir Gudang, Pasir Gudang, Johor for a purchase consideration of RM75,000,000. This proposed acquisition is pending completion.
- e) A letter of offer had been duly accepted for the proposed acquisition by Axis-REIT of a warehouse located in Kawasan Perindustrian Pasir Gudang, Pasir Gudang, Johor for a proposed purchase consideration of RM32,000,000.

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 1,446,481,518 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 2021 (“2Q2021”), Axis-REIT registered a total trust income of RM60,376,000. The realised net income from operations was RM30,915,000 after deducting total expenditure of RM29,461,000, of which RM8,046,000 were attributable to property expenses and RM21,415,000 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 2021.

The total net asset value stood at RM2,129,340,000 and the net asset value per unit (before 2021 second interim income distribution) was RM1.4721.

Half Year Results

For the six months ended 30 June 2021, Axis-REIT recorded a total revenue of RM117,858,000. The realised net income generated from operations was RM62,792,000 after deducting total expenditure of RM55,066,000, of which RM16,629,000 were attributable to property expenses and RM38,437,000 to non-property expenses.

A total of RM32,257,000 was declared as the 2021 first interim income distribution which translated to 2.23 sen per unit and paid on 31 May 2021.

Axis-REIT has further set aside RM34,715,000 (approximately 99% of total income available for distribution in respect of the period from 1 April 2021 to 30 June 2021) as the 2021 second interim income distribution which translates to 2.40 sen per unit payable on 30 August 2021.

Maintenance costs & major capital expenditure

During the financial period ended 30 June 2021, a total of RM13,762,000 has been incurred for enhancement of the properties of Axis-REIT. Out of this amount, RM5.9 million was paid as part payment for the extension of lease of D21 Logistics Warehouse for another 30 years.

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

| | Current Year Quarter 30.6.2021 RM'000 | Immediate Preceding Quarter 31.3.2021 RM'000 | % |
|---|--|--|-------|
| Property income | 60,201 | 57,690 | 4.4% |
| Less : Property expenses | (8,046) | (8,583) | -6.3% |
| Net property income | 52,155 | 49,107 | 6.2% |
| Profit income | 124 | 104 | 19.2% |
| Less: Non-property expenses | (21,415) | (17,022) | 25.8% |
| Net income before lease incentive adjustment (non-distributable) | 30,864 | 32,189 | -4.1% |
| Lease incentive adjustment, net (Note 1) | 51 | (312) | |
| Net income before tax (Realised) | 30,915 | 31,877 | -3.0% |

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.

For 2Q2021, Axis-REIT's property income was RM60,201,000, 4.4% higher compared to the immediate preceding quarter ("1Q2021") of RM57,690,000, mainly due to contributions from newly acquired properties and commencement of new tenancies at Axis Industrial Facility @ Rawang and at D8 Logistics Warehouse, respectively.

Property expenses was RM8,046,000, 6.3% lower compared to 1Q2021 of RM8,583,000, mainly due to lower maintenance cost.

Non-property expenses was RM21,415,000, 25.8% higher compared to 1Q2021 of RM17,022,000, mainly due to a provision of doubtful debts of approximately RM3.5 million has been made for Yongnam Engineering Sdn Bhd, the lessee of Axis Steel Centre @ SiLC in Johor.

During the quarter under review, net income before lease incentive adjustment was RM30,864,000, 4.1% lower compared to 1Q2021 of RM31,877,000, mainly due to higher non-property 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 2021.

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 36% 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 2020 Integrated Annual Report of Axis-REIT.

B6. PORTFOLIO COMPOSITION

During the quarter under review, the property portfolio size of Axis-REIT remains at 57 properties as at 30 June 2021.

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 30.6.2021 RM'000 | Preceding Year Corresponding Quarter 30.6.2020 RM'000 | Current Year To date 30.6.2021 RM'000 | Preceding Year To date 30.6.2020 RM'000 |
|---|---|---|---|---|
| Gross rental income | 60,252 | 55,141 | 117,630 | 109,681 |
| Profit income | 124 | 347 | 228 | 578 |
| | 60,376 | 55,488 | 117,858 | 110,259 |
| Less: Expenses | (29,461) | (24,404) | (55,066) | (49,298) |
| Realised income for the period | 30,915 | 31,084 | 62,792 | 60,961 |
| Add: Non-cash items | 3,739 | 25 | 4,209 | 587 |
| Total realised income available for the period | 34,654 | 31,109 | 67,001 | 61,548 |
| Add: Brought forward undistributed realised income available for distribution | 277 | 270 | 187 | 120 |
| Total realised income available for distribution | 34,931 | 31,379 | 67,188 | 61,668 |
| Less: Income to be distributed for the quarter/period | (34,715) | (31,010) | (66,972) | (61,299) |
| Balance undistributed realised income available for distribution | 216 | 369 | 216 | 369 |
| Distribution per unit (sen) | 2.40 | 2.15 | 4.63 | 4.25 |

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 9th annual general meeting (fully virtual) of Axis-REIT convened and held on 28 April 2021.
- c) Axis-REIT, vide an announcement dated 15 July 2019, proposed to undertake the following:

- (i) lease from Penang Development Corporation ("PDC") for a vacant industrial land of approximately 2.4975 acres ("Project Land") located within Batu Kawan Industrial Park, Penang pursuant to a lease agreement ("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 Federal Express Services (M) Sdn Bhd ("FedEx") ("FedEx Development Project") and the subsequent sub-lease to FedEx for an initial fixed period of 10 years with option to renew for further 5 years via a sub-lease agreement with FedEx ("Sublease Agreement").

FedEx Development Project

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.

Proposed Land Lease

The approval for the exemption for Axis-REIT from having to comply with Paragraph 8.10(a) of the Guidelines on Listed Real Estate Investment Trusts ("REIT") issued by the Securities Commission Malaysia 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.

B11. FINANCING

| | Current Financial Period Ended 30.6.2021 (RM'000) | Preceding Financial Period Ended 31.12.2020 (RM'000) |
|--|--|---|
| Short term financing | | |
| - Secured Islamic revolving credit/Islamic Term Financings/hire purchase denominated in MYR | 756,400 | 611,540 |
| Long term financing | | |
| - Secured Islamic Medium Term Notes/Islamic Term Financings/hire purchase denominated in MYR | 523,837 | 500,643 |

B12. DERIVATIVES

As at 30 June 2021, 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 | 50,000 | (794) | Less than 1 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 QUARTER/PERIOD

| | Individual Quarter | | Cumulative Quarter | |
|---|---|---|---|---|
| | Current Year Quarter 30.6.2021 RM'000 | Preceding Year Corresponding Quarter 30.6.2020 RM'000 | Current Year To date 30.6.2021 RM'000 | Preceding Year To date 30.6.2020 RM'000 |
| Profit for the quarter/period is arrived at after crediting / (charging): | | | | |
| Profit income | 124 | 347 | 228 | 578 |
| Islamic financing costs | (11,231) | (9,707) | (21,591) | (19,451) |
| Depreciation of equipment | (159) | (154) | (317) | (305) |
| Provision/(reversal) of doubtful/bad debts | (3,631) | 11 | (3,631) | (65) |
| Fair value change on derivatives | 633 | (33) | 1,336 | (1,676) |

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 30.6.2021 | Immediate Preceding Quarter Ended 31.3.2021 |
|---|---------------------------------------|---|
| Number of units in issue (units) | 1,446,481,518 | 1,446,481,518 |
| EPU (realised) (sen) | 2.14 ⁽¹⁾ | 2.21 ⁽²⁾ |
| EPU (include unrealised income) (sen) | 2.17 ⁽¹⁾ | 2.21 ⁽²⁾ |
| Net realised income for the period (RM'000) | 30,915 | 31,877 |
| Distribution per unit (DPU) (sen) | 2.40 | 2.23 |
| Net Asset Value (NAV) (RM'000) | 2,129,340 | 2,130,227 |
| NAV Per Unit (RM) | 1.4721 | 1.4727 |
| Market Value Per Unit (RM) | 1.91 | 1.95 |

(1) Based on total units in issue of 1,446,481,518 units.

(2) Based on average number of units in issue. The total number of units issued was increased from 1,442,331,296 units to 1,446,481,518 units with the successful issuance and listing of 4,150,222 new units arising from IDRPs completed on 12 March 2021.

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 2021 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 July 2021.

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 July 2021