



REAL ESTATE INVESTMENT TRUST

A GROWING PORTFOLIO

INTEGRATED ANNUAL REPORT 2020



15 years of
excellence

**A GROWING
PORTFOLIO**
INTEGRATED ANNUAL REPORT 2020

15 years of
excellence



**FACTS
AT A GLANCE**

 MARKET
CAPITALISATION
RM2,927,933,000

 TOTAL ASSETS
UNDER MANAGEMENT
RM3,364,083,000

 TOTAL SPACE
UNDER MANAGEMENT
10,478,726 sq. ft.

 TOTAL ACQUISITIONS
FOR 2020
RM258,870,000

 FAIR VALUE GAIN ON
INVESTMENT PROPERTIES
FOR 2020
RM18,966,000

 WEIGHTED AVERAGE LEASE
EXPIRY (BASED ON RENTAL)
5.7 years

 DISTRIBUTION PER UNIT
FOR 2020
8.75 sen

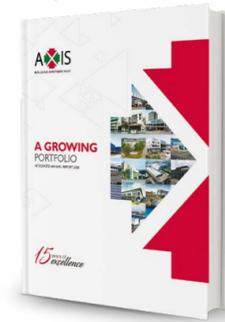


PORTFOLIO

OUR PORTFOLIO

WHAT'S INSIDE

9th ANNUAL GENERAL MEETING OF AXIS-REIT



COVER RATIONALE

The IAR2020 cover depicts Axis-REIT's continued focus on delivering on the Fund's mission and vision. We bring together holistic, long-term operational strategies and expert execution capabilities to grow our portfolio and extend our position as Malaysia's leading industrial real estate investment trust.

Axis-REIT Goes Digital

In line with Axis-REIT's commitment to sustainability and the environment, we would like to introduce our inaugural Annual Report microsite. Scan the QR code or click on the link for a digital experience of this Report.



<https://www.axis-reit.com.my/annualreport2020.php>

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Letter to Unitholders from the Chairman & CEO

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Axis-REIT's COVID-19 Response

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Business Plan 2021

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Wednesday, 28 April 2021
10.00 a.m. (Malaysia time)

Broadcast Venue:
Boardroom
Penthouse Menara Axis
No. 2, Jalan 51A/223
46100 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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CENTRAL REGION



Office



MENARA AXIS

CARRYING VALUE
RM112.5 MILLION

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

NET LETTABLE AREA
178,406 sq. ft.

PURCHASE PRICE
RM71.4 million

PORTFOLIO DETAILS:

Acquisition Date
▶ 3 August 2005

Total Investment Outlay
▶ RM91.3 million

Number of Car Park (bays)
▶ 250

Major Tenants

- ▶ Orient Overseas Container Line (M) Sdn Bhd
- ▶ Philips Malaysia Sdn Bhd
- ▶ DHL Asia Pacific Shared Services Sdn Bhd
- ▶ Tenaga Nasional Berhad

OCCUPANCY RATE
73.46%

▶ Services

▶ Logistics

▶ Consumer products

▶ Manufacturing

Office



CRYSTAL PLAZA

CARRYING VALUE
RM111.0 MILLION

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

NET LETTABLE AREA
204,851 sq. ft.

PURCHASE PRICE
RM56.4 million

OCCUPANCY RATE
45.82%

PORTFOLIO DETAILS:

Acquisition Date
▶ 3 August 2005

Total Investment Outlay
▶ RM72.1 million

Number of Car Park (bays)
▶ 250

Major Tenants

- ▶ DHL Asia Pacific Shared Services Sdn Bhd
- ▶ Asiaworks Malaysia Sdn Bhd
- ▶ Price Solutions (M) Sdn Bhd



QUATTRO WEST

CARRYING VALUE
RM59.0 MILLION

- ▶ No. 4, Lorong Persiaran Barat
46100 Petaling Jaya
Selangor

NET LETTABLE AREA
104,196 sq. ft.

PURCHASE PRICE
RM39.8 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date
▶ 30 November 2007

Total Investment Outlay
▶ RM51.1 million

Number of Car Park (bays)
▶ 130

Major Tenants

- ▶ Kenanga Investment Bank Bhd
- ▶ MIMS Medica Sdn Bhd
- ▶ Roca Malaysia Sdn Bhd
- ▶ Etika Sdn Bhd
- ▶ Media Mulia Sdn Bhd



** This is a multi-tenants property whereby the carparks are managed by tenant



AXIS BUSINESS CAMPUS

CARRYING VALUE
RM80.6 MILLION

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

NET LETTABLE AREA
155,113 sq. ft.

PURCHASE PRICE
RM32.5 million

OCCUPANCY RATE
74.82%

PORTFOLIO DETAILS:

Acquisition Date
▶ 30 June 2006

Total Investment Outlay
▶ RM63.4 million

Number of Car Park (bays)
▶ 441

Major Tenants

- ▶ [Krohne \(M\) Sdn Bhd](#)
- ▶ [Carl Zeiss Sdn Bhd](#)
- ▶ [Grab Car Sdn Bhd](#)
- ▶ [FJ Benjamin \(M\) Sdn Bhd](#)



AXIS BUSINESS PARK

CARRYING VALUE
RM121.1 MILLION

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

NET LETTABLE AREA
329,767 sq. ft.

PURCHASE PRICE
RM84.6 million

OCCUPANCY RATE
82.44%

PORTFOLIO DETAILS:

Acquisition Date
▶ 3 August 2005

Total Investment Outlay
▶ RM102.0 million

Number of Car Park (bays)
▶ 432

Major Tenants

- ▶ [Fuji Xerox Asia Pacific Pte Ltd](#)
- ▶ [Hitachi eBworx Sdn Bhd](#)
- ▶ [Alcon Laboratories \(M\) Sdn Bhd](#)
- ▶ [Zitron Enterprise \(M\) Sdn Bhd](#)

▶ Services

▶ Logistics

▶ Consumer products

▶ Manufacturing



AXIS TECHNOLOGY CENTRE

CARRYING VALUE
RM61.2 MILLION

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

NET LETTABLE AREA
170,730 sq. ft.

PURCHASE PRICE
RM49.0 million

OCCUPANCY RATE
52.13%

PORTFOLIO DETAILS:

Acquisition Date

- ▶ 15 November 2010

Total Investment Outlay

- ▶ RM50.8 million

Number of Car Park (bays)
▶ 318

Major Tenants

- ▶ [Fresenius Kabi Malaysia Sdn Bhd](#)
- ▶ [Fresenius Medical Care Malaysia Sdn Bhd](#)
- ▶ [NZ New Images Sdn Bhd](#)
- ▶ [Ingress Motors Centre Sdn Bhd](#)



AXIS VISTA

CARRYING VALUE
RM57.5 MILLION

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

NET LETTABLE AREA
118,557 sq. ft.

PURCHASE PRICE
RM32.0 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date

- ▶ 9 December 2008

Total Investment Outlay

- ▶ RM34.4 million

Number of Car Park (bays)
▶ **

Major Tenants

- ▶ [Mitsubishi Electric Sales Malaysia Sdn Bhd](#)
- ▶ [Extrovest Communications Sdn Bhd](#)
- ▶ [Sports Direct MST Sdn Bhd](#)

Office/Industrial

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

**FONTERRA HQ**

CARRYING VALUE
RM20.6 MILLION

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

NET LETTABLE AREA
35,710 sq. ft.

PURCHASE PRICE
RM7.2 million

OCCUPANCY RATE
84.71%

PORTFOLIO DETAILS:

- Acquisition Date
- ▶ 16 November 2007
- Total Investment Outlay
- ▶ RM11.3 million
- Number of Car Park (bays)
- ▶ *

- Major Tenants
- ▶ **Fonterra Brands (Malaysia) Sdn Bhd**

**INFINITE CENTER**

CARRYING VALUE
RM43.7 MILLION

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

NET LETTABLE AREA
140,417 sq. ft.

PURCHASE PRICE
RM25.5 million

OCCUPANCY RATE
97.56%

PORTFOLIO DETAILS:

- Acquisition Date
- ▶ 3 August 2005
- Total Investment Outlay
- ▶ RM37.0 million
- Number of Car Park (bays)
- ▶ 182

- Major Tenants
- ▶ **Konica Minolta Business Solutions (M) Sdn Bhd**
 - ▶ **C Melchers Gmbh & Co**
 - ▶ **Procurri Malaysia Sdn Bhd**

▶ Services

▶ Logistics

▶ Consumer products

▶ Manufacturing

Office/Industrial

**STRATEQ DATA CENTRE**

CARRYING VALUE
RM65.0 MILLION

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

NET LETTABLE AREA
104,903 sq. ft.

PURCHASE PRICE
RM37.0 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

- Acquisition Date
- ▶ 25 January 2008
- Total Investment Outlay
- ▶ RM42.7 million
- Number of Car Park (bays)
- ▶ *

- Major Tenants
- ▶ **Strateq Data Centre Sdn Bhd**

**THE ANNEX**

CARRYING VALUE
RM20.0 MILLION

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

NET LETTABLE AREA
45,400 sq. ft.

PURCHASE PRICE
RM12.0 million

OCCUPANCY RATE
60.35%

PORTFOLIO DETAILS:

- Acquisition Date
- ▶ 1 October 2012
- Total Investment Outlay
- ▶ RM13.6 million
- Number of Car Park (bays)
- ▶ 31

- Major Tenants
- ▶ **Sports Garage Sdn Bhd**

Office/Industrial

* These are single-tenant properties whereby the car parks are managed by tenant



WISMA ACADEMY PARCEL

CARRYING VALUE
RM74.5 MILLION

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

NET LETTABLE AREA
236,075 sq. ft.

PURCHASE PRICE
RM73.0 million

PORTFOLIO DETAILS:

Acquisition Date
▶ 1 October 2012

Total Investment Outlay
▶ RM77.3 million

Number of Car Park (bays)
▶ 407

Major Tenants
▶ **Dataprep (Malaysia) Sdn Bhd**
▶ **Ban Leong Technologies Sdn Bhd**
▶ **Ingram Micro (M) Sdn Bhd**
▶ **Achieva Technology (M) Sdn Bhd**

OCCUPANCY RATE
70.54%



WISMA KEMAJUAN

CARRYING VALUE
RM66.0 MILLION

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

NET LETTABLE AREA
198,777 sq. ft.

PURCHASE PRICE
RM29.0 million

PORTFOLIO DETAILS:

Acquisition Date
▶ 16 December 2005

Total Investment Outlay
▶ RM38.0 million

Number of Car Park (bays)
▶ 254

Major Tenants
▶ **Fossil Time Malaysia Sdn Bhd**
▶ **Hawley & Hazel Marketing Sdn Bhd**
▶ **Brightstar Distribution Sdn Bhd**
▶ **Konica Minolta Business Solutions (M) Sdn Bhd**

OCCUPANCY RATE
73.40%



Manufacturing Facility

▶ Services

▶ Logistics

▶ Consumer products

▶ Manufacturing



AXIS AEROTECH CENTRE @ SUBANG

CARRYING VALUE
RM90.0 MILLION

- ▶ Jalan Aeroangkasa 4
Seksyen U3
40150 Shah Alam
Selangor

NET LETTABLE AREA
178,978.60 sq. ft.

DEVELOPMENT COST
RM73.1 million
(including land and incidental cost)

PORTFOLIO DETAILS:

Acquisition Date
▶ 7 February 2018

Total Investment Outlay
▶ RM73.1 million

Number of Car Park (bays)
▶ *

OCCUPANCY RATE
100%

Major Tenants
▶ **Upeca Aerotech Sdn Bhd**



AXIS FACILITY 2 @ BUKIT RAJA

CARRYING VALUE
RM39.0 MILLION

- ▶ No 4, Solok Waja 3
Kawasan Perindustrian Bukit Raja
41050 Klang
Selangor

NET LETTABLE AREA
149,605 sq. ft.

PURCHASE PRICE
RM37.0 million

PORTFOLIO DETAILS:

Acquisition Date
▶ 17 March 2020

Total Investment Outlay
▶ RM37.7 million

Number of Car Park (bays)
▶ *

OCCUPANCY RATE
100%

Major Tenants
▶ **Lion Steelworks Sdn Bhd**

Manufacturing Facility

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



AXIS FACILITY 2 @ NILAI

CARRYING VALUE
**RM51.0
MILLION**

- ▶ Lot No. 749
Kawasan Perindustrian Nilai II
71800 Nilai
Negeri Sembilan

NET LETTABLE AREA
246,500 sq. ft.

PURCHASE PRICE
RM50.0 million

PORTFOLIO DETAILS:

- Acquisition Date
▶ 28 February 2020
- Total Investment Outlay
▶ RM50.9 million
- Number of Car Park (bays)
▶ *

- Major Tenants
▶ **K-Plastics Industries Sdn Bhd**

OCCUPANCY RATE
100%



AXIS INDUSTRIAL FACILITY @ RAWANG

CARRYING VALUE
**RM42.0
MILLION**

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

NET LETTABLE AREA
302,621 sq. ft.

PURCHASE PRICE
RM42.0 million

PORTFOLIO DETAILS:

- Acquisition Date
▶ 15 November 2016
- Total Investment Outlay
▶ RM43.0 million
- Number of Car Park (bays)
▶ *

- Major Tenants
▶ -

OCCUPANCY RATE
0%

▶ Services ▶ Logistics ▶ Consumer products ▶ Manufacturing

Manufacturing Facility



AXIS INDUSTRIAL FACILITY @ SHAH ALAM

CARRYING VALUE
**RM12.8
MILLION**

- ▶ Lot 16, Jalan Pengapit 15/19
Seksyen 15
40200 Shah Alam
Selangor

NET LETTABLE AREA
41,061 sq. ft.

PURCHASE PRICE
RM11.9 million

PORTFOLIO DETAILS:

- Acquisition Date
▶ 3 December 2020
- Total Investment Outlay
▶ RM12.3 million
- Number of Car Park (bays)
▶ *

- Major Tenants
▶ **GT-Max Construction Sdn Bhd**

OCCUPANCY RATE
100%



AXIS MRO HUB

CARRYING VALUE
**RM53.3
MILLION**

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

NET LETTABLE AREA
161,280 sq. ft.

PURCHASE PRICE
RM52.5 million

PORTFOLIO DETAILS:

- Acquisition Date
▶ 18 December 2014
- Total Investment Outlay
▶ RM53.6 million
- Number of Car Park (bays)
▶ *

- Major Tenants
▶ **SR Technics Malaysia Sdn Bhd**

OCCUPANCY RATE
100%

Manufacturing Facility

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



AXIS SHAH ALAM DISTRIBUTION CENTRE 1

CARRYING VALUE
**RM37.3
MILLION**

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

NET LETTABLE AREA
110,406 sq. ft.

PURCHASE PRICE
RM18.5 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date
▶ 31 July 2007

Total Investment Outlay
▶ RM22.5 million

Number of Car Park (bays)
▶ *

Major Tenants

- ▶ **Upeca Aerotech Sdn Bhd**



EMERSON INDUSTRIAL FACILITY NILAI

CARRYING VALUE
**RM37.0
MILLION**

- ▶ Lot 13111 & Lot 13112, Mukim Labu
Kawasan Perindustrian Nilai 1
71800 Nilai
Negeri Sembilan

NET LETTABLE AREA
291,642 sq. ft.

PURCHASE PRICE
RM26.5 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date
▶ 30 August 2012

Total Investment Outlay
▶ RM27.4 million

Number of Car Park (bays)
▶ *

Major Tenants

- ▶ **Emerson Process Management Manufacturing (M) Sdn Bhd**



Logistics Warehouse

▶ Services

▶ Logistics

▶ Consumer products

▶ Manufacturing



AXIS MEGA DISTRIBUTION CENTRE

CARRYING VALUE
**RM314.0
MILLION**

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

NET LETTABLE AREA
515,000 sq. ft.

PURCHASE PRICE
RM85.0 million

DEVELOPMENT COST (PHASE 1)
RM171.8 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date
▶ 15 October 2010

Total Investment Outlay
▶ RM258.7 million

Number of Car Park (bays)
▶ *

Major Tenants

- ▶ **Nestle Products Sdn Bhd**



AXIS NORTHPORT DISTRIBUTION CENTRE 1

CARRYING VALUE
**RM91.5
MILLION**

- ▶ Lot 19, Lebuhr Hishamuddin 1
Selat Klang Utara
42000 Pelabuhan Klang
Selangor

NET LETTABLE AREA
339,194 sq. ft.

PURCHASE PRICE
RM65.0 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date
▶ 20 October 2009

Total Investment Outlay
▶ RM67.1 million

Number of Car Park (bays)
▶ *

Major Tenants

- ▶ **Northport (Malaysia) Berhad**

Logistics Warehouse

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



AXIS SHAH ALAM DISTRIBUTION CENTRE 2

CARRYING VALUE
**RM48.3
MILLION**

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

NET LETTABLE AREA
164,400 sq. ft.

PURCHASE PRICE
RM45.0 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date

- ▶ 31 March 2015

Total Investment Outlay

- ▶ RM47.0 million

Number of Car Park (bays)

- ▶ *

Major Tenants

- ▶ **Total Logistics Services (M) Sdn Bhd**
- ▶ **Tele-Paper (M) Sdn Bhd**



AXIS SHAH ALAM DISTRIBUTION CENTRE 3

CARRYING VALUE
**RM193.0
MILLION**

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

NET LETTABLE AREA
685,082 sq. ft.

PURCHASE PRICE
RM183.0 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date

- ▶ 18 December 2014

Total Investment Outlay

- ▶ RM187.0 million

Number of Car Park (bays)

- ▶ *

Major Tenants

- ▶ **POS Logistics Berhad**
- ▶ **LF Logistics Services (M) Sdn Bhd**

▶ Services ▶ Logistics ▶ Consumer products ▶ Manufacturing

Logistics Warehouse



AXIS SHAH ALAM DISTRIBUTION CENTRE 4

CARRYING VALUE
**RM86.0
MILLION**

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

NET LETTABLE AREA
254,233 sq. ft.

PURCHASE PRICE
RM83.0 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date

- ▶ 4 June 2018

Total Investment Outlay

- ▶ RM84.3 million

Number of Car Park (bays)

- ▶ *

Major Tenants

- ▶ **Teraju Sinar Sdn Bhd**



AXIS SHAH ALAM DISTRIBUTION CENTRE 5

CARRYING VALUE
**RM95.0
MILLION**

- ▶ Lot 45 (177) Jalan Utas 15/7
Seksyen 15, 40200 Shah Alam
Selangor

NET LETTABLE AREA
285,249 sq. ft.

PURCHASE PRICE
RM95.0 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date

- ▶ 10 November 2020

Total Investment Outlay

- ▶ RM96.3 million

Number of Car Park (bays)

- ▶ *

Major Tenants

- ▶ **One Total Logistics (M) Sdn Bhd**

Logistics Warehouse

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


**BUKIT RAJA
DISTRIBUTION CENTRE**

CARRYING VALUE
**RM108.0
MILLION**

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

NET LETTABLE AREA
456,435 sq. ft.

PURCHASE PRICE
RM71.8 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

- Acquisition Date
- ▶ 14 December 2009
- Total Investment Outlay
- ▶ RM79.8 million
- Number of Car Park (bays)
- ▶ *

- Major Tenants
- ▶ **LF Logistics Services (M) Sdn Bhd**


**SENAWANG
INDUSTRIAL FACILITY**

CARRYING VALUE
**RM22.3
MILLION**

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

NET LETTABLE AREA
148,011 sq. ft.

PURCHASE PRICE
RM18.5 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

- Acquisition Date
- ▶ 5 December 2018
- Total Investment Outlay
- ▶ RM18.9 million
- Number of Car Park (bays)
- ▶ *

- Major Tenants
- ▶ **Nippon Wiper Blade (M) Sdn Bhd**

NORTHERN REGION



Logistics Warehouse

▶ Services

▶ Logistics

▶ Consumer products

▶ Manufacturing


**AXIS FACILITY
@ BATU KAWAN**

CARRYING VALUE
**RM19.0
MILLION**

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

NET LETTABLE AREA
44,000 sq. ft.

DEVELOPMENT COST
RM14.6 million
(including land and incidental cost)

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

- Acquisition Date
- ▶ 19 December 2019
- Total Investment Outlay
- ▶ RM14.6 million
- Number of Car Park (bays)
- ▶ *

- Major Tenants
- ▶ **Federal Express Services (M) Sdn Bhd**

Logistics Warehouse

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



BAYAN LEPAS DISTRIBUTION CENTRE

CARRYING VALUE
RM64.5 MILLION

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

NET LETTABLE AREA
205,151 sq. ft.

PURCHASE PRICE
RM48.5 million

PORTFOLIO DETAILS:

Acquisition Date
► 17 January 2012
Total Investment Outlay
► RM50.4 million
Number of Car Park (bays)
► *

Major Tenants
► **DHL Properties (Malaysia) Sdn Bhd**

OCCUPANCY RATE
100%



SEBERANG PRAI LOGISTICS WAREHOUSE 1

CARRYING VALUE
RM24.6 MILLION

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

NET LETTABLE AREA
106,092 sq. ft.

PURCHASE PRICE
RM17.4 million

PORTFOLIO DETAILS:

Acquisition Date
► 5 March 2010
Total Investment Outlay
► RM17.8 million
Number of Car Park (bays)
► *

Major Tenants
► **LF Logistics Services (M) Sdn Bhd**

OCCUPANCY RATE
100%

► Services ► Logistics ► Consumer products ► Manufacturing

Logistics Warehouse



SEBERANG PRAI LOGISTICS WAREHOUSE 2

CARRYING VALUE
RM9.8 MILLION

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

NET LETTABLE AREA
41,893 sq. ft.

PURCHASE PRICE
RM6.9 million

PORTFOLIO DETAILS:

Acquisition Date
► 5 March 2010
Total Investment Outlay
► RM7.4 million
Number of Car Park (bays)
► *

Major Tenants
► **LF Logistics Services (M) Sdn Bhd**

OCCUPANCY RATE
100%



SEBERANG PRAI LOGISTICS WAREHOUSE 3

CARRYING VALUE
RM70.0 MILLION

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

NET LETTABLE AREA
395,225 sq. ft.

PURCHASE PRICE
RM59.0 million

PORTFOLIO DETAILS:

Acquisition Date
► 15 February 2012
Total Investment Outlay
► RM62.6 million
Number of Car Park (bays)
► *

Major Tenants
► **Schenker Logistics (M) Sdn Bhd**

OCCUPANCY RATE
100%



Hypermarket

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



AXIS HYPERMARKET @ SUNGAI PETANI

CARRYING VALUE
RM49.0 MILLION

- ▶ Jalan Lencongan Barat 08000 Sungai Petani Kedah

NET LETTABLE AREA
138,000 sq. ft.

PURCHASE PRICE
RM38.0 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

- Acquisition Date
- ▶ 7 September 2007
- Total Investment Outlay
- ▶ RM39.0 million
- Number of Car Park (bays)
- ▶ *

- Major Tenants
- ▶ **TF Value-Mart Sdn Bhd**

EAST COAST REGION



Manufacturing Facility

- ▶ Services
- ▶ Logistics
- ▶ Consumer products
- ▶ Manufacturing



WASCO FACILITY @ KUANTAN

CARRYING VALUE
RM156.0 MILLION

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

NET LETTABLE AREA
506,753 sq. ft.

PURCHASE PRICE
RM155.0 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

- Acquisition Date
- ▶ 5 December 2017
- Total Investment Outlay
- ▶ RM157.6 million
- Number of Car Park (bays)
- ▶ *

- Major Tenants
- ▶ **Wasco Coatings Malaysia Sdn Bhd**

SOUTHERN REGION



Manufacturing Facility

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



AXIS STEEL CENTRE @ SiLC

CARRYING VALUE
RM163.0 MILLION

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

NET LETTABLE AREA
688,011 sq. ft.

PURCHASE PRICE
RM153.5 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date
► 30 December 2014

Total Investment Outlay
► RM155.9 million

Number of Car Park (bays)
► *

Major Tenants
► **Yongnam Engineering Sdn Bhd**

► Services

► Logistics

► Consumer products

► Manufacturing

Manufacturing Facility



BEYONICS I-PARK CAMPUS - BLOCK A

CARRYING VALUE
RM16.5 MILLION

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

NET LETTABLE AREA
67,260 sq. ft.

PURCHASE PRICE
RM14.2 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date
► 28 January 2016

Total Investment Outlay
► RM14.5 million

Number of Car Park (bays)
► *

Major Tenants
► **Beyonics Precision (Malaysia) Sdn Bhd**



BEYONICS I-PARK CAMPUS - BLOCK B

CARRYING VALUE
RM15.0 MILLION

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

NET LETTABLE AREA
60,967 sq. ft.

PURCHASE PRICE
RM12.9 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date
► 28 January 2016

Total Investment Outlay
► RM13.1 million

Number of Car Park (bays)
► *

Major Tenants
► **Beyonics Precision (Malaysia) Sdn Bhd**

Manufacturing Facility

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



BEYONICS I-PARK CAMPUS - BLOCK C

CARRYING VALUE
**RM14.0
MILLION**

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

NET LETTABLE AREA
55,476 sq. ft.

PURCHASE PRICE
RM11.7 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date
▶ 28 January 2016
Total Investment Outlay
▶ RM11.9 million
Number of Car Park (bays)
▶ *

Major Tenants
▶ **Beyonics Precision (Malaysia) Sdn Bhd**



BEYONICS I-PARK CAMPUS - BLOCK D

CARRYING VALUE
**RM25.0
MILLION**

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

NET LETTABLE AREA
104,606 sq. ft.

PURCHASE PRICE
RM22.1 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date
▶ 28 January 2016
Total Investment Outlay
▶ RM22.5 million
Number of Car Park (bays)
▶ *

Major Tenants
▶ **Beyonics Precision (Malaysia) Sdn Bhd**

▶ Services ▶ Logistics ▶ Consumer products ▶ Manufacturing

Manufacturing Facility



BEYONICS I-PARK CAMPUS - BLOCK E

CARRYING VALUE
**RM36.0
MILLION**

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

NET LETTABLE AREA
132,706 sq. ft.

PURCHASE PRICE
RM31.5 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date
▶ 9 August 2018
Total Investment Outlay
▶ RM32.1 million
Number of Car Park (bays)
▶ *

Major Tenants
▶ **Beyonics Precision (Malaysia) Sdn Bhd**



FCI SENAI

CARRYING VALUE
**RM25.4
MILLION**

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

NET LETTABLE AREA
136,619 sq. ft.

PURCHASE PRICE
RM12.3 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date
▶ 15 November 2007
Total Investment Outlay
▶ RM12.7 million
Number of Car Park (bays)
▶ *

Major Tenants
▶ **FCI Connectors Malaysia Sdn Bhd**

Manufacturing Facility

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



INDAHPURA FACILITY 1

CARRYING VALUE

RM8.2 MILLION

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

NET LETTABLE AREA

33,448 sq. ft.

PURCHASE PRICE

RM7.2 million

PORTFOLIO DETAILS:

Acquisition Date

- ▶ 9 August 2018

Total Investment Outlay

- ▶ RM7.3 million

Number of Car Park (bays)

- ▶ *

Major Tenants

- ▶ Oerlikon Balzers Coating
Malaysia Sdn Bhd

OCCUPANCY RATE

100%



NUSAJAYA TECH PARK FACILITY 1

CARRYING VALUE

RM42.0 MILLION

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

NET LETTABLE AREA

104,694 sq. ft.

PURCHASE PRICE

RM42.0 million

PORTFOLIO DETAILS:

Acquisition Date

- ▶ 30 September 2019

Total Investment Outlay

- ▶ RM42.8 million

Number of Car Park (bays)

- ▶ *

Major Tenants

- ▶ GKN Engine Systems Component
Repair Sdn Bhd

OCCUPANCY RATE

100%

▶ Services

▶ Logistics

▶ Consumer products

▶ Manufacturing

Manufacturing Facility



NUSAJAYA TECH PARK FACILITY 2

CARRYING VALUE

RM15.5 MILLION

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

NET LETTABLE AREA

42,068 sq. ft.

PURCHASE PRICE

RM13.8 million

PORTFOLIO DETAILS:

Acquisition Date

- ▶ 30 September 2019

Total Investment Outlay

- ▶ RM14.1 million

Number of Car Park (bays)

- ▶ *

Major Tenants

- ▶ SternMaid Asia Pacific Sdn Bhd

OCCUPANCY RATE

100%



Logistics Warehouse

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



D8 LOGISTICS WAREHOUSE

CARRYING VALUE
RM40.1 MILLION

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

NET LETTABLE AREA
171,000 sq. ft.

PURCHASE PRICE
RM30.0 million

OCCUPANCY RATE
0%

PORTFOLIO DETAILS:

Acquisition Date
► 1 March 2011

Total Investment Outlay
► RM30.7 million

Number of Car Park (bays)
► *

Major Tenants
► -



D21 LOGISTICS WAREHOUSE

CARRYING VALUE
RM14.1 MILLION

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

NET LETTABLE AREA
174,920 sq. ft.

PURCHASE PRICE
RM27.0 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date
► 30 April 2008

Total Investment Outlay
► RM28.4 million

Number of Car Park (bays)
► *

Major Tenants
► **Damco Logistics Malaysia Sdn Bhd**

► Services

► Logistics

► Consumer products

► Manufacturing

Logistics Warehouse



D37C LOGISTICS WAREHOUSE

CARRYING VALUE
RM66.1 MILLION

► Plot D37c, Jalan DPB 3, Distripark B
Pelabuhan Tanjung Pelepas, 81560
Gelang Patah, Johor

NET LETTABLE AREA
222,723 sq. ft.

PURCHASE PRICE
RM65.0 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date
► 9 June 2020

Total Investment Outlay
► RM66.1 million

Number of Car Park (bays)
► *

Major Tenants

► **Schenker Logistics (Malaysia) Sdn Bhd**



KERRY WAREHOUSE

CARRYING VALUE
RM38.2 MILLION

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

NET LETTABLE AREA
163,000 sq. ft.

PURCHASE PRICE
RM33.0 million

OCCUPANCY RATE
100%

PORTFOLIO DETAILS:

Acquisition Date
► 24 July 2017

Total Investment Outlay
► RM33.7 million

Number of Car Park (bays)
► *

Major Tenants

► **Kerry Ingredients (Malaysia) Sdn Bhd**

Logistics Warehouse

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



NIRO WAREHOUSE

CARRYING VALUE

RM27.7 MILLION

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

NET LETTABLE AREA

167,193 sq. ft.

PURCHASE PRICE

RM14.5 million

PORTFOLIO DETAILS:

Acquisition Date

- ▶ 30 April 2008

Total Investment Outlay

- ▶ RM15.2 million

Number of Car Park (bays)

- ▶ *

Major Tenants

- ▶ [Niro Ceramic \(M\) Sdn Bhd](#)

OCCUPANCY RATE

100%



PASIR GUDANG LOGISTICS WAREHOUSE 1

CARRYING VALUE

RM21.3 MILLION

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

NET LETTABLE AREA

130,743 sq. ft.

PURCHASE PRICE

RM12.5 million

PORTFOLIO DETAILS:

Acquisition Date

- ▶ 4 August 2008

Total Investment Outlay

- ▶ RM13.8 million

Number of Car Park (bays)

- ▶ *

Major Tenants

- ▶ [Guan Chong Cocoa Manufacturer Sdn Bhd](#)

OCCUPANCY RATE

100%



Hypermarket

▶ Services

▶ Logistics

▶ Consumer products

▶ Manufacturing



TESCO BUKIT INDAH

CARRYING VALUE

RM106.0 MILLION

- ▶ No. 1, Jalan Bukit Indah 15
81200 Johor

NET LETTABLE AREA

233,579 sq. ft.

PURCHASE PRICE

RM75.6 million

PORTFOLIO DETAILS:

Acquisition Date

- ▶ 1 October 2010

Total Investment Outlay

- ▶ RM77.0 million

Number of Car Park (bays)

- ▶ *

Major Tenants

- ▶ [Tesco Stores \(Malaysia\) Sdn Bhd](#)

OCCUPANCY RATE

100%

ABOUT OUR REPORT

REPORTING PHILOSOPHY & FRAMEWORK

This Integrated Annual Report 2020 (“IAR2020” or the “Report”) has been prepared by Axis REIT Managers Berhad (“ARMB” or the “Manager”) on behalf of Axis Real Estate Investment Trust (“Axis-REIT” or the “Fund”), in accordance with the International Integrated Reporting Council’s (“IIRC”) Integrated Reporting Framework (“<IR> Framework”). Through the adoption of the <IR> Framework, we aim to deliver a transparent, concise and balanced overview of the Fund’s financial and non-financial performances.

Other references used in the development of the IAR2020 include:

- Bursa Malaysia Securities Berhad’s (“Bursa Securities”) Main Market Listing Requirements (“MMLR”)
- Securities Commission Malaysia’s (“SC”) Guidelines on Listed Real Estate Investment Trusts (“REIT”)
- Malaysian Code on Corporate Governance (“MCCG”)
- Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”)
- Global Reporting Initiative (“GRI”) Standards

SCOPE & BOUNDARY

Reporting Period

- Our reports are produced and published annually. The IAR2020 contains financial and non-financial information pertaining to the Fund’s financial year ended 2020 (“FYE2020”), covering the period from 1 January 2020 to 31 December 2020, unless otherwise stated.

Reporting Boundary

- The Report covers the primary activities of the Fund and the Manager’s operations in managing it. Where indicated, some data is limited to that of common areas of multi-tenanted properties under the Manager’s operational control.

Target Readers

- This Report is primarily intended to address the information requirements of Axis-REIT’s Unitholders and long-term investors. Information relevant to the way we create value for other key stakeholders is also present.

Financial & Non-Financial Reporting

- The IAR2020 extends beyond financial reporting and includes non-financial performance indicators, risks, opportunities and outcomes that are attributable to our stakeholders, which have a significant influence on Axis-REIT’s ability to create value. These include environmental, social and governance (“ESG”) disclosures for all properties belonging to Axis-REIT and managed by the Manager.

Risk & Strategy

- Our strategic progress made during FYE2020 provides insight into the Manager’s targets for the short, medium and long-term management of Axis-REIT’s financial and non-financial matters. Given the impact of the COVID-19 pandemic and other changes to the operating environment, the Business Plan 2021 and risk register were reviewed and prioritised. To align with our governance and risk management approaches, we have integrated these aspects throughout the IAR2020. More detailed ESG disclosures are available in the *Embedding Opportunities* section of this Report.

EXCLUSIONS OR CHANGES IN REPORTING

There have been no major exclusions or changes in reporting since the 2019 Integrated Annual Report. However, the content has been restructured to convey our message more effectively, and to incorporate an overview of our efforts in combatting disruptions caused by the global COVID-19 pandemic.

BOARD RESPONSIBILITY STATEMENT

ARMB’s Board of Directors (“BOD” or the “Board”) acknowledges its responsibilities in ensuring the integrity of this Report, which in the Board’s opinion, addresses issues that are material to the Fund’s ability to create value and fairly presents its integrated performance. This Report was approved by the Board on 17 February 2021.

ASSURANCE STATEMENT

ARMB has not obtained external assurance for the sustainability indicators contained in this Report. We acknowledge the enhanced credibility of an independent verification, and will seek sustainability assurance on selected key indicators by FYE2023.

FORWARD-LOOKING STATEMENT

This Report contains forward-looking statements with respect to the Fund’s financial position, results, operations and businesses. These statements and forecasts involve risk and uncertainty, as they relate to events and depend on circumstances that occur in the future. As our business operates in a perpetually shifting and ever-changing environment, actual results or developments could differ from those expressed or implied in these forward-looking statements. Consequently, all forward-looking statements have not been reviewed or reported on by Axis-REIT’s auditors.

FEEDBACK & CONTACT POINT

Your feedback is important to us and we welcome any queries you may have. Please visit www.axis-reit.com.my for more information or contact us via email at info@axis-reit.com.my.

ICON NAVIGATION

Further information is available where you see these icons:

- More information is available online
- Additional information can be found within the Report

The Six Capitals

- Financial
- Human
- Intellectual
- Manufactured
- Social & Relationship
- Natural

2021 Strategy Plan

- Capital Management
- Investment
- Development
- Real Estate
- Facilities Management

Sustainability Matters

- Economic Performance
- Quality Assets & Services - New Acquisitions
- Quality Assets & Services - Existing Assets
- Responsible Supply Chain Management
- Business Ethics
- Embracing Innovation & Technology
- Cybersecurity
- Occupational Health & Safety
- Financial
- Real Estate Management
- Investment & IR
- Global
- Tenant Satisfaction
- Talent Development
- Employee Wellness & Engagement
- Community Activity & Partnership
- Energy & Carbon Footprint
- Waste Management
- Water Management
- Resource Management
- Development
- Human Resource & IT
- Environmental

Risks

- Financial
- Real Estate Management
- Investment & IR
- Global
- Development
- Human Resource & IT
- Environmental

CHAPTER 02

THE STORY OF US

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ABOUT AXIS-REIT



Axis Real Estate Investment Trust is Malaysia's first REIT, listed on Bursa Securities on 3 August 2005. It has a diverse portfolio of 53 properties that are located in the Klang Valley, Johor, Penang, Pahang, Negeri Sembilan and Kedah.



OUR VISION

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



OUR MISSION

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

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

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

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

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

▶ To provide Unitholders with a **STABLE AND GROWING** distribution of income; and

▶ To achieve **LONG-TERM GROWTH** in the net asset value per Unit of the Fund.

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

TOTAL
PROPERTIES
53

3
Office

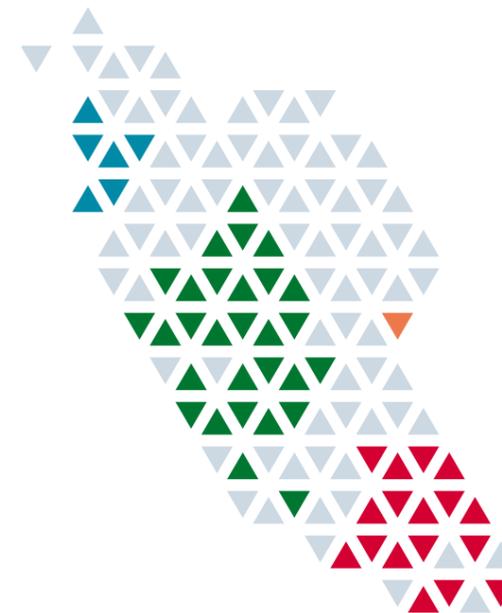
19
Logistics
Warehouse

10
Office/
Industrial

19
Manufacturing
Facility

2
Hypermarket


More information can
be found in Axis-REIT's
property portfolio booklet



West Malaysia

SIX PRINCIPLES OF MANAGEMENT

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



**Yield-accretive
asset purchases**



**Proactive asset and
tenant management**



**Prudent capital
and risk management**



**Maintaining the
highest levels of
corporate governance**



**Excellent investor
relations**

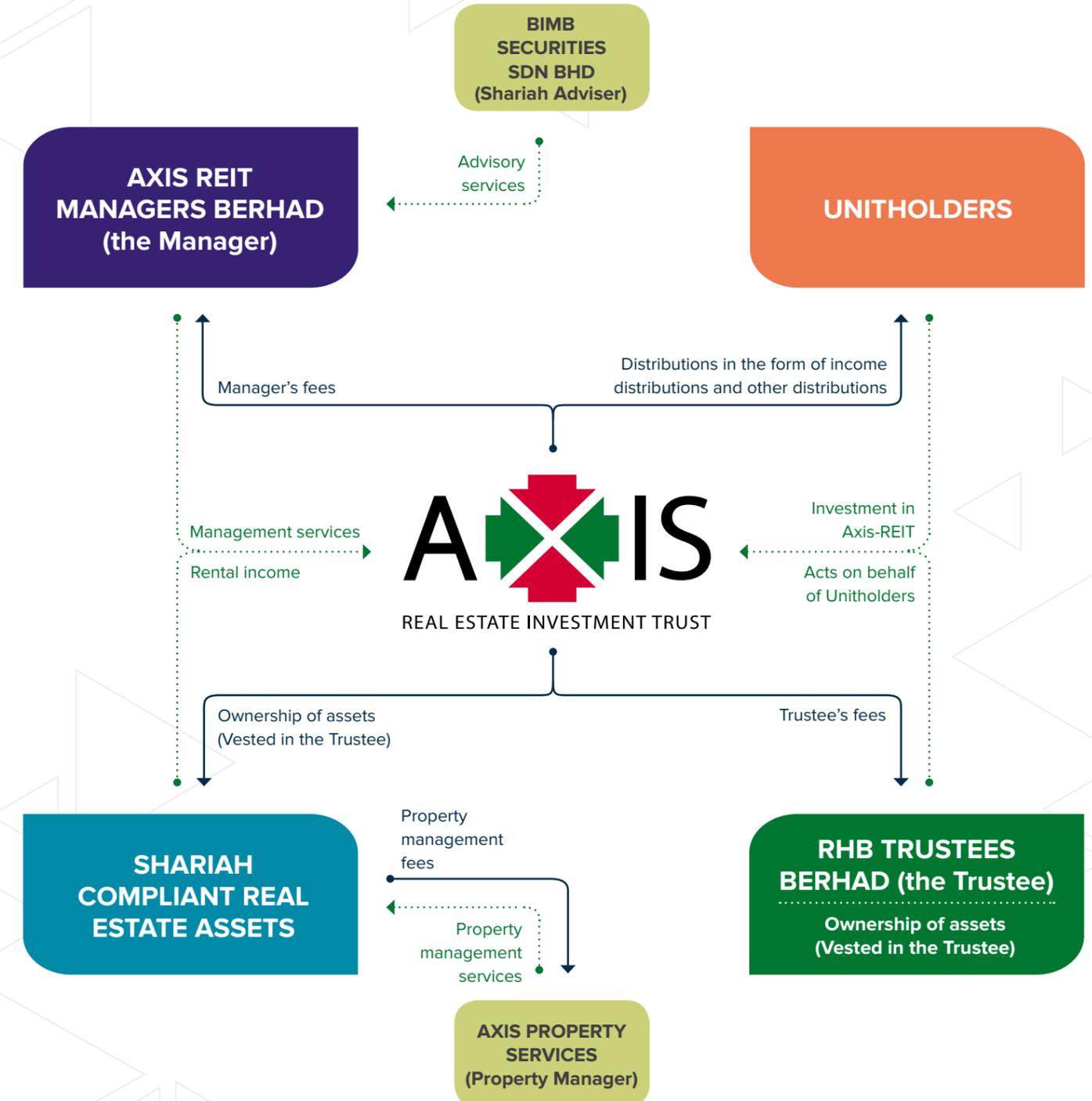


**Development of
human capital**

SALIENT FEATURES OF AXIS-REIT

Fund Category	▶ Real Estate Investment Trust
Fund Type	▶ Income and Growth
Vision of the Fund	▶ To successfully benchmark Axis-REIT against the world's most successful REITs in terms of total returns to Unitholders and be the REIT of choice for Shariah and non-Shariah investors
Mission of the Fund	▶ To provide consistent distributions to Unitholders through growing the property portfolio, displaying the highest level of corporate governance, excellent capital and risk management, and preserving capital values
Issued Fund Size	▶ 1,442,331,296 Units
Market Capitalisation	▶ RM2,927,933,000
Assets Under Management	▶ RM3,364,083,000
Permissible Investments	▶ At least 75% of the Fund's total asset value must be invested in real estate that generates recurrent rental income at all times
Initial Public Offering Retail Price	▶ RM0.625 per Unit (equivalent to RM1.25 per Unit prior to the Unit Split)
Financial Year End	▶ 31 December
Distribution Policy	▶ Quarterly income distribution: 1st to 3rd quarter – at least 95% of the current financial year-to-date distributable income 4th quarter – at least 99% of the current financial year-to-date distributable income
Financing Limitations	▶ Not exceeding 50% of the total asset value of the Fund
Revaluation Policy	▶ The investment properties shall be revalued at least once a financial year by independent registered valuers
Minimum Initial Investment	▶ 100 Units
Quotation	▶ Main Market of Bursa Securities
Bursa Securities Stock Number	▶ AXREIT 5106

AXIS-REIT STRUCTURE



CORPORATE INFORMATION

▶ BOARD OF DIRECTORS OF THE MANAGER

YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin
Independent Non-Executive Chairman

Dato' Abas Carl Gunnar Bin Abdullah
Executive Deputy Chairman

Leong Kit May
Chief Executive Officer/
Executive Director

Stephen Tew Peng Hwee @ Teoh Peng Hwee
Non-Independent Non-Executive Director

Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor
Independent Non-Executive Director

Mohd Sharif Bin Hj Yusof
Senior Independent Non-Executive Director

Alvin Dim Lao
Non-Independent Non-Executive Director

Alex Lee Lao
Alternate Director to Dato' Abas Carl Gunnar Bin Abdullah

Jancis Anne Que Lao
Alternate Director to Alvin Dim Lao

Maxine Teoh Sui Vern
Alternate Director to Stephen Tew Peng Hwee @ Teoh Peng Hwee

▶ COMPANY SECRETARY OF THE MANAGER

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

▶ TRUSTEE OF AXIS-REIT

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

▶ SHARIAH ADVISER OF AXIS-REIT

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

▶ REGISTRARS OF AXIS-REIT

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

▶ PROPERTY MANAGER OF AXIS-REIT

AXIS PROPERTY SERVICES
Penthouse, Menara Axis
No. 2, Jalan 51A/223
46100 Petaling Jaya
Selangor Darul Ehsan

▶ AUDITORS OF AXIS-REIT

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

▶ INTERNAL AUDITORS OF AXIS-REIT

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

▶ TAX AGENTS OF AXIS-REIT

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

▶ PRINCIPAL BANKERS OF AXIS-REIT

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

▶ STOCK NAME AND STOCK CODE

AXREIT 5106

▶ INVESTOR RELATIONS

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

Leong Kit May
Chief Executive Officer/
Executive Director

or

Chan Tze Wee
Senior Manager, Investments
& Investor Relations

▶ CONTACT DETAILS

Penthouse, Menara Axis
No. 2, Jalan 51A/223
46100 Petaling Jaya
Selangor Darul Ehsan
Tel No : 603-7958 4882
Fax No : 603-7957 6881
Email : info@axis-reit.com.my

▶ WEBSITE

www.axis-reit.com.my

▶ AUDIT COMMITTEE OF THE MANAGER

Mohd Sharif Bin Hj Yusof
Chairman

YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin

Alvin Dim Lao

▶ EXECUTIVE COMMITTEE OF THE MANAGER

Dato' Abas Carl Gunnar Bin Abdullah
Chairman

Stephen Tew Peng Hwee @ Teoh Peng Hwee

Leong Kit May

▶ NOMINATION COMMITTEE OF THE MANAGER

Mohd Sharif Bin Hj Yusof
Chairman

YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin

Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor

▶ REMUNERATION COMMITTEE OF THE MANAGER

Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor
Chairman

Dato' Abas Carl Gunnar Bin Abdullah

Stephen Tew Peng Hwee @ Teoh Peng Hwee

▶ MANAGER OF AXIS-REIT

Axis REIT Managers Berhad

▶ MANAGER'S PRINCIPAL PLACE OF BUSINESS

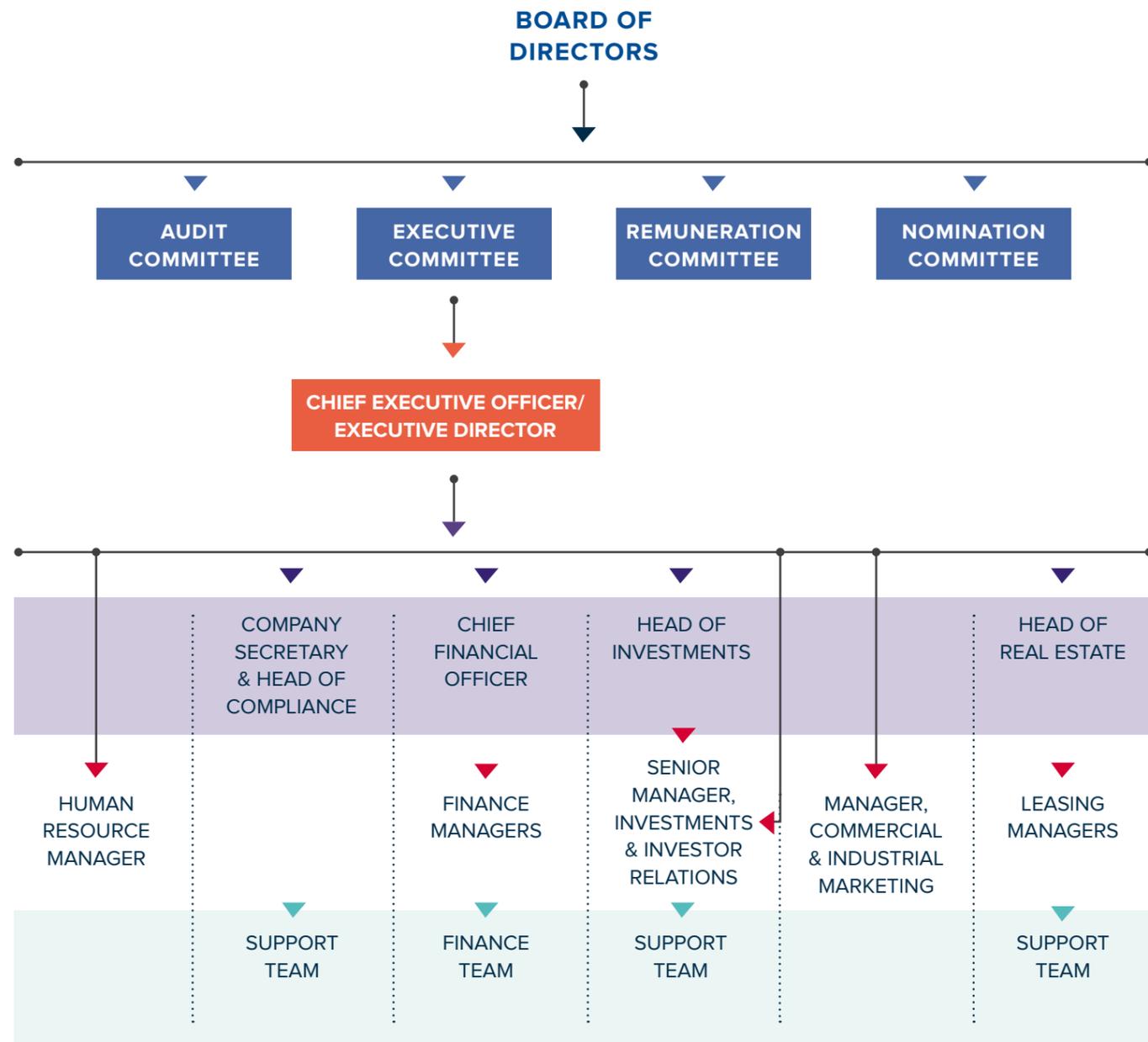
Penthouse Menara Axis
No. 2, Jalan 51A/223
46100 Petaling Jaya
Selangor Darul Ehsan
Tel No : 603-7958 4882
Fax No : 603-7957 6881

▶ MANAGER'S REGISTERED OFFICE

802, 8th Floor
Block C, Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan
Tel No : 603-7803 1126
Fax No : 603-7806 1387

AXIS TEAM'S ORGANISATIONAL STRUCTURE

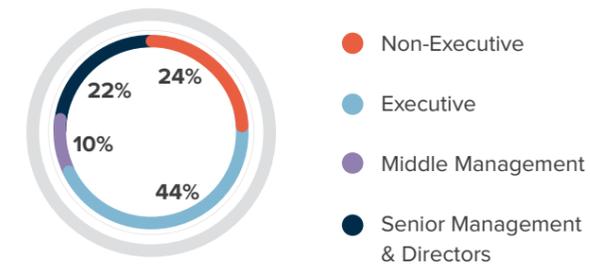
CORPORATE DIVISION



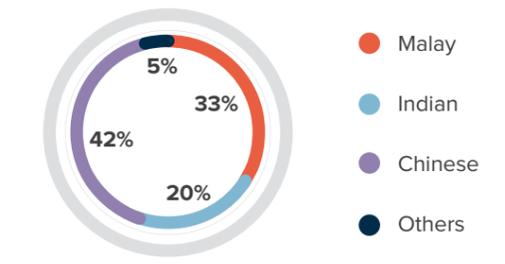
PROPERTY MANAGEMENT DIVISION



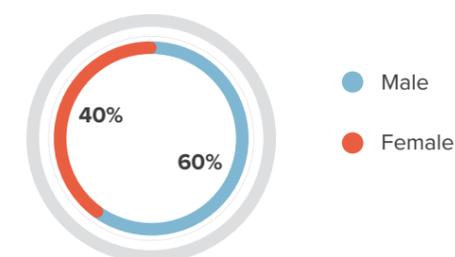
CATEGORY (%)



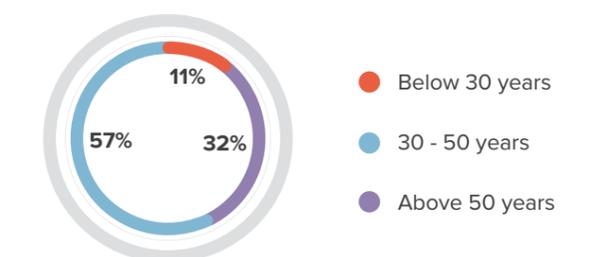
RACE (%)



GENDER (%)



AGE (%)



BOARD OF DIRECTORS' PROFILE



YAM TUNKU DATO' SERI SHAHABUDDIN BIN TUNKU BESAR BURHANUDDIN

Independent Non-Executive Chairman

- ▶ Nationality: Malaysian
- ▶ Age: 85
- ▶ Gender: Male
- ▶ Appointed to the Board: 10 August 2007

ACADEMIC/PROFESSIONAL QUALIFICATIONS

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

WORKING EXPERIENCE/ OCCUPATION

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

He currently serves as the Chairman and director of Strateq Sdn Bhd.

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- ▶ None

OTHER MEMBERSHIPS/ APPOINTMENTS/INVOLVEMENTS

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

AWARDS RECEIVED

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



DATO' ABAS CARL GUNNAR BIN ABDULLAH

Executive Deputy Chairman

- ▶ Nationality: Norwegian/
Permanent Resident of Malaysia
- ▶ Age: 61
- ▶ Gender: Male
- ▶ Appointed to the Board: 15 March 2005

ACADEMIC/PROFESSIONAL QUALIFICATIONS

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

WORKING EXPERIENCE/ OCCUPATION

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

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

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- ▶ None

OTHER MEMBERSHIPS/ APPOINTMENTS/INVOLVEMENTS

- ▶ None

Key to Membership of Board Committees

CA Chairman of the Audit Committee
A Audit Committee

CE Chairman of the Executive Committee
E Executive Committee

CN Chairman of the Nomination Committee
N Nomination Committee

CR Chairman of the Remuneration Committee
R Remuneration Committee

NA Not applicable



LEONG KIT MAY

Chief Executive Officer/Executive Director

- ▶ Nationality: Malaysian
- ▶ Age: 44
- ▶ Gender: Female
- ▶ Appointed to the Board: 15 November 2011

ACADEMIC/PROFESSIONAL QUALIFICATIONS

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

WORKING EXPERIENCE/ OCCUPATION

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

In 2006, Kit May joined ARMB and was promoted to Chief Financial Officer in 2008. In the same year, she spearheaded the project of converting Axis-REIT into the first Islamic Office/Industrial REIT in Malaysia. She continued to assume greater management responsibilities, and in November 2011, was appointed to the Board of the Manager as an Executive Director. As part of the Board's succession

plans, Kit May was groomed to become Chief Executive Officer ("CEO") of ARMB. In preparation for this, she took on the position of Chief Operating Officer of ARMB in 2015, before assuming the role of CEO on 1 January 2016.

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

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- ▶ Axis REIT Sukuk Berhad

OTHER MEMBERSHIPS/ APPOINTMENTS/INVOLVEMENTS

- ▶ Former Vice Chairman of the Malaysian REIT Managers Association

AWARDS RECEIVED

- ▶ The Best of the Breeds REITs Awards 2020: Best CEO (Malaysia)
- ▶ Mira Investor Relations Awards 2020: Best CEO for IR



STEPHEN TEW PENG HWEE @ TEOH PENG HWEE

Non-Independent Non-Executive Director

- ▶ Nationality: Malaysian
- ▶ Age: 59
- ▶ Gender: Male
- ▶ Appointed to the Board: 25 October 2004

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- ▶ Diploma from the Institute of Marketing, United Kingdom

WORKING EXPERIENCE/ OCCUPATION

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

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

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- ▶ Axis REIT Sukuk Berhad

OTHER MEMBERSHIPS/ APPOINTMENTS/INVOLVEMENTS

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

AWARDS RECEIVED

- ▶ Lifetime Achievement Award 2015, MIEA

Key to Membership of Board Committees

CA Chairman of the Audit Committee

A Audit Committee

CE Chairman of the Executive Committee

E Executive Committee

CN Chairman of the Nomination Committee

N Nomination Committee

CR Chairman of the Remuneration Committee

R Remuneration Committee

NA Not applicable



DATUK SERI FATEH ISKANDAR BIN TAN SRI DATO' MOHAMED MANSOR

Independent Non-Executive Director

- ▶ Nationality: Malaysian
- ▶ Age: 52
- ▶ Gender: Male
- ▶ Appointed to the Board: 20 November 2006

ACADEMIC/PROFESSIONAL QUALIFICATIONS

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

WORKING EXPERIENCE/OCCUPATION

Datuk Seri Fateh Iskandar, better known as Datuk Seri FD Iskandar, is the Group Managing Director/Chief Executive Officer of Glomac Berhad ("Glomac"), a property company listed on the Main Market of Bursa Securities. Prior to joining Glomac, he practised law in Australia before returning to Malaysia to join Kumpulan Perangsang Selangor Berhad ("KPS") as

its Corporate Manager. He left KPS to join Glomac in 1992 as the General Manager for Business Development, and was subsequently appointed to the Board of Glomac in February 1997, before taking on his current role as Managing Director/Chief Executive Officer in June 2000.

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- ▶ Glomac Berhad

OTHER MEMBERSHIPS/ APPOINTMENTS/INVOLVEMENTS

- ▶ City Advisory Board Member for Dewan Bandaraya Kuala Lumpur
- ▶ Board Member of the Construction Industry Development Board (CIDB), Malaysia
- ▶ Chairman of Construction Research Institute of Malaysia ("CREAM")
- ▶ Immediate Past President of the Real Estate & Housing Developers' Association ("REHDA"), Malaysia
- ▶ Patron of REHDA Malaysia

- ▶ Chairman of GreenRE Sdn Bhd
- ▶ Former Deputy Chairman of the Malaysia Australia Business Council
- ▶ Co-Chair of the Special Taskforce to Facilitate Business (PEMUDAH) on legal matters and services
- ▶ Founding Director of Malaysia Property Incorporated

AWARDS RECEIVED

- ▶ Malaysian Business Award in Property 2012
- ▶ Property Excellence Award 2013, the ASEAN Business Council
- ▶ Entrepreneurship Award – Property & Real Estate 2013, Asia Pacific Entrepreneurship Awards ("APEA") Malaysia
- ▶ Global Leadership Awards 2014 – Commercial Property Development, The Leaders International
- ▶ The Brand Laureate Corporate Leader Brand Icon Award, Asia Pacific Brands Foundation
- ▶ Global Leadership Awards 2015 – Masterclass Developer of the Year, The Leaders International
- ▶ World Leader Business Person and World Business Leader Award 2016, The Bizz
- ▶ Asia Pacific Entrepreneurship Awards 2017 Malaysia, APEA
- ▶ Malaysia's Exemplary Real Estate Industry Leader, EdgeProp.my
- ▶ Property Insight Awards 2018: Industry Excellence Award
- ▶ TEPEA2018 Top Property Developers Awards, EdgeProp.my
- ▶ ASEAN Corporate Governance Award 2018, MSWG
- ▶ ASEAN Property Awards 2018/2019: Innovative Developer & Leadership Excellence
- ▶ Property Insight Awards 2019: Prestigious Developer
- ▶ Property Insight Awards 2019: Best Industry Leadership
- ▶ iProperty Development Excellence Awards 2019: Best Developer - People's Choice Award
- ▶ iProperty Development Excellence Awards 2019: Best Waterfront Development

Key to Membership of Board Committees

- CA Chairman of the Audit Committee
- A Audit Committee

- CE Chairman of the Executive Committee
- E Executive Committee



ALVIN DIM LAO

Non-Independent Non-Executive Director

- ▶ Nationality: Filipino
- ▶ Age: 49
- ▶ Gender: Male
- ▶ Appointed to the Board: 30 December 2011

ACADEMIC/PROFESSIONAL QUALIFICATIONS

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

WORKING EXPERIENCE/ OCCUPATION

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

Alvin is also the Chief Financial Officer of LBL Prime Properties Incorporated, a multi-faceted property development company with industrial, hospitality and commercial projects in the Philippines.

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

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- ▶ None

OTHER MEMBERSHIPS/ APPOINTMENTS/INVOLVEMENTS

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

- CN Chairman of the Nomination Committee
- CR Chairman of the Remuneration Committee
- NA Not applicable
- N Nomination Committee
- R Remuneration Committee



**MOHD SHARIF
BIN HJ YUSOF**

Senior Independent Non-Executive Director

- ▶ Nationality: Malaysian
- ▶ Age: 81
- ▶ Gender: Male
- ▶ Appointed to the Board: 10 August 2007

**ACADEMIC/PROFESSIONAL
QUALIFICATIONS**

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

**WORKING EXPERIENCE/
OCCUPATION**

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

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

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

- ▶ Atlan Holdings Berhad
- ▶ AYS Ventures Berhad

**OTHER MEMBERSHIPS/
APPOINTMENTS/INVOLVEMENTS**

- ▶ None



**ALEX
LEE LAO**

Alternate Director to Dato' Abas Carl Gunnar Bin Abdullah

- ▶ Nationality: Filipino
- ▶ Age: 75
- ▶ Gender: Male
- ▶ Appointed to the Board: 22 March 2005

**ACADEMIC/PROFESSIONAL
QUALIFICATIONS**

- ▶ Bachelor of Science in Chemical Engineering, Polytechnic Colleges of the Philippines

**WORKING EXPERIENCE/
OCCUPATION**

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

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

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

- ▶ None

**OTHER MEMBERSHIPS/
APPOINTMENTS/INVOLVEMENTS**

- ▶ None

Key to Membership of Board Committees

CA Chairman of the Audit Committee
A Audit Committee

CE Chairman of the Executive Committee
E Executive Committee

CN Chairman of the Nomination Committee
N Nomination Committee

CR Chairman of the Remuneration Committee
R Remuneration Committee

NA Not applicable



JANCIS ANNE QUE LAO

Alternate Director to Alvin Dim Lao

- ▶ Nationality: Filipino
- ▶ Age: 44
- ▶ Gender: Female
- ▶ Appointed to the Board: 20 October 2014

ACADEMIC/PROFESSIONAL QUALIFICATIONS

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

WORKING EXPERIENCE/ OCCUPATION

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

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

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- ▶ None

OTHER MEMBERSHIPS/ APPOINTMENTS/INVOLVEMENTS

- ▶ Current Member of the Philippine Chapter of the Entrepreneurs' Organization



MAXINE TEOH SUI VERN

Alternate Director to Stephen Tew Peng Hwee @ Teoh Peng Hwee

- ▶ Nationality: Malaysian
- ▶ Age: 27
- ▶ Gender: Female
- ▶ Appointed to the Board: 1 July 2020

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- ▶ Bachelor of Law (LL.B Honours) – University of Bristol
- ▶ Bar Professional Training Course – BPP University
- ▶ Barrister-at-Law (Middle Temple)
- ▶ Advocate & Solicitor of the High Court of Malaya

WORKING EXPERIENCE/ OCCUPATION

Maxine has been practising conveyancing law at her own firm, Maxine & Co., since April 2020, where she provides legal advice and services to her clients.

Prior to establishing her own firm, Maxine started her conveyancing pupillage at Naqiz & Partners Advocates & Solicitors from 2017 to 2018. Thereafter, she took the role as a legal officer at Hectares & Stratas Sdn Bhd, a real estate agency, until March 2020.

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- ▶ None

OTHER MEMBERSHIPS/ APPOINTMENTS/INVOLVEMENTS

- ▶ None

Key to Membership of Board Committees

CA Chairman of the Audit Committee

A Audit Committee

CE Chairman of the Executive Committee

E Executive Committee

CN Chairman of the Nomination Committee

N Nomination Committee

CR Chairman of the Remuneration Committee

R Remuneration Committee

NA Not applicable

Other Disclosures

1. • Alvin Dim Lao is the representative of Alex Lee Lao, who is an ultimate major shareholder of ARMB, on the board of ARMB. He is a nephew of Alex Lee Lao. Alvin's alternate director is Jancis Anne Que Lao, who is a daughter of Alex Lee Lao.
 - Maxine Teoh Sui Vern is the daughter of Stephen Tew Peng Hwee @ Teoh Peng Hwee.
- Except as disclosed above, none of the Directors of ARMB has any family relationship with any Director of ARMB and/or major shareholder of ARMB, and/or major unitholder of Axis-REIT.
2. None of the Directors of ARMB has any conflict of interest with ARMB and/or Axis-REIT.

3. None of the Directors of ARMB has been convicted of any offence (other than traffic offences) within the past 5 years.
4. None of the Directors of ARMB has had any public sanction or penalty imposed on them by the relevant regulatory bodies during FYE2020.
5. Details of the attendance of each Director of ARMB at Board meetings held during FYE2020 are contained in the Corporate Governance Overview Statement of this Report.
6. Details of the unitholdings held by each Director of ARMB in Axis-REIT are contained in the Unitholders' Statistics section of this Report.

KEY MANAGEMENT PROFILE



LEONG KIT MAY

Chief Executive Officer/Executive Director

- ▶ Nationality: Malaysian
- ▶ Age: 44
- ▶ Gender: Female
- ▶ Date first appointed to the Board: 15 November 2011

ACADEMIC/PROFESSIONAL QUALIFICATIONS

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

WORKING EXPERIENCE/OCCUPATION

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

PRESENT DIRECTORSHIPS IN PUBLIC COMPANIES AND/OR LISTED ISSUERS

- ▶ Axis REIT Sukuk Berhad

OTHER MEMBERSHIPS/APPOINTMENTS/INVOLVEMENTS

- ▶ Former Vice Chairman of the Malaysian REIT Managers Association

AWARDS RECEIVED

- ▶ The Best of the Breeds REITs Awards 2020: Best CEO (Malaysia)
- ▶ Mira Investor Relations Awards 2020: Best CEO for IR

KEY MANAGEMENT PROFILE

**NIKKI NG**

Chief Financial Officer

- ▶ Nationality: Malaysian
- ▶ Age: 43
- ▶ Gender: Female
- ▶ Date first appointed as key senior management personnel: 1 June 2012

ACADEMIC/PROFESSIONAL QUALIFICATIONS

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

WORKING EXPERIENCE

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

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

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

AWARDS RECEIVED

- ▶ The Best of the Breeds REITs Awards 2020: Best CFO (Malaysia)

**JACKIE LAW**

Head of Real Estate

- ▶ Nationality: Malaysian
- ▶ Age: 56
- ▶ Gender: Female
- ▶ Date first appointed as key senior management personnel: 1 December 2012

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- ▶ Master of Science in Facilities Management, Heriot-Watt University, United Kingdom
- ▶ Certificate in Real Estate Investment Finance, Asia Pacific Real Estate Association Institute
- ▶ Registered Property Manager with the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia

WORKING EXPERIENCE

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

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

**REBECCA LEONG**

Company Secretary & Head of Compliance

- ▶ Nationality: Malaysian
- ▶ Age: 42
- ▶ Gender: Female
- ▶ Date first appointed as key senior management personnel: 1 November 2016

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- ▶ Associate of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries & Administrators)
- ▶ Practising Certificate Holder of the Companies Commission of Malaysia
- ▶ Chartered Governance Professional (CGP)

WORKING EXPERIENCE

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

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

KEY MANAGEMENT PROFILE

**TAN KEE HONG**

Head of Investments

- ▶ Nationality: Malaysian
- ▶ Age: 34
- ▶ Gender: Male
- ▶ Date first appointed as key senior management personnel: 17 July 2019

ACADEMIC/PROFESSIONAL QUALIFICATIONS

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

WORKING EXPERIENCE

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

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

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

KEY MANAGEMENT PROFILE

**CHAN TZE WEE**

Senior Manager, Investments & Investor Relations

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

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- ▶ Bachelor of Laws (LLB), University of Manchester
- ▶ MSc in Marketing, University of Manchester, United Kingdom

WORKING EXPERIENCE

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

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

**LOW AY KEAN**

Human Resource Manager

- ▶ Nationality: Malaysian
- ▶ Age: 46
- ▶ Gender: Female
- ▶ Date first appointed as key senior management personnel: 1 December 2015

ACADEMIC/PROFESSIONAL QUALIFICATIONS

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

WORKING EXPERIENCE

Ay Kean is responsible for the full spectrum of human resource, office administration and information technology functions in ARMB. These encompass manpower, recruitment and selection, compensation and benefits, training, employee welfare, industrial relations matters and general office administration, as well as overseeing the information technology systems of ARMB.

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

**SELINA KHOR**

Property Manager of Axis-REIT

- ▶ Nationality: Malaysian
- ▶ Age: 62
- ▶ Gender: Female

ACADEMIC/PROFESSIONAL QUALIFICATIONS

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

WORKING EXPERIENCE

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

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

KEY MANAGEMENT PROFILE

**SIVA SHANKAR PALANY**

Head of Facilities Management, Axis Facilities Management Sdn Bhd

- ▶ Nationality: Malaysian
- ▶ Age: 48
- ▶ Gender: Male

ACADEMIC/PROFESSIONAL QUALIFICATIONS

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

WORKING EXPERIENCE

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

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

KEY MANAGEMENT PROFILE

**LOH YEN FERN**

Head of Project Management, Axis Facilities Management Sdn Bhd

- ▶ Nationality: Malaysian
- ▶ Age: 49
- ▶ Gender: Female

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- ▶ Bachelor of Construction Economics, Royal Melbourne Institute of Technology University, Australia
- ▶ Certificate in Real Estate Investment Finance, Asia Pacific Real Estate Association Institute
- ▶ Registered Property Manager with the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia

WORKING EXPERIENCE

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

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

Other Disclosures

None of the key senior management personnel of ARMB has:

1. any family relationship with any Director of ARMB and/or major shareholder of ARMB, and/or major unitholder of Axis-REIT
2. any conflict of interest with ARMB and/or Axis-REIT
3. been convicted of any offence (other than traffic offences) within the past 5 years
4. any public sanction or penalty imposed on them by the relevant regulatory bodies during FYE2020



CHAPTER 03

PROGRESS THROUGH CHALLENGING TIMES

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AXIS-REIT'S COVID-19 RESPONSE

Axis-REIT has a clear mission to provide a consistent and growing income stream to its Unitholders, and to achieve long-term NAV growth in the Fund. The Manager takes a prudent, long term, sustainable view towards achieving this, by understanding and anticipating the needs of the market and delivering superior business space solutions via a high-quality real estate portfolio.

We apply this same lens consistently in our operations, including in formulating our COVID-19 Response. The Manager had sought to understand the needs of stakeholders, most urgently in this instance, those of our employees, tenants, suppliers and contractors, and worked with resources available at our disposal to formulate a comprehensive COVID-19 Response that balanced these needs with the mission of the Fund.

With Axis-REIT's focus on industrial real estate, the COVID-19 pandemic has had a limited impact on the Fund. This is, in part, due to the Fund's diversified, industrial-oriented tenant profile, which features manufacturers and logistics providers as well as other industries including those classified as essential goods and services, that have been less impacted by the pandemic thus far. In fact, more than 50% of the Fund's tenants were operating during the initial movement control order ("MCO") from 18 March 2020 to 3 May 2020.

From a financial standpoint, the Fund was able to lean on its strong financial position to meet its financial obligations and covenants. The Fund's strong balance sheet also provided ample headroom for the Manager to pursue acquisitive growth opportunities during the year.

Amid these conditions, the Manager was able to formulate a prudent and targeted response plan with three key priorities: to safeguard our people, including employees, tenants and other stakeholders, to support business continuity of our tenants and the Fund, and to uphold our commitment as a responsible corporate citizen. With the COVID-19 Response in place, the Manager was able to maintain its focus on executing its operating strategies and delivering on its targets, positioning the Fund to be able to emerge from the pandemic on the best possible footing.

People First

Since the outset of the COVID-19 crisis, our key priority has been to safeguard the physical well-being of our employees, tenants, suppliers and contractors. Towards this end, we implemented safety protocols and measures at all our multi-tenanted properties, which included installing physical equipment such as temperature scanners as well as providing hand sanitisers. Once guidelines were formalised by the Ministry of Health Malaysia ("MOH"), Department of Occupational Safety and Health ("DOSHS") and National Security Council ("NSC"), our Facilities Management Team ensured our multi-tenanted buildings were fully-compliant, implementing contact tracing requirements and installing prominent signage and reminders to practise social distancing at all times.

Following the implementation of the MCO on 18 March 2020, we were able to implement remote working arrangements, including work-from-home ("WFH") practices, by leveraging on enabling technology to ensure seamless and efficient working arrangements. We also deployed our Business Continuity Plan, which included re-designating our staff to different offices. When the Conditional MCO ("CMCO") was reintroduced in October 2020, we reapplied the WFH arrangement for our key Management Team. This reduces the daily face-to-face, physical interaction among our employees, and reduces the risk of exposure to and transmission of COVID-19. It also reduces the footfall at each office, which supports the observance of social distancing for our employees and tenants whose job functions necessitate being physically on-site.

On the property management front, we were able to continue our building management operations as essential services, and reschedule AEs as well as routine maintenance work around the lockdown periods.

Details of our COVID-19-related responses are presented in our Occupational Health & Safety section on pages 127 - 130 of this Report.

Supporting Business Continuity

Malaysia's initial policy response to the COVID-19 pandemic was globally recognised as one of the most effective in containing local transmissions at that juncture. However, the success of the virus containment efforts had severe economic repercussions, which the Government sought to mitigate through a series of stimulus programmes.

On our part, we reached out to support our tenants who were most affected by the MCO, providing selective assistance on a case by case basis which included:

- Deferment on rental payments for the month of April, allowing affected tenants to pay rental sums due in two instalments over two months; and
- A waiver on season car park fees.

Internally, the Management Team and the Board of the Manager also constantly monitored the impact of the pandemic on the Fund's operations and finances. This included vigilantly monitoring macroeconomic variables, such as interest rates, inflation, demand and supply chain disruptions and regulatory revisions, and assessing their impact on our internal forecasts and targets. We also reviewed our financial position in various hypothetical scenarios to ensure that Management had a comprehensive view of the Fund's position as the basis for informed, prudent and strategic decisions.

Amid the uncertainties and fluid macroeconomic backdrop, a critical component of the Manager's response was to clearly and consistently communicate operational and financial developments with all stakeholders in a timely manner, from our Board and employees, to tenants, suppliers and contractors, as well as the investment community, regulatory authorities and our Unitholders.

Collectively, these measures were aimed at helping our stakeholders navigate the MCO and support business continuity through the pandemic. Ultimately, our objective has been to minimise any adverse long-term financial impact to the Fund in a win-win manner with our tenants, while containing operating and financial risks at tolerable levels.

Prioritising Support for Malaysia's Public Healthcare System

Beyond the boundaries of our property portfolio, we are also cognisant of the tremendous strain the pandemic has placed on Malaysia's public healthcare system. Given the urgency of the situation, we reallocated our corporate social responsibility resources for FYE2020 toward supporting our public healthcare facilities, channelling financial assistance to provide critical equipment and aid to medical frontliners in our government hospitals.

More details of these efforts are provided in the Community Activity & Partnership section on pages 136 - 137 of this Report.

Embracing A New Normal

As we enter 2021, the country has weathered almost a year of various levels of lockdowns and disruptions to everyday life. At the time of reporting, there remains much uncertainty – from the timing of the re-opening of schools, to the possibility of a fresh full lockdown. We are also cognisant of heightened risks to the Fund, as the emergence of COVID-19 infection clusters among factory workers suggests that even industrial tenants might be susceptible to near-term operational disruptions.

Having said that, there is also a sense of hope as plans for a vaccination programme appear to be underway. For many, this carries the anticipation of being "the beginning of the end" of the pandemic. And, although the efficacy of the vaccines and the speed and coverage of the vaccination programme remains to be seen, we believe Malaysia as a nation, is adapting to and embracing the new normal.

In the meantime, the Manager will continue to monitor the situation closely, and maintain a measured and targeted COVID-19 Response as we navigate the coming year. We aim to ensure the Fund is ready to emerge from the pandemic in a strong position to benefit from an economic recovery. We believe demand for strategically-located industrial properties, particularly manufacturing and logistics warehouse facilities, will remain resilient, and the Manager will continue to focus on delivering on the Fund's mission and vision through the execution of appropriate strategies.

LETTER TO UNITHOLDERS FROM THE CHAIRMAN & CEO



DEAR UNITHOLDERS,

On behalf of the Board of Directors of Axis REIT Managers Berhad, we are pleased to present Axis-REIT's Integrated Annual Report for the financial year ended 31 December 2020.

2020 marked the 15th anniversary of Axis-REIT's listing. We are very proud to have witnessed the Fund's growth trajectory, having progressed from an Office/Industrial REIT with a portfolio of just five properties in the Klang Valley in 2005, to become one of Malaysia's largest Industrial Islamic REITs, with a nationwide footprint today.

The past year was also one of the most challenging in recent times – not just for the Fund but for the world, as we grappled with the far-reaching effects of COVID-19. The pandemic's pervasive impact affected almost every aspect of everyday life, taking its toll on lives, livelihoods and the broader economy. On the domestic front, we also saw unexpected changes in the country's political landscape, which cast uncertainties on business and investor sentiment.

Looking back, the challenges of 2020 certainly made us, as a nation, review our priorities and values, and we are proud to see how Malaysia pulled through. The government's early policy response to the pandemic was lauded as a benchmark to be emulated by other nations, while on the ground, we saw a proliferation of social media campaigns in support of frontliners, local businesses and charitable causes, with movements like #dudukrumah and #kitajagakita, galvanizing Malaysians to come together as a nation to support our most vulnerable.

In all this, we are equally proud to have witnessed the Manager's resilience, as the team deftly navigated and decisively responded to the economic, social and political developments as they emerged. All things considered, the Fund concluded the year with commendable operating headlines and remarkable financial results.

2020 In Review

The unprecedented events of 2020 forced companies to take extraordinary measures to adapt to the new normal. In this regard, we are pleased to note that the Manager proved its mettle, decisively deploying a targeted COVID-19 Response and Business Continuity Plan, while maintaining its focus on executing its operational strategies.

The success of the Manager's efforts is clearly reflected in the continued expansion and progress of the Fund through FYE2020, which include the highlights presented in the diagram below.

We attribute this success to the Fund's inherent focus on the relatively resilient industrial real estate segment, as well as its sound fundamentals, built on sustainable long-term strategies that have guided and enabled the Manager's swift and decisive responses. The success is also testament to ARMB's exemplary leadership, exceptional capabilities, agility and cohesion as a team, that has enabled it to consistently deliver on its mandate to all stakeholders.

Key Operating & Financial Highlights

- | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> Completion and handover of our third 'built-to-lease' development, Axis Facility @ Batu Kawan, to Federal Express Services (M) Sdn Bhd, on time and within budget | <ul style="list-style-type: none"> Completion of five property acquisitions, bringing the portfolio size to 53 properties valued at RM3.3 billion | <ul style="list-style-type: none"> Expansion in revenue by 4.4% to RM232.2 million and realised net income by 8.4% to RM124.9 million |
| <ul style="list-style-type: none"> Declaring a total DPU of 8.75 sen for FYE2020, which translates to a distribution yield of 4.3% based on the Fund's closing price as at 31 December 2020 | <ul style="list-style-type: none"> Continued growth in the Fund, with the value of Investment Properties approaching the RM3.3 billion mark, while NAV rose 2.1% to RM2.1 billion as at 31 December 2020 | <ul style="list-style-type: none"> Successfully completing the 2019 IDRPs with a 75% take up rate |
| <ul style="list-style-type: none"> Securing tenancies for 1.37 million sq. ft. of space, or 80% of space that was up for renewal in FYE2020, and achieving a strong positive rental reversion of 5.6% across the portfolio | <ul style="list-style-type: none"> Sustaining the portfolio's occupancy at 91% as at 31 December 2020 Maintaining the Fund's Sukuk ratings, while completing the redemption of its second Sukuk using existing available financing | <ul style="list-style-type: none"> Increasingly incorporating ESG matters into our acquisitions due diligence process, undertaking our first ESA for a proposed acquisition in late-2020, and implementing a revised tenant checklist that incorporates environmental assessment criteria |

Portfolio Highlights: Uninterrupted Growth

During the year, we completed five property acquisitions, raising the portfolio to 53 properties with 10.5 million sq. ft of space under management, valued at RM3.3 billion. The acquisitions comprised three manufacturing facilities and two logistics warehouse facilities, which were purchased for an aggregate consideration of RM258.9 million. As at the close of FYE2020, we had six further acquisitions with a total consideration of RM243.7 million underway, one of which had been concluded in January 2021, with the remaining five slated for completion in the first half of 2021.

With the new acquisitions, we have broadened our industrial portfolio footprint, strengthening the Fund's presence in the major industrial hubs of Peninsular Malaysia, particularly in the Central Region, Penang and Johor. Meanwhile, we maintained our office portfolio, which remains concentrated in the Central Region.

In terms of portfolio focus, 92% of the Fund's properties carry industrial titles – a segment that continues to feature positive demand dynamics due to:

- (i) The inherent profiles of our industrial tenants, which have been less-impacted by MCO-related disruptions;
- (ii) The government's continued drive to attract manufacturing investments, thereby driving demand for industrial properties; and
- (iii) The accelerated adoption of e-commerce amid the COVID-19 pandemic, which supports demand for logistics warehouse properties.

The Manager believes that interest in industrial properties will continue to be supported by these factors, and we will continue to seek suitable, income-generating and yield-accretive acquisition targets, in line with the Fund's growth strategy. Concurrently, we also seek opportunities for further 'built-to-lease' development projects, with a view to extend our leadership in the industrial space segment.

Operations Review: Leaning On Technology And Digital Communication Channels

Through a stringent asset selection and acquisition strategy, the Manager has, over the years curated a portfolio of business space solutions that boasts a well-diversified, "A-list" tenant base of multinational corporations ("MNCs"), large local companies ("LLCs") and government-linked companies ("GLCs").

The Manager proactively engages this tenant base, as well as the broader market and value chain through agents, suppliers, contractors, consultants and other industry contacts. This enables us to understand and anticipate the needs of our stakeholders and the market, and ensures our portfolio is aligned with these requirements. Thanks to prior years' investments in technology-enabled initiatives like *'Hello Axis'* and digital marketing, the Manager was able to lean on these foundations and further build out our digital assets to connect and engage with our stakeholders during the MCO. As a result, we were able to quickly adapt and utilise digital communication channels for our tenant engagement as well as leasing and marketing activities during the year, thereby minimising disruptions of the pandemic.

In ensuring the relevance and quality of the Fund's properties and to preserve the value of the portfolio, we continued our disciplined Asset Enhancement Initiatives ("AEIs"). In FYE2020, we undertook five major AEIs, investing RM7.4 million to refurbish and upgrade selected properties. We also took the opportunity to incorporate Environmental Social and Governance ("ESG") considerations in our AEIs through the installation of resource efficient fittings and equipment.

The quality of our portfolio, coupled with the innovative efforts of the Manager, has been instrumental in driving renewals and securing new tenancies. During FYE2020, the Real Estate Team secured tenancies for 80% of the 1.7 million sq. ft. of space that was up for renewal, and concurrently achieved a remarkably strong, +5.6% rental reversion across the portfolio. These efforts sustained portfolio occupancy, which dipped just 1 percentage point to 91% as at 31 December 2020. And, despite the challenging operating conditions, we recorded improved tenant satisfaction scores in feedback from our tenant management activities as well as our annual tenant survey.

Financial Highlights: Remarkable Results In The Face Of Overwhelming Headwinds

Despite the overwhelming macroeconomic headwinds, Axis-REIT turned in a remarkable set of financial results for FYE2020. We attribute the results to the impeccable long-term strategies laid down in prior years that have given the Fund a strong footing in a relatively resilient segment, as well as the Manager's quick and decisive actions to contain and minimise disruptions from the pandemic. This enabled the team to focus its efforts on executing its operating strategies.

The Fund's revenue for FYE2020 rose 4.4% to RM232.2 million, against RM222.5 million in FYE2019, while net realised income rose 8.4% to RM124.9 million. The uplift in revenue and net income were driven by contributions from newly-acquired properties, as well as incremental income from Axis Facility @ Batu Kawan, the Fund's third and latest 'built-to-lease' development project, which began contributing from March 2020. This was also supported by sustained occupancy levels and strong rental reversions.

The Fund declared a cumulative DPU of 8.75 sen for FYE2020, which translates to a distribution yield of 4.3% (based on the Fund's closing price on 31 December 2020) which is competitive against other investment instruments in the Malaysian capital markets in the prevailing low interest rate environment. We also note that the FYE2019 Income Distribution Reinvestment Plan ("IDRP"), which was concluded in March 2020, attracted a 75% take up rate. The 2019 IDRP raised proceeds of RM11.7 million, which were reinvested into the Fund.

Axis-REIT remains well-capitalised with a strong financial position. The Fund's NAV rose 2.1% to RM2.1 billion as at 31 December 2020 while its financing ratio remained low at 33% - well within the 50% cap for Malaysian REITs ("MREITs"). As at 31 December 2020, the Fund had liquidity resources amounting to RM154.8 million, comprising RM39.8 million in cash and deposits, and RM115.0 million in undrawn financing facilities, providing sufficient headroom for upcoming acquisitions and development plans.

Looking ahead, we will continue to optimise the Fund's capital structure to support our growth ambitions. This would include evaluating different financing options to fund acquisitions and AEIs, including further Sukuk issuances that would lengthen the Fund's financing maturity profile, as well as equity issuances.

2021 Outlook and Strategy: Extending Our Position as Malaysia's Leading Industrial REIT

Malaysia's initial policy response to the COVID-19 pandemic had successfully contained COVID-19 transmissions, but severely curtailed domestic business activities and the economy. This was further amplified by the global economic recession, which caused commodity prices and exports to slump. Consequently, Malaysia's GDP growth decelerated sharply, slowing to +0.7% in the first quarter of 2020, and contracting by a steep 17.1% in the second, before recovering to record milder contractions of 2.6% and 3.4% in the third and fourth quarters respectively. For the full year, the economy contracted by 5.6% in 2020.

Looking ahead, the economy is expected to rebound strongly in 2021, albeit on 2020's low base. Bank Negara Malaysia ("BNM") had forecast the country's GDP growth at between +6.5% and +7.5%, driven by fiscal and monetary stimuli. Overall macroeconomic conditions are expected to improve, with growth driven by a recovery in domestic demand, with a rebound expected in private consumption and investment, as well as in public investment.

Notwithstanding the positive forecasts for 2021, the events of the past year have reiterated how unpredictable and fluid macroeconomic and operating conditions can be. We remain cautious as new waves of COVID-19 infections, coupled with possible delays in the roll out of vaccinations, could prolong the pandemic and necessitate further lockdowns, that would dampen the expected economic recovery.

Against the backdrop of elevated risks, we will focus on enhancing our Industrial portfolio to capitalise on opportunities from the manufacturing and logistics sectors, while maintaining our office portfolio. We will seek to:

- (i) Extend our leadership as an industrial space provider through:
 - Maintaining a high level of tenant satisfaction through effective engagement and disciplined AEs, with the aim of maintaining the portfolio occupancy rate at above 90% while achieving a positive annual rental reversion across the portfolio;
 - A disciplined acquisitive growth strategy through the careful selection of income-generating, yield-accretive industrial assets. The Manager aims to secure an additional RM200 million in new acquisitions during FYE2021, together with organic expansion through 'built-to-lease' property developments.
- (ii) Optimise the Fund's cash flows and capital structure through further financing and equity issuances, including completing a new Sukuk issuance and undertaking future IDRP, as well as maximising the efficiency of cash flows through effective collections.
- (iii) Increasingly incorporate ESG considerations into our operations and acquisitions due diligence processes, which would range from implementing pollution and waste management practices, to incorporating ESG requirements and criteria in materials, vendor and tenant selection.

Risk Management

The importance of a robust and comprehensive risk management framework was clearly highlighted in 2020, as the unprecedented events of the year called for constant and systematic monitoring and evaluation to assess their impact and implications on the operations, financials and sustainability of the Fund. These assessments formed the basis of the Manager's prudent and targeted COVID-19 Response and Business Continuity Plan.

The Manager's COVID-19 Response and Business Continuity Plan were aimed at supporting business continuity, helping our tenants navigate the pandemic and position themselves and the Fund for a sustainable recovery once economic activity normalised.

The Manager continues to ensure all existing and potential material risks are identified, monitored and mitigated, and we are vigilant in updating and ensuring follow through on material risks that impact the Fund.

A detailed assessment of the Fund's material risks and the Manager's mitigation efforts are contained in the Embedding Opportunities section on pages 78 - 137 of this Report.

Sustainability: Increasing ESG Considerations In Our Business Strategies & Approach

Recognising the importance of a holistic approach in formulating long-term sustainable strategies, Axis-REIT embarked on Integrated Reporting in 2019. We are committed to enhancing the incorporation of ESG factors in our business strategies and approach. During 2020, we introduced ESG considerations in our tenant checklist and implemented our first Environmental Site Assessment ("ESA") for a proposed property acquisition in late-2020.

Looking ahead, we will step up the incorporation of ESG considerations in our day-to-day operations. Details of our sustainability initiatives are presented in our Management of Sustainability Matters section on pages 100 - 137 of this Report. We believe these initiatives will help us formulate and achieve sustainable, long-term growth strategies for the Fund.

Acknowledgements & Appreciation

Amid the upheavals and seemingly endless challenges of 2020, we are grateful and appreciative of the awards and accolades we received. These awards, listed below, acknowledge the team's tireless efforts and commitment to the Fund. These accolades are the culmination of exemplary teamwork, which we are proud to attribute to the entire team.

- The Edge Billion Ringgit Club 2020, Highest Growth in Profit after Tax over Three Years (REIT Category)
- The Edge Billion Ringgit Club 2020, Highest Returns to Shareholders over Three Years (REIT Category)
- Sin Chew Business Excellence Awards 2020, Property Excellence Award
- Asiamoney Asia's Outstanding Companies Poll 2020, Real Estate (Malaysia)
- The Asia Pacific Best of the Breeds REITs Awards 2020, Best Industrial REIT (Malaysia)
- The Asia Pacific Best of the Breeds REITs Awards 2020, Best Islamic REIT (Malaysia)
- The Asia Pacific Best of the Breeds REITs Awards 2020, Best CEO (Malaysia): Leong Kit May
- The Asia Pacific Best of the Breeds REITs Awards 2020, Best CFO (Malaysia): Nikki Ng
- Mira Investor Relations Awards 2020, Best CEO for IR: Leong Kit May
- NACRA 2020 Excellence Awards, Gold

2020 has been nothing short of eventful, with the new normal demonstrating the importance of being agile and adaptable in embracing change, while staying true to our purpose and mission. The Board is satisfied with the Fund's operating and financial performance, and believes 2020's results justifies our confidence in the ARMB team.

The Manager will continue to strive for operational excellence, laying the groundwork to sustain continued growth in the years to come. These plans will be anchored on prudent portfolio and financial management strategies to ensure long-term sustainability towards the attainment of the Fund's mission.

We would like to take the opportunity to express our gratitude to all our stakeholders – from employees to tenants, suppliers to contractors, real estate agents to press corps, members of the community and Unitholders for having confidence in us and for working with us through the challenges of 2020. We look forward to a stronger 2021 together.

YAM Tunku Dato' Seri Shahabuddin
Bin Tunku Besar Burhanuddin
 Chairman

Leong Kit May
 Chief Executive Officer/Executive Director

17 February 2021

MANAGER'S DISCUSSION AND ANALYSIS

CEO'S REVIEW

Market Review

The COVID-19 pandemic and global economic recession took a sharp toll on the country's economy in 2020. This had significant potential implications for Axis-REIT as a property owner, as the Fund's performance is contingent on its tenants' operations, the property market and the broader economy.

Recognising the urgent need for a swift and decisive action plan to manage the impact of the pandemic, the Manager was quick to formulate a prudent and targeted COVID-19 Response and deploy its Business Continuity Plan. These measures were effective in containing and mitigating the impact of the pandemic on the Fund, enabling the Manager to focus on executing its operating strategies toward achieving the Fund's objectives.

An equally important factor that underscored the Fund's resilience is its inherent focus on prime industrial assets. This has shaped its portfolio to attract a strong tenant profile, comprising MNCs, LLCs and GLCs involved in a diverse range of sectors and industries, from manufacturing, logistics and warehousing, to essential goods and services. The Manager's foresight in embracing technology in marketing and tenant management processes in prior years also enabled us to continue leaning on and building out these assets during the year, which helped minimise disruptions from the pandemic as well.

The Fund's emphasis on long term, sustainable growth over the years has positioned it to enjoy continued expansion despite the adverse operating and economic environment in 2020. The Manager's prudent financial strategies ensured that the Fund has a strong balance sheet, with sufficient liquidity and headroom to pursue acquisitive opportunities, and to explore potential development projects, laying the foundation for continued growth in the years to come.

While we continue to monitor and proactively manage the risks arising from the uncertain operating and economic landscape, we are pleased to report success in mitigating the impact of the pandemic on the Fund thus far. We have closed FYE2020 on a strong note, with resilient operating and financial headlines, along with material progress in incorporating ESG considerations in our day to day operations.



Market & Operating Conditions and mitigating factors

Market & Operating Conditions

- ▶ COVID-19 pandemic
- ▶ Implementation of the MCO, which caused widespread disruptions to business activities and a sharp economic downturn

Mitigating Factor(s) / Initiatives Taken

- ▶ Manufacturing and Logistics Warehouse operators experienced limited disruption from the MCO
- ▶ A-list tenant base comprising MNCs, LLCs and GLCs that were resilient in withstanding the pandemic
- ▶ Quick deployment of a COVID-19 Response and Business Continuity Plan aimed at safeguarding the safety and health of our stakeholders while working with tenants to navigate the pandemic through:
 - a smooth transition to remote working, de-densification and split team arrangements, where necessary
 - implementing Standard Operating Procedures ("SOP") at all multi-tenanted buildings to ensure the safety of our employees and stakeholders
 - leveraging on technology for marketing, leasing and tenant engagement efforts
 - targeted assistance in the form of rental deferrals and season car park waivers for affected tenants

- ▶ Resilience in industrial real estate assets as government policies continue to encourage direct investments in the manufacturing sector
- ▶ Accelerated adoption of e-commerce amid the MCO
- ▶ Accommodative macroeconomic policies to support economic recovery and growth

- ▶ Continued marketing and leasing efforts to renew tenancies and secure new tenancies for manufacturing facilities and logistics warehouse properties
- ▶ Capitalised on the Fund's liquidity and strong financial position to pursue portfolio growth opportunities through acquisitions and development projects

Key highlights in 2020

1Q 2020

-  Completion and handover of Axis Facility @ Batu Kawan, the Fund's third 'built-to-lease' development
-  Completed the acquisitions of Axis Facility 2 @ Nilai and Axis Facility 2 @ Bukit Raja
-  Declared a first interim DPU of 2.10 sen

2Q 2020

-  Completed the acquisition of D37c Logistics Warehouse
-  Declared a second interim DPU of 2.15 sen
-  Accepted an offer to acquire three properties in Kulai
-  Accepted an offer to acquire one property in Shah Alam

3Q 2020

-  Signed a Sale & Purchase agreement to acquire one property in Shah Alam for RM11.9 million
-  Declared a third interim DPU of 2.25 sen
-  Signed a Sale & Purchase agreement to acquire one property in Shah Alam for RM95.0 million

4Q 2020

-  Completed the acquisitions of Axis Shah Alam Distribution Centre 5 and Axis Industrial Facility @ Shah Alam
-  Signed Sale & Purchase agreements to acquire three properties in Kulai, for RM28.2 million
-  Application of IDRPs for FYE2020's final income distribution
-  Declared a final DPU of 2.25 sen
-  Recorded a revaluation gain of RM19 million for FYE2020
-  Accepted an offer to acquire one property in Bukit Raja, Shah Alam
-  Accepted an offer to acquire one property in Pasir Gudang, Johor

FINANCIAL REVIEW

2020 was a challenging year with several unprecedented events including the global COVID-19 outbreak and the US-China trade war. These events have exerted extreme pressure on global businesses. The outbreak of the COVID-19 pandemic in the first half of 2020 put the global economy on pause, causing severe disruptions to overall business activities as social distancing regulations and cross-border controls resulted in a significant slowdown in economic activities.

The Manager swiftly reacted to the situation, quickly embracing the new normal to ensure uninterrupted operations and support for our tenants. Consequently, despite the sluggish market sentiment, the Fund's property income and realised net income after taxation increased by 4% and 8.1% year-on-year respectively, to RM224.7 million (FYE2019: RM216.0 million) and RM125.6 million (FYE2019: RM116.2 million).

The Fund's total income distribution rose 8.1% to RM126.2 million, although full year DPU, at 8.75 sen, was 5.5% lower as compared to the preceding year due to the enlarged Units in circulation following the placement exercise completed in the fourth quarter of 2019. At 8.75 sen, the Fund's DPU for FYE2020 translated to a distribution yield of 4.3%, based on its closing unit price of RM2.03 on 31 December 2020.

	FYE2019	FYE2020
Property income (excluding lease incentive adjustment and unbilled lease income receivables) (RM'000)	216,005	224,712
Realised net income after taxation (excluding lease incentive adjustment) (RM'000)	116,209	125,586
Income distribution (RM'000)	116,752	126,203
DPU (sen)	9.26 sen	8.75 sen

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

Summary of Results

	2016	2017	2018	2019	2020
Total Revenue (RM'000)	171,340	172,715	210,588	222,464	232,234
Property Operating Expenses (RM'000)	(27,048)	(26,512)	(27,827)	(30,756)	(33,716)
Net Property Income (RM'000)	144,292	146,203	182,761	191,708	198,518
Profit Income (RM'000)	678	984	725	1,434	875
Changes in Fair Value of Investment Properties (RM'000) *	25,206	25,441	35,607	94,064	10,796
Net Gain/(Loss) on Financial Liabilities measured at amortised cost (RM'000) **	2,446	1,163	3,687	(2,348)	(428)
Net Gain/(Loss) on Disposal of Investment Properties (RM'000)	-	(419)	-	-	-
Fair Value Change on Derivatives (RM'000)	(201)	206	(306)	(933)	(905)
Net Property and Investment Income (RM'000)	172,421	173,578	222,474	283,925	208,856
Non-Property Expenses (RM'000)	50,129	51,018	63,026	70,474	66,285

	2016	2017	2018	2019	2020
Net Income before Taxation (RM'000)	122,292	122,560	159,448	213,451	142,571
Breakdown of Net Income after Taxation:					
- Realised Income after Taxation (RM'000)	90,186	90,796	113,442	115,179	124,938
- Unrealised Income after Taxation (RM'000)	32,106	31,764	41,537	94,059	17,126
Income Available for Distribution (RM'000)	91,122	92,668	108,011	116,872	126,390
Earnings per Unit (Realised + Unrealised) ("EPU") (sen)	11.09	10.97	12.57	16.61	9.86
Income Distribution (RM'000)	91,067	92,457	107,825	116,752	126,203
Distribution Per Unit ("DPU") (sen)	8.25	8.26	8.74	9.26	8.75
Distribution Yield (based on closing market price on 31 December) (%)	5.12	5.51	5.60	5.23	4.31
EPU Yield (based on closing market price on 31 December) (%)	6.89	7.31	8.06	9.38	4.86
Management Expense Ratio ("MER") (%)	1.25	1.31	1.30	1.29	1.27
Annual Total Return (%) ***	3.20	(1.70)	9.83	19.40	19.63
Average Total Return (3 years) (%)	9.58	(1.08)	3.78	9.18	16.29
Average Total Return (5 years) (%)	10.96	5.31	7.37	5.20	10.07

* After offsetting unbilled lease income receivables.

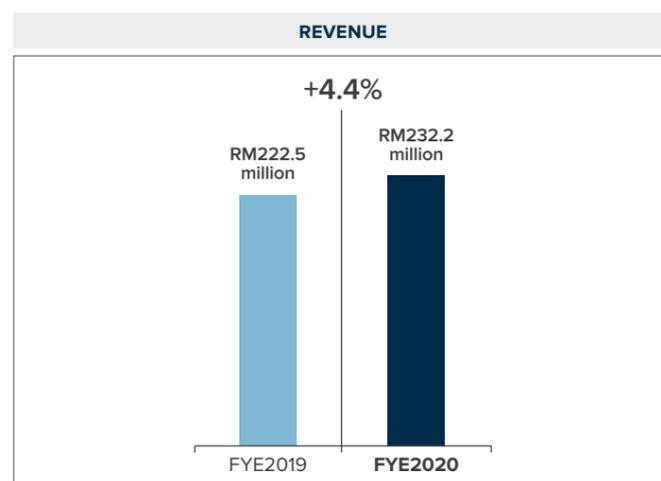
** Unrealised gain/(loss) on discounted tenants' deposits received in compliance with the Malaysian Financial Reporting Standard ("MFRS") 139.

*** Based on movements in the Unit price and DPU yield.

Revenue: Increased by RM9.7 million (+4.4%)

Despite the challenging backdrop, the Fund's revenue rose 4.4% to RM232.2 million, mainly due to rental contributions from: (i) new acquisitions completed during the year, (ii) full year contributions from properties that were acquired in FYE2019, and (iii) the commencement of the lease on Axis Facility @ Batu Kawan on 1 March 2020.

The combined effect of these factors, together with the 5.6% positive rental reversions across the portfolio, offset the impact of a dip in occupancy rates.



Revenue composition: Rental income accounted for 96.5% of total revenue

Rental income contributed RM224.0 million or 96.5% of total revenue, with the balance contributed by car park income and other income.

The lower car park income was due to waivers/rebates on seasonal car park rent extended to affected tenants during the MCO period and lower visitor car park income in FYE2020.

	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)
Rental income	161,201	159,491	199,527 *	211,475 *	224,001 *
Car park income	6,475	7,817	5,890	6,355	4,615
Other income	3,664	5,407	5,171	4,634	3,618
Total	171,340	172,715	210,588	222,464	232,234

* Includes the recognition of rental income pursuant to the requirements of MFRS16 on a straight-line basis, including rent-free periods

Property Operating Expenses: RM3.0 million higher

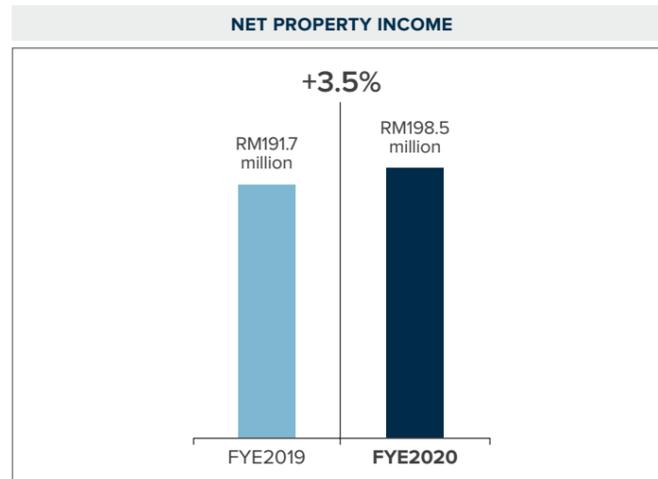
Property operating expenses incurred during the year increased by RM3.0 million year-on-year to RM33.7 million, mainly due to the enlarged portfolio size and a one-off cost of close to RM1.0 million incurred to repair a collapsed retaining wall that damaged the driveways of two properties.

In order to uphold a high standard of hygiene amid the COVID-19 pandemic, the Manager stepped up preventive measures at multi-tenanted properties, raising the frequency of cleaning, sanitising and utilising anti-viral and anti-bacterial cleaning products. These led to an increase in property operating expenses during the year.

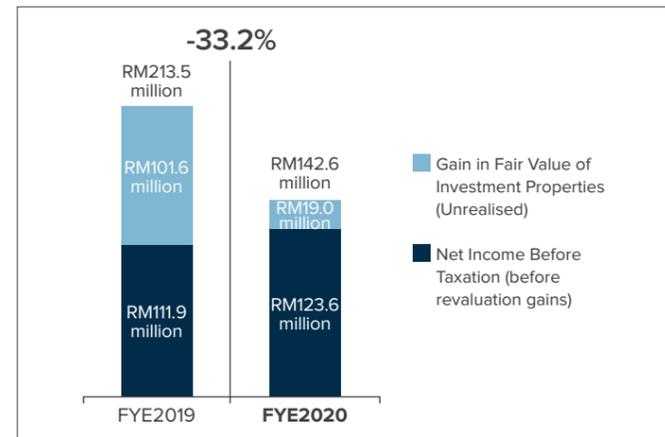
	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)
Assessment and quit rent	4,898	5,072	5,407	5,495	6,203
Property manager's fee and on-site personnel costs	6,249	5,905	6,900	7,633	8,221
Security	1,855	1,981	2,305	2,742	3,147
Takaful	1,544	1,168	1,521	1,393	1,451
Maintenance and others	12,502	12,386	11,694	13,493	14,694
Total	27,048	26,512	27,827	30,756	33,716

Net Property Income: RM6.8 million higher

Net property income for FYE2020 rose by 3.5% year-on-year to RM198.5 million as a result of the above-mentioned movements.



NET INCOME BEFORE TAXATION



Net Income Before Taxation: Lower revaluation gains

Axis-REIT recorded a net income before taxation of RM142.6 million for FYE2020, a decrease of 33.2% from the previous financial year.

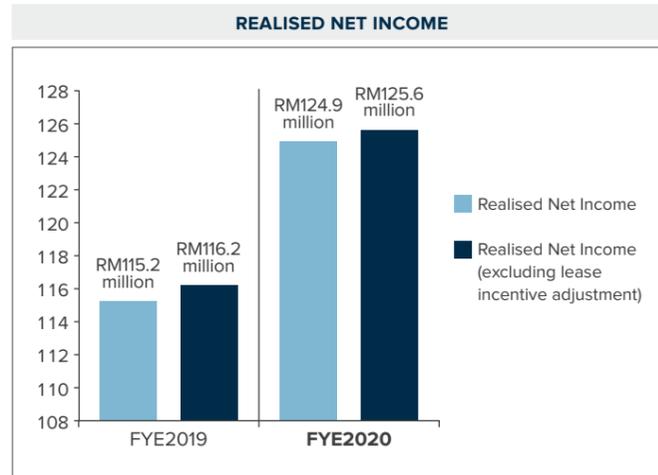
This was due to lower unrealised gains in the fair value of investment properties of RM19.0 million in FYE2020, against RM101.6 million in the preceding year.

The Fund's DPU was not affected by the lower revaluation gain as it is non-cash in nature.

Realised Net Income excluding lease incentive adjustment: Up 8.1% at RM125.6 million

At the bottom line, Axis-REIT's realised net income, including the impact of lease incentive adjustment pursuant to MFRS16, rose 8.4% to RM124.9 million.

Excluding the lease incentive adjustment, realised net income for FYE2020 would have amounted to RM125.6 million against RM116.2 million in FYE2019 – a healthy 8.1% increase from the previous year, in line with the Fund's top line growth.

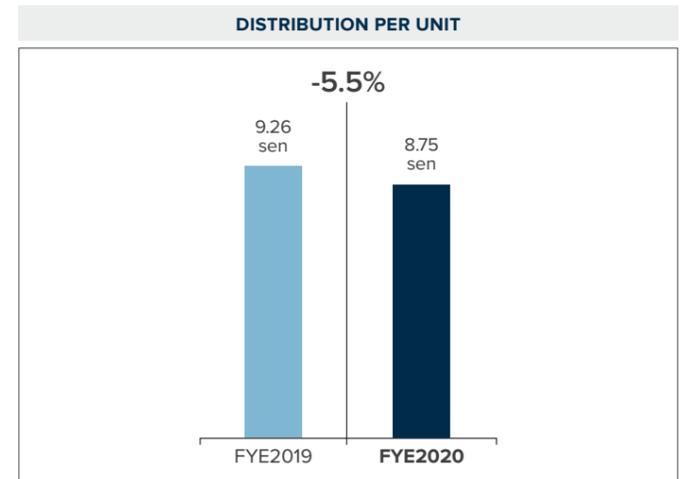


DPU: 8.75 sen

The Fund's distributable income for FYE2020 amounted to RM126.4 million, and the Fund undertook to distribute RM126.2 million, translating to a 99.9% payout ratio.

The Fund distributed 8.75 sen per unit for FYE2020. Despite the higher realised income, DPU for FYE2020 was marginally lower than the 9.26 sen declared for FYE2019. This was due to the larger number of Units in issue following the placement exercises implemented at the end of 2019.

Based on the closing price of RM2.03 on 31 December 2020, FYE2020's DPU translated to a commendable distribution yield of 4.31%.



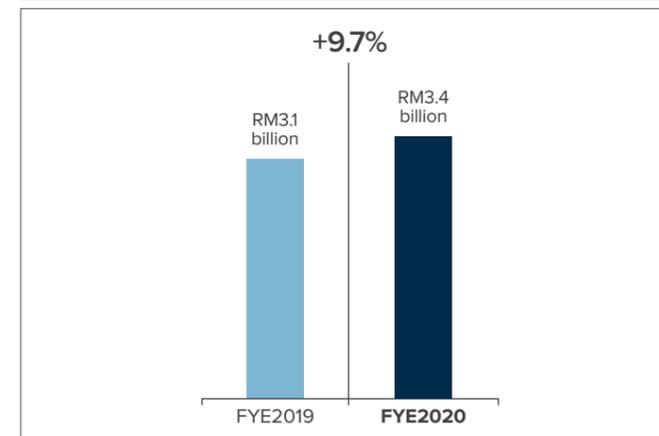
The application of the IDRPs for FYE2019 in conjunction with the payment of the final DPU ("2019 IDRPs") was successfully completed in March 2020. Pursuant to the 2019 IDRPs, a total of 7,081,008 IDRPs units were issued and listed on Bursa Securities on 10 March 2020. Consequently, the total number of Axis-REIT units in issue increased from 1,435,250,288 to 1,442,331,296 post the completion of the 2019 IDRPs. The Fund retained RM11.7 million in capital from the 2019 IDRPs, which was deployed towards AELs of its property portfolio.

The Fund also announced an IDRPs for FYE2020 ("2020 IDRPs"), applied to the final DPU of 2.25 sen, of which 0.83 sen is taxable and 1.42 sen is non-taxable in the hands of Unitholders. The 2020 IDRPs gives Unitholders the option to either:

- a) reinvest the electable portion of 1.1 sen in new units of the Fund and receive the balance portion of 1.15 sen in cash, or
- b) reinvest a partial electable portion of 0.55 sen in new units of the Fund and receive the balance portion of 1.70 sen in cash, or
- c) choose not to participate in the IDRPs option and receive the entire final DPU of 2.25 sen in cash.

The 2020 IDRPs was offered to Unitholders at an attractive price RM1.88 per unit, pricing it at a 6.47% discount to the five-day volume weighted average market price of the Fund's Units. The 2020 IDRPs is expected to be completed on 11 March 2021.

ASSETS UNDER MANAGEMENT



Financial Position

Total Assets: Up 9.7% year-on-year to RM3.4 billion

Axis-REIT maintained a strong financial position in FYE2020 that positions the Fund for growth in the years to come.

The Fund added RM263.2 million in asset value during FYE2020, including AEL investments in the portfolio amounting to RM7.4 million, and a revaluation gain of RM19.0 million on the Fund's investment properties. Consequently, the Fund's total assets stood at RM3.4 billion as at 31 December 2020 – an increase of 9.7% against the preceding financial year.

Portfolio Yield: Average net yield of 7.5%

The Fund's portfolio delivered average gross and net yields of 8.8% and 7.5% respectively during FYE2020.

Logistics warehouse properties topped the portfolio with a net yield of 8.3% followed by hypermarkets at 8.2% and manufacturing facilities at 7.4%.

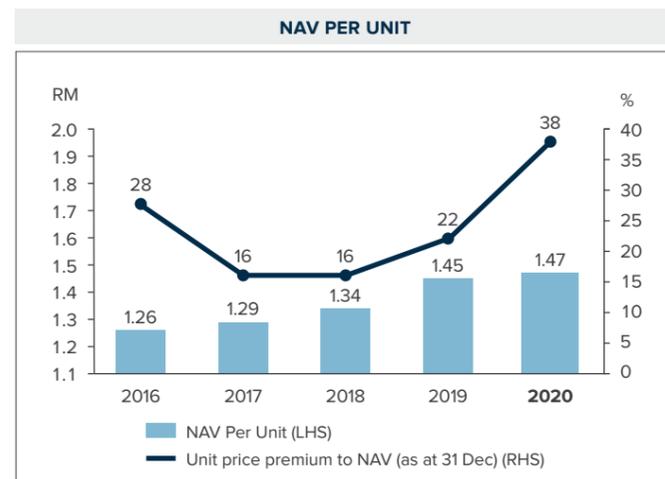
Despite the uncertainties and challenging business environment, the Fund's office properties delivered a commendable average gross and net yield of 8.9% and 6.3% respectively.

Asset type	Portfolio Yield (%)	
	Gross	Net
Office	8.9	6.3
Office Industrial	9.1	6.4
Logistics Warehouse	9.1	8.3
Manufacturing Facilities	8.3	7.4
Hypermarket	8.8	8.2
Average	8.8	7.5

NAV Per Unit: RM1.47 as at 31 December 2020

The Fund's NAV rose by 2.1% during FYE2020 to RM2.1 billion as at 31 December 2020, translating to an NAV per unit of RM1.47.

Based on Axis-REIT's closing Unit price of RM2.03 as at 31 December 2020, the Fund traded at a 38.1% premium to its NAV at the close of the year.



Summary of Performance

	2016	2017	2018	2019	2020
Total Asset Value (RM'000)	2,244,274	2,549,609	2,840,463	3,085,681	3,364,083
Net Asset Value ("NAV") (RM'000)	1,392,971	1,591,136	1,664,081	2,078,764	2,123,004
Units in Circulation ('000 units)	1,105,174	1,232,327	1,237,285	1,435,250	1,442,331
NAV per unit (RM)					
- As at 31 December	1.26	1.29	1.34	1.45	1.47
- Lowest NAV during the year	1.23	1.25	1.29	1.33	1.46
- Highest NAV during the year	1.26	1.29	1.34	1.45	1.48
Market Value per unit					
- As at 31 December (RM)	1.61	1.50	1.56	1.77	2.03
Highest Traded Price for the year (RM)	1.81	1.72	1.59	1.99	2.25
Lowest Traded Price for the year (RM)	1.50	1.45	1.19	1.55	1.66

Portfolio Valuation: 53 Properties valued at RM3.3 billion

As at 31 December 2020, Axis-REIT's portfolio comprised 53 properties with a total net lettable area ("NLA") of 10.5 million sq. ft., compared to 48 properties a year ago. A total of five properties were added to the portfolio in FYE2020. The portfolio is revalued annually, to comply with the SC's Guidelines on Listed REITs and MFRS140. Any increase or decrease in fair value is charged to the Statement of Profit or Loss as a net appreciation or depreciation on the revaluation of investment properties. For FYE2020, the independent valuation conducted on our investment properties valued the portfolio at RM3.3 billion, which included a revaluation gain of RM19.0 million for the year.

	2016	2017	2018	2019	2020
No. of properties	39	40	45	48	53
NLA ('million sq. ft.)	7.6	8.1	9.3	9.5	10.5
Portfolio carrying value before revaluation (RM million)	2,163.0	2,451.8	2,755.9	2,889.0	3,261.2
Portfolio carrying value after revaluation (RM million)	2,192.9	2,482.2	2,798.5	2,990.6	3,280.2
Unrealised gain/(loss) (RM'000)	29,861	30,395	42,558	101,553	18,966
Portfolio Total Investment Outlay (including enhancements) (RM million)	1,895.6	2,151.0	2,424.8	2,515.3	2,786.0
Accumulated Revaluation Gain/(Loss) (RM million)	301.5	331.2	373.7	475.3	494.2

A breakdown of the Fund's portfolio valuation by property is provided on pages 238 - 241 of this Report.

Financing Profile

	2016	2017	2018	2019	2020
Total financing (RM'000)	780,665	842,594	1,059,367	885,859	1,112,183
Total assets (RM'000)	2,244,274	2,549,609	2,840,463	3,085,681	3,364,083
Financing ratio	34.8%	33.0%	37.3%	28.7%	33.1%
Effective profit rate per annum (p.a.) *	4.3%	4.2%	4.3%	4.4%	3.9%
Percentage of short-term financing	58%	71%	77%	43%	55%
Percentage of medium and long-term financing	42%	29%	23%	57%	45%
Total unencumbered assets	15	15	19	16	25
Percentage of unencumbered assets over total assets	30%	27%	28%	27%	44%

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

MANAGER'S DISCUSSION AND ANALYSIS

Total Financing: RM226.3 million higher at RM1.1 billion

As at 31 December 2020, the Fund's total financing increased to RM1.1 billion (FYE2019: RM885.9 million), raising its financing ratio to 33.1% (FYE2019: 28.7%).

The Fund completed five acquisitions during FYE2020 and these acquisitions were fully funded by existing banking facilities. These properties were immediately income-generating, contributing to Axis-REIT's FYE2020 income upon completion of their acquisitions, and from FYE2021 onwards, the Fund will benefit from full-year income contributions from these properties.

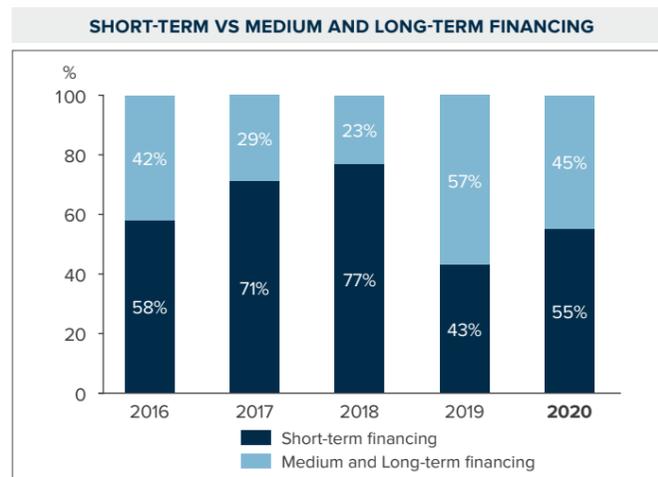
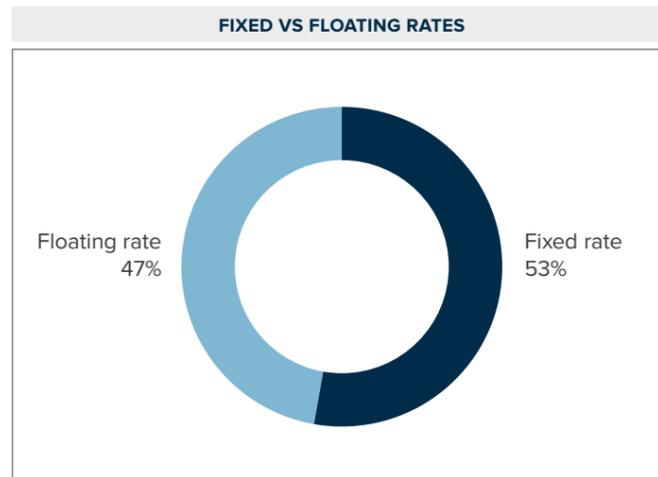
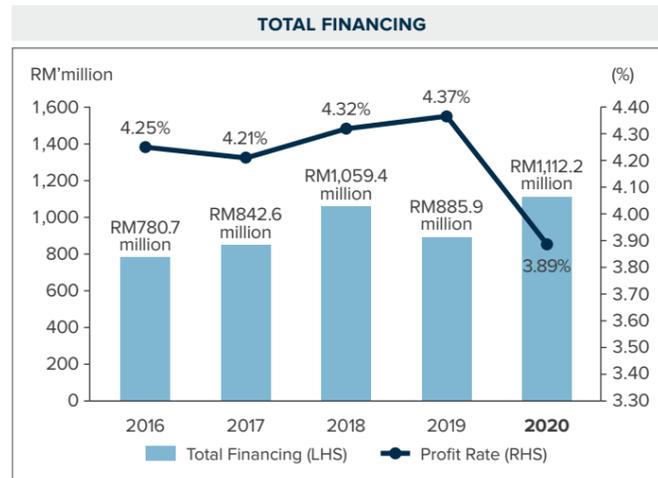
During the year, the 7-year Sukuk amounting to RM70.0 million matured and the Fund used its existing short-term credit facilities to fully redeem the Sukuk. Following the redemption of the 7-year Sukuk, Axis-REIT's remaining Sukuk issuances amounted to RM350.0 million as at 31 December 2020.

As at 31 December 2020, the effective profit rate of the Fund's financing portfolio stood at 3.9% p.a., down 0.5 percentage points from 4.4% in FYE2019. This was mainly due to a lower financing ratio following the equity placement exercises that were completed in end-FYE2019, and BNM's four Overnight Policy Rate ("OPR") cuts during the year, which resulted in a cumulative 125-bps reduction in the OPR.

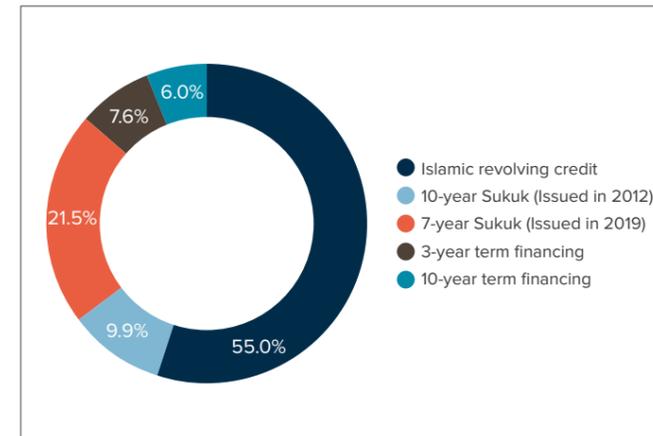
Approximately 53% of the Fund's financing was maintained at fixed profit rates. The financing cost for approximately 13.5% of the Fund's outstanding financing, to an aggregate amount of RM150.0 million was hedged through Islamic Profit Rate Swaps.

The Fund adopts a prudent and disciplined approach towards capital management to ensure financial flexibility in its funding structure and to mitigate concentration risk. We have strengthened our capital management to ensure the Fund's financial position is robust and well-prepared for any upcoming challenges and opportunities.

As at 31 December 2020, our financing portfolio (before incidental costs of financing) consisted of RM350.0 million in Sukuk issuances (7-year and 10-year tenures), RM151.5 million in term financing facilities and RM611.5 million in revolving credit facilities. The Fund's exposure to medium and long-term financing as at 31 December 2020 stood at 45%.



FINANCING PROFILE AS AT 31 DECEMBER 2020



Financing Ratio: 33.1% as at 31 December 2020, well below regulatory limits

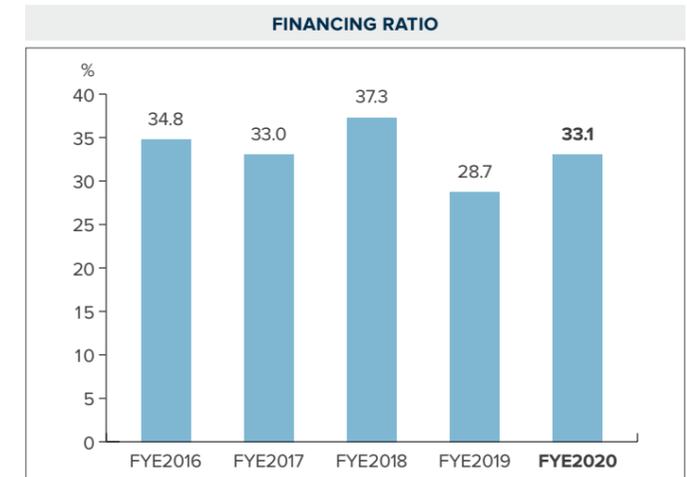
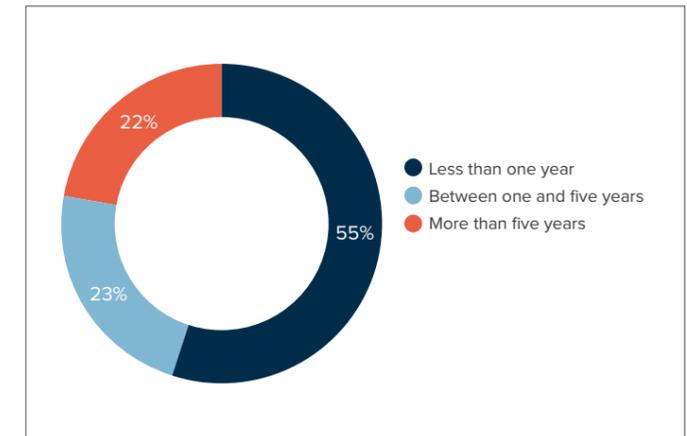
The Fund's financing ratio remained low, at 33.1% - well below the SC's Guidelines on Listed REITs' limits, providing comfortable financing headroom for potential acquisitions. The Fund's average all-in effective profit rate stood at 3.9% p.a. and all financing facilities are secured by properties.

The Fund's relatively low financing ratio paves the way for further acquisitions and growth as it gives the Fund headroom to take on a further RM570.0 million in financing facilities before the financing ratio breaches the 50% limit set by the SC under its Guidelines on Listed REITs.

During the year, the SC had announced a temporary increase in the gearing limit for MREITs, raising the cap to 60% until 31 December 2022.

MANAGER'S DISCUSSION AND ANALYSIS

FINANCING MATURITY PROFILE AS AT 31 DECEMBER 2020



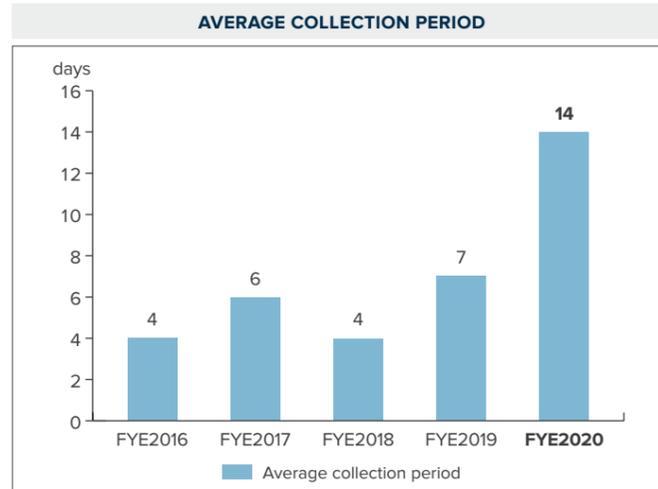
Liquidity and Credit Position

As at 31 December 2020, the Fund's cash balances and short-term Islamic deposits amounted to RM39.8 million, along with committed but undrawn financing facilities amounting to RM115.0 million, providing sufficient liquidity to satisfy its working capital and operating requirements.

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

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

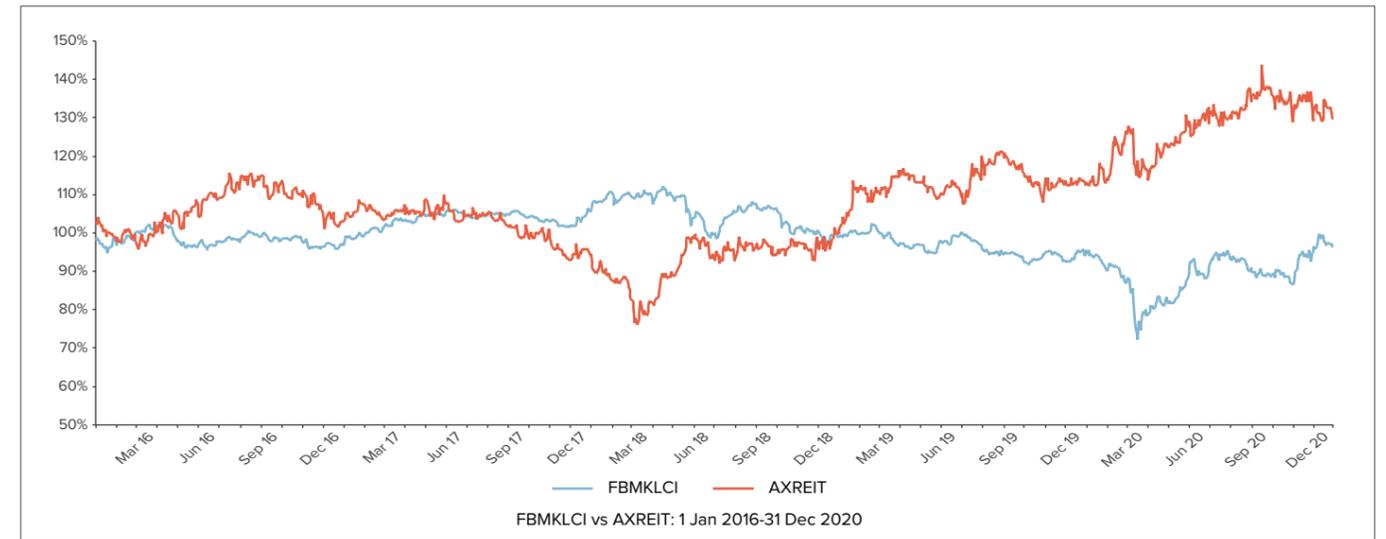
For FYE2020, the Fund's average collection period remained at a manageable 14 days, while trade receivables of the Fund stood at RM8.4 million. The trade receivables balance for FYE2020 was comparatively higher than that of FYE2019 mainly because two major tenants had delayed their payments during the financial year under review. However, most of the outstanding payments were subsequently collected in January and February 2021.



Our stringent approach to tenant and credit risk management has kept impairments on trade receivables to a minimum. In FYE2020, the Fund recorded an impairment loss on trade receivables amounting to RM70,000, which represents just 0.03% of the Fund's total annual gross revenue. The keen focus on receivables and well-established internal credit control processes has led to this excellent result.

Impairment Losses on Trade Receivables	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)
Impairment losses on trade receivables/bad debts written off/(written back)	474	(369)	215	(26)	70
Trade receivables	1,469	2,628	4,630	4,207	8,379
Total annual gross revenue	166,685	167,761	197,241	216,005	224,712
Impairment losses on trade receivables/bad debts written off/(written back) as a % of gross revenue	0.28	-	0.11	-	0.03
Average collection period (in days)	4	6	4	7	14

UNIT PRICE PERFORMANCE



Axis-REIT's Unit price outperformed the FTSE Bursa Malaysia-Kuala Lumpur Composite Index ("FBMKLCI") in 2020. The Fund's unit price rose 14.7% in 2020, against the FBMKLCI's 2.4% increase.

We attribute the Fund's price performance to investors' preference for defensive stocks amid economic headwinds from the COVID-19 pandemic, which adversely impacted the Malaysian and global economies since the first quarter of 2020.

BNM's implementation of a cumulative 125-basis point reduction in the OPR in 2020 lowered the rate to 1.75% by the close of 2020, creating a record-low interest rate environment.

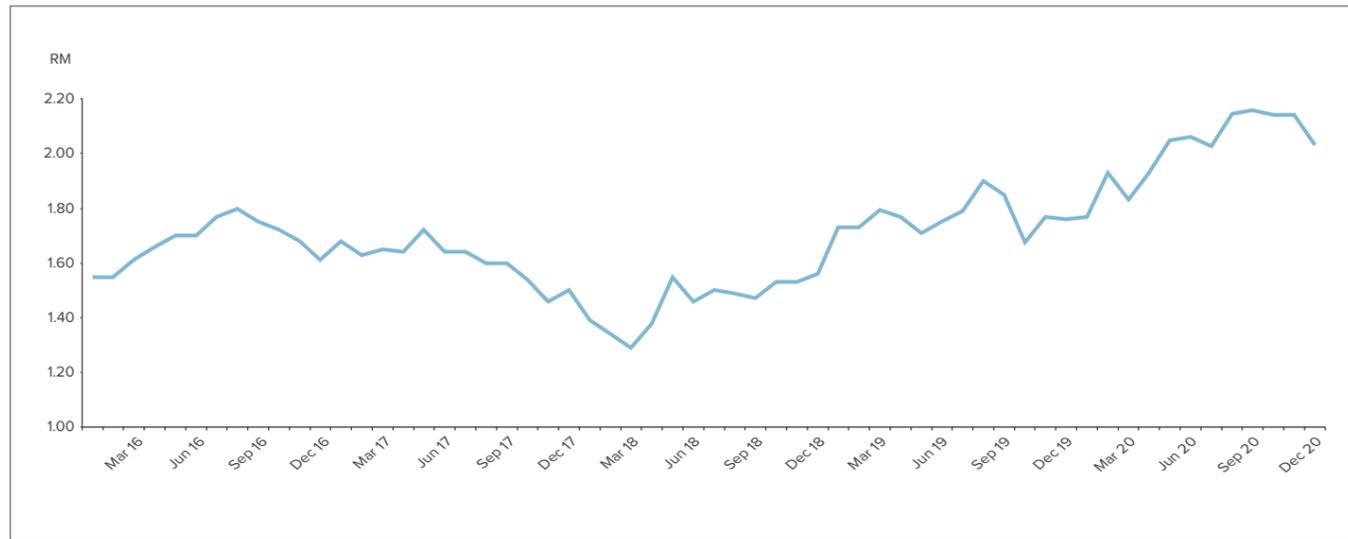
Unit Price and Volume Overview

Opening Unit Price	RM1.76 (4 January 2020)
Closing Unit Price	RM2.03 (31 December 2020)
Highest Traded Price	RM2.25 (September 2020)
Lowest Traded Price	RM1.66 (March 2020)
Number of Unitholders	6,776 (31 December 2020)
Number of Unitholdings	1,442,331,296 units

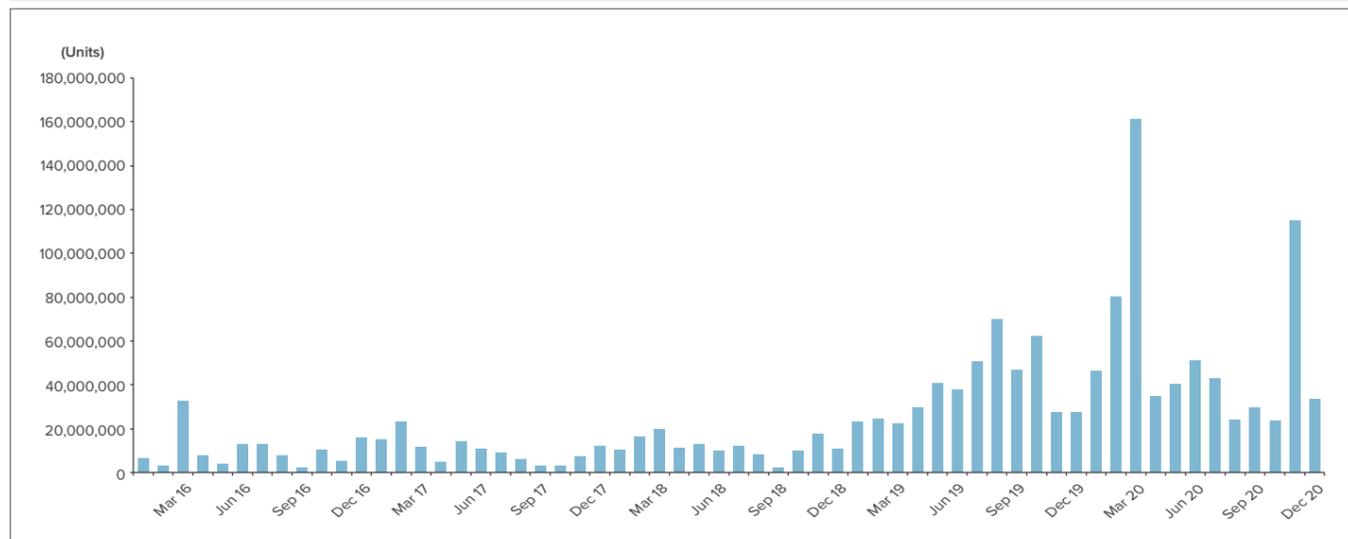
5-Year Unit Price Performance Highlights

	2016	2017	2018	2019	2020
Closing Unit Price as at 31 December (RM)	1.61	1.50	1.56	1.77	2.03
High	1.81	1.72	1.59	1.99	2.25
Low	1.50	1.45	1.19	1.55	1.66
NAV	1.26	1.29	1.34	1.45	1.47
Market Capitalisation (RM'000)	1,779,329	1,848,490	1,930,165	2,540,393	2,927,933

5-YEAR UNIT PRICE MOVEMENT



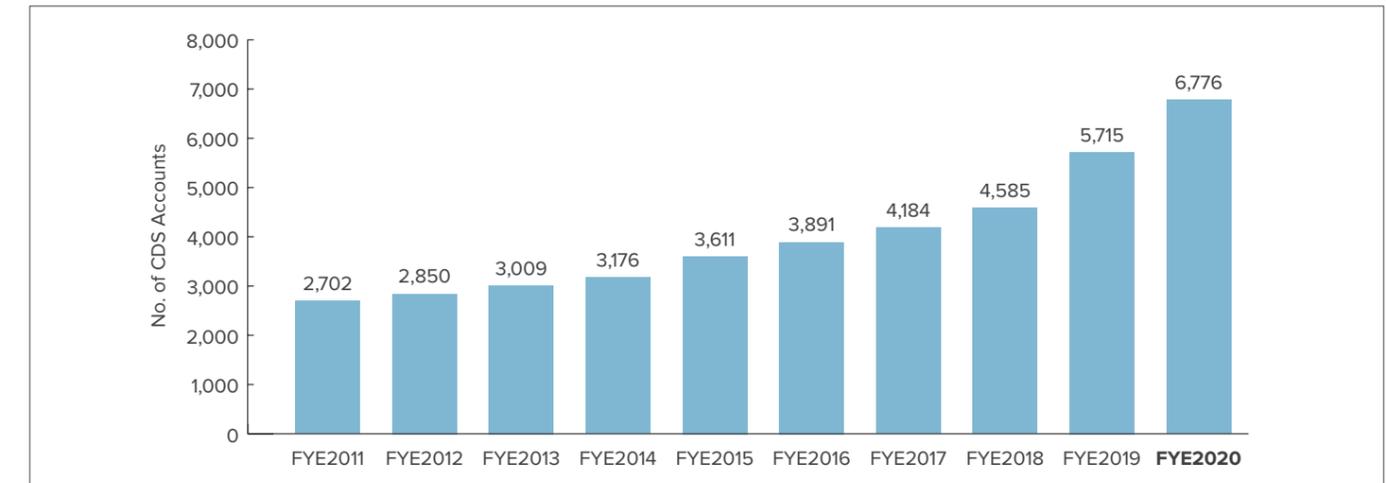
MONTHLY TRADING VOLUME



Transaction volume highlights

Total trading volume (January-December 2020)	684,361,252 units
Average Monthly Volume	57,030,104 units
Highest Monthly Volume	161,306,000 units (March 2020)
Lowest Monthly Volume	23,791,500 units (October 2020)

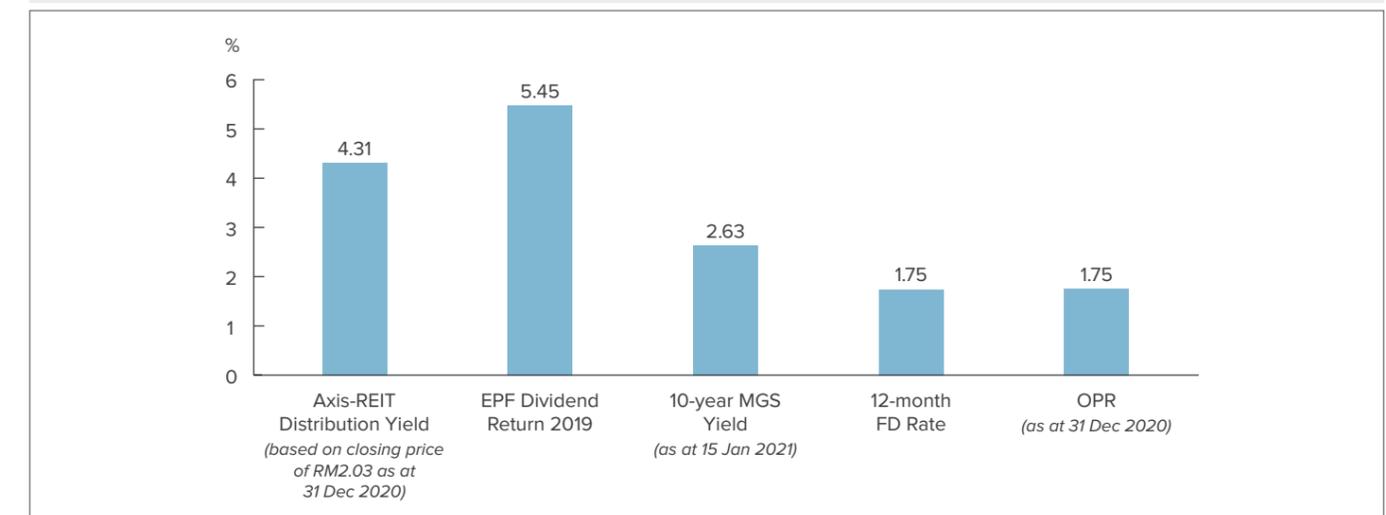
NUMBER OF CDS ACCOUNT HOLDERS



Data from Bursa Securities showed that Axis-REIT Units traded on 6,776 Central Depository System (“CDS”) accounts in 2020, an 18.6% increase from 5,715 accounts in 2019.

We attribute the increase to our strong track record of delivering returns and distributions during the year, as well as an increased interest in defensive stocks amid global economic headwinds in 2020.

COMPARATIVE ANNUAL RETURN



Axis-REIT continued to deliver robust returns to Unitholders, with cumulative DPU for FYE2020 amounting to 8.75 sen.

This translates to a distribution yield of 4.3% based on the Fund’s closing Unit price of RM2.03 as at 31 December 2020.

In the current prevailing low interest rate environment, the distribution yield to the Fund’s Unitholders is highly competitive.

OPERATIONS REVIEW

▶ PORTFOLIO OVERVIEW

Portfolio Size	: 53 properties
Number of Tenants	: 150
Revenue	: RM232.2 million
Total Space Under Management	: 10,478,726 sq. ft.
Occupancy	: 91%
Net Property Income	: RM198.5 million

Axis-REIT has a growing portfolio of office and industrial properties located in key urban industrial hubs throughout Peninsular Malaysia. The Fund's mission, in investing in such income-generating properties, is to provide consistent distributions to Unitholders through growing the property portfolio, displaying the highest level of corporate governance, excellent capital and risk management, and preserving capital values.

In response to the unprecedented events of 2020, we were quick to implement a clear and decisive strategy that prioritised protecting our stakeholders while maintaining the business. Towards this end, we implemented business continuity plans, remote working and strict SOPs to safeguard our employees, tenants, suppliers and contractors.

With these measures in place, and with the Fund's strong fundamentals and focus on industrial real estate, we were able to focus our efforts and attention on our core strategy of managing and growing the property portfolio.

Our approach in managing our property portfolio and tenant base is focused on maintaining a high level of tenant satisfaction and retention, keeping portfolio occupancy rates high, and generating positive rental reversions. Toward this end, along with our proactive property and tenant management efforts, we undertook several initiatives during 2020, which included:

- (i) improving 'Hello Axis', launching a mobile application feature to facilitate easier access to the tenant management portal for both tenants and the Manager's tenant care team;
- (ii) embarking on digital marketing campaigns to improve our marketing reach and performance, and mitigate disruptions caused by the MCO; and
- (iii) continued asset maintenance discipline and AElS.

Our continued focus on managing the property portfolio has enabled us to deliver commendable operating results for FYE2020 despite the overwhelming headwinds in the macroeconomic and business landscape. Our key achievements included:

- Continued expansion in our portfolio of properties and space under management. During FYE2020, the Fund added five properties to its portfolio, bringing the portfolio to 53 properties, with close to 10.5 million sq. ft. of space under management as at 31 December 2020;
- Sustained occupancy levels across our portfolio, with occupancy dipping just 1 percentage point to 91% as at 31 December 2020;
- A tenant retention rate of 77% with a 5.6% positive rental reversion across the portfolio;
- Improved tenant satisfaction levels.

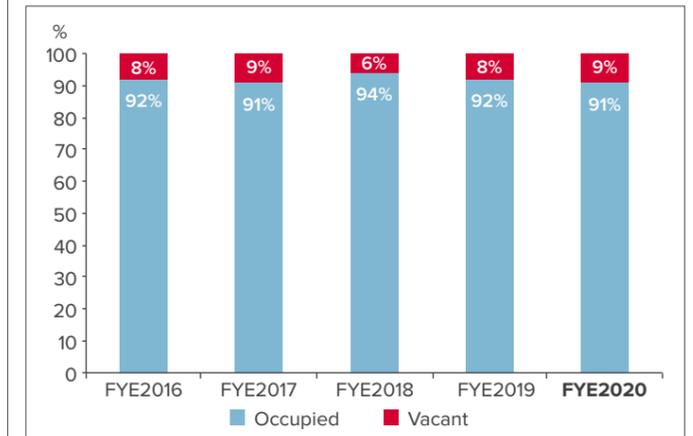
Further details of our operating performance are presented in the following pages.

SPACE UNDER MANAGEMENT: GREW 10% TO 10.5 MILLION SQ. FT.



During 2020, the Fund added five properties to its portfolio, bringing the portfolio to 53 properties and raising total space under management by 10% to 10.5 million sq. ft.

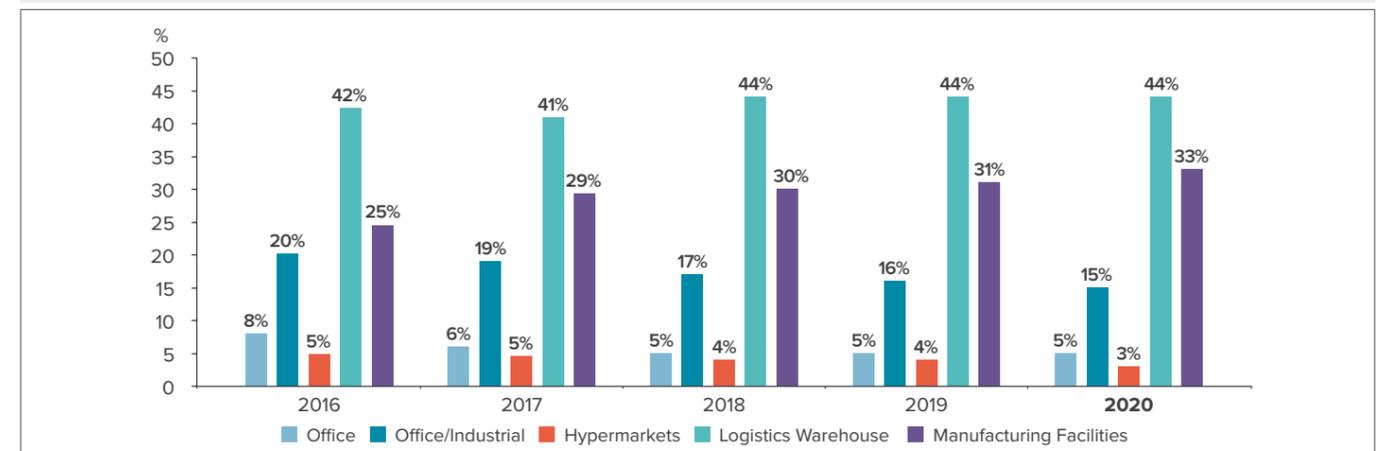
PORTFOLIO OCCUPANCY: MARGINALLY LOWER, AT 91%



Axis-REIT's portfolio occupancy stood at 91% as at 31 December 2020, a decline from 92% as at 31 December 2019.

The dip was due to a tenant vacating the D8 Logistics Warehouse in Johor, and the non-renewal of tenancies by certain tenants. Axis-REIT has since aggressively marketed the vacant space to fill the vacancy in the portfolio.

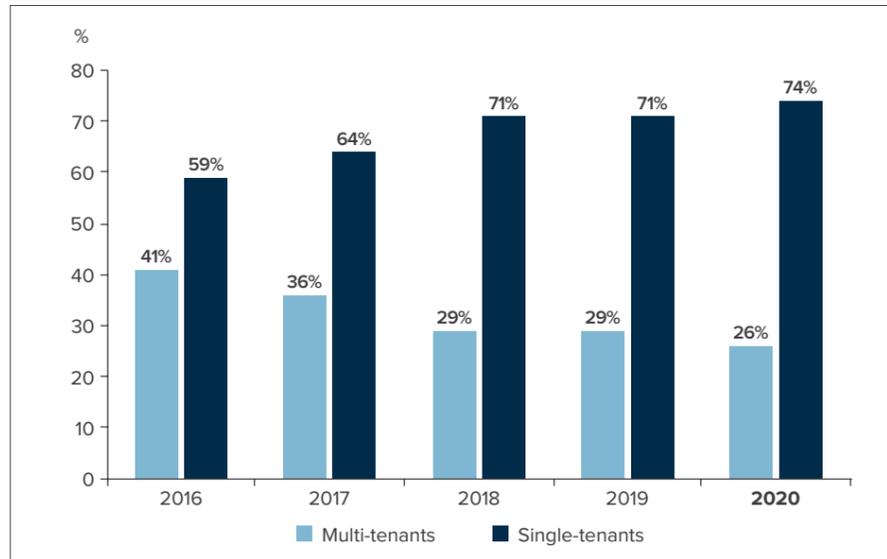
PORTFOLIO DIVERSIFICATION BY TYPE: CONTINUED FOCUS ON INDUSTRIAL PROPERTIES



Axis-REIT's portfolio remains focused on industrial properties. As at 31 December 2020, 92% of its portfolio (by NLA) were industrial titles.

In terms of property type, the portfolio remained stable, concentrated on logistics warehouse properties, manufacturing facilities and office/industrial properties.

**PORTFOLIO DIVERSIFICATION BY TENANCY TYPE:
INCREASING PROPORTION OF SINGLE-TENANT PROPERTIES**



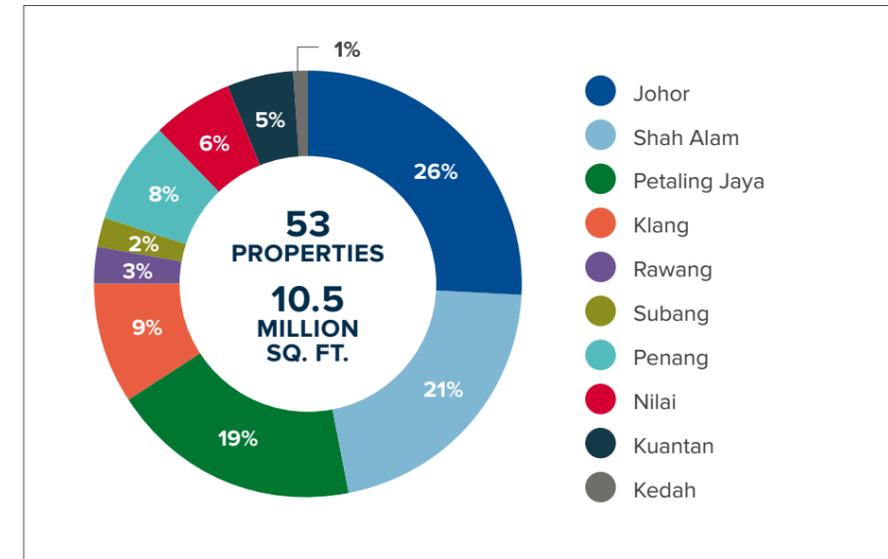
The Fund's increasing focus on manufacturing and logistics warehouse facilities over the years has raised the proportion of single-tenanted properties in its portfolio.

The proportion of single-tenanted properties rose to 74% in FYE2020. These properties provide stable, long-term organic rental income growth, as their leases are typically long-term leases with pre-agreed rental step ups.

Single-tenanted properties also usually feature lower operating costs as maintenance costs are borne by tenants.

Our single-tenanted properties are typically tenanted by multi-national companies or government-linked companies, which present a lower risk of default.

**PORTFOLIO DIVERSIFICATION BY GEOGRAPHIC LOCATION:
GROWING PRESENCE IN KEY INDUSTRIAL HUBS**



In terms of geographical diversification, Axis-REIT's portfolio is spread throughout the prime industrial areas of Peninsula Malaysia.

The acquisitions completed during the year were located in Nilai, Shah Alam and Johor, raising our presence in these rapidly-growing industrial hubs that have high growth potential.

Looking ahead, our pipeline of ongoing acquisitions continues to build on this strategy of growing our portfolio of industrial properties in key industrial hubs.

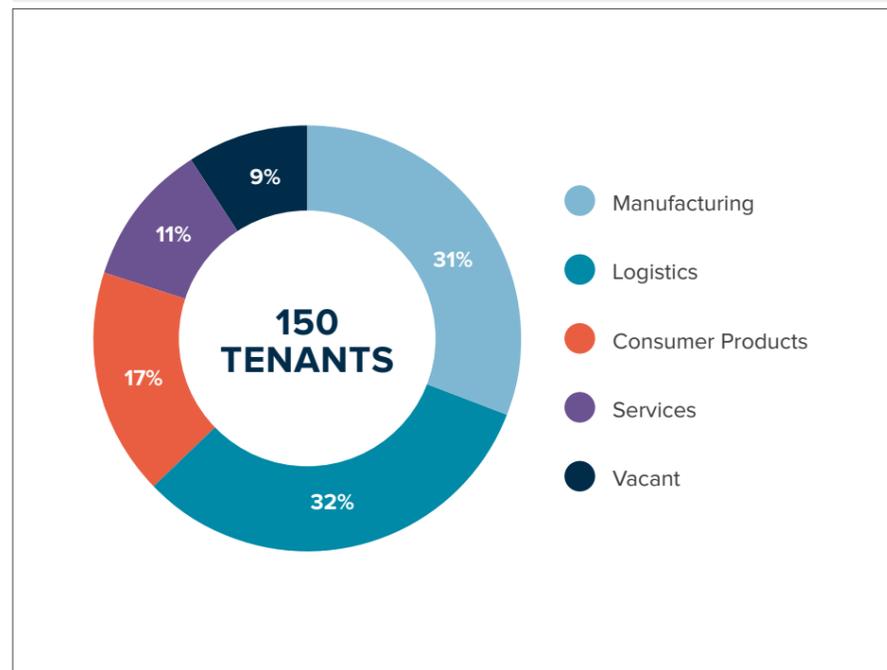
The Fund's tenant base remained stable and well-diversified, with 150 tenants as at 31 December 2020.

In terms of industry exposure, our tenants are predominantly involved in manufacturing and logistics, consumer products and service industries.

Our 10 biggest tenants (by revenue contribution) accounted for 46.8% of monthly rental, and are as follows:

- Nestle Products Sdn Bhd
- LF Logistics Services (M) Sdn Bhd
- Yongnam Engineering Sdn Bhd
- Wasco Coatings Malaysia Sdn Bhd
- Schenker Logistics (Malaysia) Sdn Bhd
- Upeca Aerotech Sdn Bhd
- Pos Logistics Berhad
- Tesco Stores (Malaysia) Sdn Bhd
- Teraju Sinar Sdn Bhd
- Northport (Malaysia) Berhad

TENANT PROFILE: 150 TENANTS; TOP 10 TENANTS ACCOUNTED FOR 46.8% OF REVENUE



TENANCIES COMMITTED

During FYE2020, leases for 1.7 million sq. ft. of space in our portfolio came up for renewal. Through proactive portfolio management, the Real Estate Team was able to successfully contract tenancies for 1.37 million sq. ft. or 80% of the space for which leases had come up for renewal during the year. This included the renewal of tenancies for 1.3 million sq. ft., which translates to a tenant retention rate of 77%. The efforts of the Real Estate Team also generated a positive rental reversion of 5.6%. Our portfolio WALE declined slightly, to 5.6 years in terms of NLA and 5.7 years in terms rental income.

For more information on how we manage our tenants, please refer to the Management of Sustainability Matters section on pages 104 - 106 of this Report.

**PORTFOLIO WALE:
SLIGHTLY LOWER AT 5.6 YEARS AS AT END-FYE2020**



As at 31 December 2020, the Fund's portfolio WALE (by NLA) had dipped to 5.6 years, from 6.0 years a year earlier.

The decrease was caused by non-renewals by certain tenants amid the COVID-19 pandemic and ensuing economic headwinds.

Portfolio Lease Expiry Profile by Location, 2020 – 2022

Property Location	Year 2020	% of Total NLA	% of Rental Income/month	Year 2021	% of Total NLA	% of Rental Income/month	Year 2022	% of Total NLA	% of Rental Income/month
Petaling Jaya	625,591	5.96	9.92	563,707	5.38	9.68	493,891	4.71	8.12
Shah Alam	412,015	3.93	3.86	612,547	5.85	5.79	105,550	1.01	1.23
Klang	-	-	-	-	-	-	149,605	1.43	1.19
Johor	468,936	4.48	2.97	772,475	7.37	5.08	216,988	2.07	1.98
Nilai	-	-	-	-	-	-	291,642	2.78	1.41
Penang	205,151	1.96	2.37	-	-	-	395,225	3.77	2.96
TOTAL	1,711,693	16.33	19.12	1,948,729	18.60	20.55	1,652,901	15.77	16.89

Portfolio Lease Expiry Profile by Property Type, 2020 – 2022

Property Type	Year 2020	% of Total NLA	% of Rental Income/month	Year 2021	% of Total NLA	% of Rental Income/month	Year 2022	% of Total NLA	% of Rental Income/month
Office	137,864	1.32	3.12	134,059	1.28	3.46	113,742	1.09	2.42
Office Industrial	487,727	4.65	6.80	429,648	4.10	6.23	410,399	3.92	6.30
Logistics Warehouse	1,086,102	10.36	9.20	1,087,123	10.38	8.17	645,445	6.15	5.07
Manufacturing Facilities	-	-	-	297,899	2.84	2.69	483,315	4.61	3.10
Hypermarket	-	-	-	-	-	-	-	-	-
TOTAL	1,711,693	16.33	19.12	1,948,729	18.60	20.55	1,652,901	15.77	16.89

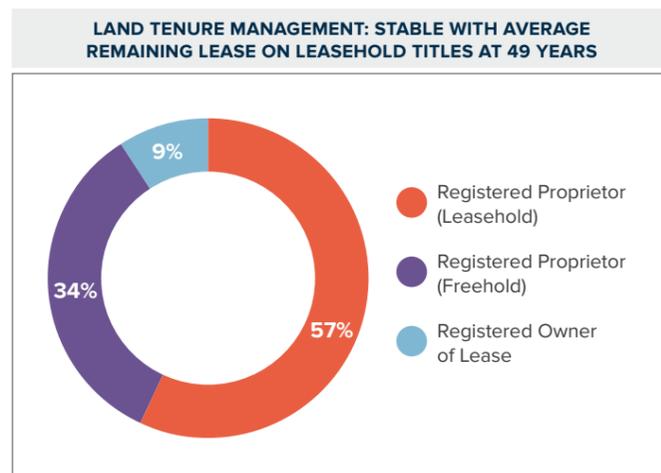
34% of the Fund's portfolio is situated on freehold land.

With the remaining 57% of its portfolio sitting on leasehold titles and 9% on land owned under registered lease, the Manager actively monitors and manages the lease expiry profiles of Axis-REIT's portfolio.

During FYE2020, there were no lease renewals completed as the leasehold properties in our portfolio had, on average, 49 years to expiry, with the shortest remaining lease period at a comfortable 29 years.

For FYE2020, the Fund's portfolio land tenure profile was as follows:

- No of leasehold properties: 35
- Average remaining lease period: 49 years
- Median remaining lease period: 46 years
- Longest remaining lease period: 89 years
- Shortest remaining lease period: 29 years



INVESTMENT REVIEW

With the Fund's firm focus on industrial assets, our priority is to ensure superior asset selection through both acquisitions and 'built-to-lease' developments that will improve the overall quality of our portfolio. Our selection process ensures that asset acquisitions are yield-accretive, provide income generating potential and are strategic in enhancing the overall portfolio.

Throughout 2020, we continued to build out our 'built-to-lease' property development pipeline, with efforts across the spectrum from exploring potential opportunities and engaging in negotiations, right up to the handover of completed projects. 'Built-to-lease' developments are an additional avenue of organic growth for the Fund that enables us to upgrade our portfolio while developing business space solutions that cater to the specific needs of tenants.

In FYE2020, Axis-REIT completed five acquisitions with a total consideration of RM258.9 million and saw the commencement of the lease at its third development project, Axis Facility @ Batu Kawan. In addition, the Fund also invested RM7.4 million in AElS during the year.

Collectively, the acquisitions completed in FYE2020 added approximately 945,138 sq. ft. of NLA to the portfolio. Details of the property acquisitions completed in FYE2020 are presented in the following pages.



MANAGER'S DISCUSSION AND ANALYSIS

► SALIENT DETAILS OF ACQUISITIONS COMPLETED IN 2020

Property Name	: Axis Facility 2 @ Nilai
Address	: Lot 749, Kawasan Perindustrian Nilai II, 71800 Nilai, Negeri Sembilan Darul Khusus
Property Description	: Single-storey factory/warehouse with a double-storey office annex and other ancillary buildings
Property Type	: Manufacturing Facility
Property Age	: 5 years
Title Details	: PN 6235, Lot No. 749, Pekan Nilai, District of Seremban, State of Negeri Sembilan Darul Khusus
Land Tenure	: 99-year leasehold interest expiring on 19 August 2089
Nett Lettable Area	: 246,500 sq. ft.
Existing Use	: Factory/warehouse and office for the manufacturing and sale of plastics and packaging products
Occupancy Rate	: 100%
Tenant	: K-Plastics Industries Sdn Bhd
Tenancy/Lease Period	: 10 years
WALE	: 10 years
Date of Acquisition	: 28 February 2020
Purchase Price	: RM50.0 million
Date of Valuation	: 25 July 2019
Valuation	: RM51.0 million (as at 25 July 2019)
Independent Valuer	: PPC International Sdn Bhd
Vendor	: K-Plastics Industries Sdn Bhd



MANAGER'S DISCUSSION AND ANALYSIS

Property Name	: Axis Facility 2 @ Bukit Raja
Address	: No. 4, Solok Waja 3, Kawasan Perindustrian Bukit Raja, 41050 Klang, Selangor Darul Ehsan
Property Description	: Two blocks of detached factory with a double-storey office building annex and other ancillary structures
Property Type	: Manufacturing Facility
Property Age	: 34 years
Title Details	: H.S.(D) 24275, PT No. 3499, Mukim of Bukit Raja, District of Klang, State of Selangor Darul Ehsan.
Land Tenure	: 99-year leasehold interest expiring on 22 October 2088
Nett Lettable Area	: 149,605 sq. ft.
Existing Use	: Manufacturing and distribution of office equipment, security equipment and steel-related products.
Occupancy Rate	: 100%
Tenant	: Lion Steelworks Sdn Bhd
Tenancy/Lease Period	: 2 years and 5 months
WALE	: 2.4 years
Date of Acquisition	: 17 March 2020
Purchase Price	: RM37.0 million
Date of Valuation	: 25 October 2019
Valuation	: RM39.0 million (as at 25 October 2019)
Independent Valuer	: PA International Property Consultants Sdn Bhd
Vendor	: Lion Steelworks Sdn Bhd



MANAGER'S DISCUSSION AND ANALYSIS

Property Name	: D37c Logistics Warehouse
Address	: Plot D37c, Jalan DPB 3, Distripark B, Pelabuhan Tanjung Pelepas, 81560 Gelang Patah, Johor
Property Description	: Single-storey warehouse together with a three-storey office building and other ancillary buildings
Property Type	: Logistics Warehouse
Property Age	: 2 years
Title Details	: Held under master titles H.S.(D) 303868 for Lot PTD No. 2423 and H.S.(D) 303949 for Lot PTD No. 2426, both in Mukim of Tanjung Kupang, District of Johor Bahru, State of Johor Darul Ta'zim
Land Tenure	: 35 years tenure remaining on the sub-lease from Pelabuhan Tanjung Pelepas Sdn. Bhd.
Nett Lettable Area	: 222,723 sq. ft.
Existing Use	: General Warehouse
Occupancy Rate	: 100%
Tenant	: Schenker Logistics (Malaysia) Sdn Bhd
Tenancy/Lease Period	: 10 years
WALE	: 7.9 years
Date of Acquisition	: 9 June 2020
Purchase Price	: RM65.0 million
Date of Valuation	: 26 August 2019
Valuation	: RM65.0 million (as at 26 August 2019)
Independent Valuer	: First Pacific Valuers Property Consultants Sdn Bhd
Vendor	: Rancak Beta Sdn Bhd



MANAGER'S DISCUSSION AND ANALYSIS

Property Name	: Axis Shah Alam Distribution Centre 5
Address	: Lot 45 (177), Jalan Utas 15/7, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan
Property Description	: Two single-storey warehouses and a double-storey office annex as well as other ancillary buildings
Property Type	: Logistics Warehouse
Property Age	: 29 years; refurbished in 2018
Title Details	: H.S.(D) 172525, PT Lot No. 156, Town of Shah Alam, District of Petaling, State of Selangor Darul Ehsan
Land Tenure	: 99-year leasehold interest expiring on 10 July 2074
Nett Lettable Area	: 285,249 sq. ft.
Existing Use	: General Warehouse
Occupancy Rate	: 100%
Tenant	: One Total Logistics (M) Sdn Bhd
Tenancy/Lease Period	: The entire property is tenanted to One Total Logistics Sdn Bhd until 30 June 2023 via four tenancy agreements (including its supplemental agreements thereof) of various tenures
WALE	: 2.7 years
Date of Acquisition	: 10 November 2020
Purchase Price	: RM95.0 million
Date of Valuation	: 21 August 2020
Valuation	: RM95.0 million (as at 21 August 2020)
Independent Valuer	: PA International Property Consultants (KL) Sdn Bhd
Vendor	: Axis Development Sdn Bhd ("ADSB")*

*ADSB is a company related to certain Directors of the Manager.



MANAGER'S DISCUSSION AND ANALYSIS

Property Name	: Axis Industrial Facility @ Shah Alam
Address	: Lot 16, Jalan Pengapit 15/19, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan
Property Description	: A single-storey detached warehouse building and other ancillary buildings
Property Type	: Manufacturing Facility
Property Age	: 38 years
Title Details	: H.S.(D) 172560, PT Lot No. PT207, Town of Shah Alam, District of Petaling, State of Selangor Darul Ehsan
Land Tenure	: 99-year leasehold interest expiring on 8 April 2078
Net Lettable Area	: 41,061 sq. ft.
Existing Use	: Warehouse
Occupancy Rate	: 100%
Tenant	: GT-Max Construction Sdn Bhd
Tenancy/Lease Period	: 3 years
WALE	: 3 years
Date of Acquisition	: 3 December 2020
Purchase Price	: RM11.9 million
Date of Valuation	: 1 July 2020
Valuation	: RM12.8 million (as at 1 July 2020)
Independent Valuer	: Rahim & Co International Sdn Bhd
Vendor	: Melewar Steel Services Sdn Bhd



MANAGER'S DISCUSSION AND ANALYSIS

Completion and Handover of Axis Facility @ Batu Kawan

On 15 July 2019, Axis-REIT signed an agreement to develop a warehouse in Batu Kawan, Penang, for Federal Express Services (M) Sdn Bhd ("FedEx"). Known as Axis Facility @ Batu Kawan, the project is Axis-REIT's third 'built-to-lease' development project. The greenfield development, built to the specifications of FedEx, comprises a 44,000-sq. ft. warehouse facility, sited on 2.5 acres of land. In return, FedEx is committed to a 10 + 5 year lease on the property.

Work on the facility commenced in August 2019, and we successfully obtained the Certificate of Completion and Compliance on 28 February 2020. The facility was handed over for tenant occupation on 1 March 2020.

Axis Facility @ Batu Kawan

Features	: <ul style="list-style-type: none"> • Customised warehouse designed and built to FedEx's specifications • Rainwater harvesting system installed to cater for delivery truck cleaning activities
Property Type	: Logistics Warehouse
Land Area	: 2.5 acres
Land Tenure	: 30 years (sub-leased land from Penang Development Corporation)
Net Lettable Area	: 44,000 sq. ft.
Development Cost	: RM14.6 million (including land and incidental costs)
Market Value	: RM19.0 million
Lease Commencement	: 1 March 2020
Occupancy Rate	: 100%
Tenant	: Federal Express Services (M) Sdn Bhd
Tenancy/Lease Period	: 10 years
WALE	: 10 years



Having laid extensive groundwork in prior years to build a robust pipeline of potential acquisition targets, the Investments Team had a very productive year in 2020. In addition to the five acquisitions completed in FYE2020, we concluded one more acquisition in January 2021, with a further five ongoing property acquisitions slated for completion in the first half of 2021. Cumulatively, we expect to conclude RM243.7 million in acquisitions in the first half of 2021.

Asset Enhancement Initiatives: Total investment of RM7.4 million

In addition to property and land acquisitions, the Fund also invests in AElS to preserve the value of the existing portfolio and to maintain high tenant satisfaction rates. During FYE2020, Axis-REIT undertook five major AElS across our portfolio, incurring a total investment of RM7.4 million.

In addition to enhancing the overall features and quality of our assets, our AElS in 2020 also incorporated ESG considerations, which included initiatives such as the installation of resource-efficient fittings and equipment. These initiatives are aimed at managing the Fund's energy and carbon footprint to minimise the environmental impact of our assets and operations.

Details of our AElS and initiatives to reduce energy and water consumption across our portfolio are presented in the Management of Sustainability Matters section on pages 121 - 126 of this Report.

INVESTOR RELATIONS & MEDIA COVERAGE

▶ **INVESTOR ENGAGEMENT & OUTREACH**

We continued to improve our engagement with the Fund's investors and the broader investment community throughout 2020 as part of our corporate governance goals to disseminate timely, transparent and full disclosure of the Fund's material information. For a large part of this year, corporate presentations and briefings, including our Annual General Meeting, commenced as usual albeit via virtual platforms.

We continue to actively participate in various industry-themed events particularly in finance, regulatory, real estate and government investment-centric events. The following is a summary of public and private events in which the Management Team participated in 2020.

3 Investor Conferences	2 Analyst Briefings
12 One-on-One and Private Group Meetings / Site Visits / Roadshows	
2 REIT / Property / SME / Industry Events	1 AGM

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

▶ **INVESTMENT RESEARCH COVERAGE**

Axis-REIT is currently covered by 11 research houses, and our Investor Relations Department continues to engage the analyst community with the aim of maintaining clear communications over the Fund's results, strategy and outlook.

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

▶ **INVESTOR EVENTS**

In 2020, the Management Team participated in the following public and private events.

Date	Description
21 January	1Q2020 Analyst Briefing
22 January	Investor Meeting: Singular Asset Management
31 January	Investor Meeting: B&I Capital
14 February	Investor Meeting: Asset Management One (Tokyo)
3 March	Investor Meeting: CGS-CIMB Group Meeting
2 April	Investor Meeting: KWAP
6 April	Investor Meeting: Maybank Kim Eng Group Meeting
9 April	Investor Meeting: Hong Leong Investment Bank Group Meeting
30 April	Investor Meeting: Kenanga Investment Bank Group Meeting
28 May	Investor Meeting: CLSA Group Meeting
11 June	Bursa-Daiwa-Affin Hwang Malaysia Corporate Day
17 June	Axis-REIT Annual General Meeting (Virtual)
18 June	Investor Meeting: Sumitomo Mitsui DS Asset Management (Singapore)
22 June	Investor Meeting: Hong Leong Assurance
23 June	JLL: The Rise of the Logistics Sector webinar
26 August	3Q2020 Analyst Briefing
27 August	Investor Meeting: B&I Capital
1 September	Invest Malaysia Kuala Lumpur 2020: Macquarie / Bursa Malaysia
28 September	Maybank Investor Forum: Malaysia REITS – The Past, the Present & the Outlook
1 December	2 nd Annual Malaysian REIT Forum 2020 - MREITS: Navigating the New Normal

RESEARCH COVERAGE

Axis REIT (AXRE:MY)
FY20 within expectations

Small Cap
Asena Research

Malaysia Results Review
27 August 2020

Axis REIT (AXRE:MY)
Good News All Around, Maintain BUY

Key Highlights:

- Revenue, EBIT, and Earnings Per Share (EPS) all met or exceeded expectations for the quarter.
- Earnings in line with our expectations, driven by strong performance in the industrial and logistics sectors.
- Dividend yield of 6.5% maintained, reflecting our commitment to shareholder returns.
- Strong operational performance, with occupancy rates remaining high despite the MCO.

BUY

CGS-CIMB

Axis REIT (AXRE:MY)
Q2'20 earnings on track

Key Highlights:

- Q2'20 core earnings were in line with our expectations, reflecting strong performance in the industrial and logistics sectors.
- Dividend yield of 6.5% maintained, reflecting our commitment to shareholder returns.
- Strong operational performance, with occupancy rates remaining high despite the MCO.

BUY

HongLeong Investment Bank

Axis REIT
Remains defensive

Key Highlights:

- Axis REIT remains a defensive investment due to its diversified portfolio of industrial and logistics properties.
- Strong operational performance, with occupancy rates remaining high despite the MCO.
- Dividend yield of 6.5% maintained, reflecting our commitment to shareholder returns.

BUY

Public Investment Bank

Axis REIT
Neutral

Key Highlights:

- Axis REIT remains a neutral investment due to its diversified portfolio of industrial and logistics properties.
- Strong operational performance, with occupancy rates remaining high despite the MCO.
- Dividend yield of 6.5% maintained, reflecting our commitment to shareholder returns.

Neutral

SELECTED MEDIA COVERAGE

梁潔美：精購資產 + 卓越服務
AXIS以客為尊

Axis REIT 3Q FY20 net income rises by 4.9%

Axis REIT 3Q FY20 net income rose 4.9% to RM222.5 million, driven by strong performance in the industrial and logistics sectors.

成长策略有支撑 雅饰表现续稳健

Axis REIT 3Q FY20 net income rises by 4.9%

Axis REIT 3Q FY20 net income rose 4.9% to RM222.5 million, driven by strong performance in the industrial and logistics sectors.

AXIS产托股价走势

AXIS产托股价走势图显示，自2020年6月以来，股价呈现波动上升趋势，反映了市场对Axis REIT业绩的信心。

AXIS产托业绩预测

截至12月底财年	2020	2021	2022
营业额 (百万)	2,312	2,287	2,444
核心净利 (百万)	1,322	1,282	1,444
核心每股收益 (仙)	8.9	9.3	9.7
核心市盈率 (倍)	24.1	23.1	22
净利息 (百万)	3.7	3.6	4
净利息 (FWD) 发行研究			

Kenanga upgrades Axis REIT to 'market perform'

Kenanga Research upgraded Axis REIT to 'market perform' based on its strong operational performance and stable dividend yield.

收租更具优势

Axis REIT offers a competitive dividend yield of 6.5%, making it an attractive investment for income-focused investors.

Axis REIT 3QFY20 profit of RM32m within expectations

Axis REIT 3QFY20 profit of RM32m within expectations, reflecting strong performance in the industrial and logistics sectors.

AXIS REAL ESTATE INVESTMENT TRUST

FYE DEC	2019A	2020A	2021F	2022F
REVENUE (RM mil)	222.5	231.2	241.5	252.9
REALISED NET PROFIT (RM mil)	116.2	124.3	132.3	148.1
REALISED EPS (sen)	9.3	8.6	9.2	10.3
P/E (x)	22.8	24.5	23.0	20.5

Scan here for full media coverage



Axis REIT stable despite MCO

KUALA LUMPUR: Axis Real Estate Investment Trust's (Axis REIT) earnings are expected to remain stable despite the implementation of the movement control order (MCO) as most of its tenants remained in operations during the period.

Following a conference call with the management of Axis REIT, the research team at Kenanga Research said it came away feeling reassured about the REIT's industrial-based earnings stability.

There was no loss of rental during the MCO period, only rental deferrals. Given the business nature of Axis REIT tenants which are in industrial/office space, Axis REIT stands in better stead compared to retail and hospitality REITs as most manufacturing tenants remained in operations during the MCO period from March to May 2020.

Management believes most tenants prefer to stay put under current circumstances and expect decent rental recoveries of circa two per cent in FY20 (similar to FY19A reversals). However, we caution that current expectations of rental recoveries are still dependent on the extent of the MCO and impact of the Coronavirus Disease 2019 (Covid-19) on tenants' demand.

All in, Kenanga Research said the group is seeing more targets for acquisition coming up as companies may favour an asset light model (sale and lease back) in light of Covid-19, but they have yet to see any significant increase in cap rates and is still targeting seven per cent net yields on future resilient segment.

For now, Kenanga Research said Axis REIT's portfolio outlook remains bright. It explained that tenant retention remains stable currently with occupancy remaining close to current level of per cent (as in the financial year 2019).

Going forward, management could easily gear up by its capex amount of RM15 million (management guided they would utilise 100 per cent short-term borrowings) which only increase gearing up to 0.3x-folds from current levels, which is low compared to REITs maximum gearing limit of 0.5x-folds. Implying Axis REIT could borrow an additional RM1 billion before hitting its maximum gearing limit, it added.

Kenanga Research upgraded its call on Axis REIT to market perform as it favoured the group for its earnings stability during this pandemic given its exposure to the most resilient segment among REITs and the nature of its long-term leases.



Axis REIT likely to be relatively more stable, defensive amid Covid-19

Axis Real Estate Investment Trust (April 14, RMB.86) Maintain buy with a higher target price (TP) of RM2.47: Axis Real Estate Investment Trust's (Axis REIT) portfolio has increased by two to a total of 50 properties. More than 50% of Axis REIT's tenants are still operating during the movement control order (MCO), and the warehouse logistics and hypermarkets are fully operating.

Besides, 20% of manufacturing facilities are still in operations. Overall, Axis REIT remains relatively more stable and defensive amid the Covid-19 outbreak and MCO given its well-diversified portfolio, focusing on industrial properties, with considerable tenants offering essential services.

Further, 150 of 154 tenants do not have a force majeure clause, hence Covid-19 and the MCO should not materially impact Axis REIT's earnings.

Axis REIT's acquisition plan is still ongoing amid the MCO but may be delayed as it cannot go on-site to do due diligence.

Axis REIT's acquisition plan is still ongoing amid the MCO but may be delayed as it cannot go on-site to do due diligence.

Axis REIT likely to be relatively more stable, defensive amid Covid-19

Axis Real Estate Investment Trust (April 14, RMB.86)
Maintain buy with a higher target price (TP) of RM2.47: Axis Real Estate Investment Trust's (Axis REIT) portfolio has increased by two to a total of 50 properties. More than 50% of Axis REIT's tenants are still operating during the movement control order (MCO), and the warehouse logistics and hypermarkets are fully operating.

Besides, 20% of manufacturing facilities are still in operations. Overall, Axis REIT remains relatively more stable and defensive amid the Covid-19 outbreak and MCO given its well-diversified portfolio, focusing on industrial properties, with considerable tenants offering essential services.

Further, 150 of 154 tenants do not have a force majeure clause, hence Covid-19 and the MCO should not materially impact Axis REIT's earnings.

Axis REIT's acquisition plan is still ongoing amid the MCO but may be delayed as it cannot go on-site to do due diligence.

Axis Real Estate Investment Trust
LARGELY INSULATED FROM SHORT-TERM VOLATILITY

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS
HIGHEST GROWTH IN PROFIT AFTER TAX OVER THREE YEARS

Axis REIT

Axis Real Estate Investment Trust (Axis REIT) has posted resilient and showed steady growth momentum. Management has revealed its shareholders successfully as a result of its strong financial performance and high growth in profit after tax over three years in the REIT sector.

Axis REIT's FY20A revenue in a net property income (NPI) of RM181.7 million on revenue of RM182.7 million and RM181.9 million in FY20A respectively. In FY20A, it recorded an NPI of RM181.7 million and revenue of RM182.7 million.

With higher income, the REIT's distribution per unit (DPU) paid to shareholders has been steadily since 2016. In FY20A, it paid out 9.2 sen, higher than its FY19A DPU of 8.6 sen.

With a portfolio focused on industrial properties, Axis REIT has been largely insulated from the downturn in real estate prices since the global economic and political uncertainties, the group said in its 2019 annual report.

Axis REIT's acquisition plan is still ongoing amid the MCO but may be delayed as it cannot go on-site to do due diligence.

► AWARDS & RECOGNITION

Axis-REIT is proud to be the recipient of the following accolades in 2020:

- **The Edge Billion Ringgit Club 2020**
 - Highest Growth in Profit after Tax over Three Years (REIT Category)
- **The Edge Billion Ringgit Club 2020**
 - Highest Returns to Shareholders over Three Years (REIT Category)
- **Sin Chew Business Excellence Awards 2020**
 - Property Excellence Award
- **Asiamoney Asia's Outstanding Companies Poll 2020**
 - Real Estate (Malaysia)
- **The Asia Pacific Best of the Breeds REITs Awards 2020**
 - Best Industrial REIT (Malaysia)
- **The Asia Pacific Best of the Breeds REITs Awards 2020**
 - Best Islamic REIT (Malaysia)
- **The Asia Pacific Best of the Breeds REITs Awards 2020**
 - Best CEO (Malaysia): Leong Kit May
- **The Asia Pacific Best of the Breeds REITs Awards 2020**
 - Best CFO (Malaysia): Nikki Ng
- **Mira Investor Relations Awards 2020**
 - Best CEO for IR: Leong Kit May
- **NACRA 2020 Excellence Awards**
 - Gold



Receiving The Edge Billion Ringgit Club 2020 Awards

MARKET OUTLOOK & PRIORITY

Looking ahead, people and businesses are increasingly adapting to the new normal, and as countries have begun rolling out COVID-19 vaccination programmes, there is optimism for a sustainable recovery in business activities and the broader economy. Yet, while we look forward to putting the COVID-19 pandemic behind us, we are cognisant of the continued risks – at the time of reporting, Malaysia has experienced a spike in COVID-19 cases which has necessitated the imposition of a protracted MCO. This, in turn, threatens to dampen business activities and the anticipated economic recovery in 2021. The emergence of clusters of COVID-19 cases among manufacturing workers also highlights how even industrial operations and tenants might still be susceptible to unscheduled disruptions. In all this, we are vigilant in monitoring the situation and the potential implications on our tenants' and our operations, and we remain on standby to formulate and deploy further COVID-19 Response initiatives, as and when necessary.

Notwithstanding the elevated economic and pandemic-related risks, we remain confident over the outlook of the Industrial property segment, premised on:

- Sustained demand for manufacturing and industrial facilities, supported by accommodative and investment-friendly policies and incentives that will continue to draw direct investments into the manufacturing sector; and
- Rising demand for warehouses and logistics facilities amid accelerating e-commerce trends.

Meanwhile, the broader office segment continues to experience pronounced pressure on rental rates and occupancy levels amid unfavourable demand-supply conditions, particularly in the central Kuala Lumpur City area. However, we expect better resilience in Petaling Jaya, where the Fund's office portfolio is concentrated, given its wider tenant profile and the improved transport infrastructure around the Klang Valley that continues to support demand in decentralised locations.

With these considerations in mind, the Manager will continue to adopt a holistic approach in extending the Fund's leadership as an Office/Industrial space provider through:

- Pursuing portfolio growth through acquisition strategies and selective 'built-to-lease' property developments, emphasising the selection of superior, income-generating, yield-accretive industrial assets;
- Maintaining a high level of tenant satisfaction through constructive tenant engagement and disciplined AEs to maintain high portfolio occupancy rates while achieving positive rental reversions;
- Increasingly incorporating ESG considerations into our operations, which would range from implementing pollution and waste management practices, to imposing ESG requirements and criteria in materials, vendor and tenant selection; and
- Optimising the Fund's capital structure through further financing and equity issuances, to ensure there is sufficient liquidity and headroom to support the Fund's growth ambitions.

Having navigated the unprecedented events of 2020 with considerable success, we are cautious but confident in our strategic approach to 2021, balancing the need to remain clear and focused in executing our operating strategies, while maintaining the agility and decisiveness that served us well in managing the pandemic thus far. This approach will guide us through 2021, with the ultimate aim of delivering on the Fund's mission of providing consistent and growing distributions to our Unitholders.

REPORT ON SHARIAH COMPLIANCE

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

BIMB Securities Sdn Bhd (“BIMB Securities”) which is a Registered Shariah Adviser with the SC, is the appointed Shariah Adviser of the Fund.

BIMB Securities’ services include:

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

Ir. Dr. Muhamad Fuad bin Abdullah, who is the designated person responsible for the Shariah matters of Axis-REIT, is currently the designated person in-charge of all Shariah matters in BIMB Securities. He was appointed to the Shariah Advisory Committee of BIMB Securities in June 2011. He graduated from the University of Southampton, England, with a Bachelor of Science Degree in Electrical Engineering in 1977 and a Master of Philosophy Degree in Electrical Engineering in 1982. He also obtained a Bachelor of Arts (Jayyid) Degree in Shariah from the University of Jordan in

1994 and a Doctor of Philosophy in Muslim Civilization from the University of Aberdeen, Scotland in 1996. Currently, he sits on the Shariah committees of Public Islamic Bank Berhad and AIA-Public Takaful Berhad. He is a registered Shariah Adviser (2019-2022) with the SC.

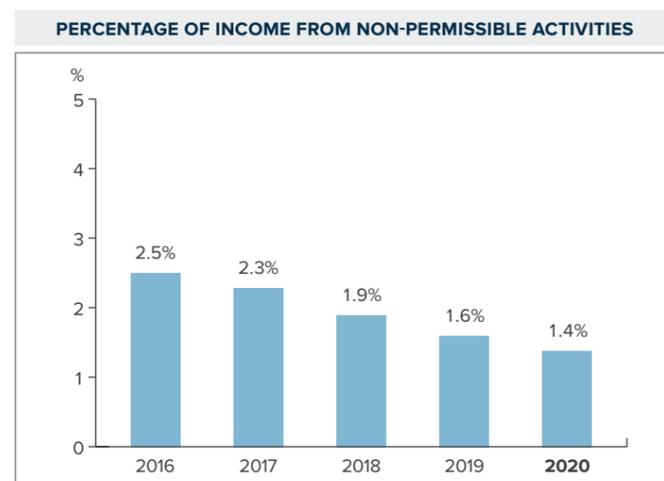
The Manager is pleased to report that:

- Under the guidance of BIMB Securities, the level of income from non-permissible activities in Axis-REIT’s portfolio has been reduced to 1.35% in FYE2020; and
- The Islamic fund management business of Axis-REIT in respect of the financial year under review has been carried out in accordance with Shariah principles.

Based on the confirmation obtained from the Shariah Adviser:

- BIMB Securities does not have any conflict of interest with Axis-REIT; and
- BIMB Securities has not been convicted of any offence within the past 5 years, and does not have any public sanction or penalty imposed by the relevant regulatory bodies during FYE2020.

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



SHARIAH ADVISER'S REPORT

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

We have acted as the Shariah Adviser of Axis-REIT managed by Axis REIT Managers Berhad (“the Manager”) for the financial year ended 31 December 2020 (“FYE2020”).

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

In our opinion, the Manager has operated and managed Axis-REIT in accordance with Shariah principles and has complied with applicable guidelines pertaining to Shariah matters, and principles, concepts and rulings endorsed by the Shariah Advisory Council of the Securities Commission Malaysia for the FYE2020.

In addition, we wish to notify that, in respect of the FYE2020:

1. The investment portfolios of Axis-REIT do not include any non-real estate assets;
2. The percentage ratio of Shariah non-compliant rental is 1.35%, which is less than the tolerable benchmark of 20%; and
3. There was no acquisition of Shariah non-compliant property.

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

IR. DR. MUHAMAD FUAD ABDULLAH
Designated Shariah Person

Kuala Lumpur
Date: 17 February 2021

CHAPTER 04

EMBEDDING OPPORTUNITIES

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OPERATING ENVIRONMENT

As a real estate asset owner, Axis-REIT's performance is influenced by a multitude of external variables that are beyond our control. In addressing these externalities, we take a holistic approach to comprehensively evaluate our operating environment and ensure that our business strategies position us to take advantage of any opportunities that emerge, mitigate excessive risks and extend our leadership in the industry.

Megatrends	Impact to Business / Industry (positive and negative)	The Manager's Response (Link to Sustainability Matters)	Link to Business Strategy	2021 Outlook
Macroeconomic landscape	<p>With the gradual reopening of the economy and better external demand conditions, Malaysia's GDP improved in 3Q and 4Q 2020, recording milder, contractions of 2.6% and 3.4% respectively, as compared to the sharp, 17.1% contraction in 2Q 2020. For the full year, Malaysia's economy contracted by 5.6% in 2020. The country registered a deflation of 1.2%, primarily due to lower domestic retail fuel prices and the implementation of a tiered electricity tariff rebate that came into effect in April 2020.</p> <p>The consumer price index dropped by 1.5% in 4Q 2020, attributed to lower prices of transport, housing, water, electricity, gas and other fuels.</p> <p>Malaysia's Industrial Production Index grew 1.7% year-on-year in December 2020. The uplift was driven by the Manufacturing index, which grew 4.1%, offsetting the Mining and Electricity indices which fell 5.4% and 0.2% respectively.</p>	<ul style="list-style-type: none"> ▶ Economic Performance 	<ul style="list-style-type: none"> ▶ Development ▶ Capital Management ▶ Real Estate ▶ Investment 	<p>BNM forecasts headline inflation to trend higher, at 2.5% in 2021. In the near term, rental rates and occupancy levels of office buildings in Malaysia, especially in the Klang Valley where there is a supply and demand imbalance, will experience further downward pressure.</p> <p>The Manager expects to complete a new Sukuk issuance to lengthen the Fund's financing maturity profile and optimise its capital structure to fund acquisitions and asset enhancements through a combination of financing and equity.</p> <p>We continue to put emphasis on implementing a disciplined investment strategy, optimising costs, ensuring efficient management of working capital and liquidity and upholding an effective risk management and governance framework.</p>

Megatrends	Impact to Business / Industry (positive and negative)	The Manager's Response (Link to Sustainability Matters)	Link to Business Strategy	2021 Outlook
Digitalisation / technological change	<p>Technology and connectivity are driving mobility and collaboration in workplaces. It is an unstoppable trend that can be advantageous to REITs.</p> <p>The pandemic has changed the way consumers shop for goods, communicate and live everyday life, and the real estate market has not been spared. It is now easier to find a rental or investment property online, and hence it is no surprise that the real estate sector has seen rising digitalisation, allowing fractional ownership of an asset to be transferred instantly through online share trading.</p> <p>The unprecedented crisis has also compelled many organisations to rethink their standard operating mode while embracing technology such as cloud-based IT solutions and communication channels in their business operations. Large corporate occupiers now want landlords to explore frictionless (i.e. contactless) building access solutions such as mobile apps and 'no touch' lifts and doors.</p>	<ul style="list-style-type: none"> ▶ Cybersecurity ▶ Embracing Technology & Innovation 	<ul style="list-style-type: none"> ▶ Real Estate ▶ Facilities Management 	<p>The Manager has taken additional preventive measures to protect itself from cybersecurity threats and risks. IT infrastructure will be continually upgraded to improve security, performance, efficiency and reliability.</p> <p>The Manager will also continue to build on the strengths of 'Hello Axis', explore potential improvements in digital marketing campaigns, and maintain its engagement strategy with real estate agents and tenants through virtual platforms, where appropriate.</p>

Megatrends	Impact to Business / Industry (positive and negative)	The Manager's Response (Link to Sustainability Matters)	Link to Business Strategy	2021 Outlook
Climate change	<p>It is now widely recognised that climate change is a risk to financial stability, and it is exacerbating other environmental challenges such as resource scarcity. With climate change creating new risks and societal needs, organisations must ensure their services are adapting to the shifting landscape. In Malaysia, extreme weather patterns are posing challenges to the management of water resources, including the increasing incidences of soil erosion during heavy downpours, which cause a higher run-off of water from land to rivers.</p> <p>Takaful insurance cover is well-established for damage to physical assets. However, climate risks are creating a need for new hybrid products that protect against severe events as well as events with longer-term impacts. Along with this, there is also a need to have a deeper understanding of exposure to weather events to adapt to changing conditions.</p> <p>Climate-related financial disclosures within the real estate, building and construction sectors have continued to improve since 2018. This comes amid a rising level of awareness about the vulnerability of assets to climate change risks, as well as potential opportunities from a shift in demand for sustainable building materials and practices.</p>	<ul style="list-style-type: none"> ▶ Energy & Carbon Footprint ▶ Waste Management ▶ Water Management 	<ul style="list-style-type: none"> ▶ Development ▶ Real Estate ▶ Facilities Management ▶ Investment 	<p>Axis-REIT considers climate change risks in its risk management framework, and will continue to evaluate the impact of these risks to the Fund at strategic business and operational levels.</p> <p>Plans for 2021 include enabling the measurement of diesel usage, and towards this end, the Manager is considering the addition of meters for gensets at multi-tenanted buildings.</p> <p>The Manager will explore the possibility of utilising renewable energy sources at selected buildings in our portfolio.</p> <p>The Manager also intends to begin measuring and monitoring waste data in multi-tenanted buildings in the coming years. This will include reporting on recyclable, hazardous and non-hazardous waste in collaboration with waste collection companies.</p>

Megatrends	Impact to Business / Industry (positive and negative)	The Manager's Response (Link to Sustainability Matters)	Link to Business Strategy	2021 Outlook
Urbanisation	<p>Urbanisation in major cities is increasing. This creates challenges for social equity, the environment, transport systems and city planning.</p> <p>The growing sense of uncertainty amid the unprecedented crisis, as well as the need to preserve cash and reduce capital expenditure will result in a lower level of leasing / transactional activity as businesses and occupiers review or put on hold their real estate decisions.</p> <p>The resurgence of cases has also caused delays in decision-making for MNCs planning to set up their offices or expand their presence in Malaysia. There was a marginal dip in the average rental rate of office space in Kuala Lumpur, from RM6.61 per sq. ft. per month in 2019 to about RM6.60 per sq. ft. per month in 2020. The widening gap between supply and demand, coupled with the weak leasing market, heightens competition as existing and newly-completed buildings compete for the same pool of tenants.</p>	<ul style="list-style-type: none"> ▶ Quality Assets & Services 	<ul style="list-style-type: none"> ▶ Development ▶ Real Estate ▶ Facilities Management ▶ Investment 	<p>The Manager will continue to preserve and enhance Axis-REIT's existing portfolio through consistent maintenance and regular AEIs. This will lead to better retention of existing tenants and attraction of new tenants. The Manager aims to incorporate more ESG criteria into its due diligence processes. We intend to maintain our portfolio occupancy rate above 90% and achieve an annual positive rental reversion.</p>

Megatrends	Impact to Business / Industry (positive and negative)	The Manager's Response (Link to Sustainability Matters)	Link to Business Strategy	2021 Outlook
Sustainable design	<p>"Green" buildings can impact both the operational and financial performance of REITs. However, different measures of "greenness" of a REIT's property portfolio will yield different sets of results. The observed effects vary across the different property types namely office, industrial, retail and residential. Investments in "green" and sustainable buildings will create value for real estate investors at the REIT's level.</p> <p>Co-working or flexible space arrangements may be a good option for new occupiers and businesses that are looking to expand, to navigate the near-term uncertainties before committing to a longer-term plan.</p> <p>Historically, the sustainability agenda was driven by climate change considerations. The COVID-19 pandemic has brought new priorities, such as renewed appreciation of public green spaces for exercise and increased support for local cafes and shops. Physical distancing measures due to the pandemic may lead to a reversal of open office trends.</p>	<ul style="list-style-type: none"> ▶ Water Management ▶ Resource Management 	▶ Development	<p>For future 'built-to-lease' developments, the Manager plans to look into better water management initiatives such as introducing rainwater harvesting systems, installing bigger water storage tanks and using water-efficient fittings. The Manager plans to draft a checklist that encompasses resource management and sustainability considerations in design and material selection for future development projects. This will include exploring options to utilise sustainable construction materials and designs that will reduce environmental impact and present operational cost savings.</p>

Megatrends	Impact to Business / Industry (positive and negative)	The Manager's Response (Link to Sustainability Matters)	Link to Business Strategy	2021 Outlook
Social and demographic change	<p>Demographic trends such as the rise of millennials and an ageing population have implications for the design of workspaces and more broadly, the functioning of cities.</p> <p>Malaysia's unemployment rate stood at 4.8% in 4Q 2020 – a modest improvement from 5.1% in 2Q 2020, but still close to its highest levels since the 1990s, due to the unprecedented crisis caused by the COVID-19 pandemic.</p> <p>As of 2020, the overall occupancy rate of office buildings in Kuala Lumpur dipped to 76.0% amid severe disruptions caused by the COVID-19 pandemic (2019: 78.3%). Selected REITs and landlords of well-located, older buildings are shifting their focus towards asset management and enhancement initiatives by refurbishing and revamping their properties. They are also motivated to offer attractive leasing packages that are centred on tenant retention to improve their market competitiveness and attract new occupiers.</p>	▶ Tenant Satisfaction	<ul style="list-style-type: none"> ▶ Development ▶ Facilities Management 	<p>The Manager will continue to place emphasis on providing superior customer service and regular tenant engagement to improve its tenant satisfaction and retention rates.</p>

Megatrends	Impact to Business / Industry (positive and negative)	The Manager's Response (Link to Sustainability Matters)	Link to Business Strategy	2021 Outlook
Global pandemic	<p>The COVID-19 pandemic has caused a social and economic catastrophe through a global recession. Although companies have adjusted to the new normal, the destructive impact of the prolonged nationwide MCO that was implemented since 18 March 2020 to contain the spread of COVID-19 is reflected in the country's poor economic performance for 2Q 2020. Malaysia's GDP contracted 17.1% on the quarter (1Q 2020: +0.7%) as measures such as travel restrictions, enforced business closures and restricted social activities left many businesses and economic sectors struggling to stay afloat. The economy improved in the second half of 2020 with milder GDP contractions of 2.6% and 3.4% in 3Q and 4Q 2020 respectively, but still recorded a contraction of 5.6% for the full year.</p> <p>On the flipside, COVID-19 has changed consumer behaviour and promoted the growth of e-commerce, leading to the increasing demand for manufacturing and warehousing space.</p>	<p>For more information, please refer to the COVID-19 Challenges/ Initiatives/ Outcome section within each Sustainability Matter, and our COVID-19 Response on pages 34 - 35 of this Report.</p>	<ul style="list-style-type: none"> ▶ Capital Management ▶ Real Estate ▶ Facilities Management ▶ Investment 	<p>The Manager expects resilient demand for warehouses and industrial real estate amid an accelerated adoption of e-commerce, along with an expected recovery in manufacturing output and global trade flows in 2021.</p> <p>Hence, our portfolio focus will remain on industrial assets such as manufacturing facilities, warehouses and distribution centres. This segment is more resilient as it features longer lease periods with tenants that are also generally less affected by the pandemic compared to other business sectors.</p> <p>We strive to ensure that all stakeholders are protected and safe during these trying times and will vigilantly monitor all regulatory requirements and update the Manager's policies and procedures accordingly.</p> <p>Moving forward, the Manager will continue to ensure that external parties such as suppliers and contractors comply with our Health, Safety & Environment ("HSE") practices. Business Continuity Plan initiatives such as working from home, split-team arrangements and de-densification requirements may be the new normal.</p>

Megatrends	Impact to Business / Industry (positive and negative)	The Manager's Response (Link to Sustainability Matters)	Link to Business Strategy	2021 Outlook
Growth in sustainable investments	<p>Sustainable investing is growing at a rapid rate. To gain access to sustainable investment flows, businesses need to address the ESG issues that are material to their ability to create value.</p> <p>BNM reduced the OPR four times in 2020, lowering the rate to 1.75% - a 125 basis point reduction over the year, providing an accommodative monetary environment to support the country's economic recovery. There is little doubt that demand for ESG-linked real estate investments is growing. Before the pandemic, about 25% of global assets under management were viewed through a sustainability lens. In the next three (3) years, it is anticipated that this proportion will rise to 75% or more. This is a top-down strategic priority for many investors, business owners, regulators and tenants, and it is not going away.</p>	<ul style="list-style-type: none"> ▶ Quality Assets & Services 	<ul style="list-style-type: none"> ▶ Capital Management ▶ Investment 	<p>As total investments in the manufacturing sector continue to rise, our acquisition strategy will continue to focus on warehouses and manufacturing facilities as our preferred asset class. The Manager also intends to implement ESG factors into its investment criteria.</p>
<p><i>References:</i></p> <ul style="list-style-type: none"> • CBRE, WTW Research, APAC – Real Estate Market Outlook 2020 Malaysia • TA Securities, Property Sector Report 2020 • Knight Frank – Property Market Overview 2020 • KPMG International: Real Estate in the New Reality 2020 				

For more information on the Property Market Overview 2020, please refer to the Knight Frank report on pages 244 - 274.

RISK & OPPORTUNITIES

STAKEHOLDER ENGAGEMENT

The Manager embraces a people-centric and stakeholder-inclusive approach to creating value. This means that stakeholder engagement is integrated into every step of our operations. Enhancing and maintaining relationships are central to who we are and what we want to achieve. To ensure the effectiveness of our engagements and value we generate for our stakeholders, we regularly monitor and respond to their concerns. The Manager's stakeholder groups have been identified with consideration of their influence on the business, the Manager's impact on them and the level to which we engage with them.

Stakeholder Group	Engagement Objectives	Engagement Mode	Frequency	Key Stakeholder Concerns	Our Response
Board of Directors	For industry expertise and insights on the Fund's growth and strategy	Board meetings Annual General Meetings ("AGM")	Quarterly Annually	<ul style="list-style-type: none"> Financial performance Business strategy and growth Corporate governance practices ESG-related matters 	<ul style="list-style-type: none"> Providing regular communication of the Fund's financial performance and business strategies Keeping up-to-date with the latest corporate governance and compliance practices
Senior Management	Build a strong and competent leadership team to develop and execute business strategies and goals	Management meetings	Weekly	<ul style="list-style-type: none"> Financial performance Business strategy and growth Employee management ESG-related matters 	<ul style="list-style-type: none"> Maintaining active engagement with industry experts, professionals and consultants Monitoring business performance against Key Performance Indicators ("KPIs") and established targets Encouraging close collaboration between business functions to promote efficiency and productivity
Employees	Provide equal opportunities that recognise the talents of individuals and support professional growth, commitment and loyalty	Departmental activities/training Employee appraisals	Periodically Annually	<ul style="list-style-type: none"> Opportunities for career advancement Competitive remuneration and benefits 	<ul style="list-style-type: none"> Keeping up-to-date with market remuneration rates Management looks internally to fill vacancies and provides opportunities for employee advancement Providing sufficient training for all employees Ensuring employee appraisals are done in a fair manner

Stakeholder Group	Engagement Objectives	Engagement Mode	Frequency	Key Stakeholder Concerns	Our Response
Tenants	Forge strong relationships and satisfy tenants' business space needs	Both physical and online one-on-one meetings <i>'Hello Axis'</i> tenant management portal Festive greetings	Ongoing As required As required	<ul style="list-style-type: none"> Maintenance of properties Quality of services Quick responses to queries/complaints 	<ul style="list-style-type: none"> Enforcing regular maintenance schedules Notifying tenants of potential disruption(s) to tenant services and amenities Enabling and ensuring facility managers are contactable at all times
Unitholders	Provide up-to-date and transparent information	Fully-virtual AGM Unitholders' Meetings Timely announcements on Bursa Securities' website and Axis-REIT's corporate website	Annually As required Ongoing	<ul style="list-style-type: none"> Transparency of dealings Financial performance of the Fund Timely dissemination of material disclosures 	<ul style="list-style-type: none"> Adhering to regulatory rules, corporate governance and international reporting standards Disseminating up-to-date information via Bursa Securities' and Axis-REIT's corporate websites
Investment Community	Ensure timely and transparent disclosures	Both physical and virtual one-on-one meetings with local and foreign investors Both physical and virtual local and overseas investor conferences Both physical and virtual briefings for analysts	Throughout the year Throughout the year Bi-annually	<ul style="list-style-type: none"> Transparency of dealings Timely dissemination of material disclosures 	<ul style="list-style-type: none"> Adhering to regulatory rules, corporate governance and international reporting standards Disseminating up-to-date information via Bursa Securities' and Axis-REIT's corporate websites
Regulatory Bodies	Ensure awareness of and compliance with the latest rules and regulatory requirements	Both physical and virtual meetings Attending virtual talks and conferences organised by regulators	When required When required	<ul style="list-style-type: none"> Regulatory compliance 	<ul style="list-style-type: none"> Attending meetings and events to stay abreast with regulatory developments and to understand new regulations

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

BUSINESS RISKS

The risks arising from business operations and stakeholder concerns are reviewed annually, with quarterly updates. In FYE2020, social and environmental issues were integrated into our multidisciplinary, company-wide risk management process. A risk management framework that incorporates the identification and assessment of risks is consistently applied across all business units, and mitigating actions are formulated in relation to the identified risks. The following table presents some examples of how the impact from our business risks are mitigated and linked to the implementation of our business strategy and management of sustainability matters.

Business Risks	Overall Impact	FYE2020 Mitigating Actions	Link to Business Strategy	Link to Sustainability Matters	
 Global	<ol style="list-style-type: none"> 1. Financial loss 2. Potential reputational damage 3. Vulnerability to external threats 4. Data loss 5. Adverse impact to business sustainability 6. Lack or withdrawal of investor interest in the Fund and/or reduced attractiveness to potential investors 7. Increased cost of investment in climate adaptation measures 8. Increased Takaful insurance cost or no Takaful insurance availability 9. Penalties imposed by the relevant authorities for regulatory violations 10. Poor supplier relationship 11. Loss of competitive advantage in the market 12. Loss of tenant interest and/or decrease in property value 13. Loss of social license to operate within the community 	<ol style="list-style-type: none"> 1. Incorporated ESG factors in risk assessments 2. Managed community activity and partnership 3. Improved occupational health and safety initiatives 4. Developed initiatives related to climate-related impact 5. Reassessed energy, water and waste management processes 6. Ensured key personnel attended relevant training to stay abreast with latest regulations 7. Held regular engagements with regulatory bodies 8. Constant review and assessment of the pandemic's impact on operations 9. Improved supplier assessment to include social and environmental considerations 10. Monitored developments which may affect the communities around our property locations 	<ul style="list-style-type: none"> ▶ Capital Management ▶ Investment ▶ Development ▶ Facilities Management ▶ Real Estate 	 Economic Performance  Tenant Satisfaction  Responsible Supply Chain Management  Resource Management  Business Ethics  Community Activity & Partnership	
	 Financial	<ol style="list-style-type: none"> 1. Potential reputational damage 2. Withdrawal of investor interest and/or reduced attractiveness to potential investors 3. Adverse impact on cash flow, profit and DPU 4. Refinancing risk 5. Inability to meet payment obligations 6. Penalties under relevant statutory legislations 	<ol style="list-style-type: none"> 1. Monitored cash flow position closely 2. Ensured key personnel attended relevant training to stay abreast with changes in applicable regulations 3. Collaborated with external auditors to prepare for the adoption of new accounting standards 	<ul style="list-style-type: none"> ▶ Capital Management ▶ Investment 	 Economic Performance

Business Risks	Overall Impact	FYE2020 Mitigating Actions	Link to Business Strategy	Link to Sustainability Matters
	<ol style="list-style-type: none"> Queries, fines and/or reprimands by the relevant authorities Withdrawal of Shariah investors which may reduce market value Potential bad and doubtful debts and increased legal costs Increased cost of investment in climate adaptation measures Increased Takaful insurance costs or no Takaful insurance availability Wrong or misleading information disseminated for investment decisions 	<ol style="list-style-type: none"> Ensured proposed investments underwent ESG risk assessments based on the relevant established criteria On-going adherence to regulatory and other relevant procedures 		
 Real Estate Management	<ol style="list-style-type: none"> Increased financing level that triggers the need to raise capital Default in financing covenants Increased spread or profit rate Reduction in net asset value Reduction in profit, adversely impacting DPU and returns to Unitholders Reduced investor interest, making fundraising more difficult Stagnation of the Fund's growth Decline in tenant satisfaction and loss of tenants High Takaful insurance liability cost Gradual decline in property yields, adversely impacting the Fund's competitiveness High downtime and increased vacancies Loss of capital assets Potential legal suits and penalties by relevant authorities Potentially costly and undesirable legal action to recover bad debts or evict tenants Compromised health and safety of tenants 	<ol style="list-style-type: none"> Tracked valuations of comparable properties Closely monitored market intelligence Held regular engagements with real estate agents Improved vendor and contractor assessment to include social and environmental considerations Continuously improved the quality of our properties via AEIs Strengthened Real Estate Team for better performance Constantly improved maintenance services Annual vendor evaluation Continuous improvements through safety and health training and policies Fostered close relationships and engagement with tenants Constant close monitoring of renewal of fire certificates and security controls Incorporated control mechanism in compliance with Anti-Money Laundering requirements into new tenancy agreements Conducted safety awareness programmes for external parties 	<ul style="list-style-type: none"> Development Facilities Management Investment Real Estate 	<ul style="list-style-type: none"> Tenant Satisfaction Quality Assets & Services - New Acquisitions Quality Assets & Services - Existing Assets Responsible Supply Chain Management Embracing Innovation & Technology Occupational Health & Safety

Business Risks	Overall Impact	FYE2020 Mitigating Actions	Link to Business Strategy	Link to Sustainability Matters
 Investment & IR	<ol style="list-style-type: none"> Potential impact to overall performance of the property portfolio Undue delays, costs and potential aborted transactions Additional capital expenditure required to undertake changes to properties to comply with existing building bylaws and other requirements by relevant authorities Failure to meet Shariah requirements Potential bad debts and legal costs to recover debts High maintenance costs Reduced property value Reduced investor interest Tenant dissatisfaction Potential reputational damage 	<ol style="list-style-type: none"> Strictly adhered to existing established controls in all proposals ESA undertaken on brownfield sites, subject to past land use Formulated checklist to ensure investment criteria addresses ESG considerations 	<ul style="list-style-type: none"> Investment Development Capital Management Real Estate Facilities Management 	<ul style="list-style-type: none"> Business Ethics Quality Assets & Services - New Acquisitions
 HR & IT	<ol style="list-style-type: none"> Shortage of manpower Loss of key information and skill sets through potential data theft or loss of trade secrets Poor performance of the Fund Jeopardized growth of the Fund Increased overhead costs High attrition rate Low job satisfaction among employees Time-consuming and costly industrial court cases Adverse impact to operations, profitability and sustainability Reduced interest from investors / banks / business partners High Takaful insurance liability cost Potential reputational damage Additional costs to rectify data loss and failures in IT systems 	<ol style="list-style-type: none"> Further improved staff development and retention programmes Developed and incorporated anti-corruption framework into Supplier Code of Conduct and employment offer letters Enhanced safety awareness programmes Reviewed existing IT controls to ensure adequacy of protection Conducted cyber security awareness training for employees Engaged external parties to review cyber risk procedures 	<ul style="list-style-type: none"> Development Real Estate Facilities Management 	<ul style="list-style-type: none"> Cybersecurity Employee Wellness & Engagement Embracing Innovation & Technology Occupational Health & Safety Talent Development Business Ethics

RISK & OPPORTUNITIES

Business Risks	Overall Impact	FYE2020 Mitigating Actions	Link to Business Strategy	Link to Sustainability Matters
 <p>Development</p>	<ol style="list-style-type: none"> Adverse impact to DPU and cash flows Potential reputational damage Withdrawal of investor interest High maintenance costs to tenants Loss of competitive advantage Negative impact to the environment Potential legal action due to negligence Increase in financing level Breach of requirements which may lead to action taken by the regulators 	<ol style="list-style-type: none"> Focused on 'built-to-lease' projects with long lease tenures Focused on current market needs in terms of building specifications Continuously monitored and explored sustainable building products Identified environmental assessment criteria for the selection of materials to be used in development projects, such as resource-saving and environmentally-friendly materials Explored measures for water pollution management prior to discharging, proper construction waste disposal and dust control during construction process Constant monitoring of on-going projects to ensure compliance with agreed timelines Performance evaluation on consultants and contractors 	<ul style="list-style-type: none"> Development Facilities Management Investment Real Estate 	 Resource Management  Responsible Supply Chain Management  Quality Assets & Services - New Acquisitions  Embracing Innovation & Technology
	 <p>Environmental</p>	<ol style="list-style-type: none"> Increase in operating costs Increase in GHG emissions Tenants' lack of awareness of Axis-REIT's energy conservation initiatives More frequent purchase of water Tenant dissatisfaction Disruption to tenants' operations where the use of water is required Adverse impact on tenants' health Potential reputational damage Penalties by relevant authorities due to non-compliance 	<ol style="list-style-type: none"> Considered initiatives to use renewable energy sources Set energy / carbon reduction targets On-going review of water tank storage capacity and use of energy-efficient fittings Evaluated new technologies for water treatment Considered waste monitoring initiatives 	<ul style="list-style-type: none"> Facilities Management Development Investment Real Estate

BUSINESS PLAN 2021

STRATEGY – BUSINESS PLAN 2021

Our 2021 Business Plan consists of five (5) pillars that focus on creating value for all stakeholders through building a sustainable business.

Pillars	Strategic Focus	Key Activities in FYE2020	FYE2020 Targets & KPIs	Plans for FYE2021
 <p>Development</p> <p>Focuses on project management and 'built-to-lease' development projects through tenant collaboration to deliver quality and future-ready assets</p>	<ul style="list-style-type: none"> Selection of competent contractors and consultants Selection of building materials for easy maintenance and sustainability To meet tenant specifications and satisfaction 	<ul style="list-style-type: none"> Enhanced the vendor evaluation process to incorporate ESG considerations 	<ul style="list-style-type: none"> To formulate assessment criteria for materials to be used in development projects To specify materials that meet the prescribed environmental criteria in tenders 	<ul style="list-style-type: none"> To incorporate ESG considerations for implementation during the construction periods of development projects
 <p>Capital Management</p> <p>Enables proactive financial strategies and steady growth to support operational requirements and distributions amid ever-changing market conditions and geopolitical developments</p>	<ul style="list-style-type: none"> Close monitoring of profit rate movements Diversifying sources of funding 	<ul style="list-style-type: none"> Embarked on a new Sukuk exercise Completed the settlement of Axis-REIT's Second Sukuk using existing financing 	<ul style="list-style-type: none"> To achieve a rental collection rate of more than 90% To maintain current Sukuk ratings for the First Sukuk Issuance 	<ul style="list-style-type: none"> To complete the new Sukuk issuance to lengthen the Fund's financing maturity profile To optimise the Fund's capital structure to fund acquisitions and asset enhancements through a combination of financing and equity, i.e. IDRPs To ensure the Fund's cash flow is operating at optimum efficiency To maximise effective collections and reduce the collection period

Pillars	Strategic Focus	Key Activities in FYE2020	FYE2020 Targets & KPIs	Plans for FYE2021
 <p>Real Estate</p> <p>Drives the maximisation of returns through a successful portfolio of properties that meets stakeholder needs and capitalises on long-term opportunities</p>	<ul style="list-style-type: none"> ▶ Build strong brand awareness of Axis-REIT ▶ Forge strong relationships with existing tenants ▶ Strengthen the property portfolio with quality new builds and secure credible and reliable tenants 	<ul style="list-style-type: none"> ▶ Actively marketed properties to prospective tenants with increased reach through digital marketing channels ▶ Created videos for virtual viewing of vacant space ▶ Engaged existing tenants on workspace expansion and monitored their business conditions during the COVID-19 pandemic ▶ Submitted bids for 'built-to-lease' projects ▶ Updated tenant checklist to include ESG considerations 	<ul style="list-style-type: none"> ▶ To maintain occupancy rates through tenant retention 	<ul style="list-style-type: none"> ▶ To maintain portfolio occupancy rate above 90% ▶ To achieve a positive annual rental reversion across the portfolio ▶ To secure one 'built-to-lease' development project
 <p>Facilities Management</p> <p>Facilitates the preservation of properties and tenant experience by proactively delivering good services</p>	<ul style="list-style-type: none"> ▶ Introduction and implementation of Facilities Management best practices ▶ Effective adherence to building codes of compliance ▶ Enhance occupational health and safety efforts and measures 	<ul style="list-style-type: none"> ▶ Implementation and enforcement of HSE policy ▶ 'Hello Axis' tenant management portal enhanced with new modules and features ▶ Enhanced the vendor evaluation process to incorporate ESG considerations 	<ul style="list-style-type: none"> ▶ To maintain tenant satisfaction rating above 4 (against maximum score of 5) ▶ To incur zero HSE incidents at all multi-tenanted buildings ▶ To keep within or below the allocated operating expenses budget 	<ul style="list-style-type: none"> ▶ To implement the enhanced procedures for vendor registration and evaluation to better incorporate ESG matters and compliance with the Code of Conduct ▶ To implement waste measurement, monitoring and reporting initiatives ▶ To explore new technology for water treatment (for multi-tenanted buildings)

Pillars	Strategic Focus	Key Activities in FYE2020	FYE2020 Targets & KPIs	Plans for FYE2021
 <p>Investment</p> <p>Empowers the expansion of our property portfolio through an active and responsible acquisition pipeline while leveraging on industry insights</p>	<ul style="list-style-type: none"> ▶ Develop and maintain a robust and active acquisition pipeline ▶ Enhance portfolio of industrial assets by focusing on logistics and manufacturing facilities with potential for future enhancements ▶ Sourcing and evaluating offices/business parks located in strategic locations with potential to fetch better values 	<ul style="list-style-type: none"> ▶ Completed five (5) yield-accretive acquisitions for a total consideration of RM258.9 million ▶ Implemented Environmental Site Assessments ("ESA") for potential new acquisitions, where applicable 	<ul style="list-style-type: none"> ▶ Targeted to acquire RM135 million in new investments for FYE2020 ▶ Announced actual acquisitions of RM135.1 million 	<ul style="list-style-type: none"> ▶ Additional RM200 million new acquisitions for FYE2021 ▶ To incorporate ESG factors into investment criteria

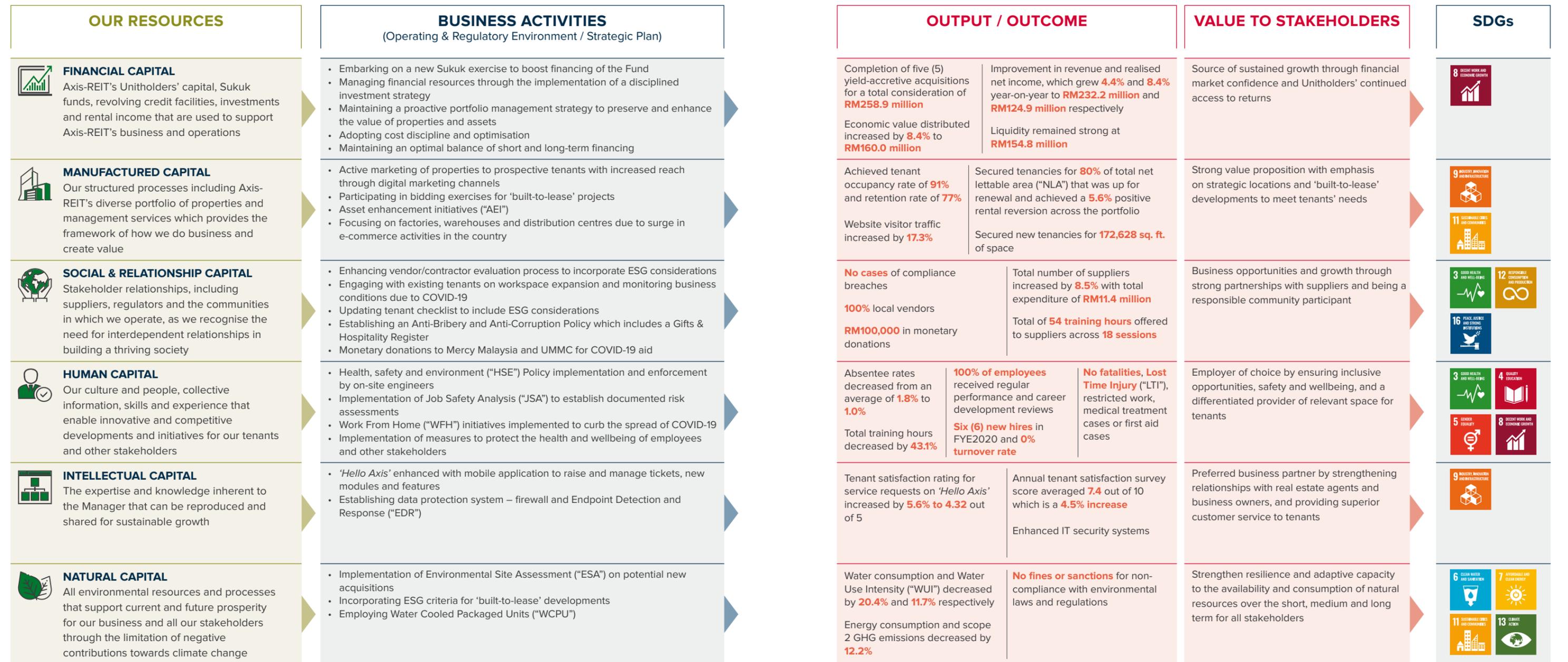
VALUE CREATION & SUSTAINABLE DEVELOPMENT GOALS (“SDGs”)

Our value creation initiatives for Axis-REIT are driven by our purpose and core values. To achieve this, we have sought to incorporate a broader agenda into our strategic thinking. We have mapped our material matters to the SDGs, to determine the SDGs in which we can contribute the most to and have the most impact on.



The Manager continuously strives to uphold strong business ethics and integrity to enhance our accountability and credibility. This is important to build trust between the Manager and its stakeholders to ensure business prosperity and sustainability. Based on our assessment in FYE2020, we have decided to focus on SDG#16 – *Peace, Justice and Strong Institutions*.

We have various internal controls and processes in place to support SDG#16 targets to substantially reduce corruption and bribery within the organisation. These controls include the development and implementation of a Code of Conduct, Whistle-blowing Policy, Supplier Code of Conduct, as well as an Anti-Bribery and Anti-Corruption Policy which are used to govern the conduct of both internal and external stakeholders, including our employees, suppliers and service providers. We have also established a Gifts & Hospitality Register, which came into effect on 1 June 2020, to monitor compliance with the gifts and hospitality approved limits. For further details, please refer to the *Business Ethics* section on pages 111 - 112.



MANAGEMENT OF SUSTAINABILITY MATTERS

LIST OF SUSTAINABILITY MATTERS

We view value creation holistically, applying integrated thinking to identify sustainability matters that may influence our ability to create value in the short, medium and long term. These matters shape our strategy in managing ESG-related risks and our approach in capitalizing on opportunities that present themselves. The Manager conducted a materiality assessment process in FYE2019 to ensure that the viewpoints and expectations of all stakeholders are considered, and that these sustainability matters are continuously taken into consideration within our business units.

ECONOMIC	ENVIRONMENTAL
<ul style="list-style-type: none"> Economic Performance Tenant Satisfaction Quality Assets & Services - New Acquisitions Quality Assets & Services - Existing Assets 	<ul style="list-style-type: none"> Resource Management Energy & Carbon Footprint Waste Management Water Management
<ul style="list-style-type: none"> Business Ethics Responsible Supply Chain Management Embracing Innovation & Technology Cybersecurity 	<h3>SOCIAL</h3> <ul style="list-style-type: none"> Occupational Health & Safety Talent Development Employee Wellness & Engagement Community Activity & Partnership

MATERIALITY ASSESSMENT

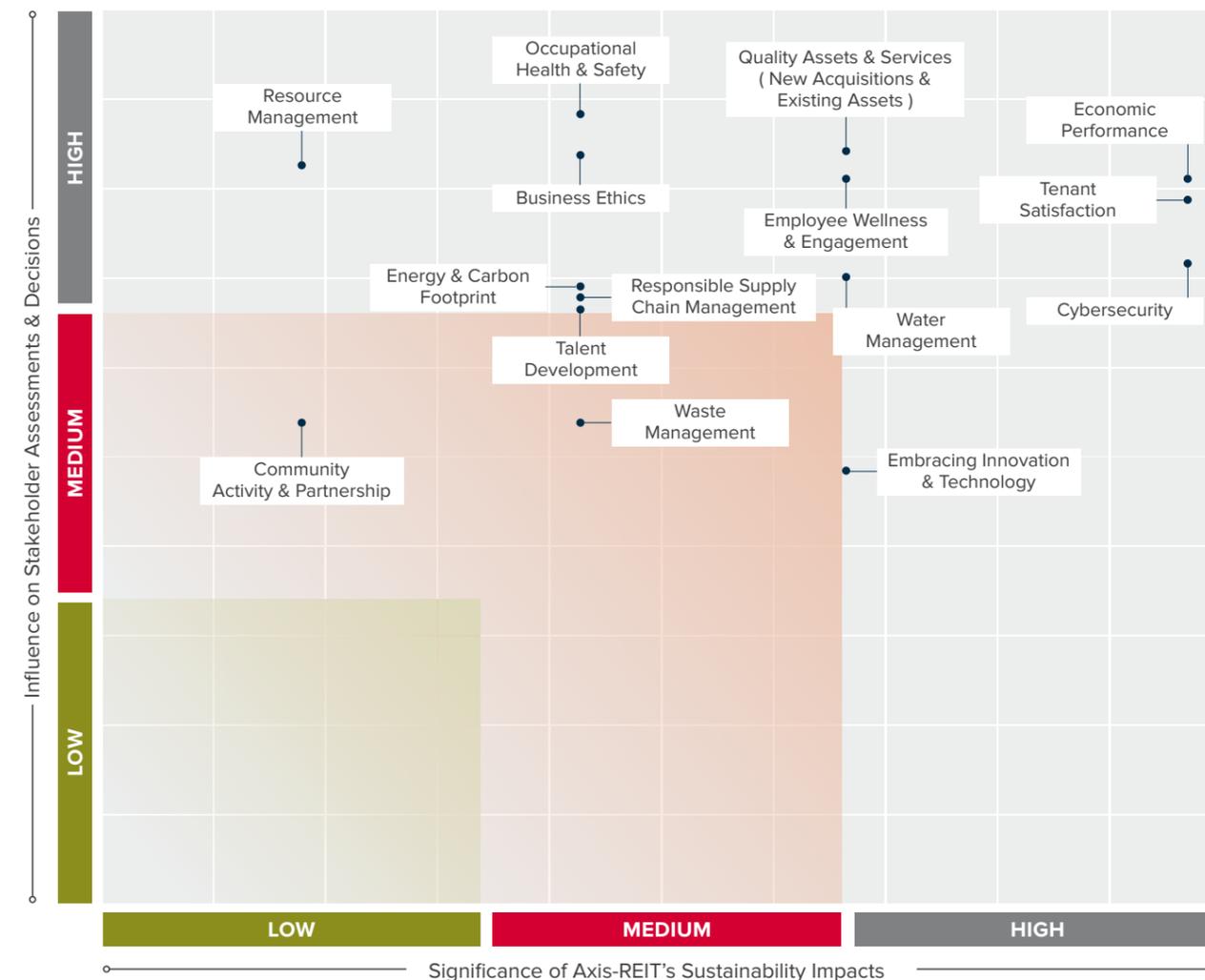
The Manager continues to monitor and manage all fifteen (15) previously identified sustainability matters.

In FYE2019, five (5) stakeholder groups were engaged to assess their perception of the importance of Axis-REIT's sustainability matters. These stakeholders consisted of the Board of Directors, the Management Team, employees, tenants, service contractors and service providers. They were engaged through online surveys and teleconference calls. The possible impacts and likelihood of occurrence of these risks and opportunities were identified by Management through an impact assessment exercise to determine their influence on the Manager's ability to create short, medium and long-term value for all stakeholders.

During the year under review, the Manager performed an internal review of the Materiality Matrix and confirmed the relevance of the Matrix to our business and stakeholders' expectations. The Manager has also taken additional measures to review and integrate the non-financial risks in its risk management framework.

In light of the pandemic and changes to the operating environment, the Manager aims to perform a reassessment of the materiality assessment process in FYE2021.

MATERIALITY MATRIX



Note: This is an enlarged version of FYE2019's Materiality Matrix. The data used to develop this matrix remains unchanged.

SUSTAINABILITY MATTER | ECONOMIC PERFORMANCE

ECONOMIC



Economic Performance

► **CAPITALS**

- HUMAN
- FINANCIAL
- SOCIAL & RELATIONSHIP

► **STRATEGIC PILLARS**

- CAPITAL MANAGEMENT, INVESTMENT

► **BUSINESS RISKS**

- FINANCIAL, GLOBAL

► **GRI**

- GRI 201: ECONOMIC PERFORMANCE
- GRI 203: INDIRECT ECONOMIC IMPACT

► **SDGS**

- 8 DECENT WORK AND ECONOMIC GROWTH

Geopolitics and associated uncertainties have the potential to create economic, regulatory and social conditions that are disruptive to business performance. Political risks in Malaysia and other areas of interest remain elevated, potentially impeding growth and funding opportunities. This may also result in a reduction in the demand for space, an increased cost of doing business, and higher potential for tenant defaults.

The Manager takes a holistic approach in addressing this, integrating political risk into our operating and financial strategy. This is in line with our ambitions of being a committed leader in sustainability, and our belief that this approach is fundamental to the way we do business.

In FYE2020, Malaysia's economy contracted as recessionary conditions prevailed amid the deteriorating global outlook. Against this backdrop, the Manager remained committed to delivering long-term sustainable distributions and capital stability through prudent capital management. Despite escalating uncertainties, we realised continued improvements in revenue and realised net income, which respectively grew 4.4% and 8.4% year-on-year to RM232.2 million (FYE2019: RM222.5 million) and RM124.9 million (FYE2019 : RM115.2 million). The economic value distributed for FYE2020 also increased by 8.4% to RM160.0 million as compared to RM147.6 million in the preceding year, largely due to the higher economic value generated and higher distributable income to Unitholders.

For further information on the Fund's economic performance, please refer to the Financial Review section on pages 45 - 57 of the IAR2020.

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

The Finance Team monitors and reports monthly economic performance against the Fund's strategy, and also explains the capitals used and affected. The Finance Team is also responsible for upholding the financial integrity of the Fund through the development and implementation of prudent policies and procedures, as well as compliance with rules and regulations imposed by regulatory authorities.

► **INITIATIVES**

Despite the economic headwinds throughout the year, we successfully maintained the Fund's current Sukuk rating of AAA for Class A, and were able to effectively manage collections to reduce the collection period. The Fund's Class A1 second Sukuk was fully redeemed in FYE2020. The Manager also ensured the Fund's cash flows were optimised.

• **Disciplined Investment Strategy**

The Manager manages the Fund's financial resources through the implementation of a disciplined investment strategy. This ensures that the Fund continues to generate consistent and sustainable financial returns for Axis-REIT's stakeholders and Unitholders. As part of its investment discipline, the Manager maintains a proactive portfolio management strategy to preserve and enhance the value of the Fund's properties, capitalise on acquisitive growth opportunities and identify assets that are approaching or have attained optimal returns for disposal consideration. In addition, the Manager also incorporates portfolio diversification considerations.

• **Cost Discipline and Optimisation**

The Manager is prudent in managing and tracking operating costs against financial projections and budgets. We vigilantly benchmark our portfolio efficiency ratios against the best in industry, which is especially critical now, amid the continued slowing of economic activity.

• **Efficient Management of Working Capital and Liquidity**

We ensure the Fund has sufficient working capital and liquidity to support business activities and strategic plans. We strive to achieve an optimal balance of short-term and long-term financing. As at 31 December 2020, the Fund's liquidity position remained strong at RM154.8 million comprising RM39.8 million in cash and deposits and RM115.0 million in undrawn financing facilities.

► **TARGETS & KPIS**

Economic Performance	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)
► Economic Value Generated (Revenue)	210,588	222,464	232,234
► Operating Costs	27,827	30,756	33,716
► Payment to Capital Providers	107,825	116,752	126,203
► Payment to Government	7,168	6,263	7,085
► Community Investment	47	60	100
► Economic Value Distributed	135,699	147,568	160,019
► Economic Value Retained	74,889	74,896	72,215

► **COVID-19 CHALLENGES / INITIATIVES / OUTCOME**

The Manager remains cautious of the impact of the on-going COVID-19 pandemic, which has triggered a global economic downturn.

During the year, we continually reviewed and reassessed our forecasts as the COVID-19 pandemic and its associated risks evolved. Axis-REIT's portfolio, being concentrated on industrial assets such as manufacturing factories, warehouses and distribution centres, has been relatively resilient in the current pandemic. This stems from the inherently longer lease periods and the nature of our tenants' industries, which have been less affected by the pandemic compared to other business sectors. Social distancing and movement controls also accelerated the adoption of e-commerce, which increased demand for warehouses and logistics facilities, while continued foreign and domestic direct investments in the manufacturing sector boosted the attractiveness of industrial real estate assets.

As a responsible real estate asset owner, we ensured the implementation of the necessary SOPs at our multi-tenanted buildings as required by the regulatory authorities, including providing the necessary equipment, materials and services. The additional expenses incurred have not had a significant impact on the Fund's income. The various MCO phases also did not impact the Fund's ability to manage its properties as our Facilities Management Team's localities are mapped to our portfolio, spread out to cover the northern, central and southern regions of Peninsular Malaysia.

The overall impact of pandemic-related issues on Axis-REIT's operations has been manageable thus far. The Fund successfully secured tenancies for 80% of the space (by net lettable area) that had come up for renewal in FYE2020, and achieved a 5.6% positive rental reversion at the same time.

► **OUTLOOK**

While we are hopeful that the COVID-19 pandemic will be contained soon, we remain cautious amid elevated risk implications. We continue to mitigate this through our effective risk management practices and a robust governance framework, placing emphasis on implementing a disciplined investment strategy, optimising costs, and the efficient management of working capital and liquidity.

SUSTAINABILITY MATTER | TENANT SATISFACTION

ECONOMIC



Tenant Satisfaction

- ▶ **CAPITALS** **SOCIAL & RELATIONSHIP**
- INTELLECTUAL**
- ▶ **STRATEGIC PILLARS** **REAL ESTATE, FACILITIES MANAGEMENT**
- ▶ **BUSINESS RISKS** **REAL ESTATE MANAGEMENT, GLOBAL**
- ▶ **GRI** **GRI 416: CUSTOMER HEALTH AND SAFETY**
- ▶ **SDGS**

Tenants are a key priority at Axis-REIT. The Manager continuously strives to anticipate and provide superior services and workspace solutions that meet tenants' business needs. We believe these are key to maintaining high tenant satisfaction and retention rates. As a tenant-centric organisation, we are focused on understanding tenant needs, behaviour and feedback. We are motivated to optimise their experience and satisfaction, and maximise commercial outcomes. This has driven us to seek innovative solutions, which among others, has led to the development and continual improvements to 'Hello Axis', our tenant management portal.

The Real Estate and Facilities Management Teams are responsible for ensuring tenant satisfaction across our portfolio. The teams, with support from the Commercial & Industrial Marketing Department work together to attend to the needs and requests of our tenants. The Facilities Management Team provides routine and ad-hoc maintenance, while the Real Estate Team oversees asset management and leasing functions across the property portfolio. The Commercial & Industrial Marketing Department supports their efforts through regular tenant engagement during festive seasons, annual events and conducts our annual tenant satisfaction survey. The Commercial & Industrial Marketing Department also utilises digital marketing platforms to extend our reach to potential new tenants. These platforms, which include Google Ads, listings on property websites, as well as SMS and email blasts to agents, helped the Real Estate Team achieve their leasing targets in FYE2020. Details of our digital marketing platforms and campaigns are available in the "Embracing Innovation & Technology" section of this Report.

▶ **INITIATIVES**

During FYE2020, we continued to focus our efforts on delivering superior business space solutions for our tenants. Toward this end, our initiatives included:

- **Regular tenant engagement** via 'Hello Axis' to understand their immediate needs and concerns and discuss potential improvement plans. We updated 'Hello Axis' during the reporting year, introducing a mobile application for ease of use.
- **Understanding tenant priorities** in terms of building amenities and connectivity for better-informed resource allocation that addresses unique market needs.
- **Asset Enhancement Initiatives (AEI).** As part of efforts to drive tenant retention, we take a proactive approach to AEIs, thereby keeping the Fund's property portfolio competitive, relevant and sought-after. AEIs undertaken in 2020 involved major enhancement works to civil, mechanical, electrical and plumbing systems, including the refurbishment of driveways, drainage systems, air conditioning systems and CCTV systems, as well as the installation of new LED lighting with sensors. These efforts keep our properties up-to-date and competitive, which increases the likelihood of tenancy renewals as well as space expansion.

- **Tenant Profile Screening.** A big part of the success of the Fund is attributed to our tenant profile. Our robust tenant screening process allows the Manager to select quality and creditworthy tenants. This includes assessing the tenants' financial backgrounds, nature of businesses and industries, and the sustainability of businesses. To minimise credit risk, a stringent credit evaluation process is conducted before a prospective tenant is offered a tenancy. This evaluation process is repeated annually to monitor each tenant's credit worthiness.

The table below details common tenant issues and expectations, and our approach in resolving them.

Common tenant issues and corrective actions taken in 2020:

Common Tenant Issues / Expectations	Corrective Actions Taken
▶ Housekeeping	The Facilities Management Team and contractors collaborate to regularly inspect, monitor and improve housekeeping.
▶ Limited parking space at specific properties	The Manager has suggested alternative third party parking solutions through collaborations with the management of neighbouring buildings.
▶ Water seepage issues at specific buildings	The Manager has undertaken appropriate repair and enhancement work to rectify these problems.

▶ **TARGETS & KPIS**

This year, the Manager is pleased to report an increase in tenant satisfaction ratings from the 'Hello Axis' portal. The table below presents the number of tickets raised, resolved and outstanding, along with the overall satisfaction rating accorded by our tenants. For the 'Hello Axis' portal, tenants were required to rate their experience with Axis-REIT on a scale of one (1) (poor) to five (5) (excellent). Our annual target is to achieve ratings of four (4) and above.

Building Type	Tenants' Online Service Requests (tickets)			Tenant Satisfaction Rating
	Raised	Resolved	Outstanding	
2018				
Multi-Tenant	235	235	0	2018 ▶ 3.65 (Grey), 4.07 (Blue), 3.86 (Red)
Single-Tenant	69	69	0	
2019				
Multi-Tenant	274	272	2	2019 ▶ 3.74 (Grey), 4.43 (Blue), 4.09 (Red)
Single-Tenant	103	94	9	
2020				
Multi-Tenant	114	112	2	2020 ▶ 3.96 (Grey), 4.67 (Blue), 4.32 (Red)
Single-Tenant	44	38	6	

● Multi-Tenant ● Single-Tenant ● Average

The number of tickets raised decreased during the year due to office closures during the MCO. There were eight (8) tickets outstanding at the end of 2020 due to the timing of the tickets, which were raised in the last few days of the year. These will be resolved in 2021.

During the year, the Manager observed an improvement in ticket response times for multi-tenanted buildings and a dip in ticket response times for single-tenanted buildings. For multi-tenanted buildings, we responded to 96% of tickets raised in less than 24 hours, while at single-tenanted buildings, we responded to 86% of tickets within 24 hours. The dip in response times for single-tenanted buildings was because the tickets involved enhancement-related work, which required thorough assessments before addressing and resolving the issues raised.

Building Type	2018		2019		2020	
	Ticket Response Time					
	< 24 hours	>24 hours	< 24 hours	> 24 hours	< 24 hours	> 24 hours
Multi-Tenant	81%	19%	81%	19%	96%	4%
Single-Tenant	86%	14%	95%	5%	86%	14%

For the 2020 annual tenant satisfaction survey, the Manager maintained its survey questions from 2019, and added a question on COVID-19 SOPs to gauge tenants' perception of the effectiveness of our protocols. Tenants were required to rate their experience with Axis-REIT on a scale of one (1) (poor) to ten (10) (excellent). Our annual target is to maintain ratings above seven (7). The results of the survey are presented in the table below:

Tenant Satisfaction Survey	2018	2019	2020
▶ Services & Response Time	6.87	6.95	7.23
▶ Likelihood of Recommendation	6.91	7.13	7.42
▶ Preferred Business Space Partner	N/A	7.13	7.33
▶ Safety & Security	N/A	7.11	7.52
▶ COVID-19 SOP	N/A	N/A	7.48

Our ratings across all categories improved from 2019, despite the operational constraints due to the COVID-19 pandemic. The survey also included an anonymous comment section, enabling tenants to share additional information and feedback. The most common comments were in praise of the Manager's prompt and professional service, while the second most common comment related to the lack of parking space and water seepage issues at specific buildings.

"Axis is systematic and down to earth. Facilities are well managed and maintained. Kudos to Axis Team for truly excellent services overall."

Despite the challenging operating environment, Axis-REIT's property portfolio recorded an occupancy rate of 91% as at 31 December 2020, following the success of the Real Estate Team in securing tenancies for 1.37 million sq. ft. of space in 2020. These comprised new tenancies, as well as tenancy renewals, where the team successfully achieved a 77% tenant retention rate and secured new tenancies for 3% of the space in 2020. In addition, the Real Estate Team also secured new tenancies for 172,628 sq. ft. of space in 2020.

Occupancy	2018	2019	2020
▶ Occupied	94%	92%	91%
▶ Vacant	6%	8%	9%

▶ COVID-19 CHALLENGES / INITIATIVES / OUTCOME

Amid the COVID-19 pandemic, one of our priorities was to create safe working environments within our properties, in compliance with the guidelines and SOPs set by the Malaysian government. Throughout the MCO and CMCO periods, the Facilities Management Team was fully operational with the relevant SOPs in place. The team's key function was to support our tenants that were providing essential services. However, the total number of tenants operating during the MCO and CMCO periods was reduced.

▶ OUTLOOK

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

SUSTAINABILITY MATTER | QUALITY ASSETS & SERVICES – NEW ACQUISITIONS

ECONOMIC



Quality Assets & Services – New Acquisitions

- ▶ CAPITALS
 - MANUFACTURED
 - FINANCIAL
- ▶ STRATEGIC PILLARS
 - INVESTMENT, DEVELOPMENT
- ▶ BUSINESS RISKS
 - DEVELOPMENT, INVESTMENT & IR, REAL ESTATE MANAGEMENT
- ▶ SDGS
 - 11 SUSTAINABLE CITIES AND COMMUNITIES

As a real estate investment trust, the quality of Axis-REIT's properties is integral to its success. As such, the careful selection of new acquisitions and developments is critical in maximising value for both our business and stakeholders. A key consideration in this process is the surrounding environment and the risks and opportunities it presents to our operations. We are committed to identifying, assessing and managing these risks and opportunities to support the resilience of our assets, communities, tenants and employees.

The Manager has established a comprehensive, multi-stage process to assess the suitability of potential acquisitions and 'built-to-lease' developments, which entails:

1. An initial due diligence by the Investments Team for potential acquisitions, or a feasibility study by the Project Management Team for development projects
2. Deliberation of the proposals by the Executive Committee
3. Presentation to the Board of Directors and Trustee for their requisite approvals
4. Physical, legal, technical, valuation and financial due diligence exercises before execution of sales & purchase/'built-to-lease' agreements

All acquisitions and development projects are governed by the SC's Guidelines on Listed REITs.

The Investments, Real Estate and Project Management Teams are responsible for both the initial and actual due diligence exercises as well as feasibility studies conducted in the process of an acquisition or 'built-to-lease' development project. This is to ensure that competent consultants are appointed to perform the necessary due diligence, uncover potential issues and present their analyses and reports for the review and consideration of the Executive Committee and Board of Directors. Once approved, the acquisition or development project is then recommended to the Trustee for execution. With regard to company background checks on the financial standings of transacting parties such as vendors or potential tenants/lessees, these are reviewed by both the Investments and Finance Teams as part of the due diligence process. Issues raised during the due diligence process are addressed and negotiated prior to or as part of the conditions of sale in the ensuing sale & purchase/'built-to-lease' agreements.

▶ INITIATIVES

New Asset Acquisitions

The Investments Team's core function is to source and secure new properties for the Fund, building a robust pipeline of suitable potential acquisition targets for the Manager's consideration. The team also identifies potential disposal opportunities for the Fund in the normal course of its investment strategy. In evaluating acquisition opportunities, the team is guided by the criteria that all acquisition targets should feature:

- Yield-accretive assets
- Strong occupancy and quality tenants
- Strategic locations
- Building and facility specifications
- Shariah-compliant activities

ESG Criteria for New Asset Acquisitions

As the Fund strives to grow its portfolio in a sustainable manner, we are increasingly cognisant of the environmental concerns and social risks associated with potential acquisitions, such as ground contamination and flood risks, among others. To address this, one of our immediate initiatives has been to include an additional budget allocation for Environmental Site Assessments (“ESA”) as a new environmental category that complements the existing due diligence process. This includes a review of the user/operator’s industry and building usage, historical information about the site, site inspection, and where necessary, soil and groundwater sampling to test for site contamination. ESA outcomes are then reviewed to develop the next course of action and to remedy any issues and/or liabilities, where necessary.

In this regard, we have identified the types and characteristics of assets that typically carry higher environmental risk factors and warrant the incorporation of ESAs as part of their acquisition due diligence process. Specifically, these would be manufacturing facilities that:

- contain scheduled waste; and/or
- contain underground tank(s); and/or
- have past usage related to chemicals/chemical storage

‘Built-to-Lease’ Developments

With a limited selection of quality assets in the market, venturing into ‘built-to-lease’ projects has enabled the Fund to build and customise business space solutions that cater to tenants’ specific needs and specifications. The Project Management Team advises on aspects such as civil and structural components as well as materials selection for ‘built-to-lease’ development projects, with input from Facilities Management, as well as tenants and external consultants. This is followed by feasibility studies that are conducted to determine the viability of concepts and ideas proposed by consultants and contractors, to ensure the project is operationally and technically feasible, as well as economically viable. The Project Management Team is also responsible to ensure projects are completed in a timely manner and within budget.

ESG Criteria for ‘Built-to-Lease’ Developments

As in the case of acquisitions, ESAs are also conducted for ‘built-to-lease’ developments on brownfield sites, depending on the past land use of the sites. Looking ahead, we are also planning to incorporate sustainability features that might be requested by tenants, along with other industry best practices and requirements by local authorities in the course of the pre-construction, planning and design stages. There will also be prior assessment of the potential tenants’ activities to ensure that they are environmentally sustainable.

▶ TARGETS & KPIS

During FYE2020, the Manager successfully completed the acquisitions of five properties.

Further details can be found in the Investment Review of the Manager’s Discussion and Analysis section on pages 63 - 68.

▶ COVID-19 CHALLENGES / INITIATIVES / OUTCOME

The COVID-19 pandemic brought a new set of challenges to the property acquisition process. The sweeping disruptions to operating schedules and manufacturing capacities, as well as strict adherence to the MCO, created new and unique challenges to the property acquisition process, including:

- Delayed site inspections due to facility closures and suspension of operations,
- The imposition of strict rules on the admission of visitors and strict on-site safety screenings, and
- The inability of transacting parties who are overseas to be present in the country for on-site viewings.

In the face of these challenges, we took the opportunity to adjust our approach and tap into a new database of potential acquisition opportunities compiled from online sources. This was especially important during the MCO period, as it enabled us to systematically seek out opportunities from online portals and new agency sources, despite the closures of non-essential services and movement restrictions. Through this approach, we were able to shortlist potential targets for viewing as soon as the MCO restrictions were eased, creating a smooth transition back to business as usual.

▶ OUTLOOK

Looking ahead, the Manager aims to incorporate more ESG criteria into its due diligence processes. This is in line with Axis-REIT’s efforts to more comprehensively assess and mitigate ESG risks. Among the criteria the Manager will consider are hazardous waste and soil contamination, where it will take into consideration the properties’ previous occupants, as well as the nature of their business activities and industries over the last 10 years. As total investments in the manufacturing sector continues to rise, our acquisition strategy will continue to focus on industrial warehouses and manufacturing facilities as our preferred asset class.

SUSTAINABILITY MATTER | QUALITY ASSETS & SERVICES – EXISTING ASSETS

ECONOMIC



Quality Assets & Services – Existing Assets

- ▶ CAPITALS
 - MANUFACTURED
 - FINANCIAL
 - HUMAN
 - SOCIAL & RELATIONSHIP

Huge strides have been made in the REIT space, with a growing awareness of the ability to achieve long-term profitability by investing in sustainable assets, greening of physical assets and increasing awareness of the need to engage proactively with stakeholders. The Manager strives to show great efforts in integrating ESG considerations into our investment decision-making processes, and how they engage with stakeholders around ESG. The quality of assets and the accompanying services offered in the Fund’s portfolio are core to our success. The Manager maintains the quality of existing assets and services to ensure that our tenants are in a safe, secure, clean and comfortable environment.

The Facilities Management Team is responsible for providing routine and ad-hoc maintenance services to preserve and uphold the quality and physical condition of all properties in Axis-REIT’s portfolio at all times. The team works closely with the Project Management and Real Estate Teams on upgrades, refurbishments and AEIs, and where relevant, the redevelopment of existing assets.

Our building managers keep regular communication with service providers to facilitate consultation on issues that require improvement when service reports are submitted. The Facilities Management Team closely supervises service providers and contractors in carrying out routine maintenance work to ensure their work complies with the Operations and Maintenance (“O&M”) Manual. This establishes an efficient routine maintenance schedule to reduce downtime arising from possible failure of systems and services, as well as lift and air-conditioning breakdowns.

► **STRATEGIC PILLARS** **FACILITIES MANAGEMENT, DEVELOPMENT**

► **BUSINESS RISKS** **REAL ESTATE MANAGEMENT**

► **SDGS** 

► **INITIATIVES**

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

- Daily checklists for mechanical, electrical and plumbing ("MEP") systems and non-MEP systems;
- Appointment of competent service contractors to undertake routine service and maintenance work as recommended in the O&M Manual;
- Internal audit review of facilities management controls and processes, conducted by internal auditors; and
- Regular communication and feedback via tenant engagement on the functionality of facilities and systems.

► **INITIATIVES (CONTINUED)**

Monthly virtual and physical meetings between service providers and contractors, and representatives from the Facilities Management Team, enables regular engagement between the parties to discuss areas for improvement in the quality and efficiency of their services.

► **TARGETS & KPIS**

During the reporting year, total capital incurred on AEIs amounted to RM7.4 million. The Facilities Management Team and Project Management Team oversaw the following key upgrades, refurbishment and AEIs in 2020:

AEI Projects	Description
► Bukit Raja Distribution Centre	Enhancement of driveway and drainage system
► Crystal Plaza	Upgraded the air-conditioning system
► Menara Axis and Crystal Plaza	Upgraded car park lighting system to LED type with motion sensor feature.
► Menara Axis and Crystal Plaza	Upgraded CCTV surveillance systems
► Axis Business Campus and Infinite Center	Enhancement of building facade.

► **COVID-19 CHALLENGES / INITIATIVES / OUTCOME**

During the period between March and May 2020, several routine services from external contractors were disrupted due to the MCO. There was also a slight increase in the cost of AEI projects due to adherence to regulations and guidelines concerning the spread of COVID-19.

► **OUTLOOK**

In the year ahead, the Manager will continue to maintain and enhance its existing portfolio through consistent maintenance and regular AEIs. Green technology, fittings and fixtures are incorporated as an ongoing initiative during any AEIs or improvement works. In the long run, this will lead to better tenant retention and attraction of new tenants.

SUSTAINABILITY MATTER | **BUSINESS ETHICS**

ECONOMIC



Business Ethics

The Manager is committed to the highest standards of governance, ethics and integrity. We embrace best practices and robust risk frameworks to ensure our services and the assets of Axis-REIT are secure and stable. We constantly review these practices and frameworks to ensure that we act in the best interests of our stakeholders, being mindful of factors that influence the dynamic landscape in which we operate, such as cultural shifts in the workplace, digital trends, geopolitics, enhanced data safety and security requirements, and climate change risks.

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

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

- Provide a proper channel for whistle-blowing;
- Support the Manager's values and maintain a high standard of integrity and accountability;
- Ensure stakeholders can raise concerns without fear of reprisals; and
- Provide a clear and confidential process for dealing with concerns raised.

In FYE2020, we adopted a zero-tolerance policy against all forms of bribery and corruption by implementing the Anti-Bribery and Anti-Corruption Policy, which was formulated and adopted by the Board on 20 May 2020. This is in compliance with the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act 2009"). The Manager is committed to acting professionally, fairly and with integrity in all our business dealings and relationships, and will constantly uphold all laws relating to anti-bribery and corruption. This policy is applicable to all employees and serves as a guideline in recognising and dealing with bribery and corruption practices that may arise in the course of the Manager's daily business and operations.

In monitoring the risks of corruption in the areas of gifts, corporate hospitality and entertainment, the Gifts & Hospitality Register, an internal monitoring document, was implemented to monitor compliance with the gifts and hospitality approved limits by the authorised employees of the Manager, as prescribed in the Anti-Bribery and Anti-Corruption Policy.

The Compliance Department assists the CEO in overseeing the Manager's business ethics and governance matters. It ensures that all policies and procedures set out by the Manager are implemented and adhered to. These policies and procedures are reviewed annually and updated, where necessary.

► **CAPITALS**  **HUMAN**

 **SOCIAL & RELATIONSHIP**

► **STRATEGIC PILLARS** **INVESTMENT, DEVELOPMENT, FACILITIES MANAGEMENT, REAL ESTATE, CAPITAL MANAGEMENT**

► **BUSINESS RISKS** **HR & IT, GLOBAL, INVESTMENT & IR**

► **GRI** **GRI 205: ANTI-CORRUPTION**

► **SDGS** 

The Code of Conduct, Whistle-Blowing Policy and the Anti-Bribery and Anti-Corruption Policy are all available on our corporate website at www.axis-reit.com.my.

Initiatives undertaken by the Compliance Department in FYE2020 included:

- (i) Establishing the Anti-Bribery and Anti-Corruption Policy in consultation with the legal solicitors;
- (ii) Organising in-house training for directors and staff on the application of the Anti-Bribery and Anti-Corruption Policy with the legal solicitors;
- (iii) Establishing the Gifts & Hospitality Register to monitor the giving of gifts, corporate hospitality and entertainment;
- (iv) Revising the Code of Conduct, Whistle-Blowing Policy and Supplier Code of Conduct to be in line with the Anti-Bribery and Anti-Corruption Policy;
- (v) Ensuring that the Human Resource Department incorporates the anti-corruption framework into staff employment offer letters;
- (vi) Advising all departments of the Manager to officially notify all tenants, suppliers, vendors, service providers and third parties having business dealings with the Manager, of the implementation of the Anti-Bribery and Anti-Corruption Policy; and
- (vii) Assisting the CEO in implementing the Business Continuity Planning to ensure continuation of business operations in the event of a critical incident/disaster.

► **TARGETS & KPIS**

The Anti-Bribery and Anti-Corruption Policy was established to comply with the corporate liability provisions contained in the MACC Act 2009 which came into effect on 1 June 2020. In FYE2020, there were no cases of compliance breaches reported.

► **COVID-19 CHALLENGES / INITIATIVES / OUTCOME**

The COVID-19 outbreak necessitated the formalisation of the Business Continuity Planning. Business continuity plans were activated when risks related to COVID-19 began escalating in February 2020. The Management Team was segregated into three (3) teams and stationed in three (3) separate offices. Precautionary measures and SOPs were implemented across the portfolio to ensure that all properties complied with guidelines issued by the MOH and NSC with regard to hygiene, disinfection and social distancing requirements. During the MCO, the staff were able to work from home by leveraging on technology and the IT infrastructure was further enhanced and strengthened to ensure its robustness. This was to address cyber risks and threats, which were on the rise during the year amid the pandemic.

► **OUTLOOK**

To look into the implementation of an anti-corruption compliance programme as required under the Guidelines on Adequate Procedures issued by the Prime Minister’s Department pursuant to the MACC Act 2009. The programme will be aimed at ensuring the effectiveness of the Anti-Bribery and Anti-Corruption Policy and procedures put in place to mitigate corruption risks. The Manager also intends to review and test the Business Continuity Planning to ensure its effectiveness and to reflect the changes in the operating environment.

SUSTAINABILITY MATTER | RESPONSIBLE SUPPLY CHAIN MANAGEMENT

ECONOMIC



Responsible Supply Chain Management

The Manager is committed to responsible procurement and sustainable supply chain management. Our suppliers and service providers are an integral part of our business operations and are essential in ensuring tenant satisfaction, which in turn, contributes to the success of the Fund. Given this, the Manager has put in place checks and measures to prevent interruptions to our supply chain and to reduce the risk exposures throughout our operations. We recognise that having a sustainable supply chain is fundamental to having a sustainable business. With a targeted focus on influencing industry practice around health and safety amid the pandemic, we ensured that precautions were taken with our suppliers, contractors and other third-party personnel throughout the year.

We work closely with our suppliers to develop and communicate our values and expectations, and in FYE2020 we updated our Supplier Code of Conduct to include a greater focus on matters related to ethics and business integrity. We have added our Anti-Bribery and Anti-Corruption Policy, as well as our Whistleblowing Policy in our vendor pre-qualification process. The Supplier Code of Conduct is also given to vendors as part of the terms of the purchase orders or letters of award for new projects and contract renewals. The areas that are covered in the Supplier Code of Conduct include:

- Quality standards
- Ethics – business integrity, privacy and intellectual property, auditing and inspection
- Labour standards
- Health, Safety & Environment (“HSE”)
- Environmental impact
- Personal Data Protection Act (“PDPA”)

The Supplier Code of Conduct is available on our corporate website at www.axis-reit.com.my

The Facilities Management and Project Management Teams are responsible for selecting, appointing and managing their suppliers, contractors and service providers, the bulk of whom are engaged for the repair and maintenance of existing buildings and construction of new developments.

The Manager believes in building long-term partnerships with the suppliers and service providers it works with. To continue successful collaborations with suppliers and service providers, the Facilities Management and Project Management Teams, together with the Health, Safety, Security and Environment (“HSSE”) Manager, meet with service providers and contractors to discuss their performance and issues faced, including payments and invoicing matters. These regular engagements and dialogue sessions strengthen our supplier and service provider relationships, minimise costs and improve tenant services.

► CAPITALS	 SOCIAL & RELATIONSHIP
	 MANUFACTURED
► STRATEGIC PILLARS	DEVELOPMENT, INVESTMENT, FACILITIES MANAGEMENT
► BUSINESS RISKS	DEVELOPMENT, GLOBAL, REAL ESTATE MANAGEMENT
► GRI	GRI 204: PROCUREMENT PRACTICES GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT GRI 414: SUPPLIER SOCIAL ASSESSMENT
► SDGS	

MANAGEMENT OF SUSTAINABILITY MATTERS

▶ **INITIATIVES**

During 2020, we continued to reinforce the integrity and resilience of our supply chain with initiatives such as:

- Enforcing a stringent vendor prequalification process, in which potential new vendors are subjected to comprehensive evaluations by the Facilities Management, Project Management, Real Estate and Finance departments before being admitted to our panel of vendors.
- Finalising plans for the incorporation of more ESG matters into our vendor evaluation/assessments in 2021.
- Conducting due diligence and basic checks for contamination before new properties are acquired.
- Requiring sellers to conduct Environmental Site Assessments, where applicable.
- Managing and ensuring health and safety at development sites through cross checks on HSE matters by on-site engineers.
- Providing training for suppliers and other external parties.

▶ **TARGETS & KPIS**

To ensure new suppliers and service providers meet our quality standards, a pre-evaluation process subjects all suppliers and service providers to CTOS screenings and background checks. This evaluates their financial stability and identifies potential involvements in ethical breaches. Other criteria assessed include financial performance, responsiveness, price, delivery, quality, after sales service and effectiveness of management. For existing suppliers, the Manager conducts a similar evaluation process on an annual basis. Following the evaluation, vendors receiving scores of 55 points and above are retained as approved vendors for future engagements. Vendors who fail the evaluation are either suspended temporarily or de-registered from the approved vendor list. This ensures the Manager continually drives positive supplier performance and reduces supply chain risks.

VENDOR EVALUATION CRITERIA

01 RESPONSIVENESS

- On request for quotations/proposals
- On technical/commercial requests

02 PRICE

- Pricing
- Terms and conditions
- Billing/Invoicing

03 DELIVERY

- Timeliness
- Flexibility on delivery requests
- Resolution of delays

04 QUALITY

- Consistency of quality
- Submission of required documentation
- Conformity to drawings and HSE requirements
- Job site performance/quality of work

05 AFTER SERVICE

- Technical support and expertise
- Defect rectification
- Other support/closure

06 EFFECTIVENESS OF MANAGEMENT

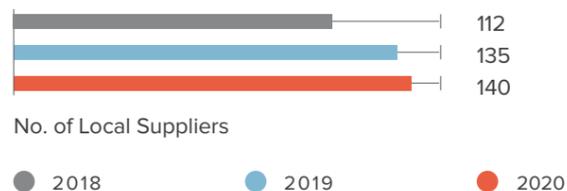
- Professional conduct and communication
- Effectiveness of job-site supervision

07 FINANCE (CTOS SCREENINGS)

- Background checks
- Financial standing

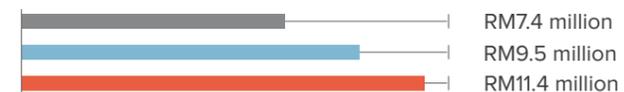
	2018	2019	2020
▶ No. of vendors as at 1 January	103	112	135
▶ No. of vendors added	9	23	11
▶ No. of vendors suspended	0	0	0
▶ No. of vendors delisted	0	0	6
▶ No. of vendors as at 31 December	112	135	140

NO. OF LOCAL SUPPLIERS



All our suppliers are local vendors established in Malaysia. During 2020, six contractors were delisted as they were no longer able to provide the required services due to the COVID-19 pandemic. The number of suppliers has increased over the years, in line with the expansion in the number of properties and the geographical footprint of Axis-REIT's portfolio. The total procurement from suppliers in recent years has also increased in tandem with the increase in the total number of suppliers to cater for a growing portfolio.

TOTAL PROCUREMENT FROM LOCAL SUPPLIERS



Amount Spent on Local Suppliers

● 2018 ● 2019 ● 2020

Supplier Training	2018	2019	2020
▶ Total Number of Training Courses Offered to Suppliers	18	20	18
▶ Total Number of Attendees	126	130	98

Note:

1. Not all suppliers attended the training sessions conducted due to space constraints.
2. The total number of attendees could include suppliers that attended more than one training session.

TOTAL ANNUAL SUPPLIER TRAINING HOURS



Total Number of Training Hours

● 2018 ● 2019 ● 2020

Note: The annual number of training hours has been estimated based on the assumption that one (1) training session amounts to three (3) hours of training.

MANAGEMENT OF SUSTAINABILITY MATTERS

All suppliers are subjected to periodic audits. This is to ensure the Manager has oversight over our suppliers' operations and can devise appropriate mitigation plans, as well as build sound business strategies and good working relationships. In September 2020, the audits conducted received a final sign off from both the Facilities Management and Finance Departments.

▶ **COVID-19 CHALLENGES / INITIATIVES / OUTCOME**

- Amid the pandemic, we have strictly imposed compliance with the new SOPs from NSC and MOH, as well as each building's house rules and regulations. These SOPs and protocols are strictly applied to our suppliers as well.
- There have been labour issues for construction and renovation work amid a shortage of migrant workers. Contractors have sought alternatives from the local labour pool, but there are still implications on the supply chain.

▶ **OUTLOOK**

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

SUSTAINABILITY MATTER | **EMBRACING TECHNOLOGY & INNOVATION**

ECONOMIC



Embracing Technology & Innovation

▶ CAPITALS	FINANCIAL INTELLECTUAL SOCIAL & RELATIONSHIP
▶ STRATEGIC PILLARS	REAL ESTATE
▶ BUSINESS RISKS	REAL ESTATE MANAGEMENT, DEVELOPMENT, HR & IT
▶ SDGS	9 INDUSTRY INNOVATION AND INFRASTRUCTURE

Digital innovations present both significant risks and opportunities for the industry. To remain relevant and competitive in this digital age, it is imperative that we are proactive in embracing and enabling innovation. Our internal innovation capability helps select, support and nurture new initiatives across the business. These initiatives are deeply rooted in tenant insight, as well as in the understanding of their needs and their known pain points. By addressing these through innovation initiatives, we are able to optimise the customer experience and generate greater value.

The Commercial & Industrial Marketing Department assists the Real Estate Team in generating leads for potential new tenants, creating new avenues for interaction and reaching out to new audiences along with current stakeholders. The Commercial & Industrial Marketing Department also arranges tenant and agent engagement campaigns through various mediums. The Facilities Management Team is responsible for facilities management and maintenance, upgrading and actively responding to tickets raised by tenants via 'Hello Axis', Axis-REIT's tenant management portal.

▶ **INITIATIVES**

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

In 2020, the Manager launched a mobile application of 'Hello Axis' to raise and manage tickets. This facilitates access to the tenant management portal, to the benefit of both the tenants and the tenant support team, further enhancing the efficiency of the portal.

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

This year, in response to the COVID-19 pandemic, the Commercial & Industrial Marketing Department produced nine (9) in-house leasing videos for potential tenants and agents to virtually view the listings. The increasing acceptance of virtual viewings has resulted in a reduction in the number of physical viewings for the Real Estate Team, with only the most serious leads making physical appointments. This also enables the Real Estate Team to continue its marketing efforts even in the event of another MCO in the future.

▶ **TARGETS & KPIS**



- For the 'Hello Axis' tenant management portal, the Manager aims to achieve tenant satisfaction ratings of 4 and above, out of the maximum rating of 5.
- During the year, visitor traffic to our website increased by 17.28% over FYE2019. We attribute the increase to regular updates on the website and Google Ads initiatives. Around 30% of all traffic was from web users who were directed to our website's leasing pages through Google Ad campaigns.

▶ **COVID-19 CHALLENGES / INITIATIVES / OUTCOME**

The COVID-19 pandemic has compelled us to explore digital solutions that facilitate communication with multiple stakeholders and enable the marketing of space for lease. Consequently, we have started to rely more on video conference call applications such as Microsoft Teams and Zoom to collaborate with colleagues, meet with external parties, as well as participate in conferences and training sessions.

We have also produced virtual viewing videos of our properties for lease in order to reduce the number of physical viewings and comply with MCO SOPs. Through our existing initiatives with 'Hello Axis' and digital marketing, we were able to better adapt to the challenges of COVID-19, meet our targets and maintain our service levels throughout the year.

▶ **OUTLOOK**

Given the uncertainties over the COVID-19 situation in the year to come, the Manager will continue to build on the strengths of 'Hello Axis', explore potential improvements in its digital marketing campaigns, maintain its engagement strategy with real estate agents and tenants, and continue to explore virtual platforms for improved communication with stakeholders.

SUSTAINABILITY MATTER | CYBERSECURITY

ECONOMIC



Cybersecurity

▶ CAPITALS	INTELLECTUAL SOCIAL & RELATIONSHIP
▶ BUSINESS RISKS	HR & IT
▶ GRI	GRI 418: CUSTOMER PRIVACY
▶ SDGS	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY INNOVATION AND INFRASTRUCTURE

The Manager believes that managing data privacy and strengthening cybersecurity resilience are critical in gaining the trust of our stakeholders. As we continue to digitalise our business and enable digital services for our tenants, the security of our tenants' and employees' information is a top priority, and the protection of this information and privacy are critical. We remain focused on data safety measures to safeguard our business and people from cybersecurity-related threats. We proactively monitor our cybersecurity framework, investigate all threats and incidents that may potentially impact our business, and continually enhance our cybersecurity capabilities to address any gaps and mitigate risks.

The Manager's Cyber Risk Policy and Procedures underline clear rules and guidelines on accessing, transferring and managing information and data in a responsible manner. This policy is currently under review by Management, and an enhanced policy will be implemented in 2021.

Ensuring the protection and privacy of our employees' and stakeholders' data falls under the purview of the Human Resource Department. All matters related to information security, protection initiatives and associated risks are monitored to create a strong and resilient control environment.

▶ **INITIATIVES**

In FYE2020, the Manager worked with its outsourced IT vendor to improve the Manager's cybersecurity framework and policies. Measures included enhancing the firewall and installing an Endpoint Detection and Response ("EDR") for better data and information protection. Anti-spam software that scans incoming emails to quarantine messages that contain viruses or malware was also upgraded.

The Manager's outsourced IT vendor also updates the firewall on the advisory alerts issued by the SC to safeguard against the latest threats such as ransomware and distributed denial-of service ("DDoS") attacks.

The Manager believes that one of the most effective forms of preventing cyber attacks is through training and awareness. To educate and update employees on potential cyber threats and risks, the Manager periodically disseminates emails and conducts training on the latest developments in data protection and privacy. These emails and training modules are aimed at raising awareness on the importance of online safety and outlines ways to minimise cyber risks in our day-to-day operations.

In addition to implementing a robust cybersecurity framework, we take extra precaution to protect our tenants' confidential data, by ensuring that all information is stored and only accessible by the relevant departments. For additional security, tenant information is also stored in a designated location where access is restricted to authorised personnel only.

These measures have been undertaken to ensure that we have robust IT infrastructure and internal controls that effectively mitigate cybersecurity threats and risks. This would minimise unscheduled disruptions and unnecessary expenditures that would arise from cybersecurity breaches such as data loss, theft and phishing, including disruption of business workflows that rely heavily on information and data, as well as additional costs of data and network restoration.

▶ **TARGETS & KPIS**

With more companies implementing WFH practices amid the MCO and CMCO, there has also been a rise in cybersecurity risks and incidents. The Manager also experienced an incident, but fortunately, was able to contain and neutralise the threat quickly with minimal impact to our operations. In light of the incident, the Manager took steps to enhance its cybersecurity framework, and conducted training to raise awareness of cybersecurity risks and threats among its employees.

▶ **COVID-19 CHALLENGES / INITIATIVES / OUTCOME**

One of the main initial challenges faced with the implementation of remote working or WFH, was not having access to files saved on the shared server. However, once proper SOPs were in place, the Manager was able to designate personnel on site at the office to provide the required documents as and when necessary. Moving forward, the Manager may consider the adoption of cloud-based solutions to counter these issues.

▶ **OUTLOOK**

The Manager has taken additional preventive measures: IT infrastructure was upgraded to improve security, performance, efficiency and reliability. Concurrently, employees were trained and updated on the latest cybersecurity risks and best practices. In the year to come, the Manager will continue to guard against, monitor and respond to potential cybersecurity issues which may crop up.

SUSTAINABILITY MATTER | RESOURCE MANAGEMENT

ENVIRONMENTAL



Resource Management

We entered the new decade amid crippling droughts and floods – events that have been aggravated by climate change. The Manager is cognisant of the risks and opportunities to our business brought by climate change as well as resource constraints. We are committed to identifying, assessing and managing these risks to ensure the resilience of our business, assets, communities, customers and people. As we grow the Fund’s portfolio of ‘built-to-lease’ development projects, resource management also becomes critical in project management. Identifying and monitoring resources helps reduce costs and increase margins, while minimising the environmental impact arising from our business operations.

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

▶ INITIATIVES

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

▶ COVID-19 CHALLENGES / INITIATIVES / OUTCOME

The MCO caused some delays in the completion of selected AEs. Fortunately, the Manager was able to manage the costs of these delays, and the AEs were completed post-MCO, before the end of 2020. Consequently, our business operations were only minimally affected by the delays.

▶ OUTLOOK

Looking ahead, the Manager plans to incorporate resource management and sustainability considerations in the selection of design and materials for development projects. This will include exploring options to utilise sustainable construction materials and designs that will reduce environmental impact and present operational cost savings.

▶ CAPITALS	MANUFACTURED
	FINANCIAL
▶ STRATEGIC PILLARS	DEVELOPMENT, FACILITIES MANAGEMENT
▶ BUSINESS RISKS	DEVELOPMENT, GLOBAL
▶ GRI	GRI 301: MATERIALS
▶ SDGS	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SUSTAINABILITY MATTER | ENERGY & CARBON FOOTPRINT

ENVIRONMENTAL



Energy & Carbon Footprint

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

We are fully compliant with the Electricity Supply Act 1990 (Act 447) and Electricity Regulations 1994. All systems and installations in our buildings have certificates and licenses to operate. These licenses are renewed on a yearly basis. The electrical systems and installations are operated by a competent Chargeman who is registered with the Energy Commission (“EC”). Our systems and installations are also audited by a competent independent Supervising Engineer, who is also registered with the EC.

The Facilities Management Team is responsible for managing Axis-REIT’s energy and carbon footprint. The team records and reports the monthly energy usage of multi-tenanted buildings through the monitoring of electricity bills. Any abnormal spikes in consumption are promptly investigated, and where necessary, appropriate rectification measures are undertaken to prevent recurrences.

▶ INITIATIVES

The Manager has undertaken the following initiatives to improve the Fund’s energy efficiency:

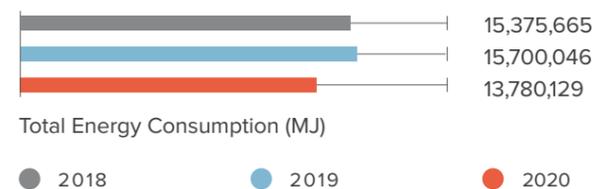
- Changing all conventional lighting at Menara Axis and Crystal Plaza car parks to LED lighting with motion sensor features as part of our energy saving initiatives.
- Upgrading the air-conditioning system at Crystal Plaza. The new system employs Water Cooled Package Units (WCPU) which consume less water and electricity, with 5-star energy ratings.
- Leasing roof space of our properties to tenants to install solar panels. 529,489 sq. ft. of roof space across our portfolio has been rented out for solar panel installation.
- Ensuring all Mechanical, Electrical and Plumbing (MEP) systems are checked, tested and calibrated at regular intervals to ensure equipment and systems are operating efficiently.

The management of energy used within the Fund’s properties ensures that buildings are energy efficient, thereby minimising the loss of energy and financial resources, and increasing cost savings. Effective energy management ensures that Axis-REIT’s stakeholders are satisfied with the Manager’s services as it ensures stability and reliability of building services.

▶ CAPITALS	FINANCIAL
	NATURAL
▶ STRATEGIC PILLARS	FACILITIES MANAGEMENT, DEVELOPMENT, INVESTMENT
▶ BUSINESS RISKS	ENVIRONMENTAL
▶ GRI	GRI 302: ENERGY
▶ SDGS	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

▶ **TARGETS & KPIS**

ANNUAL ENERGY CONSUMPTION GRAPH



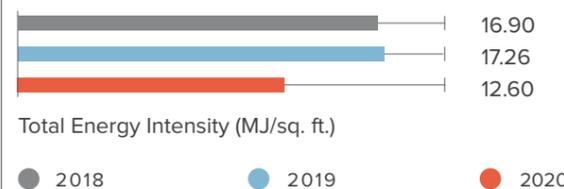
Total Energy Consumption (MJ)

● 2018 ● 2019 ● 2020

Note:

- Total energy consumption is calculated from electricity bills of multi-tenanted buildings.
- The units from prior reporting have been changed from kWh to MJ to standardise the calculation for total energy consumption obtained from multiple sources.
- Data for FYE2019 has been restated and recalculated due to previous discrepancies.

ANNUAL ENERGY INTENSITY GRAPH



Total Energy Intensity (MJ/sq. ft.)

● 2018 ● 2019 ● 2020

Note:

- Total energy intensity is calculated from total energy consumption over the total common area of multi-tenanted buildings.
- The calculation methodology from prior reporting years has been changed from NLA to common area to reflect the areas owned by the Manager in multi-tenanted buildings.

ANNUAL GREENHOUSE GAS (“GHG”) EMISSIONS (SCOPE 2)



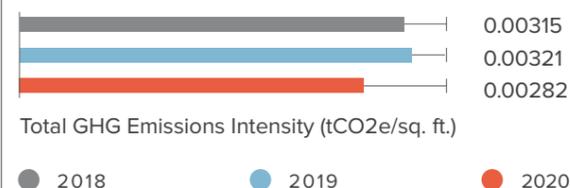
Total GHG Emissions (Scope 2) (tCO2e)

● 2018 ● 2019 ● 2020

Note:

- Scope 2 emissions are calculated from purchased electricity at multi-tenanted buildings with an emission factor of 0.00067 tCO₂/kWh.

ANNUAL GHG EMISSIONS INTENSITY GRAPH



Total GHG Emissions Intensity (tCO2e/sq. ft.)

● 2018 ● 2019 ● 2020

Note: Total GHG emissions intensity is calculated from total scope 2 emissions over the total common area of multi-tenanted buildings.

In FYE2020, total energy consumption at multi-tenanted buildings across the Fund’s portfolio decreased by approximately 12.2%. The reductions in energy consumption and GHG emissions were due to office closures and reduced staff headcount amid the MCO, CMCO and WFH directives.

Our gensets are backup generators that run on diesel. These are only used in the event of a power outage. The table overleaf shows the number of genset units available at selected multi-tenanted buildings, as well as the details of diesel procurement and balance for each unit.

Building	Genset Availability (Yes / No)	No. of Units	Total Amount of Power (kVA)	Diesel Procurement Status			Diesel Level in Tank (High/Medium/Low)
				Last Purchase (Year)	Amount of Diesel Required (L)	Last Diesel Cleaning / Treatment	
▶ Menara Axis	Yes	1 Unit	680 kVA	2018	200 L	19/5/2020	High
▶ Crystal Plaza	Yes	1 Unit	250 kVA	2018	150 L	14/6/2020	High
▶ Quattro West	Yes	1 Unit	250 kVA	2017	950 L	1/10/2020	High
▶ Wisma Academy Parcel	Yes	1 Unit	300 kVA	2018	150 L	31/5/2020	High
▶ Wisma Kemajuan	Yes	1 Unit	700 kVA	2018	250 L	16/5/2020	High
▶ The Annex	No	-	-	-	-	-	-
▶ Axis Business Park Block B	Yes	1 Unit	300 kVA	2018	200 L	12/5/2020	High
▶ Axis Business Park Block C	Yes	1 Unit	450 kVA	2018	200 L	14/5/2020	High
▶ Infinite Center	Yes	1 Unit	400 kVA	2017	200 L	16/5/2020	High
▶ Axis Technology Centre	Yes	1 Unit	100 kVA	2017	100 L	1/6/2020	High
▶ Axis Business Campus	Yes	2 Units	180 kVA 500 kVA	2018	200 L	29/5/2020	High
▶ Axis Vista	No	-	-	-	-	-	-

Note: The Manager is unable to measure the amount of diesel used in a year as these gensets do not have meters that indicate usage.

During the reporting year, the Manager was not fined or sanctioned for non-compliance with environmental laws and/or regulations, and we have not identified any areas of non-compliance with environmental laws and/or regulations.

▶ **COVID-19 CHALLENGES / INITIATIVES / OUTCOME**

The COVID-19 pandemic has resulted in a reduction in traffic volume at our multi-tenanted buildings due to the MCO, CMCO and WFH practices. This has led to a reduction in energy consumption.

▶ **OUTLOOK**

The Manager will continue to monitor electricity consumption at our multi-tenanted buildings and identify opportunities to improve energy efficiency. The Manager is considering the installation of Fuel Consumption Meters for the standby generator sets installed at multi-tenanted buildings for better tracking and monitoring of actual diesel consumption. The Manager strives to begin collecting data for Scope 1 and 3 emissions in the future.

SUSTAINABILITY MATTER | WASTE MANAGEMENT

ENVIRONMENTAL



Waste Management

Waste recycling is an essential practice to ensure we reduce and mitigate our negative impact on precious natural capital. It is an area of environmental stewardship that demonstrates our commitment towards sustainable business practices.

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

The Manager's efforts in implementing responsible waste management initiatives are overseen by our Facilities Management and Project Management Teams. The Facilities Management Team takes the lead on responsible waste management initiatives at multi-tenanted buildings while the Project Management Team is responsible for buildings under construction or undergoing asset enhancement.

▶ INITIATIVES

- The Manager pursues green management activities within multi-tenanted buildings by encouraging the recycling of paper, plastic, metal, glass and office waste among our employees and tenants. This initiative reduces waste generation and educates employees and tenants on simple initiatives that go a long way in helping this cause.
- The Manager ensures that all waste is disposed by licensed waste contractors, and requires its contractors to dispose of waste in a responsible manner in accordance with regulatory requirements.
- In its service agreements with refuse collection vendors for multi-tenanted buildings, the Manager requires proper disposal of waste at authorised sites.

▶ TARGETS & KPIS

There were no specific targets for waste management during FYE2020. However, the Manager's aim is to establish a waste disposal and recyclable items database in 2021.

▶ COVID-19 CHALLENGES / INITIATIVES / OUTCOME

Housekeeping policies and SOPs were adjusted with effect from March 2020, requiring:



Housekeeping staff to wear appropriate PPE for their protection while cleaning and collecting waste



Housekeeping staff to undergo COVID-19 testing at regular intervals as recommended by NSC and MOH



Increased cleaning frequency, with chemicals used for cleaning changed to antibacterial and antiviral products

▶ CAPITALS	FINANCIAL
	NATURAL
▶ STRATEGIC PILLARS	FACILITIES MANAGEMENT, DEVELOPMENT
▶ BUSINESS RISKS	ENVIRONMENTAL
▶ GRI	GRI 306: WASTE
▶ SDGS	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION

These enhanced safety measures and precautions have caused the cost of cleaning and waste collection to rise.

▶ OUTLOOK

Looking ahead, the Manager targets to begin measuring and monitoring waste data from multi-tenanted buildings. This will include collaborating with waste collection companies to report on recyclable, hazardous and non-hazardous waste generated. Once monitoring of waste data from both internal and external factors have been established, the Manager will initiate the development of targets for waste reduction.

SUSTAINABILITY MATTER | WATER MANAGEMENT

ENVIRONMENTAL



Water Management

Water is a critical natural resource to our business. It is extensively used within our building facilities, such as in air-conditioning, washroom facilities, cleaning, landscaping and fire protection. It is also vital for the development of new buildings and asset enhancement work. As demand for water is on the rise, it is crucial for the Manager to conserve water and take multiple steps to reduce wastage of water, especially in water-stressed regions.

The Facilities Management and Project Management Teams oversee water management matters across the Manager's operations. The Facilities Management Team records and reports monthly water consumption at multi-tenanted buildings within the portfolio. Any abnormal spikes in monthly consumption are promptly investigated, with appropriate rectification measures undertaken to prevent recurrences. Meanwhile, the Project Management Team is responsible for incorporating water management initiatives for the Fund's new 'built-to-lease' projects.

▶ INITIATIVES

Despite the disruptions caused by the COVID-19 pandemic, the Manager remained focused on water management initiatives, undertaking the following activities in FYE2020:

- Upgrading the air-conditioning system at Crystal Plaza. The new system employs WPCU which consume less water and electricity, with 5-star energy ratings;
- Conducting monthly maintenance checks to ensure that air-conditioning systems (which are the largest contributors to overall water consumption levels), are operating at optimum levels;
- Conducting regular checks to ensure all equipment remains in good condition, and to repair and/or replace old pipes, sensor taps and other equipment, where necessary; and
- Replacing any plumbing fittings that require changing with new parts that feature better water efficiency ratings.

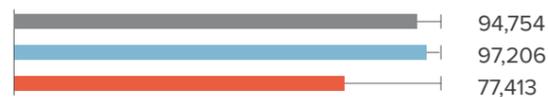
Effective and efficient water management is becoming increasingly critical to businesses. Effective water management gives us the ability to conserve water, thereby increasing cost savings. This way, in the event of a water shortage, operations will continue with minimal disruptions to Axis-REIT's tenants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

The Manager has also installed additional water tanks in some multi-tenanted and single-tenanted buildings to mitigate water supply disruptions, particularly in the state of Selangor. The Project Management Team is also considering installing larger water tanks for future 'built-to-lease' projects in anticipation of further water supply disruptions in the future.

▶ CAPITALS	NATURAL
	FINANCIAL
▶ STRATEGIC PILLARS	FACILITIES MANAGEMENT, DEVELOPMENT
▶ BUSINESS RISKS	ENVIRONMENTAL
▶ GRI	GRI 303: WATER AND EFFLUENTS GRI 307: ENVIRONMENTAL COMPLIANCE
▶ SDGS	6 CLEAN WATER AND SANITATION 13 CLIMATE ACTION

▶ TARGETS & KPIS

ANNUAL WATER CONSUMPTION



Total Annual Water Consumption (m³)

● 2018 ● 2019 ● 2020

Note: Total annual water consumption is calculated based on water bills of multi-tenanted buildings.

ANNUAL WATER USE INTENSITY



Total Annual Water Use Intensity (m³)

● 2018 ● 2019 ● 2020

Note:

1. Total annual water use intensity (WUI) is calculated based on total water consumption over the total common area of multi-tenanted buildings.
2. The calculation methodology from prior reporting years has been changed from NLA to common area to reflect the areas under the Manager's control in multi-tenanted buildings.

In FYE2020, total water consumption and water use intensity at multi-tenanted buildings across the Fund's portfolio was reduced significantly. This dip is due to offices being closed or operating with reduced staff count due to the MCO, CMCO and WFH directives.

During the reporting year, the Manager was not fined or sanctioned for non-compliance with environmental laws and/or regulations, and we have not identified any non-compliance with environmental laws and/or regulations.

▶ COVID-19 CHALLENGES / INITIATIVES / OUTCOME

Water consumption for cleaning services was slightly higher due to the increased cleaning frequency in line with COVID-19 preventive measures. However, as some businesses were operating with reduced staff due to the MCO, CMCO and WFH directives, water consumption in common toilets was lower. This has resulted in an overall dip in water consumption and water use intensity in multi-tenanted buildings across the Fund's portfolio.

▶ OUTLOOK

The Manager will continue to explore opportunities to conserve water within our building facilities, as well as practice good water conservation habits. For future 'built-to-lease' developments, the Manager also plans to look into better water management initiatives, such as introducing rainwater harvesting systems, installing bigger water storage tanks and using water-efficient fittings.

SUSTAINABILITY MATTER | OCCUPATIONAL HEALTH & SAFETY

SOCIAL



Occupational Health & Safety

▶ CAPITALS HUMAN SOCIAL & RELATIONSHIP

▶ STRATEGIC PILLARS FACILITIES MANAGEMENT, DEVELOPMENT

▶ BUSINESS RISKS HR & IT, REAL ESTATE MANAGEMENT

▶ GRI GRI 403: OCCUPATIONAL HEALTH AND SAFETY

▶ SDGS 3 GOOD HEALTH AND WELL-BEING

Ensuring the safety of our people is of utmost importance to us. In addition to safeguarding their wellbeing, we view our approach to occupational health and safety as a driver of employee engagement, retention, efficiency and our reputation. Amid the uncertainties caused by the COVID-19 pandemic, we remained agile, responding proactively as the pandemic rapidly evolved. From the outset of the crisis, we took decisive actions to minimise the impact to our business and protect our people. Our immediate priority was, and continues to be, the health and safety of our employees and tenants.

The Manager's response to occupational health and safety matters, including the COVID-19 pandemic, is guided by our HSE Policy. Implemented on 29 August 2019 and developed in accordance with Malaysia's Occupational Health and Safety Act 1994, our HSE Policy sets out the baseline requirements to ensure the health and safety of our employees, tenants, visitors, suppliers and contractors. We continuously strive to meet and go beyond these requirements, proactively identifying and mitigating any risks that may lead to health and safety incidents. To achieve this, Axis-REIT has and continues to endeavor to:

1. **Demonstrate** visible HSE leadership and commitment to HSE-related matters;
2. **Commit** to HSE excellence in our activities by following the relevant code of compliance and adhering to applicable standards and procedures;
3. **Implement** measures that are relevant to our activities in order to prevent work-related death, injury, ill-health and property damage, as well as ensure the conservation of the environment and prevention of pollution;
4. **Maintain** appropriate contingency measures and ensure they are tested to deal with emergency situations; and
5. **Promote** continual improvement in our HSE management system and performance, and enhance the HSE competencies of our employees.

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

To create and maintain a safe and healthy environment within our operations, the Manager employed a qualified Health, Safety, Security and Environment ("HSSE") manager to conduct regular workspace inspections to ensure employees and the service providers and contractors the Manager works with abide by Axis-REIT's HSE policy and industry best practices on safety and health. The HSSE manager is supported by Facility Managers and their team members.

▶ **INITIATIVES**

Safety Culture & Work Environment

The HSE requirements and expectations are included in our tender documents for compliance by the relevant contractors, where HSE matters are communicated prior to commencing work (pre-mobilisation), as well as during the execution of work. HSE matters include highlighting elements of HSE planning, risk assessment and control, operational control, as well as verification and continual improvements. Other initiatives to promote a safety culture and work environment include the following:

- Implementing a Job Safety Analysis (“JSA”) policy that requires our contractors to establish documented risk assessments prior to commencing work on a project.
- Requiring contractors to commit to HSE compliance by appointing a competent person to oversee HSE matters.
- Making Axis-REIT’s in-house Renovation Work Manual accessible to relevant parties to ensure compliance with HSE expectations and requirements.
- Conducting HSSE Induction Training for the Manager’s appointed contractors as well as Tenants’ appointed contractors prior to commencement of works.
- Maintaining compliance records of relevant equipment and activities in our buildings with the relevant authorities such as the Department of Occupational Safety and Health (“DOSH”), BOMBA and the Construction Industry Development Board (“CIDB”).
- Providing Personal Protective Equipment (“PPE”) to employees and ensuring contractors and sub-contractors’ workers working at our project sites and assets are equipped with the necessary PPE.
- Conducting ‘Lesson Learnt’ sessions on past accidents and expected improvements to relevant parties including employees and contractors.

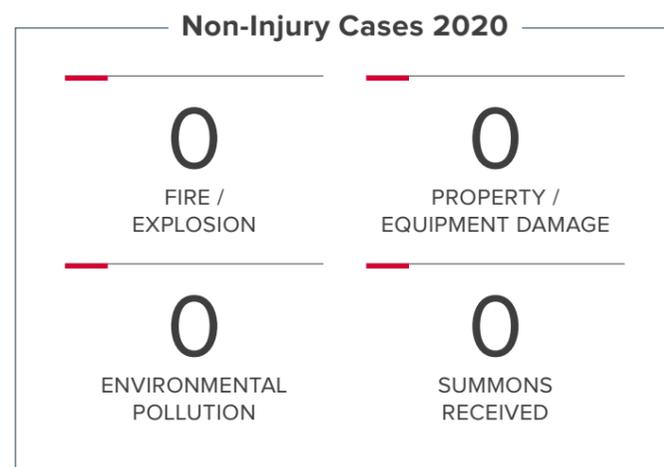
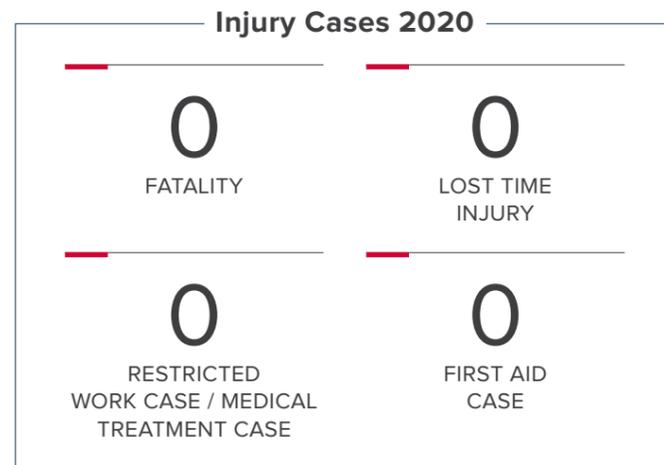
Safety Education and Training

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

and knowledge, we send employee representatives to attend externally organised training programmes. New employees, external service providers and contractors are required to undergo a HSSE induction programme prior to commencing building maintenance, servicing and refurbishment works. This way, the Manager does its part to limit workplace hazards and reduce accidents within our operations and properties.

▶ **TARGETS & KPIS**

HEALTH, SAFETY & ENVIRONMENT (“HSE”) PERFORMANCE



HSE PERFORMANCE BOARD (AS OF DECEMBER 2020)



The common and possible work-related injuries are falls from heights and slips, chemical exposure, as well as major and minor injuries to limbs. Hence, we promote safe working methods, regularly monitor our employees’ and contractors’ safety and continuously remind them to always be wary of hazards at the workplace. All issues identified are to be immediately rectified. During the reporting year, the Manager recorded zero employee, contractor and subcontractor work-related injuries.

	2018	2019	2020
MALE	2.00%	1.69%	1.00%
FEMALE	2.53%	1.98%	1.00%

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

▶ **COVID-19 CHALLENGES / INITIATIVES / OUTCOME**

From the outset of the pandemic, the Manager was quick to formulate and implement a comprehensive COVID-19 Response to contain the impact of the pandemic on the Fund. This included measures to minimise the spread of COVID-19 and to safeguard the health and wellbeing of employees, such as:

1. Introducing specific procedures on COVID-19 management at the workplace;
2. Re-assigning employees to be stationed at three different office locations as well as work from home arrangements to limit the number of employees at a single location and to ensure physical distancing is adhered to;
3. Enforcing the compulsory use of face masks for employees, with the Manager taking responsibility to provide and replenish face masks for all employees. Strict personal hygiene protocols are also enforced at all times;
4. Substituting physical meetings with virtual meetings via Microsoft Teams or Zoom. If physical meetings cannot be avoided, the number of attendees are limited according to the room capacity to ensure adequate social distancing;
5. Encouraging employees to observe their health status at all times. Employees with symptoms and with temperatures above 37.5°C are prohibited from the entering the premises and are required to seek medical attention;
6. Cleaning and disinfecting commonly touched areas and surfaces at least three times per day;
7. Limiting the number and arrangement of chairs at common areas such as meeting rooms and pantries to maintain physical distancing; and
8. Prohibiting direct deliveries of parcels to offices and instead, designating a dedicated station at the main lobby to encourage contactless deliveries.

The Manager also strives to ensure the safety and health of tenants, visitors, vendors and other relevant stakeholders through the enforcement of three principles, namely Hygiene, Disinfection and Physical Distancing, per the MOH and NSC guidelines.

Facilities Management

A. COMMON AREA MAINTENANCE



B. VENDOR MANAGEMENT

-  Compulsory usage of PPE, including face masks and gloves
-  Compulsory COVID-19 swab tests for workers with results reported to Building Management
-  Regular sanitisation of Centralised Labour Quarters (“CLQ”)



C. ADVISORY TO TENANTS

-  **01**
Enforce strict compliance with MOH and NSC Guidelines / SOPs
-  **02**
Implement movement control, as well as temperature screening and recording at all entry points
-  **03**
Practice the highest standards of personal hygiene and housekeeping
-  **04**
Continuous collaboration with Building Management on SOP implementation and review

All measures implemented are based on the latest MOH and NSC guidelines and SOPs, and are revised and updated accordingly to suit current conditions.

▶ OUTLOOK

Moving forward, the Manager will continue to incorporate HSE practices for external parties such as suppliers and contractors. We strive to ensure that all stakeholders are protected and safe during these trying times and will monitor all regulatory requirements and update the Manager’s policies and procedures on a case-by-case basis.

SUSTAINABILITY MATTER | TALENT DEVELOPMENT

SOCIAL



Talent Development

A constantly learning workforce that is adaptable to change is a key competitive advantage to any organisation. Therefore, reskilling is a strategic imperative for us to remain relevant. Recruiting and developing individuals who have the qualifications, know-how and interpersonal skills necessary to support our people-centric business is an ongoing challenge that we seek to address to maintain our growth trajectory. Inspiring our people to go above and beyond the call of duty through various programmes supports our vision of being the best in all aspects of what we do.

The Manager believes in the development of a competitive workforce. We invest significant amounts on initiatives. Investing in training and engagement initiatives drives employee productivity, contribution and engagement, as well as our brand and reputation. We provide valuable skills, training and experience through our internal programmes, and through skills development and opportunity creation, we provide stepping-stones for our employees to advance their career prospects.

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

- ▶ **CAPITALS**
 -  HUMAN
 -  FINANCIAL
 -  INTELLECTUAL
- ▶ **BUSINESS RISKS**
 - HR & IT
- ▶ **GRI**
 - GRI 404: TRAINING AND EDUCATION
- ▶ **SDGS**
 - 

▶ INITIATIVES

- Conducted year-end performance appraisals to assess the performance of all employees, their career needs and plans. The appraisal process allows us to track employee strengths and weaknesses, identify the best candidates for career progression and offer feedback for areas of improvement.
- Learning opportunities are made available through requests from Heads of Departments and the CEO to address any skill and competency gaps, as well as to align our employees’ professional needs, job specifications and industry demands.
- In addition to training programmes, we provide on-the-job training for employees. All new employees of the Manager are assigned to a ‘buddy’ to teach them the skills, knowledge and competencies needed in their roles.

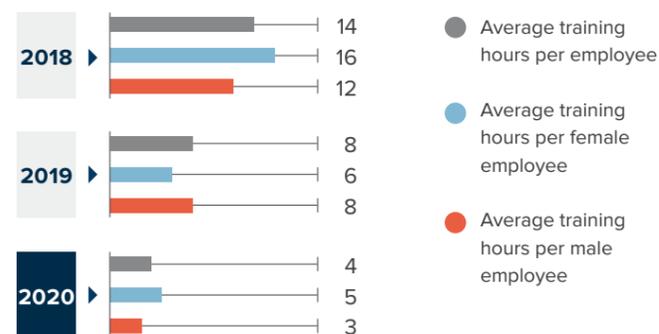
Due to the COVID-19 situation, all external training sessions were conducted virtually during FYE2020.

Types of Training Programmes (FYE2020)	Internal / External	Frequency	Target Group
▶ Compliance: Anti-bribery and Corruption	Internal	Ad hoc	All staff
▶ Cyber Security	Internal	Annual	PC users
▶ Invest Malaysia 2020	External	Annual	Leasing and Finance
▶ Health and COVID-19 related training	External	Ad hoc	HR
▶ MAICSA Annual Conference 2020	External	Annual	Compliance
▶ Secretarial Practice Issues and Listing Requirements	External	Ad hoc	Compliance

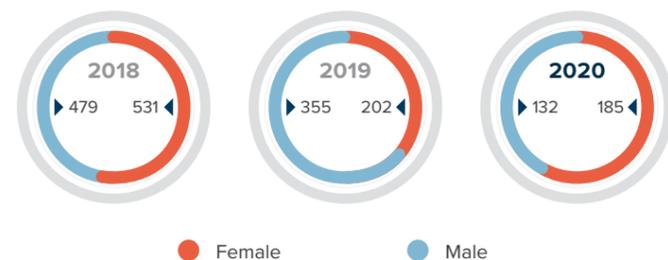
▶ TARGETS & KPIS

KPI: To ensure every employee attends at least one training session a year.

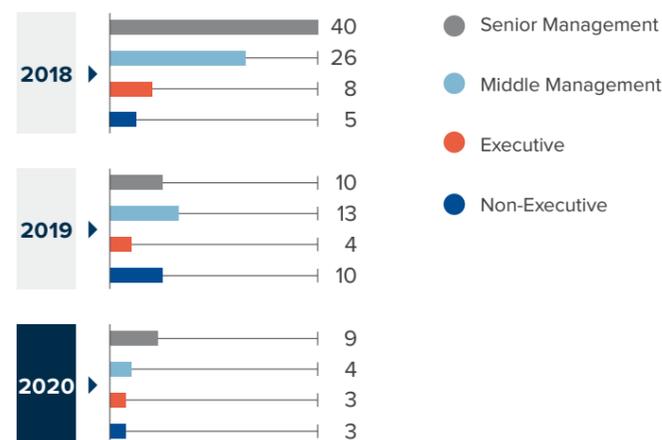
AVERAGE TRAINING HOURS BY GENDER PER ANNUM



TOTAL TRAINING HOURS BY GENDER PER ANNUM



AVERAGE TRAINING HOURS BY EMPLOYEE CATEGORY PER ANNUM



Employees receiving regular performance and career development reviews (%)	Male	Female
▶ 2018	100%	100%
▶ 2019	100%	100%
▶ 2020	100%	100%

Through our HR initiatives and company policies, the Manager is able to ensure that all employees receive performance and career development reviews annually.

▶ COVID-19 CHALLENGES / INITIATIVES / OUTCOME

As a result of the COVID-19 pandemic, we conducted fewer training sessions in 2020 compared with previous years. To overcome the disruptions caused by the pandemic, the Manager conducted key training sessions virtually during the year. However, there were still gaps as we were not able to conduct courses which required hands-on training.

▶ OUTLOOK

The Manager will continue to ensure employees have access to appropriate training opportunities so that they are equipped with the relevant skillsets to meet our business needs, achieve their potential and fulfil their career aspirations.

SUSTAINABILITY MATTER | EMPLOYEE WELLNESS & ENGAGEMENT

SOCIAL



Employee Wellness & Engagement

▶ CAPITALS

- HUMAN
- FINANCIAL

▶ BUSINESS RISKS

- HR & IT

▶ GRI

- GRI 401: EMPLOYMENT
- GRI 405: DIVERSITY AND EQUAL OPPORTUNITY

▶ SDGS

- 3 GOOD HEALTH AND WELL-BEING
- 5 GENDER EQUALITY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 10 REDUCED INEQUALITIES

The wellbeing of our employees is a key priority for ARMB. The Manager recognises that its employees are the backbone of the business and it is the Manager's responsibility to create a conducive work environment where employees can draw upon their full potential and feel empowered. To achieve this, the Manager places strong emphasis on employee welfare and equal opportunities at work. Our employee wellness efforts focus on securing a safe and healthy work environment for our people, which we believe empowers them to perform optimally while meeting our organisational objectives as well as health and safety requirements. We offer a variety of benefits to help support the physical, financial and emotional wellbeing of our employees, and our employee wellness programme has been designed with these specific objectives in mind.

The Human Resource Department manages all aspects of employee benefits and welfare, and also handles all employee relations matters within the organisation. The Manager practices an 'Open Door' policy where employees can raise concerns or feedback to the Heads of Departments or the Human Resource Manager. This encourages effective communication between employees and management, and lays a strong foundation for trust and long-term relationships within the workplace.

▶ INITIATIVES

The Employee Handbook, which defines the Manager's policies as well as employee benefits and perks, guides our employment practices.

- Other forms of communication include Facebook posts to disseminate the latest news, events and progress of the Fund.
- The Manager's employee benefits include group personal accident insurance, group hospitalisation, disability and invalidity coverage, retirement provisions and parental leave. Employees of the Manager are entitled to ninety (90) days of maternity leave and two (2) days of paternity leave. During the reporting year, two (2) mothers and one (1) father had applied for their respective maternity and paternity leave entitlements. All employees then returned to work once the leave was completed.

▶ **TARGETS & KPIS**

In 2020, the Manager recorded an increase in employment as more technicians were required.

EMPLOYEE STATISTICS BY GENDER AND EMPLOYEE CATEGORY

Employee Statistics	2018		2019		2020	
	Female	Male	Female	Male	Female	Male
▶ Senior Management	11%	4%	11%	4%	10%	4%
▶ Middle Management	5%	4%	4%	5%	4%	6%
▶ Executive	22%	30%	22%	30%	19%	30%
▶ Non-Executive	7%	17%	7%	17%	7%	20%

EMPLOYEE STATISTICS BY AGE GROUP AND EMPLOYEE CATEGORY

Employee Statistics	2018			2019			2020		
	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
▶ Senior Management	-	11%	4%	-	11%	4%	-	10%	4%
▶ Middle Management	-	7%	3%	-	8%	1%	-	9%	1%
▶ Executive	4%	34%	13%	7%	31%	14%	8%	26%	15%
▶ Non-Executive	3%	16%	5%	3%	16%	5%	4%	15%	8%

NEW HIRES BY GENDER

Employee Statistics	2018		2019		2020	
	Male	Female	Male	Female	Male	Female
New Hires	3%	5%	4%	3%	5%	3%

TURNOVER RATE BY GENDER

Employee Statistics	2018		2019		2020	
	Male	Female	Male	Female	Male	Female
Turnover Rate	0%	4%	3%	4%	0%	0%

NEW HIRES BY AGE GROUP

Employee Statistics	2018			2019			2020		
	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
New Hires	1%	7%	0%	3%	4%	0%	3%	5%	0%

TURNOVER RATE BY AGE GROUP

Employee Statistics	2018			2019			2020		
	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Turnover Rate	0%	4%	0%	0%	5%	1%	0%	0%	0%

Note:

1. Turnover rates are calculated based on the total number of employees that have left the company, over the total number of employees during the year in review.
2. The calculation methodology for new hires and turnover rates have been revised from previous years.
3. The total number of employees in 2018, 2019 and 2020 were 74, 74 and 80 respectively.
4. The tabulated figures have been rounded to the nearest whole number for standardisation.

▶ **COVID-19 CHALLENGES / INITIATIVES / OUTCOME**

Amid the COVID-19 pandemic, we have had to adjust to a “new normal”. For ARMB, this entailed implementing SOPs and protocols to safeguard our employees and to adhere to MOH and NSC guidelines. These initiatives included:

- Cancelling all company events (i.e. festive gatherings, annual dinner and company trip) following the implementation of the MCO.
- Segregating our employees and designating them to different office locations, and implementing WFH arrangements for the Management Team. These measures were undertaken to reduce the number of employees physically present at each office, in the interest of promoting social distancing.
- Distributing PPE such as masks to all employees, and providing sanitisers at all premises.
- Formulating a contingency plan, outlining protocols for temporary office closures, staff communication and regulatory reporting, for deployment in the event any employee at our offices tests positive for COVID-19.

With the uncertain economic environment, we note that there were no staff resignations during FYE2020.

▶ **OUTLOOK**

An earlier plan to establish a Sports Club in 2020 has been deferred due to the pandemic, and Management will assess the situation to decide the next course of action.

SUSTAINABILITY MATTERS | COMMUNITY ACTIVITY & PARTNERSHIP

SOCIAL



Community Activity & Partnership

▶ **CAPITALS** SOCIAL & RELATIONSHIP

▶ **BUSINESS RISKS** GLOBAL

▶ **GRI** GRI 413: LOCAL COMMUNITIES

▶ **SDGS** 3 GOOD HEALTH AND WELL-BEING

Axis-REIT remains committed in our role as a responsible corporate citizen. We are mindful of the environment in which we operate, including the needs of the local communities around us. Open dialogue and interaction with our communities affords us the opportunity to understand their needs and to further align our business to meeting these needs. It also helps us manage the impact these communities have on us, and vice versa. In so doing, we ensure the creation of mutually beneficial partnerships to reach our longer-term goals. Wherever possible, we provide support to maintain the benefits of community connection, along with staying safe amid the COVID-19 pandemic.

These efforts are spearheaded by the Commercial & Industrial Marketing Department, tapping in-depth knowledge of our properties and their surroundings. As custodians of the Fund’s Community Activity & Partnership efforts, we strive to identify communities in need of help, and propose potential corporate social responsibility (CSR) projects or activities to the Board and the Trustee for approval.

▶ **INITIATIVES**

During the year, the COVID-19 pandemic caused extraordinary economic and social disruption, and placed a tremendous strain on Malaysia’s public healthcare system. In light of this, the Manager made the decision to reallocate its corporate social responsibility budget towards supporting the country’s COVID-19 response, providing urgently-needed funds for COVID-19 equipment and treatment costs.

▶ **TARGETS & KPIS**

COMMUNITY STATISTICS

Number of Beneficiaries	Total Employee Volunteer Hours
▶ 2018 258	416
▶ 2019 926	573
▶ 2020 N/A	N/A

TYPES OF COMMUNITY INITIATIVES (FYE2020)

CASH DONATION	
Details	<p>RM50,000 Donated to Mercy Malaysia’s Wakaf COVID-19 Fund</p> <p>RM50,000 Donated to University Malaya Medical Centre (“UMMC”)</p>
Outcome	<p>Bought 20 units of breathing support machines for ICUs at selected government hospitals</p> <p>Contributed towards UMMC’s efforts in providing medical services for COVID-19 cases</p>
Target Group(s)	<p>Public health system COVID-19 patients</p> <p>Public health system COVID-19 patients</p>

▶ **COVID-19 CHALLENGES / INITIATIVES / OUTCOME**

In light of the COVID-19 pandemic and ensuing public health emergency, the Manager temporarily suspended its usual community activities and events, and diverted its corporate social responsibility resources towards supporting Malaysia’s COVID-19 response and public health system. The suspension of community activities was also in adherence to movement control and social distancing guidelines.

▶ **OUTLOOK**

The Manager is monitoring the COVID-19 situation in Malaysia. Once a recovery is underway, Axis-REIT will resume organising and supporting community programmes that promote health and safety among its employees and the surrounding community.

CHAPTER 05

OUR LEADERSHIP & ACCOUNTABILITY

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CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

The following sections describe the corporate governance framework, practices and policies, adopted by the Manager, based on the status of Axis-REIT as a large company, by the definition of the Malaysian Code on Corporate Governance that came into effect on 26 April 2017 ("MCCG"). The framework, practices and policies are substantially in accordance with the MCCG.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

The Manager of Axis-REIT and the Board of Directors

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

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

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

The overview of the Board's responsibilities in carrying out the duties of the Manager in accordance with the Deed, is presented in the following diagram:



Sustainability Governance Structure

Good ESG management requires strong leadership to ensure that our business vision is integrated into everyday operations and decisions. The Board, alongside the CEO and heads of departments ("HODs"), is also responsible for company-wide sustainability management as it instils trust and confidence in our stakeholders.



Board Composition

As at 31 December 2020, the Board of Directors comprised the following:



There was an addition to the number of alternate directors in FYE2020. Ms Maxine Teoh Sui Vern was appointed as an Alternate Director to Mr Stephen Tew Peng Hwee @ Teoh Peng Hwee on 1 July 2020. In view that an alternate director will not be aggregated to the number of Directors on the Board as prescribed by the Manager's Constitution, there is no change to the existing size of the Board in terms of the number of Directors being competent to vote.



The Board, with its mixture of Executive and Non-Executive Directors from diverse professional backgrounds, enables Management to tap their expertise and broad business experience when deliberating issues with the Board. The roles and responsibilities of the Board in discharging its fiduciary leadership functions are elaborated in the Board Charter, which can be accessed at Axis-REIT's corporate website, www.axis-reit.com.my.

Annual Assessment of Directors

The Board continued to engage a third-party consultant, Archer Consulting Group Sdn Bhd (“ACG”), to facilitate the independent assessment of the Board, Board Committees and each individual Director. ACG conducted these assessments from 28 September 2020 to 2 October 2020 through electronic conferencing with the Directors. Based on the assessment results and the evaluation by the Nomination Committee of the Board, the Board recommended no change to its composition.

Independent Directors made up one-third of the Board and this complies with the requirements prescribed under the SC’s Guidelines on Listed REITs. The Board considers the current composition to be satisfactory, and any proposed change to the composition will require a careful and in-depth review based on the size, requisite mix of skills and competencies of the Board.

Chairman of the Board and CEO

The positions of Chairman and CEO are held by separate persons in order to maintain an effective segregation of duties. This division of responsibilities is defined in the Board Charter and is summarised below:

CHAIRMAN OF THE BOARD
<ul style="list-style-type: none"> • Provides leadership to the Board in relation to all aspects of the Board’s roles and responsibilities • Ensures that members of the Board work together with Management in a constructive manner to address strategies, business operations, financial performance and risk management issues • Plays a role in the Manager’s external relationships with stakeholders
CEO
<ul style="list-style-type: none"> • Has full executive responsibilities over the execution of the agreed business policies and directions set by the Board, and over all operational decisions in managing Axis-REIT • Works closely with all the HODs through weekly cross-departmental meetings in reviewing matters relating to operational issues, capital management, investment proposals, leasing activities, facilities and project management

Strategic Planning and Target Setting

At the beginning of FYE2020, the Board reviewed and approved the budget of Axis-REIT, which provided the financial roadmap and targets for each department in executing the business plans of the Manager and Axis-REIT. The Manager remained guided by Axis-REIT’s 2021 Strategy Plan, which was approved by the Board in August 2016. This 2021 Strategy Plan consists of five pillars which focus on creating value for all stakeholders through building a sustainable business:



During FYE2020, the CEO and key Management Team assessed past performance, strategised for the year ahead and formulated the details of the business plan for 2021. More details on the Business Plan 2021 are set out in the Strategy – Business Plan 2021 section on pages 95 - 97.

Board Meetings and Procedures

The global COVID-19 pandemic has imposed many ‘new normals’, including the practice of social distancing. The Board met physically at its first quarterly meeting held in January 2020 and the subsequent three quarterly meetings were held virtually via Microsoft Teams, as physical meetings were restricted in order to observe social distancing.

At these quarterly meetings, the Board discharged its duties to review, discuss and approve the release of Axis-REIT’s quarterly and annual financial results. It also reviewed proposed acquisitions and disposals, corporate plans and the annual budget, capital management proposals, property reports, investor relations reports, as well as the performance of the Manager and Axis-REIT against the previously-approved budget, together with other proposals tabled by Management. The CEO led the business performance reporting at each Board meeting. The Chief Financial Officer, Head of Real Estate, Head of Investments and the Investments & Investor Relations Senior Manager, who are HODs of the Manager, also participated at the Board meetings to present their reports and to facilitate the review and deliberation of issues and matters presented to the Directors at such meetings. Via such conduct at Board meetings, the Board is able to oversee, assess and monitor Management’s performance in administering the business of the Manager and Axis-REIT.

Prior to each Board meeting, the Executive Committee of the Board would meet to review all reports and proposals from Management before a comprehensive executive committee report is compiled and presented to the Directors at Board meetings. Such executive committee reports contain financial and operational updates, as well as proposals and recommendations for the Board’s consideration, deliberation and decision.

All meeting dates are determined and fixed in advance so that all Directors are able to schedule and commit their time effectively. This is governed by the Board Charter, where expectations on time commitment are set.

Notices of meetings and their agendas are issued to all Directors no less than seven days in advance by the Company Secretary. The relevant meeting papers are compiled and distributed to all Directors as soon as practicable after the notices of meetings have been issued, within five business days prior to the date of meeting.

Access to Information and Advice

All members of the Board have access to all information in relation to the Manager and Axis-REIT at Board meetings, as well as through enquiries made via established channels. Emails are the most commonly used method to disseminate information to the Directors on a timely basis. The Board is also kept up-to-date via monthly financial updates circulated by the Finance Department of the Manager, and this enables the Board to monitor and assess the performance and prospects of the Fund. All Directors have access to the rules and regulations governing the Fund and the Manager, as well as other policies approved by the Board via the Company Secretary, who maintains such corporate documents. The Manager also has a panel of financiers and consultants who provide professional advice in the areas of financing, capital markets, legal, property valuation and engineering due diligence, from whom advice can be sought. By having access to expert advice, the Board is able to ensure its decision-making mechanism is effective and result-oriented.

Company Secretary and Head of Compliance

The Board is supported by a professionally-qualified and competent Company Secretary who is also the Head of Compliance of the Manager. She is responsible for ensuring that the Board, Board Committees and shareholder/unitholder meeting procedures, corporate policies and procedures, and applicable rules and regulations are adhered to. The Company Secretary organised all meetings for the Board and Board Committees and attended all such meetings held in FYE2020. Minutes of each meeting would then be prepared and circulated for approval by the respective Chairmen. The Company Secretary also kept the Board abreast of all relevant regulatory updates to laws and requirements at meetings, as well as via email.

The following are some of the important regulatory and legal updates briefed to the Board during FYE2020:

- Revised policy document on Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Designated Non-Financial Businesses and Professions & Non-Bank Financial Institutions
- Disclosure guidance from Bursa Securities on COVID-19-related impacts and investments
- Temporary increase in gearing limits for REITs by the SC
- Guidelines on beneficial ownership reporting framework under the Companies Act, 2016

As the Head of Compliance of the Manager, the Company Secretary also assists the CEO in legal and corporate compliance matters by liaising and working closely with the appointed external solicitors and professional advisers.

New Policies implemented by the Board in FYE2020

On 20 May 2020, the Board reviewed, approved and adopted the following new policies:

- Anti-Bribery and Anti-Corruption Policy (“ABC Policy”)
- Business Continuity Planning

The ABC Policy was put in place to comply with the corporate liability provisions as contained under Section 17A of the Malaysian Anti-Corruption Act 2009 which came into effect on 1 June 2020.

The Manager organised in-house training on the application of the ABC Policy for the Management and staff as well as the Directors on 7 August 2020 and 21 October 2020 respectively, conducted by the legal solicitors, Messrs Rosli Dahlan Saravana Partnership.

The Business Continuity Planning, on the other hand, was prepared based on the Guiding Principles on Business Continuity issued by the SC. It was activated in early-2020 to address the risks caused by the COVID-19 outbreak and was subsequently formalised and adopted by the Board on 20 May 2020.

More details relating to the ABC Policy and Business Continuity Planning can be found in the Management of Sustainability Matters section of this Report.

Board Charter, Code of Conduct and Whistle-Blowing Policy

POLICIES Board Charter

SCOPE Provides a clear description of the responsibilities of the Board, its Directors and the Board Committees

REVIEW IN FYE2020 - Expanded the Board’s roles and responsibilities to include avoidance of all practices of bribery and corruption
 - Elaborated the Board’s authority (in relation to the schedule of matters reserved for the Board’s decision)

POLICIES Code of Conduct

SCOPE Outlines the rules of professional conduct, proper practices and ethical behaviour expected of the Manager and its personnel

REVIEW IN FYE2020 - Revised to be in line with the ABC Policy

POLICIES Whistle-Blowing Policy

SCOPE Facilitates the management of reports and claims filed in relation to possible improprieties in matters relating to financial reporting, compliance, misconduct and other malpractices

REVIEW IN FYE2020 - Revised to be in line with the ABC Policy

These policies can be accessed on Axis-REIT’s corporate website.

Board Remuneration and Remuneration Policy

As Axis-REIT is externally managed by ARMB, it has no employees, and the Directors sit on the Board of ARMB. The Manager, strategically led by the Board, ensures that it appoints experienced and well-qualified personnel to handle its day-to-day operations. All Directors and employees of the Manager are remunerated by the Manager and not by the Fund. The Manager is a privately-owned company.

Details of the Remuneration Committee, which is responsible for the determination of the remuneration policy framework of the Manager’s Directors, are set out in the Remuneration Committee section below.

In line with the Board’s remuneration policy, which is documented in the Board Charter of the Manager, the Remuneration Committee, at its meeting, reviews the annual remuneration proposals presented by the Executive Committee. The Chairman of the Remuneration Committee, who is an Independent Non-Executive Director, brings his experience and exposure to facilitate the review of the proposals presented by the Executive Committee. The Board perceives that the Chairman of the Remuneration Committee contributes to the independent element of the review process.

There was no change in the Board’s remuneration policy in FYE2020 and the Remuneration Committee carried out the same process of reviewing the remuneration packages of the CEO and other Directors. In reviewing the CEO’s remuneration, her leadership, performance and contributions to Axis-REIT were the key indicators assessed by the Remuneration Committee. Directors’ Fees are reviewed based on market factors. All proposals were then recommended to the Board for its final decision, and abstentions from voting by interested Directors were recorded by the Company Secretary.

All remuneration matters at senior management level are reviewed and determined by the Executive Committee and where required, on a case-to-case basis, the Board’s guidance and/or approval is sought.

A brief overview of the Directors’ remuneration (comprising salaries, other emoluments, fees, meeting allowances and benefits-in-kind) in respect of FYE2020 is presented below:

Range of Remuneration Per Annum	Executive Directors	Non-Executive Directors
RM50,000 - RM200,000	1	4
RM200,001 - RM400,000	-	1
RM400,001 - RM600,000	-	-
RM600,001 and above	1	-

Note: Details of Directors’ and senior management personnel’s individual remunerations are not disclosed as the Directors and senior management personnel are remunerated by the Manager, which is a privately-owned company. The Manager believes that the overview presented above is sufficient for public disclosure, and that the non-disclosure of individual remunerations is essential to protect the interests of the Manager and its officers.

Board Committees and their Roles

The Board delegates certain functions to the Board Committees to assist in discharging its duties. These delegated functions are as follows:

EXECUTIVE COMMITTEE

- Manages the business of the Manager and Axis-REIT in accordance with the vision and mission established and approved by the Board
- Oversees and monitors the day-to-day business activities of the Manager and Axis-REIT
- Oversees the internal talent and senior leadership/ key management team and its succession planning

AUDIT COMMITTEE

- Assists the Board in ensuring that a balanced and understandable assessment of Axis-REIT’s financial position and prospects is presented to the investing public
- Assists the Board in the areas of internal controls, risk management and governance processes of Axis-REIT and the Manager

REMUNERATION COMMITTEE

- Recommends to the Board the policy framework for the remuneration of the Executive and Non-Executive Directors of the Board, as well as key management officers (if any)
- Reviews the remuneration framework from time to time, to ensure that the Manager attracts and retains individuals of the highest calibre

NOMINATION COMMITTEE

- Ensures that the Manager recruits, retains and develops the best available executive and non-executive directors
- Reviews succession at Board level
- Assesses the Board’s structure, size and composition
- Evaluates the Directors’ mix of skills, expertise and level of competencies

The Board Committees are guided by their respective Terms of Reference. The Terms of Reference of the Audit Committee, Nomination Committee and Remuneration Committee are available for reference on Axis-REIT’s corporate website.

► **Audit Committee**

The Audit Committee has the oversight duty to ensure that the financial reporting systems, internal controls and risk management systems of the Manager are robust.

 The Audit Committee Report, which contains a summary of activities carried out by the Committee during FYE2020, is set out as a separate section in this Report.

► **Remuneration Committee**

As the Directors of the Manager are remunerated by the Manager and not by the Fund, the Executive Committee of the Manager plays an important role in presenting proposals to the Remuneration Committee. In this regard, Dato' Abas Carl Gunnar Bin Abdullah and Mr Stephen Tew Peng Hwee @ Teoh Peng Hwee sit on the Remuneration Committee as members, and they have the task of representing the Executive Committee in presenting remuneration proposals for consideration by the Remuneration Committee, under the scrutiny of its Independent Chairman.

The Board had determined the composition of the Remuneration Committee to be as described above, and accepted its departure from the recommended composition as stated in the MCCG. To the Board, the views of the Executive Committee are essential in the deliberation process, especially in reviewing the remuneration proposal for the CEO. This is because the Executive Committee oversees the primary management activities and business of Axis-REIT and thus, has a better understanding of the performance and contributions of the CEO.

► **Nomination Committee**

The chair of the Nomination Committee is the Senior Independent Director of the Board. He plays an important support role to the Chairman in fostering strong relationships and balance across the Board.

The Nomination Committee held its first meeting on 20 May 2020 via Microsoft Teams and reviewed the proposed appointment of Ms Maxine Teoh Sui Vern as a new Alternate Director prior to making the recommendation to the Board.

At its second meeting in FYE2020, the Nomination Committee undertook the following activities, which were its annual affairs:



Reviewed the performance evaluation carried out on the Board, Directors and Board Committees based on the assessment results compiled by the external facilitator. The Nomination Committee had expressed satisfaction with the level of corporate governance values/practices which are embedded in the functions of the Board, operations and management processes of the Manager

	Considered and made no recommendation to revise the recruitment criteria
	Adopted the criteria for the annual assessment of Directors (including the assessment of independence and the assessment of Directors whose tenures had exceeded nine years) as employed by the external facilitator in their assessment processes
	Reviewed the existing composition of the Board, as well as the effectiveness of the Board and Board Committees. No change to the Board's composition was recommended by the Committee
	Considered the gender diversity of the Manager, bearing in mind the recommendation to have 30% female board representation pursuant to the MCCG. The Board is of the opinion that the selection of suitable candidates for appointment to the Board must be based on merit
	Reviewed succession plans at Board level
	Assessed the training needs of the Directors. The Manager is committed to arranging annual in-house training sessions for the Directors and senior management of the Manager
	Reviewed the term of office and performance of the Audit Committee in accordance with Paragraph 15.20 of the MMLR. No exception was noted from the assessment results
	Assessed the retiring Directors in accordance with the Constitution of the Manager and recommended to the Board their respective re-elections

Assessment of Independent Directors

The Board undertook an annual evaluation of its three Independent Directors, namely YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin, Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor and Encik Mohd Sharif Bin Hj Yusof, based on the results of the assessment that was facilitated by ACG. ACG's report had indicated that pursuant to the interviews conducted, the Independent Directors demonstrated that they are objective and independent in expressing their views and in participating in deliberations and decision-making of the Board and Board Committees.

All three Independent Directors were also subject to additional evaluations, given that they had served on the Board as Independent Directors for more than nine years. Accordingly, the Board assessed the three Independent Directors, taking into consideration their tenure on the Board, and considered them still independent.

The Board was of the opinion that their independence has not been materially compromised by the length of their service as Independent Directors of the Board. Accordingly, and as good practice, the Board will seek approval from the Manager's sole shareholder for the retention of the three Independent Directors at the Manager's annual general meeting to be held in FYE2021. This will enable the sole shareholder (who has control over the appointment of Directors) to determine whether the Independent Directors are fit to remain on the Board in their current roles.

The mechanism provided under the MCCG in relation to the two-tier voting process for the re-appointment of Independent Directors is not applicable to the Manager because the Manager is a wholly-owned subsidiary of a private company.

Attendance at Board and Board Committee Meetings in FYE2020

Please refer to the Appendix accompanying this Statement for the details of each Director's attendance at Board and Board Committee Meetings in FYE2020.

Directors' Training

The Board ensures that its members have access to appropriate continuing education programmes to stay updated on relevant developments, and to enhance their skills and strengthen their participation in Board deliberations. The Company Secretary, on behalf of the Nomination Committee, compiles a list of training

topics relating to governance, audit and risk management, innovation, law, and regulations for consideration by the Directors and Audit Committee members.

Details of training programmes attended by Directors in FYE2020 were compiled by the Company Secretary for reporting to the Nomination Committee and the Board accordingly.

All the Directors of the Manager have attended training programmes during FYE2020. Some Directors remain actively involved in speaking engagements and presented talks at conferences and seminars. The details of Directors' participation in talks and training programmes are set out in the Appendix accompanying this Statement.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

An Effective Audit Committee

The Audit Committee plays an important role in the governance structure of the Manager, and this Committee discharged its duties in accordance with its Terms of Reference throughout FYE2020.



More details on how the Audit Committee had discharged its duties in FYE2020 are presented in the Audit Committee Report.

Assessment of the External Auditors

The assessment of the External Auditors of Axis-REIT for re-engagement is an annual affair for the Manager.

In facilitating the Audit Committee in its evaluation of the proposed re-appointment of Messrs KPMG PLT as the External Auditors of Axis-REIT for FYE2020, the Company Secretary had formulated two assessment tools which were approved and adopted by the Audit Committee. The tools involved an interview process with the Partner-in-Charge, facilitated by the Company Secretary, and an evaluation checklist completed by Management. The results of these assessments formed the basis of the Audit Committee's evaluation of the External Auditors.

The evaluation process was conducted in May 2020 and the evaluation tools addressed the following criteria:

- Calibre of the external audit firm
- Quality of the audit process, scope and planning
- Effectiveness of the audit communications
- Auditors' independence and objectivity
- Auditors' suitability for re-appointment

Upon due assessment, the Audit Committee recommended to the Board the re-engagement of Messrs KPMG PLT as the External Auditors of Axis-REIT in respect of FYE2020, for onward recommendation to the Trustee for approval. The re-appointment of the External Auditors of Axis-REIT is not subject to the approval of the Unitholders.

The private engagements held between the Audit Committee and the External Auditors without the presence of Management also provided a platform for the Audit Committee to gauge the working relationship between the External Auditors and Management, as well as the level of independence demonstrated by the External Auditors.

Risk Management and Internal Control Systems

Effective risk management is a fundamental part of the Manager's business strategy. It ensures that there are no adverse disruptions to the Manager's pursuit and accomplishment of Axis-REIT's business goals and objectives, and mitigates any potential loss that may negatively impact the Unitholders of Axis-REIT so as to preserve their investments.

Risk management has been part of the Manager's day-to-day operations and is embedded in the operational functions of the Manager. The barometer for risk management is the Risk Register, which was formulated by the Manager to capture and periodically monitor key risk areas. The Risk Register is reviewed by the Audit Committee on a quarterly basis for reporting to the Board.

 Further details on the risk management framework of the Manager are contained in the Statement on Risk Management and Internal Control.

The internal audit function is outsourced to an independent consultancy firm, Baker Tilly Monteiro Heng Governance Sdn Bhd, which carries out the audit review based on an approved internal audit plan. The Internal Auditors report directly to the Audit Committee and attend the quarterly Audit Committee meetings where internal audit reports are presented and discussed. The Audit Committee has the delegated function of monitoring the performance of the internal audit function and its effectiveness for reporting to the Board on a quarterly basis.

 Further details on the internal audit activities are also contained in the Statement on Risk Management and Internal Control.

Assessment of the Effectiveness and Independence of the Internal Audit Function

The Audit Committee conducted its annual assessment on the effectiveness and independence of the internal audit function. The evaluation was based on the results of the interview with the person-in-charge of the internal audit function, which was conducted by the Company Secretary using the assessment tool adopted by the Audit Committee.

The Audit Committee was satisfied that:

- (i) The internal audit team members are free from any relationships and/or conflict of interest, which could impair their objectivity and independence.
- (ii) The number of staff and resources allocated to the internal audit works of the Manager is adequate.
- (iii) There has been no change to the internal audit approach applied in FYE2020, and the internal audit function of the Manager is carried out in accordance with the industry's best practices, benchmarked against the applicable practices in the International Standards for the Professional Practice of Internal Auditing.
- (iv) The team leader from Baker Tilly Monteiro Heng Governance Sdn Bhd, Mr Kuan Yew Choong, who is in charge of the internal audit function of the Manager, is independent, experienced, and possesses the qualifications required to render his internal audit services. He is a Fellow Member of the Association of Chartered Certified Accountants and a Chartered Member of the Institute of Internal Auditors Malaysia.

The engagement of the Internal Auditors, including their professional fees, are also reviewed and renewed annually where the Audit Committee, in its review, would take into account the performance of the Internal Auditors' past services, their level of independence in carrying out their internal audit work, and their working relationship with Management.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Disclosure and Communication with Unitholders and the Investing Community

The Manager has established a strong culture of continuous disclosure and transparent communication with Unitholders and the investing community. The Manager achieves this through timely and full disclosure of all material information relating to Axis-REIT by way of public announcements on Bursa Securities' website, through the Fund's corporate website at www.axis-reit.com.my, as well as through press releases, analyst briefings and retail roadshows.

Corporate Website

The Manager has in place a dedicated section for corporate governance on Axis-REIT's corporate website, which provides information such as the Board Charter, Code of Conduct, Whistle-blowing Policy and Terms of Reference. The Manager has dedicated personnel responsible for updating the Fund's corporate website with pertinent and relevant information in a regular and timely manner.

The ABC Policy was the latest policy uploaded to the corporate website in FYE2020.

Investor Relations

The Board is committed to promoting effective communication and proactive engagements with Unitholders and the investing community through the Investor Relations Department of the Manager. This Department is guided by the Fund's Investor Relations and Corporate Disclosure Policy, which is also accessible on Axis-REIT's corporate website.

In order to keep the investing public aware of the timing of the release of Axis-REIT's quarterly financial results, the Manager announced the targeted date for such releases ("Targeted Date") five market days prior to each Board meeting in FYE2020. Following each announcement of the Targeted Date, a black-out period would commence. During this period, the CEO and Management Team would not be allowed to meet and/or be involved in any communications or arrangements that are related to investor relations until the quarterly financial results are announced and disseminated to the investing public.

The Manager views the preservation of price-sensitive information as highly important to prevent any leakage of information, whether inadvertently or intentionally.

 Further details on communications with Unitholders, the investing community, analysts and fund managers are covered in the Investor Relations & Media Coverage on pages 71 - 73.

Other Stakeholder Engagements and Relationship Management

The Manager also places emphasis on engaging other stakeholders such as its employees, the tenants of Axis-REIT, and local communities. These engagements contribute to the business decision-making process as they provide insights and ideas to meet stakeholders' expectations and sustainable goals. The Commercial & Industrial Marketing Department is tasked with undertaking the various stakeholder engagement initiatives and activities.

Annual General Meeting ("AGM") and Unitholders' Meetings

AGMs and Unitholders' meetings are the primary forums where Unitholders are presented with quality information that enables them to have a better appreciation of the goals and objectives of Axis-REIT, the milestones achieved during the year, the challenges faced, as well as the prospects of the Fund. Concurrently, these sessions also serve as a platform for Unitholders to bring their expectations and concerns to the attention of the Manager.

Axis-REIT held its Eighth AGM on 17 June 2020, on a fully virtual basis for the first time, in accordance with the 'Guidance and FAQs on the Conduct of General Meetings for Listed Issuers' issued by the SC. This Guidance was issued by the regulator to enable listed issuers to convene and hold their AGMs in order to comply with the annual obligations as required under the applicable laws and regulations while adhering to the MCO restrictions and COVID-19 SOPs where mass gatherings were discouraged.

The AGM Notice was issued within the prescribed timeframe together with the 2019 Integrated Annual Report on 28 February 2020. Ample time was allocated for Unitholders to read through the 2019 Integrated Annual Report and consider the resolutions that would be tabled at the AGM. Sufficient explanatory notes were also given in the AGM Notice to facilitate Unitholders' consideration of the resolutions for which their approval was sought. When the MCO was introduced nationwide on 18 March 2020, the Eighth AGM of Axis-REIT was postponed to 17 June 2020 with the revised AGM notice being issued to notify all the Unitholders.

The Eighth AGM was held at the broadcast venue with a limited number of persons in physical attendance in accordance to the SC's Guidance. The fully virtual AGM was administered by Boardroom Share Registrars Sdn Bhd using remote participation and electronic voting facilities where all eligible participants were able to log in to the portal, view the live webcast of the AGM, listen to the proceedings, submit their questions and cast their votes electronically.

At the AGM, the Manager presented Axis-REIT's financial performance for FYE2019, as well as an update on the Fund's activities and progress, the impact of the pandemic on its business and operations, and the prospects for FYE2020. Unitholders were given the opportunity to submit their questions in relation to the agenda of the AGM to a designated email address and the procedures were clearly set out in the AGM's administrative guide. The questions received via email were addressed at the AGM itself by the CEO. The CEO also attended to questions submitted via the online portal during the AGM and questions that were not attended to at the AGM itself were managed via email responses to the relevant Unitholders.

 Summary of minutes of AGM will be available on Axis-REIT's corporate website.

Leveraging Technology for the Issuance of Documents to Unitholders

The Fourth Principal Deed constituting Axis-REIT was executed on 17 January 2020 in full replacement of the Third Principal Deed dated 28 November 2013. The new Deed incorporated, among others, the new provisions on issuance of reports, notices and other documents to Unitholders by way of technological means. With this, the Fund leveraged the corporate website to publish its Integrated Annual Report 2020 and the notice of the Ninth AGM.

Compliance Statement

The Board is satisfied that the Manager has substantially applied the principles and best practice recommendations prescribed under the MCCG in its management of Axis-REIT during FYE2020. This Statement has been tabled and approved by the Board of Directors on 20 January 2021.

Attendance at Board and Board Committee Meetings in FYE2020

Board of Directors	Designation	Attendance
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Independent Non-Executive Chairman	4/4
Dato' Abas Carl Gunnar Bin Abdullah (Alternate Director: Alex Lee Lao)	Executive Deputy Chairman	4/4
Stephen Tew Peng Hwee @ Teoh Peng Hwee (Alternate Director: Maxine Teoh Sui Vern)	Non-Independent Non-Executive Director	4/4
Leong Kit May	Chief Executive Officer/Executive Director	4/4
Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Independent Non-Executive Director	4/4
Mohd Sharif Bin Hj Yusof	Senior Independent Non-Executive Director	4/4
Alvin Dim Lao (Alternate Director: Jancis Anne Que Lao)	Non-Independent Non-Executive Director	4/4

Executive Committee Members	Designation	Attendance
Dato' Abas Carl Gunnar Bin Abdullah (Alternate Director: Alex Lee Lao)	Chairman	6/6
Stephen Tew Peng Hwee @ Teoh Peng Hwee (Alternate Director: Maxine Teoh Sui Vern)	Member	6/6
Leong Kit May	Member	6/6

Audit Committee Members	Designation	Attendance
Mohd Sharif Bin Hj Yusof	Chairman	4/4
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Member	4/4
Alvin Dim Lao (Alternate Director: Jancis Anne Que Lao)	Member	4/4

Remuneration Committee Members	Designation	Attendance
Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Chairman	1/1
Dato' Abas Carl Gunnar Bin Abdullah (Alternate Director: Alex Lee Lao)	Member	1/1
Stephen Tew Peng Hwee @ Teoh Peng Hwee (Alternate Director: Maxine Teoh Sui Vern)	Member	1/1

Nomination Committee Members	Designation	Attendance
Mohd Sharif bin Hj Yusof	Chairman	2/2
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Member	2/2
Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Member	2/2

Appendix

Directors' Training in FYE2020

Director	Date	Events
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	13 August 2020	Key Disclosure Obligations of a Listed Company – Financial Reporting (Virtual)
	21 October 2020	ARMB's Anti-Bribery & Anti-Corruption Policy (Virtual)
Dato' Abas Carl Gunnar bin Abdullah	21 October 2020	ARMB's Anti-Bribery & Anti-Corruption Policy (Virtual)
Stephen Tew Peng Hwee @ Teoh Peng Hwee	28-29 February 2020	MAREC Summit 2020
	23 April 2020	1 st MIEA Multi Sector Market Out Look Forum : Viewpoints of Three Industry Veterans
	21 October 2020	ARMB's Anti-Bribery & Anti-Corruption Policy (Virtual)
Leong Kit May	5 March 2020	Property Managers Induction Course
	11 June 2020	Bursa-Daiwa-Affin Hwang Malaysia Corporate Day
	23 June 2020	The Rise of Logistics Sector (Virtual)
	1 September 2020	Invest Malaysia Kuala Lumpur 2020 (Virtual)
	15 September 2020	Briefing on COVID-19 Bill (Virtual)
	28 September 2020	Maybank Investor Forum: Malaysia REITs – The Past, Present & the Outlook (Virtual)
	7 October 2020	Security Awareness Training (Virtual)
	21 October 2020	ARMB's Anti-Bribery & Anti-Corruption Policy (Virtual)
	30 October 2020	The Malaysia COVID-19 Act: Impact & Implications (Virtual)
	5 November 2020	What Employers Need to Know when Implementing Cost-cutting Measures and WFH Policies (Virtual)
	23 November 2020	Budget 2021 Key Highlights & Web Launch of "Spotlight on Current Malaysian Tax Issues" (Virtual)
	1 December 2020	The Second Annual Malaysian REIT Forum 2020 - MREITS: Navigating the New Normal
	Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	20 January 2020
18 February 2020		KLBC Beyond Brexit By H.E Charles Hay Mvo (British High Commissioner to Malaysia)
19 February 2020		REHDA: Meeting With Akademi Binaan Malaysia
18 August 2020		MOU Signing Ceremony Between CREAM With REHDA Institute And Universiti Teknologi Malaysia
4 October 2020		HOC-MAPEX 2020
21 October 2020		ARMB's Anti-Bribery & Anti-Corruption Policy (Virtual)
27 October 2020		IBS & IOT in Construction Seminar (Virtual)
12 November 2020		KPMG's Audit Committee Institute Virtual Roundtable 2020 – ESG Perspective: Managing Recovery and Resilience (Virtual)
19 November 2020		APEC CEO Dialogues 2020 (Virtual)

Appendix

Director	Date	Events
Mohd Sharif bin Hj Yusof	13 August 2020	Key Disclosure Obligations of a Listed Company – Financial Reporting (Virtual)
	21 October 2020	ARMB's Anti-Bribery & Anti-Corruption Policy (Virtual)
Alvin Dim Lao	3 February 2020	JP Morgan Philippine Conference
	2 June 2020	Nomura Investment Forum Asia (Virtual)
	13 August 2020	Key Disclosure Obligations of a Listed Company – Financial Reporting (Virtual)
	19 August 2020	Nomura Philippine Corporate Day (Virtual)
	3 September 2020	JP Morgan Rising Dragon Conference
	25 September 2020	UBS One ASEAN Conference (Virtual)
	21 October 2020	ARMB's Anti-Bribery & Anti-Corruption Policy (Virtual)
Alex Lee Lao	27 November 2020	2020 Annual Corporate Governance Seminar: Stay Updated in New Normal (Virtual)
	21 October 2020	ARMB's Anti-Bribery & Anti-Corruption Policy (Virtual)
Jancis Anne Que Lao	27 November 2020	2020 Annual Corporate Governance Seminar: Stay Updated in New Normal (Virtual)
	21 January 2020	How to Grow People & Companies Fast
	6 February 2020	Navigating the Family Business
	23 April 2020	Jobsite Best Practices & Related Labor Issues (Virtual)
	30 April 2020	2020 ULI SG Conference (Virtual)
	30 April 2020	John Sanei FOREsight: The future is now! (Virtual)
	26 May 2020	Originals: How Non-Conformists Move the World (Virtual)
	16 June 2020	Crisis: What Now? (Virtual)
	23 July 2020	Let's Talk Disney Innovation (Virtual)
	12 August 2020	How to Grow When Its Slow (Virtual)
	18 August 2020	Netflixd (Virtual)
	9 September 2020	JP Morgan - US Elections & impact on markets (Virtual)
	14 September 2020	Virtual Global HOFTEL Members' Summit (Virtual)
	16 September 2020	Action Steps for Sales Success in The Midst of Pandemic (Virtual)
24 September 2020	The Future of Organizations – From Failure to Learning (Virtual)	
28 September 2020	Malaysia REITs: The Past, The Present and The Outlook (Virtual)	
8 October 2020	Winning in Adversity - A Journey of Faith, Courage and Resilience (Virtual)	
21 October 2020	ARMB's Anti-Bribery & Anti-Corruption Policy (Virtual)	
27 November 2020	2020 Annual Corporate Governance Seminar: Stay Updated in New Normal (Virtual)	
Maxine Teoh Sui Vern	20-22 July 2020	Mandatory Accreditation Programme for Directors of Public Listed Companies (Virtual)
	6-8 October 2020	Seminar on "Company Secretaries Training Programme Essential 1.0"
	21 October 2020	ARMB's Anti-Bribery & Anti-Corruption Policy (Virtual)

AUDIT COMMITTEE REPORT

Recognising the critical role of an audit committee in the corporate governance process of an organisation, the Board of ARMB voluntarily established an Audit Committee when Axis-REIT was listed in 2005. When the revamped MMLR of Bursa Securities came into effect on 9 April 2018, the establishment of an audit committee in the management company of a REIT became mandatory.

The Audit Committee has the delegated oversight responsibilities from the Board to ensure that the interests of the Unitholders of Axis-REIT are safeguarded.

1. Composition of the Audit Committee

The Audit Committee comprises three Non-Executive members, two of whom (including the Chairman) are Independent Non-Executive Directors of the Board. One of the Audit Committee members has an alternate director.

The composition of the Audit Committee in respect of FYE2020 was as follows:

Chairman:

- (a) Mohd Sharif Bin Hj Yusof
- Senior Independent Non-Executive Director

Members:

- (b) YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin
- Independent Non-Executive Chairman
- (c) Alvin Dim Lao
- Non-Independent Non-Executive Director
(Alternate Director: Ms Jancis Anne Que Lao)

2. Audit Committee Meetings

The Audit Committee held four meetings in FYE2020, three of which were virtual meetings that were held in observance of social distancing amid restrictions on face-to-face meetings. Details of the attendance of the Audit Committee members are set out in the Corporate Governance Overview Statement of this Report. The meeting dates were determined in advance to ensure the availability of each member. Meeting papers were circulated to all the Audit Committee members within five business days prior to the meetings by way of electronic means and hard copy.

3. Terms of Reference

The Audit Committee has a set of Terms of Reference that guides the discharge of its roles and responsibilities. There was no change made to the said Terms of Reference in FYE2020.

 The Audit Committee's Terms of Reference are available on the corporate website of Axis-REIT at www.axis-reit.com.my

4. Summary of Activities carried out by the Audit Committee during the Financial Year

The primary role of the Audit Committee is to monitor, oversee, review and evaluate the effectiveness and adequacy of the Manager's financial management and reporting system, as well as the risk management and internal control environment in which the Manager operates in managing Axis-REIT. The Audit Committee also has the delegated responsibilities to assist the Board in overseeing the external and internal audit functions, conflict of interest situations and related party transactions ("RPT").

The Audit Committee had, in the discharge of its duties and responsibilities during the financial year under review, carried out the following activities:

Financial Reporting:

- (a) Reviewed at every quarterly meeting held in FYE2020, the quarterly financial results for public release to ensure adherence to legal and regulatory reporting requirements before recommending the same to the Board for approval.

FYE2020 was a challenging year as the COVID-19 pandemic and ensuing imposition of a nationwide MCO caused an economic downturn. Being vigilant, the Audit Committee made due enquiries with Management to ensure that the impact of the pandemic on the Fund's business and operations were considered and assessed.

- (b) Reviewed the audited financial statements of Axis-REIT for FYE2019, which were prepared in accordance with the Deed of Axis-REIT, the applicable SC rules and guidelines, MFRS and IFRS, prior to recommending the same to the Board for approval. The audited financial statements of Axis-REIT for FYE2019 were issued and circulated to the Unitholders in February 2020, in line with the prescribed requirements.

At the physical meeting held on 20 January 2020, the External Auditors, KPMG PLT, presented to the Audit Committee the results of the FYE2019 audit conducted on Axis-REIT, where significant audit matters such as valuation of investment properties, revenue recognition and compliance with Axis-REIT's Sukuk covenants, were discussed.

- (c) Reviewed the key audit matter and other audit focus areas in respect of FYE2019. There was no change to the key audit matter in the audited financial statements for FYE2019 as compared to the previous year. The valuation of investment properties was the most significant audit area for Axis-REIT, given that investment properties represented the single largest category of assets on the Fund's statement of financial position as at 31 December 2019. The External Auditors had, in their audit review procedures, among others, reviewed the valuation processes adopted by the Manager, and assessed the appropriateness of the valuation methodologies used by considering their respective merits based on the occupancy status and/or conditions of each property.
- (d) Kept abreast on the application of the new accounting standard, i.e. MFRS16 (Leases), in the financials of Axis-REIT, as well as the impact of the Finance Act 2019 (gazetted on 31 December 2019) on the investment properties of Axis-REIT. The External Auditors ensured that the Audit Committee members were briefed on the impact assessment results on the financial statements, arising from the applicable standard and rules.

External Audit:

- (a) Evaluated the suitability and independence of KPMG PLT at the virtual meeting held on 20 May 2020 against the predetermined evaluation criteria. Following a satisfactory assessment, the Audit Committee recommended to the Board their re-appointment as External Auditors of Axis-REIT in respect of FYE2020, for onward recommendation to the Trustee of Axis-REIT.

 Further details on the Assessment of the External Auditors are set out in the Corporate Governance Overview Statement.

- (b) Noted the External Auditors' confirmation of their firm's independence in accordance with the terms of all relevant professional and regulatory requirements.
- (c) Ensured that Axis-REIT's appointed External Auditors were duly registered with the Audit Oversight Board ("AOB") of the SC based on the verification carried out by the Company Secretary on the AOB's Register of Auditors as at 31 March 2020 available on the SC's website.
- (d) Reviewed with the External Auditors, at the virtual meeting held on 21 October 2020, their audit plan for FYE2020, audit approach, and reporting requirements prior to the commencement of audit work for the year under review. The valuation of investment properties is the potential key audit matter in the audit process for FYE2020.

The audit plan for FYE2020 also factored in the impact of the COVID-19 pandemic where the scope and timing of the audit may be subject to modifications in response to the changing conditions, if applicable.

- (e) Reviewed the FYE2020 audit fees of Axis-REIT and its wholly-owned subsidiary, Axis REIT Sukuk Berhad ("ARSB") (a special-purpose vehicle established for the issuance of Sukuk, an Islamic financing instrument), for recommendation to the Board, prior to seeking the approval from the Trustee of Axis-REIT.

The Audit Committee also considered the following non-audit fees applicable to Axis-REIT and ARSB for FYE2020:

- (i) Review of the Statement on Risk Management and Internal Control by KPMG PLT for Axis-REIT
- (ii) Provision of advisory services in relation to Axis-REIT's integrated reporting for FYE2020 by KPMG Management & Risk Consulting Sdn Bhd, an affiliated firm of KPMG PLT
- (iii) Provision of independent scrutineer services by KPMG PLT at the Eighth AGM of Axis-REIT
- (iv) Review of the Financial Service Coverage Ratio in relation to the Sukuk Programme established under ARSB by KPMG PLT

The Audit Committee took into consideration the nature of the non-audit services to be rendered and the fees chargeable in comparison to other quotes. Upon due review, the Audit Committee was satisfied that the non-audit services above would not pose any threat to the independence of KPMG PLT as the External Auditors for Axis-REIT.

The details of the audit and non-audit fees for FYE2020 are disclosed below:

Fees applicable to Axis-REIT		Fees applicable to ARSB	
Audit	Non-Audit	Audit	Non-Audit
RM123,000	RM122,400 [^]	RM10,000	RM12,000 ^{^^}

[^] An amount of RM104,400 is in respect of the consultancy fee for services rendered in connection with integrated reporting paid to a firm affiliated to KPMG PLT

^{^^} Fee for the review of the Financial Service Coverage Ratio in relation to the Sukuk Programme established under ARSB

Internal Audit:

- (a) Reviewed on a quarterly basis, the internal audit reports and follow-up review reports with the Internal Auditors, and ensured that action plans recommended are agreed upon and implemented by Management on a timely basis.

A summary of the activities of the (outsourced) internal audit function carried out in FYE2020 are contained in the Statement on Risk Management and Internal Control

- (b) Evaluated the Internal Auditors at the virtual meeting held on 20 May 2020, and recommended to the Board their re-engagement to carry out the internal audit function in respect of the 2020/2021 audit cycles. The Audit Committee also reviewed the internal audit fees applicable for the 2020/2021 audit cycles before the same was approved by the Board.
- (c) Reviewed with the Internal Auditors, the internal audit plan for the 2020/2021 audit cycles, which covers four audit cycles and four follow-up reviews, and agreed with the methodologies (risk-driven approach) employed by the Internal Auditors.

Risk Management and Others:

- (a) Reviewed the Risk Management Report containing the detailed Risk Register, prepared by Management, on a quarterly basis.

Details of the risk management processes of the Manager are contained in the Statement on Risk Management and Internal Control

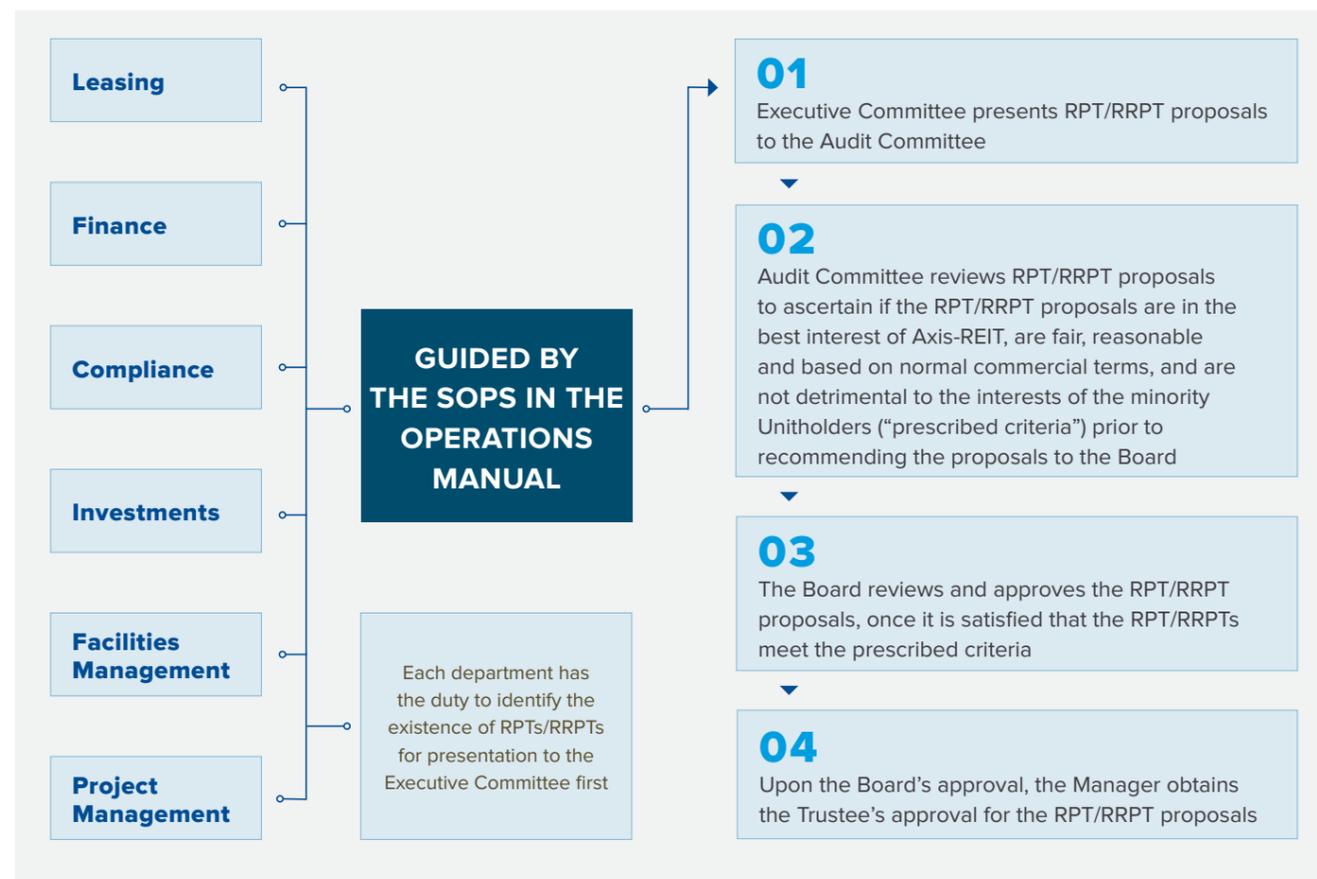
- (b) Reviewed on a quarterly basis, the list of RPTs and recurrent RPTs ("RRPTs") involving interests of related parties who are Directors of the Manager, ultimate major shareholders of the Manager or persons connected to them.
- (c) Reviewed and recommended for the Board's approval, at the physical meeting held on 20 January 2020, the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the 2019 Integrated Annual Report of Axis-REIT, issued in February 2020, ensuring that these reports contained informative and meaningful disclosures in line with prescribed regulatory requirements.
- (d) Reviewed, at each quarterly meeting, the income distributions of Axis-REIT which were made in accordance with the distribution policy of Axis-REIT, in order to ensure the adequacy of the realised income for each distribution prior to recommending the proposal to the Board.

5. Review of Related Party Transactions

Principally and pursuant to the SC's Guidelines on Listed REITs, the Manager has the duty to ensure that all RPTs, dealings, investments and appointments are made on terms that are the best available for the REIT, and which are no less favourable to the REIT than an arm's length transaction between independent parties. The Manager must also manage any and all situations where a conflict of interest arises.

Following the implementation of the SC's Guidelines on Listed REITs and the revamped MMLR which became effective and applicable to REITs since 9 April 2018, the Manager had put in place internal procedures and reporting obligations that comply with the prescribed requirements governing RPTs and RRPTs.

The diagram below depicts the control mechanism that is governed by the SOPs contained in the Manager's Operations Manual:



All Directors are required to provide declaration letters of their interest(s) and disclosures of conflict of interest situation(s) on a quarterly basis, and summaries of all declarations are tabled at each Board meeting, properly documented and kept in the statutory records of the Manager.

The Audit Committee had reviewed all RPTs and RRPTs, as presented by Management and there was no material RPT or RRPT requiring Unitholders' approval in FYE2020.

The following were the RPT acquisitions of properties reviewed by the Audit Committee during FYE2020 which had been announced to Bursa Securities in accordance with the provisions of the MMLR:

- (i) Proposed acquisition of properties situated at Kawasan Perindustrian i-Park, Bandar Indahpura, Johor, from Axis AME IP Sdn Bhd
- (ii) Proposed acquisition of a property situated at Seksyen 15, Shah Alam, Selangor, from Axis Development Sdn Bhd

6. Relationship with the External Auditors and Internal Auditors

The Board, via the Audit Committee, maintains a formal and transparent relationship with the External Auditors as well as the Internal Auditors. The Audit Committee has direct and unrestricted access to both the External and Internal Auditors. The Audit Committee had, during the year, met twice, on 20 January 2020 and 21 October 2020, with the External Auditors without the presence of Management, to discuss issues, problems and reservations (if any) that the External Auditors wished to highlight to the Committee. A private session was also held between the Audit Committee and the Internal Auditors on 21 October 2020 for the same purpose.

Both the External and Internal Auditors had been extended good cooperation from Management and they were able to access information to carry out their functions effectively.

7. Annual Assessment of the Audit Committee

The Audit Committee assessed its own performance against the Terms of Reference of the Audit Committee by completing the assessment form prepared by the Company Secretary prior to the assessment by the Nomination Committee of the Board. The assessment results were satisfactory to the

Nomination Committee and the same was subsequently reviewed by the Board. The Board, upon due assessment, was satisfied that each member of the Audit Committee and the Audit Committee as a whole, had carried out their duties diligently and effectively in accordance with the Audit Committee's Terms of Reference.

This annual assessment process was carried out on 21 October 2020 by the Audit Committee, the Nomination Committee and the Board, in compliance with Paragraph 15.20 of the MMLR.

8. Internal Audit Function

The internal audit function of the Manager is outsourced to an independent consultancy firm, Baker Tilly Monteiro Heng Governance Sdn Bhd. The outsourced Internal Auditors have the professional duty to assist the Board to review the system of internal control, risk management and governance practices of the Manager in managing Axis-REIT. Where necessary, the Internal Auditors, upon completion of the audit cycle, may make recommendations for improvements to the existing processes and procedures. Their internal audit scope (risk-driven approach) encompasses a financial control review, compliance review, risk assessment and governance review on the identified auditable areas. The annual internal audit plan is tabled to the Audit Committee for approval prior to commencement of audit work.

 Details of the internal audit activities are contained in the Statement on Risk Management and Internal Control

The Audit Committee had, on 21 October 2020, conducted its annual assessment on the effectiveness and independence of the internal audit function, and the outcome of the assessment was also reported to the Board.

 Details relating to the assessment of the effectiveness and independence of the internal audit function are disclosed in the Corporate Governance Overview Statement

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

PURSUANT TO PARAGRAPH 15.26(b) OF THE MAIN MARKET LISTING REQUIREMENTS

Introduction

The Board of Directors ("Board") of Axis REIT Managers Berhad, being the management company ("Manager") of Axis Real Estate Investment Trust ("Axis-REIT" or "Fund") is committed to maintaining a sound and effective system of internal control to safeguard the interests of the Unitholders of Axis-REIT and the investments and assets of Axis-REIT. The Board is ultimately responsible for the risk management and internal control systems of the Manager in managing Axis-REIT and it is assisted by the Audit Committee of the Manager who has the delegated function to oversee these areas.

Key Elements of the Risk Management and Internal Control System

Managing the Risks Posed by 2019 Novel Coronavirus ("COVID-19") Pandemic

In curbing the outbreak of COVID-19 pandemic in Malaysia, the Government implemented several restrictions and controls on movement since March 2020 and throughout this year 2020. The Manager has been vigilant in managing the risks posed by this pandemic not only on the business operations but also the health and safety of the staff and the tenants of multi-tenanted buildings of Axis-REIT.

On top of ensuring that the guidelines and standard operating procedures prescribed by the Malaysian Ministry of Health and Malaysian National Security Council (MKN) in respect of COVID-19 are adhered to in the buildings managed by Axis-REIT, the Manager also leveraged technology for the conduct of meetings and discussions in order to practice social distancing, practiced a limited work-from-home arrangements and provided safe working environment to the staff by having monthly sanitization, providing of face masks and segregating the workforce into several locations.

In managing the property portfolio, the Manager closely monitored the rental collection process as it had bearing on the financial performance of Axis-REIT.

Business Continuity Plan

The adoption of the business continuity plan ("BCP") on 20 May 2020 helped the Manager to ensure the continuity of business operations and fulfilment of business obligations following incidents that disrupt the normal day-to-day operations. When the Government first implemented the MCO nationwide on 18 March 2020, the Manager, as a Capital Market Services License

Holder, was required to comply with the Securities Commission Malaysia ("SC")'s Guiding Principles on Business Continuity where the Manager has the obligation to report and keep the SC updated on the status of the BCP action plans put in place by the Manager. The Manager had been reporting to the SC periodically throughout the first 3 phases of the MCO till May 2020. Subsequently when the CMCO was re-imposed again in October 2020, the Manager had to update the SC on a weekly basis the details of the staff arrangements (headcount of those working in office and working from home).

Operations Manual

The Manager has policies and procedures encapsulated in the Operations Manual that are tailored to the needs of the respective departments, which provide an overview of the Manager's responsibilities in relation to the management of Axis-REIT. The Management team of the Manager ("Management") is committed to being guided by the Operations Manual to ensure consistency of operational procedures and practices within the organisation.

The Manager had, during the financial year ended 31 December 2020 ("FYE2020"), made the following revisions to the Operations Manual:

- (i) Updated the standard operating procedures ("SOP") for capital expenditure in relation to upgrading/ refurbishment / asset enhancements and SOP for development / redevelopment projects;
- (ii) Updated and standardised the tender process to be practiced by both Facilities Management and Project Management departments;
- (iii) Updated the SOP on carpark system operations; and
- (iv) other amendments arising from internal audit reviews and recommendations.

Financial Controls and Business Management

The Board of the Manager had, at its meeting held in January 2020, approved the annual budget for FYE2020 which underwent a target-setting process carried out by each department with detailed reviews at all levels of operations. The Manager had been guided by the approved budget in managing Axis-REIT throughout FYE2020. Monthly financial updates had also been provided to the Directors in order to give timely assessments of the Fund's performance and prospects. Management closely monitored the Fund's actual financial performance at all levels on a monthly basis.

The Manager is still committed to the 2021 Strategy Plan, which encompasses the Manager’s long-term 5-year initiatives for Axis-REIT in its pursuit of its corporate objectives. The Chief Executive Officer (“CEO”) and the senior Management team reviewed the key activities for FYE2020 at the Workshop on Review of Business Strategy and Current Risks held on 26 October 2020, for the setting of the targets for the financial year ending 2021. As an outcome of the Workshop, Management has better clarity on the considerations of environmental, social and governance factors to be embedded into the business operations.

The Manager also has a policy on financial limits and approving authority for its operating and capital expenditure. All major operating and capital expenditure in respect of FYE2020 had been recommended by the Executive Committee of the Manager and approved by the Board of the Manager prior to implementation. There has been no change in the authority limits established by the Manager in respect of FYE2020.

Virtual management meetings chaired by the CEO and attended by all heads of department (“HODs”) were held to review operational activities, management issues, financial performance and business development proposals, including the deliberation of relevant strengths, weaknesses, opportunities and threats faced by the Manager in managing Axis-REIT. In view of the MCO periods and in observing social distancing, only 2 separate operations meetings were held by the Facilities Management team to discuss the facilities management issues in relation to all the properties within the Fund’s portfolio.

The Executive Committee of the Manager meets with Management at least every quarter to review, assess and discuss business updates, investment proposals and financial performance, as well as to resolve key operational, financial and other key management issues faced by Management. During FYE2020, a total of 6 meetings were held. 5 out of 6 of these meetings were held virtually. Significant issues were highlighted and discussed at Board meetings for the Board’s ultimate decisions.

The Yardi Voyager system (“YARDI system”) is a synchronised platform for capturing and processing data related to tenant and debt management, payment processing, financial reporting, advanced budgeting and finance, as well as job costing.

Asset Tagging

During the year, the Manager implemented an asset tagging exercise for the properties of Axis-REIT. This asset tagging exercise is expected to improve the identification and tracking of the fixed assets within Axis-REIT’s property portfolio. The

asset tagging exercise was carried out at Axis Aerotech Centre @ Subang and completed in November 2020. The asset tagging exercise will be continued at the other properties of Axis-REIT in 2021.

Investment Controls

The Board of the Manager reviews, evaluates and decides on strategic investment proposals covering acquisitions and disposals as recommended by the Executive Committee of the Manager. Management has in place procedures to identify potential acquisitions and assess the viability of the proposed acquisitions prior to recommending such proposals to the Board for consideration and decision. Due diligence processes are also in place to ensure that Axis-REIT acquires yield-accretive assets that will enhance the property portfolio of the Fund. Disposal processes are also in place to ensure that the interests of the Unitholders of Axis-REIT are safeguarded at all times. Management also monitors the performance of each property in the portfolio of Axis-REIT on a monthly basis, in terms of property yield, portfolio efficiency and occupancy levels.

During the financial year under review, Axis-REIT had completed its third ‘built-to-lease’ project, Axis Facility @ Batu Kawan, with the issuance of the Certificate of Completion and Compliance on 28 February 2020. The lease with Federal Express Services (M) Sdn Bhd commenced on 1 March 2020.

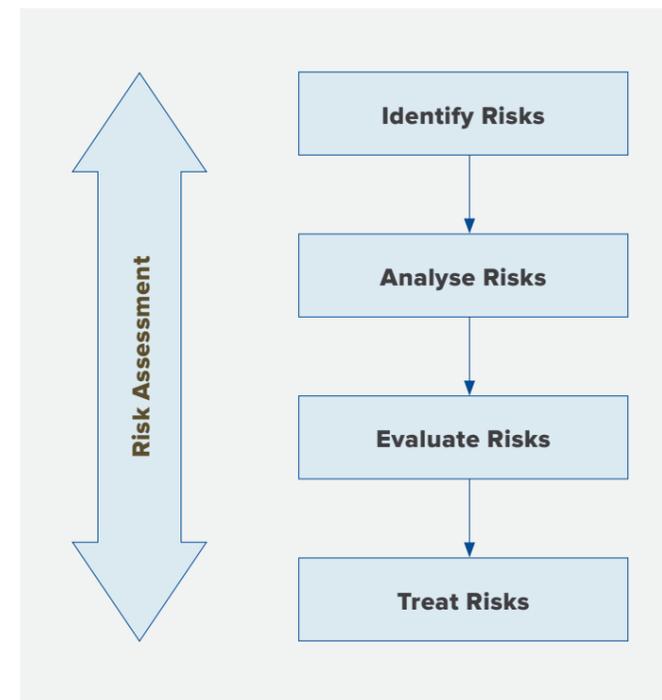
Tenant Relationship Management

The Manager has a customised online tenant management portal known as ‘Hello Axis’ that facilitates the communication of announcements, general feedback, property maintenance requests and form downloads by tenants. This tenant portal reduces the manual paper flow between landlord and tenant, and is a green initiative towards environmental sustainability. It provides a platform for the facilities and leasing teams to track feedback and complaints from tenants, to address and rectify issues raised by tenants, and to ensure action plans and follow up measures are carried out to a satisfactory level and in a timely manner. During the year under review, Axis-REIT has continued to carry out tenant satisfaction surveys via a third-party service provider to gauge tenants’ awareness of its efforts to continuously improve tenant relationships. These initiatives were taken by the Manager to improve the facility management services rendered to tenants, as well as to strengthen tenant relationships as a factor in safeguarding the future rental income of Axis-REIT. The Manager also made efforts to gauge the tenants’ satisfaction towards the COVID-19 SOP implemented at multi-tenanted buildings of Axis-REIT, in the survey conducted in 2020.

Risk Management and Risk Register

Risk management is part of Management’s day-to-day operations. It facilitates the timely response to evolving business risks, whether arising from factors within Axis-REIT, or from changes in the business environment in which Axis-REIT operates. The Risk Register assists Management in its risk management processes to identify risks, consider the likelihood of a risk occurring, the impact of a particular risk if it materialises, and the action plans to mitigate the identified risks.

The Risk Register follows the relevant guidance from the International Organization for Standardization (ISO) 31000 – Risk Management – Principles & Guidelines. The diagram below shows the risk management processes as encapsulated in the procedures underlying the Risk Register:



The Manager has carried out a quarterly update of the Risk Register which focuses on business, real estate management, financial, compliance, information technology and risk management systems. The Risk Register segregates risk areas based on departmental components. The HODs are responsible for their respective risk components and report directly to the

CEO on risk issues and mitigating factors. Updates were made to the Risk Register on a quarterly basis capturing data arising from management analysis, management action plans and monitoring activities undertaken by each HOD on an on-going basis. All updates were compiled by the Head of Compliance, who assists the CEO in this area, for reporting purposes. The Risk Management Report, which comprises an executive summary and the detailed Risk Register, were presented to the Audit Committee and Board at their quarterly meetings. The Audit Committee reviewed the Risk Management Report at each of its meetings held in FYE2020, and the same was tabled to the Board. In FYE2020, most of the action plans implemented were to address the risks caused by the pandemic and the MCO periods. On overall, there was no significant issue arising from the risk management review in respect of FYE2020.

The following provides some insights into how the Manager monitored and managed identified key risks affecting Axis-REIT on an on-going basis during FYE2020:

- BCP had been implemented to ensure business continuity (as elaborated above);
- The SOP as precautionary measures in relation to COVID-19, had been put in place, among others, include “Stop-Screen-Go” policy for temperature scanning, frequent cleaning at common areas and high contact areas, hand sanitizers at every entry points, practice of social distancing at lifts and autopay machines, building disinfection at common areas to be undertaken once a month and implementation of contact tracing applications i.e. MySejahtera and SELangkah. These are to ensure the health and safety of staff and tenants whilst help contain the spread of the outbreak;
- The Anti-Bribery and Anti-Corruption Policy (“ABC Policy”) had been approved and adopted on 20 May 2020. The implementation of the ABC Policy is an on-going process within the organization and this policy forms the first defence for the Manager in respect of corruption risks;
- The Manager has established the gifts & hospitality register to record all giving of gifts, entertainment by employees as one of the controls under the ABC Policy;
- The Manager had enhanced the credit control processes by initiating distress action against tenants; and
- A new information system (“IT”) service provider had been engaged to further enhance the robustness of the Manager’s IT systems. Anti-malware protection and security features were further improved and training on cyber security risk for employees was also conducted. These measures help address cyber risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal Audit Function and its Activities

Based on the agreed internal audit plan, the outsourced Internal Auditors had assisted the Manager in reviewing the internal control systems relating to Axis-REIT's operations, procedures and processes. The Internal Auditors had reviewed and reported the results of the audit to the Audit Committee on the following internal audit work carried out during FYE2020:

1. Internal audit review on project management;
2. Internal audit review on business continuity management plans;
3. Internal audit review on asset acquisition controls and Takaful insurance management; and
4. Internal audit review on facilities management.

There were no material weaknesses or deficiencies noted from the internal audit reviews mentioned above.

Internal audit follow-up reviews were also carried out by the Internal Auditors on previous audit reviews for reporting to the Audit Committee on a quarterly basis.

The costs incurred by the Manager for the outsourced Internal Audit Function in respect of FYE2020 amounted to RM67,000. The Audit Committee, in its review of this Statement, was satisfied that there were no significant control deficiencies noted during the financial year under review that had a material impact on Axis-REIT's financial performance or business operations.

Appraisal of the System of Risk Management and Internal Controls

The Board of the Manager had appraised the adequacy, effectiveness and integrity of the system of risk management and internal controls framework that was in place during the financial year under review up to the date of approval of this Statement. The Board of the Manager has received assurance from the CEO and Chief Financial Officer that the risk management and internal control system set in place by the Manager, in relation to managing the operations of Axis-REIT, is operating adequately and effectively, in all material aspects.

Review of This Statement

The Board of the Manager has ensured that this Statement is reviewed in accordance with Paragraph 15.23 of the Main Market Listing Requirements for inclusion in the Integrated Annual Report of Axis-REIT for FYE2020.

This Statement has been approved by the Board on 17 February 2021.

DIRECTORS' RESPONSIBILITY STATEMENT

IN PREPARING THE ANNUAL AUDITED FINANCIAL STATEMENTS

In accordance with Paragraph 15.26(a) of the MMLR of Bursa Securities, the Board is pleased to report that the financial statements of Axis-REIT for FYE2020 have been drawn up in accordance with the provisions of the Fourth Principal Deed constituting Axis-REIT dated 17 January 2020, the SC's Guidelines on Listed REITs, applicable securities laws and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of Axis-REIT as at 31 December 2020 and of the results of its operations and cash flows for the year then ended.

The Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- considered that all relevant approved accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis.

The Directors have a general responsibility for taking such steps to safeguard the assets of Axis-REIT, and to detect and prevent fraud as well as other irregularities.

CHAPTER 06

FINANCIAL STATEMENTS

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MANAGER'S REPORT

Axis REIT Managers Berhad, as the management company ("Manager") of Axis Real Estate Investment Trust ("Axis-REIT" or "Fund"), has the pleasure of presenting this report together with the audited financial statements of Axis-REIT for the financial year ended 31 December 2020 ("FYE2020").

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

- To provide unitholders of Axis-REIT ("Unitholders") with a stable and growing distribution of income; and
- To achieve long-term growth in the net asset value ("NAV") per unit of the Fund.

The Manager is pleased to report that the Fund has been successful in achieving its investment objectives as set out above and there was no change in the investment objectives of Axis-REIT in respect of FYE2020.

There was also no significant change in the state of affairs of Axis-REIT during the financial year under review up to the date of this report other than the impact arising from the ongoing COVID-19 pandemic. The Manager remains cautious of the current COVID-19 pandemic situation which has caused global economic downturn. To date, the said pandemic has had minimal impact on Axis-REIT's business and operations. However, should the COVID-19 pandemic situation be prolonged or worsened, this may impact the business, financial condition, results of operations and prospects of Axis-REIT for the coming financial year.

The Manager is committed to the pursuit of the Fund's investment objectives via the following management strategies:

- Facilities management strategy
- Real estate strategy
- Development strategy
- Capital management strategy
- Investment strategy

There was no change in the strategies and policies employed during the financial year under review as compared to that of the preceding year, save for the enhancement of the strategies to incorporate consideration of environmental, social and governance factors.

DIRECTORS

The Directors of the Manager who have held office during FYE2020 until the date of this report are as follows:

YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin

Dato' Abas Carl Gunnar Bin Abdullah

Tew Peng Hwee @ Teoh Peng Hwee

Leong Kit May

Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor

Mohd Sharif Bin Hj Yusof

Alvin Dim Lao

Alex Lee Lao (Alternate Director to Dato' Abas Carl Gunnar Bin Abdullah)

Jancis Anne Que Lao (Alternate Director to Alvin Dim Lao)

Maxine Teoh Sui Vern (appointed as an Alternate Director to Tew Peng Hwee @ Teoh Peng Hwee on 1 July 2020)

DIRECTORS' BENEFITS

As at the end of FYE2020, there did not subsist any arrangement to which the Manager is a party, where the arrangement enables any Director or all Directors of the Manager to acquire benefits by way of the acquisition of units in, or debentures of Axis-REIT, nor did such arrangement subsist at any time during the financial year.

Since the end of the previous financial year, no Director of the Manager has received or become entitled to receive any benefit by reason of a contract made by the Fund or a related corporation with the Director, or with a firm in which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 22 of the audited financial statements of Axis-REIT.

DIRECTORS' INTERESTS

The interests of the Directors of the Manager in the units of Axis-REIT in respect of FYE2020 are as follows:

	Number of units			
	As at 1.1.2020 '000 Units	Acquired '000 Units	Sold '000 Units	As at 31.12.2020 '000 Units
Direct interest:				
▶ Dato' Abas Carl Gunnar Bin Abdullah	23,904	158	250	23,812
▶ YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	20	-	-	20
▶ Tew Peng Hwee @ Teoh Peng Hwee	56,509	422	431	56,500
▶ Alex Lee Lao	56,737	624	-	57,361
▶ Leong Kit May	43	-	-	43
▶ Jancis Anne Que Lao	1,944	13	-	1,957
▶ Maxine Teoh Sui Vern*	-	4	-	4
Indirect interest:				
▶ Dato' Abas Carl Gunnar Bin Abdullah**	10,304	68	-	10,372
▶ Alex Lee Lao***	3,153	18	-	3,171

Notes:

- The information above was prepared based on the Directors' disclosures made pursuant to the provisions of the Fourth Principal Deed dated 17 January 2020 constituting Axis-REIT ("Deed")
- Save as disclosed above, the other Directors of the Manager did not have any interest, whether direct or indirect, in the units of Axis-REIT
- * Her disclosure of interest is effective from her date of appointment, on 1 July 2020 onwards.
- ** Deemed interested in the direct unitholdings of his spouse, Datin Kuyas Emiloglu (also known as Ka Ya-Shih), and daughter, Amanda Tan Myhre
- *** Deemed interested in the direct unitholdings of his brothers, Lao, Yin-Yong Lee and Leon Lee Lao

MANAGER'S FEES

The Manager receives a fee equivalent to 1.0% per annum of the NAV of Axis-REIT, calculated on a monthly basis and payable to the Manager monthly in arrears. There will be no payment due to the Manager by way of remuneration for its services upon the subscription for the purchase or sale of units in Axis-REIT or upon any distribution of income and capital.

Any increase in the Manager's fee above 1.0% per annum must be approved by the Trustee of Axis-REIT and Unitholders by way of a majority resolution (consisting of not less than two-thirds of Unitholders voting thereat) passed at a Unitholders' meeting convened in accordance with the Deed.

For the financial year under review, the total Manager's fee was RM21,147,000, representing 1.0% per annum of the NAV of Axis-REIT for the period from 1 January 2020 to 31 December 2020.

The Manager is also entitled to an acquisition and disposal fee of 1.0% and 0.5% respectively based on the purchase and disposal considerations of real estate assets upon the completion of such transactions. For the financial year under review, there were five acquisitions completed by Axis-REIT resulting in a total acquisition fee of RM2,589,000 being paid to the Manager.

Save for the expenses incurred for the general overheads and costs of services which the Manager is expected to provide, or falling within the normal expertise of the Manager, the Manager has the right to be reimbursed for fees, costs, charges, expenses and outgoings incurred by it that are directly related and necessary to the business of the Fund.

SOFT COMMISSION

The Manager did not receive any soft commissions from any dealer or broker by virtue of transactions conducted for the Fund during the financial year under review.

OTHER INFORMATION

Before the financial statements of Axis-REIT were prepared, the Manager took reasonable steps:

- i) to ascertain that appropriate action had been taken in relation to writing off bad debts and making provisions for doubtful debts and was satisfied that all known bad debts had been written off and that adequate provisions had been made for doubtful debts; and
- ii) to ensure that all current assets which were unlikely to be realised in the ordinary course of business, including the value of current assets as shown in the accounting records of Axis-REIT, had been stated at the lower of cost and net realisable value.

As at the date of this report, the Manager is not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to a substantial extent; and
- ii) that would render the values attributed to the current assets in Axis-REIT's financial statements misleading; and
- iii) which have arisen that would render adherence to the existing method of valuation of assets or liabilities of Axis-REIT misleading or inappropriate; and
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of Axis-REIT misleading.

As at the date of this report, there does not exist:

- i) any charge on the assets of Axis-REIT that has arisen since the end of the financial year and which secures the liabilities of any other person; and
- ii) any contingent liability in respect of Axis-REIT that has arisen since the end of the financial year.

In the opinion of the Manager:

- i) no contingent liability or other liability of Axis-REIT has become enforceable, or is likely to become enforceable within the 12-month period after the end of FYE2020 which, in the opinion of the Manager, will or may affect the ability of Axis-REIT to meet its obligations as and when they fall due; and
- ii) the results of the operations of Axis-REIT for the FYE2020 have not been substantially affected by any item, transaction or event of a material and unusual nature; and
- iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report, that is likely to substantially affect the results of the operations of Axis-REIT for the financial year in which this report is made.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to continue in office.

Signed for and on behalf of the Manager of Axis-REIT, Axis REIT Managers Berhad, in accordance with a resolution of the Board of Directors.

TEW PENG HWEE @ TEOH PENG HWEE

Director

LEONG KIT MAY

Chief Executive Officer/Executive Director

17 February 2021

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Assets			
Non-current assets			
Investment properties	4	3,280,240	2,990,610
Equipment	5	2,870	3,201
		3,283,110	2,993,811
Current assets			
Receivables, deposits and prepayments	6	41,165	39,325
Cash and cash equivalents	7	39,808	52,545
Total current assets		80,973	91,870
Total assets		3,364,083	3,085,681
Financed by:			
Unitholders' funds			
Unitholders' capital	8	1,595,506	1,583,791
Reserves		527,498	494,973
Total unitholders' funds		2,123,004	2,078,764
Non-current liabilities			
Tenants' deposits		57,733	44,840
Deferred tax liabilities	9	9,122	8,615
Financing	10	500,643	500,277
		567,498	553,732
Current liabilities			
Tenants' deposits		14,429	19,597
Payables and accruals	11	47,612	48,006
Financing	10	611,540	385,582
Total current liabilities		673,581	453,185
Total liabilities		1,241,079	1,006,917
Total unitholders' funds and liabilities		3,364,083	3,085,681
Net asset value ("NAV")		2,123,004	2,078,764
Number of units in circulation ('000 units)		1,442,331	1,435,250
NAV per unit (RM)			
- Before income distribution		1,4719	1,4484
- After income distribution		1.4494 [#]	1.4374

NAV per unit after reflecting realised income to be distributed as final 2020 income distribution of 2.25 sen per unit payable on 11 March 2021.

The notes on pages 177 - 228 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Revenue	12	232,234	222,464
Property operating expenses	13	(33,716)	(30,756)
Net property income		198,518	191,708
Profit income		875	1,434
Change in fair value of investment properties	4.1.1	10,796	94,064
Fair value change on Islamic derivatives		(905)	(933)
Net loss on financial liabilities measured at amortised cost		(428)	(2,348)
Net property income and investment income		208,856	283,925
Manager's fees	1(b)	21,147	17,201
Trustee's fees	1(c)	1,111	892
Audit fees		133	133
Non-audit fees			
- KPMG PLT		30	22
- Local affiliate of KPMG PLT		104	104
Tax agent's fees		17	17
Net remeasurement of loss allowance		70	(26)
Depreciation of equipment	5	614	570
Administrative expenses		2,599	2,171
Islamic financing costs		39,513	48,360
Valuation fees		947	1,030
Non-property expenses		66,285	70,474
Net income before tax		142,571	213,451
Tax expense	14	(507)	(4,213)
Net income for the year and total comprehensive income for the year attributable to unitholders		142,064	209,238

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Net income for the year is made up as follows:			
Realised			
- Net income before lease incentive adjustment		125,586	116,209
- Lease incentive adjustment (non-distributable)		(648)	(1,030)
		124,938	115,179
Unrealised			
- Change in fair value of investment properties, as per valuation	4.1	18,966	101,553
- Net loss on financial liabilities measured at amortised cost		(428)	(2,348)
- Provision for deferred tax on change in fair value of investment properties		(507)	(4,213)
- Fair value change on Islamic derivatives		(905)	(933)
		17,126	94,059
		142,064	209,238
Earnings per unit (sen)	15	9.86	16.61
Earnings per unit (before Manager's fees) (sen)	15	11.33	17.97
Net income distribution			
First, Second and Third interim income distributions totalling 6.50 sen per unit paid on 3 July 2020, 2 October 2020 and 30 November 2020, respectively (2019: First, Second, Third and Fourth interim income distributions totaling 8.16 sen per unit paid on 31 May 2019, 30 August 2019, 29 November 2019 and 9 December 2019, respectively)		93,751	100,964
Final income distribution of 2.25 sen per unit payable on 11 March 2021 (2019: Final income distribution of 1.10 sen per unit paid on 9 March 2020).		32,452	15,788
	16	126,203	116,752

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020	2019
Distribution per unit			
- Gross (sen)		6.50	8.16
- interim		2.25	1.10
- final		8.75	9.26
	16	8.75	9.26
- Net (sen) *		6.50	8.16
- interim		2.25	1.10
- final		8.75	9.26
	16	8.75	9.26
* Withholding tax will be deducted for distributions made to the following categories of unitholders:			
		Withholding tax rate	
		2020	2019
Resident corporate		Nil [^]	Nil [^]
Resident non-corporate		10%	10%
Non-resident individual		10%	10%
Non-resident corporate		24%	24%
Non-resident institutional		10%	10%

[^] Tax flow through; thus no withholding tax

The notes on pages 177 - 228 are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE YEAR ENDED 31 DECEMBER 2020

	Distributable		Non-distributable	
	Total unitholders' capital	Realised income	Unrealised income	Total unitholders' funds
	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	1,247,069	32,192	384,820	1,664,081
Net income for the year	-	115,179	94,059	209,238
Total comprehensive income for the year	-	115,179	94,059	209,238
<i>Contributions by and distributions to unitholders</i>				
Issuance of units	340,500	-	-	340,500
Issuing expenses	(3,778)	-	-	(3,778)
Distributions to unitholders	-	(131,277)	-	(131,277)
Total transactions with unitholders	336,722	(131,277)	-	205,445
At 31 December 2019/1 January 2020	1,583,791	16,094	478,879	2,078,764
Net income for the year	-	124,938	17,126	142,064
Total comprehensive income for the year	-	124,938	17,126	142,064
<i>Contributions by and distributions to unitholders</i>				
Issuance of units	11,825	-	-	11,825
Issuing expenses	(110)	-	-	(110)
Distributions to unitholders	-	(109,539)	-	(109,539)
Total transactions with unitholders	11,715	(109,539)	-	(97,824)
At 31 December 2020	1,595,506	31,493	496,005	2,123,004
	Note 8			

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Cash flows from operating activities			
Net income before tax		142,571	213,451
<i>Adjustments for:</i>			
Islamic financing costs		39,513	48,360
Profit income		(875)	(1,434)
Change in fair value of investment properties	4	(18,966)	(101,553)
Depreciation of equipment	5	614	570
Net loss on financial liabilities measured at amortised cost		428	2,348
Net remeasurement of loss allowance		70	(26)
Fair value change on Islamic derivatives		905	933
Operating income before changes in working capital		164,260	162,649
<i>Changes in working capital:</i>			
Receivables, deposits and prepayments		(1,910)	(18,371)
Payables and accruals		(1,299)	(3,130)
Tenants' deposits		7,297	(321)
Cash generated from operations		168,348	140,827
Cash flows from investing activities			
Profit income received		875	1,434
Acquisition of investment properties	4	(263,253)	(61,087)
Enhancement of investment properties	4	(7,411)	(29,374)
Acquisition of equipment	5	(283)	(750)
Decrease/(Increase) in pledged Islamic deposits		3,000	(11,160)
Net cash used in investing activities		(267,072)	(100,937)
Cash flows from financing activities			
Islamic financing cost paid		(39,084)	(48,069)
Proceeds from/(Repayment of) financing		296,000	(413,348)
(Redemption of)/Proceeds from issuance of Islamic Medium Term Notes ("Sukuk")		(70,000)	239,420
(Repayment of)/Proceeds from finance lease liabilities		(105)	33
Income distribution paid to unitholders		(109,539)	(131,277)
Proceeds from issue of units		11,825	340,500
Issuing expenses		(110)	(3,778)
Net cash from/(used in) financing activities		88,987	(16,519)

The notes on pages 177 - 228 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
(CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Net (decrease)/increase in cash and cash equivalents		(9,737)	23,371
Cash and cash equivalents at 1 January		32,990	9,619
Cash and cash equivalents at 31 December	(i)	23,253	32,990

(i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	2020 RM'000	2019 RM'000
Cash and bank balances	7	13,867	20,948
Islamic deposits placed with licensed banks	7	25,941	31,597
		39,808	52,545
Less: Islamic deposits placed with licensed banks - pledged	7	(16,555)	(19,555)
		23,253	32,990

NOTES TO THE FINANCIAL STATEMENTS

1. General

Axis Real Estate Investment Trust ("Axis-REIT") is a Malaysia-domiciled real estate investment trust constituted pursuant to the Fourth Principal Deed dated 17 January 2020 ("the Deed") between Axis REIT Managers Berhad ("the Manager") and RHB Trustees Berhad ("the Trustee"). The Deed is regulated by the Securities Commission Act, 1993, the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings. Axis-REIT will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of Clause 26 of the Deed. The addresses of its registered office and principal place of business are as follows:

Registered office
802, 8th Floor, Block C
Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan

Principal place of business
Penthouse, Menara Axis
No. 2, Jalan 51A/223
46100 Petaling Jaya
Selangor Darul Ehsan

The financial statements as at and for the financial year ended 31 December 2020 comprise the financial statements of Axis-REIT and its wholly owned subsidiary, Axis REIT Sukuk Berhad, a company incorporated in Malaysia, whose principal activity is to raise financing on behalf of Axis-REIT.

Axis-REIT is principally engaged in investing in a diverse portfolio of properties with the primary objective of achieving an attractive level of return from rental income and long-term capital growth. There has been no significant change in the nature of this activity during the year.

Axis-REIT was formally admitted to the Main Board of Bursa Malaysia Securities Berhad on 3 August 2005.

Axis-REIT has entered into several service agreements in relation to the management of Axis-REIT and its property operations. The fee structures of these services are as follows:

(a) Property management fees

The Property Manager, Axis Property Services, is entitled to a fee in respect of the management of the investment properties owned by Axis-REIT as provided for in the Deed. The fee is based on a certain graduated scale as provided for in the provisions of the revised Valuers, Appraisers and Estate Agents Act, 1981 as required by the Securities Commission's Guidelines on Listed Real Estate Investment Trusts. The property management fees are payable monthly in arrears.

(b) Manager's fees

Pursuant to the Deed, the Manager is entitled to receive a fee of up to a maximum of 1% (2019: 1%) per annum of the Net Asset Value of Axis-REIT, calculated on a monthly accrual basis and payable monthly in arrears. The Manager's fees for the year ended 31 December 2020 of RM21,147,000 (2019: RM17,201,000) is 1% (2019: 1%) of the monthly Net Asset Value.

The Manager is also entitled to receive an acquisition fee or a disposal fee of 1% or 0.5% (2019: 1% or 0.5%) of the purchase price or the disposal price, respectively, of any investment property purchased or disposed directly or indirectly by Axis-REIT which is payable after the completion of the acquisition or the disposal. The acquisition fees for the financial year ended 31 December 2020 is RM2,589,000 (2019: RM597,000) which was 1% of the purchase price. The acquisition fees are included in the acquisition cost of the investment properties acquired (Note 4).

The notes on pages 177 - 228 are an integral part of these financial statements.

1. General (continued)**(c) Trustee's fees**

Pursuant to the Deed, the Trustee is entitled to receive a fee of 0.05% (2019: 0.05%) per annum of the Net Asset Value of Axis-REIT calculated on a monthly accrual basis and payable monthly in arrears. The Trustee's fees for the year ended 31 December 2020 is RM1,111,000 (2019: RM892,000).

These financial statements were approved by the Board of Directors of the Manager on 17 February 2021.

2. Basis of preparation**(a) Statement of compliance**

The financial statements of Axis-REIT have been prepared in accordance with the Deed, the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, applicable securities laws, Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by Axis-REIT:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

2. Basis of preparation (continued)**(a) Statement of compliance (continued)****MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed**

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Axis-REIT plans to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 June 2020 and 1 January 2021;
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022; and
- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023.

Axis-REIT does not plan to apply MFRS 17, *Insurance Contracts*, that is effective for annual period beginning on 1 January 2023 as it is not applicable to Axis-REIT.

The initial application of the abovementioned accounting standards, amendments and interpretations are not expected to have any material financial impact to the current period and prior period financial statements of Axis-REIT.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, other than as disclosed in Note 3 to the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the functional currency of Axis-REIT. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements other than as disclosed in Note 4 – Investment properties.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Basis of consolidation**(i) Subsidiaries**

Axis-REIT has established a special purpose company, Axis REIT Sukuk Berhad, for the purpose of raising financing on behalf of Axis-REIT. Axis REIT Sukuk Berhad is consolidated as if it is a subsidiary of Axis-REIT.

Subsidiaries are entities, including structured entities, controlled by Axis-REIT. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Axis-REIT controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive.

Axis-REIT also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the financial statements of Axis-REIT.

(b) Financial instruments**(i) Recognition and initial measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, Axis-REIT becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement**Financial assets**

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless Axis-REIT changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

3. Significant accounting policies (continued)**(b) Financial instruments (continued)****(ii) Financial instrument categories and subsequent measurement (continued)****Financial assets (continued)****(a) Amortised cost**

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective profit method. The amortised cost is reduced by impairment losses. Profit income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Profit income is recognised by applying the effective profit rate to the gross carrying amount except for credit impaired financial assets (see note 3(g)(i)) where the effective profit rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost as described above are measured at fair value through profit or loss. This includes Islamic derivative financial assets. On initial recognition, Axis-REIT may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values. Net gains or losses, including any profit or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (see note 3(g)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are Islamic derivatives and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, Axis-REIT may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss if:

3. Significant accounting policies (continued)**(b) Financial instruments (continued)****(ii) Financial instrument categories and subsequent measurement (continued)****Financial liabilities (continued)****(a) Fair value through profit or loss (continued)**

- (i) doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (ii) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about Axis-REIT is provided internally on that basis to Axis-REIT's key management personnel; or
- (iii) a contract contains one or more embedded Islamic derivatives and the host is not a financial asset/liability in the scope of MFRS 9, where the embedded Islamic derivatives significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with gains or losses, including any Islamic financing costs, recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, Axis-REIT recognises the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective profit method.

Islamic financing costs and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or is transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. Significant accounting policies (continued)**(b) Financial instruments (continued)****(iv) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, Axis-REIT currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(c) Investment properties**Investment properties carried at fair value**

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised financing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

Subsequently, investment properties are measured at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

The fair value of investment properties held by Axis-REIT as a right-of-use asset reflects the expected cash flows. Accordingly, where valuation obtained for a property is net of all payments expected to be made, Axis-REIT added back any recognised lease liability to arrive at the carrying amount of the investment property using the fair value model.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(d) Equipment**(i) Recognition and measurement**

Items of equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

3. Significant accounting policies (continued)**(d) Equipment (continued)****(i) Recognition and measurement (continued)**

When significant parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

The gain and loss on disposal of an item of equipment is determined by comparing the proceeds from disposal with the carrying amount of equipment and is recognised net within profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to Axis-REIT, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of equipment from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- | | |
|--------------------------------------------|----------|
| • Office equipment, furniture and fittings | 10 years |
| • Car park machines | 10 years |
| • Software | 10 years |

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leases**(i) Definition of a lease**

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Axis-REIT assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3. Significant accounting policies (continued)**(e) Leases (continued)****(i) Definition of a lease (continued)**

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, Axis-REIT allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which Axis-REIT is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement**(a) As a lessee**

Axis-REIT recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Axis-REIT's incremental financing rate. Generally, Axis-REIT uses their incremental financing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that Axis-REIT is reasonably certain to exercise; and
- penalties for early termination of a lease unless Axis-REIT is reasonably certain not to terminate early.

Axis-REIT excludes variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

3. Significant accounting policies (continued)**(e) Leases (continued)****(ii) Recognition and initial measurement (continued)****(a) As a lessee (continued)**

Axis-REIT has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Axis-REIT recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When Axis-REIT acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, Axis-REIT makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, Axis-REIT applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When Axis-REIT is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which Axis-REIT applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement**(a) As a lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective profit method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in Axis-REIT's estimate of the amount expected to be payable under a residual value guarantee, or if Axis-REIT changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3. Significant accounting policies (continued)**(e) Leases (continued)****(iii) Subsequent measurement (continued)****(b) As a lessor**

Axis-REIT recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and Islamic deposits placed with banks and highly liquid Shariah-compliant investments which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged Islamic deposits, if any.

(g) Impairment**(i) Financial assets**

Axis-REIT recognises loss allowances for expected credit losses on financial assets measured at amortised cost and tenancy contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

Axis-REIT measures loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and tenancy contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, Axis-REIT considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Axis-REIT's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which Axis-REIT is exposed to credit risk.

Axis-REIT estimates the expected credit losses on trade receivables.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, Axis-REIT assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3. Significant accounting policies (continued)**(g) Impairment (continued)****(i) Financial assets (continued)**

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when Axis-REIT determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with Axis-REIT's procedures for recovery of amounts due.

(ii) Other assets

The carrying amounts of other assets (except for investment properties that are measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(h) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issuing expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Units

Units are classified as equity.

3. Significant accounting policies (continued)**(i) Provisions**

A provision is recognised if, as a result of a past event, Axis-REIT has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(j) Revenue**(i) Rental income**

Rental income consists of income from the leasing of investment properties.

Rental income from investment properties is recognised in profit or loss on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives are recognised as an integral part of the total rental income, over the term of the lease.

(ii) Car park income

Car park income is recognised upon collection for daily parking and over time when services are delivered for season parking.

(iii) Other income

Other income consists of income from services, signage rental, compensation charges and other associated income. Other income is recognised over time when services are delivered.

(iv) Profit income

Profit income is recognised as it accrues using the effective profit method in profit or loss.

(k) Expenses**(i) Property expenses**

Property expenses consist of property management fees, quit rent and assessment, and other property outgoings in relation to investment properties where such expenses are the responsibility of Axis-REIT.

Property management fees are recognised on an accrual basis using the applicable formula, as stipulated in Note 1(a).

(ii) Manager's fees

Manager's fees are recognised on an accrual basis using the applicable formula, as stipulated in Note 1(b).

(iii) Trustee's fees

Trustee's fees are recognised on an accrual basis using the applicable formula, as stipulated in Note 1(c).

3. Significant accounting policies (continued)**(l) Islamic financing costs**

Islamic financing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective profit method.

Islamic financing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of Islamic financing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, Islamic financing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of Islamic financing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific Islamic financing pending their expenditure on qualifying assets is deducted from the Islamic financing costs eligible for capitalisation.

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3(c), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Significant accounting policies (continued)**(n) Earnings per unit**

Axis-REIT presents basic earnings per unit ("EPU").

Basic EPU is calculated by dividing the net income for the year attributable to unitholders of Axis-REIT by the weighted average number of units in circulation during the year.

(o) Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, Axis-REIT uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that Axis-REIT can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

Axis-REIT recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. Investment properties

	2020 RM'000	2019 RM'000
Land and buildings at fair value:		
At 1 January	2,990,610	2,798,500
Acquisitions	263,253	61,087
Enhancements	7,411	29,470
Change in fair value	18,966	101,553
At 31 December	3,280,240	2,990,610

Included in acquisitions during the year is RM2,589,000 (2019: RM597,000) which relates to acquisition fees paid to the Manager (Note 1(b)).

Included in enhancements during the year are development costs amounting to RM85,000 (2019: RM20,411,000), of which RM49,000 (2019: RM96,000) is related to capitalisation of financing costs.

NOTES TO THE FINANCIAL STATEMENTS

4. Investment properties (continued)

2020

Property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Location	Existing use	Occupancy rates as at 31.12.2020		Fair value as at 31.12.2020		Cost of investment as at 31.12.2020		Percentage of fair value to Net Asset Value as at 31.12.2020	
						%	RM'000	RM'000	RM'000	%			
Menara Axis (e)	Leasehold	99	45	Petaling Jaya	Commercial office	73.5	112,500	91,313	5.3				
Crystal Plaza (e)	Leasehold	99	39	Petaling Jaya	Commercial office	45.8	111,000	72,063	5.2				
Axis Business Park (e)	Leasehold	99	40	Petaling Jaya	Office/Industrial	82.4	121,100	102,020	5.7				
Infinite Center (b) ^	Leasehold	99	45	Petaling Jaya	Office/Industrial	97.6	43,700	37,006	2.1				
Wisma Kemajuan (d) ^	Leasehold	99	45	Petaling Jaya	Office/Industrial	73.4	66,000	37,960	3.1				
Axis Business Campus (f) ^	Leasehold	99	47	Petaling Jaya	Office/Industrial	74.8	80,640	63,411	3.8				
Axis Shah Alam Distribution Centre 1 (j)	Freehold	-	-	Shah Alam	Manufacturing facilities	100.0	37,300	22,507	1.8				
Axis Hypermarket @ Sungai Petani (k) ^	Freehold	-	-	Sungai Petani	Hypermarket	100.0	49,000	38,973	2.3				
FCI Senai (a) ^	Leasehold	60	47	Senai, Johor	Manufacturing facilities	100.0	25,360	12,693	1.2				
Fonterra HQ (f)	Freehold	-	-	Shah Alam	Office/Industrial	84.7	20,600	11,264	1.0				
Quattro West (h)	Leasehold	99	52	Petaling Jaya	Commercial office	100.0	59,000	51,126	2.8				
Strateq Data Centre (b) ^	Leasehold	99	48	Petaling Jaya	Office/Industrial	100.0	65,000	42,729	3.1				
D21 Logistics Warehouse (a) ^#	Leasehold	60	35	Tanjung Pelepas	Logistics Warehouse	100.0	14,100	28,413	0.7				
Niro Warehouse (a)	Leasehold	60	31	Pasir Gudang	Logistics Warehouse	100.0	27,700	15,234	1.3				
Pasir Gudang Logistics Warehouse 1 (a)	Leasehold	60	47	Pasir Gudang	Logistics Warehouse	100.0	21,300	13,814	1.0				
Axis Vista (c) ^^	Leasehold	99	46	Petaling Jaya	Office/Industrial	100.0	57,500	34,441	2.7				
Axis Northport Distribution Centre 1 (b) ^^	Leasehold	99	82	Klang	Logistics Warehouse	100.0	91,500	67,075	4.3				
Bukit Raja Distribution Centre (a) ^^	Freehold	-	-	Klang	Logistics Warehouse	100.0	108,000	79,798	5.1				
Seberang Prai Logistics Warehouse 1 (g) ^	Leasehold	60	33	Seberang Prai	Logistics Warehouse	100.0	24,600	17,821	1.2				
Seberang Prai Logistics Warehouse 2 (g) ^	Leasehold	60	33	Seberang Prai	Logistics Warehouse	100.0	9,840	7,384	0.5				
Tesco Bukit Indah (a) ^^	Freehold	-	-	Johor Bahru	Hypermarket	100.0	106,000	76,997	5.0				

4. Investment properties (continued)

2020

Property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Location	Existing use	Occupancy rates as at 31.12.2020		Fair value as at 31.12.2020		Cost of investment as at 31.12.2020		Percentage of fair value to Net Asset Value as at 31.12.2020	
						%	RM'000	RM'000	RM'000	%			
Axis Mega Distribution Centre (a) ^^	Leasehold	99	71	Kuala Langat	Logistics Warehouse	100.0	314,000	258,693	14.8				
Axis Technology Centre (l) ^	Leasehold	99	47	Petaling Jaya	Office/Industrial	52.1	61,200	50,833	2.9				
D8 Logistics Warehouse (a) ^	Leasehold	60	35	Johor Bahru	Logistics Warehouse	0.0	40,100	30,689	1.9				
Bayan Lepas Distribution Centre (g) ^	Leasehold	60	42	Bayan Lepas	Logistics Warehouse	100.0	64,500	50,378	3.0				
Seberang Prai Logistics Warehouse 3 (k) Leasehold	Leasehold	60	32/48	Seberang Prai	Logistics Warehouse	100.0	70,000	62,630	3.3				
Emerson Industrial Facility Nilai (j) ^	Leasehold	99	75	Nilai	Manufacturing facilities	100.0	37,000	27,443	1.7				
Wisma Academy Parcel (c) ^	Leasehold	99	42	Petaling Jaya	Office/Industrial	70.5	74,500	77,287	3.5				
The Annex (c) ^	Leasehold	99	42	Petaling Jaya	Office/Industrial	60.4	20,000	13,563	0.9				
Axis MRO Hub (c)	Leasehold	99	65	Shah Alam	Manufacturing facilities	100.0	53,300	53,645	2.5				
Axis Shah Alam Distribution Centre 3 (d)	Freehold	-	-	Shah Alam	Logistics Warehouse	100.0	193,000	187,011	9.1				
Axis Steel Centre @ SiLC (d) ^	Freehold	-	-	Nusajaya	Manufacturing facilities	100.0	163,000	155,949	7.7				
Axis Shah Alam Distribution Centre 2 (b) Leasehold	Leasehold	99	46	Shah Alam	Logistics Warehouse	100.0	48,350	47,020	2.3				
Beyondics I-Park Campus Block A (d) ^	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0	16,500	14,470	0.8				
Beyondics I-Park Campus Block B (d) ^	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0	15,000	13,115	0.7				
Beyondics I-Park Campus Block C (d) ^	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0	14,000	11,934	0.7				
Beyondics I-Park Campus Block D (d) ^	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0	25,000	22,504	1.2				
Axis Industrial Facility @ Rawang (c)	Freehold	-	-	Rawang	Manufacturing facilities	0.0	42,000	43,009	2.0				

2020

Property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Location	Existing use	Occupancy rates as at		Fair value as at		Cost of investment as at		Percentage of fair value to Net Asset Value as at	
						31.12.2020	%	31.12.2020	RM'000	31.12.2020	RM'000	31.12.2020	%
Kerry Warehouse (a)	Leasehold	60	53	Johor Bahru	Logistics Warehouse	100.0	100.0	38,200	33,725	1.8			
Wasco Facility @ Kuantan (c) ^	Leasehold	99	89	Kuantan	Manufacturing facilities	100.0	100.0	156,000	157,619	7.3			
Axis Aerotech Centre @ Subang (c) *	Leasehold	49	46	Subang	Manufacturing facilities	100.0	100.0	90,000	73,075	4.2			
Axis Shah Alam Distribution Centre 4 (h)	Freehold	-	-	Shah Alam	Logistics Warehouse	100.0	100.0	86,000	84,270	4.1			
Indahpura Facility 1 (a) ^	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0	100.0	8,200	7,343	0.4			
Beyonics i-Park Campus Block E (a) ^	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0	100.0	36,000	32,099	1.7			
Senawang Industrial Facility (f)	Freehold	-	-	Senawang	Logistics Warehouse	100.0	100.0	22,300	18,933	1.1			
Nusejaya Tech Park Facility 1 (d)	Freehold	-	-	Iskandar Puteri, Johor	Manufacturing facilities	100.0	100.0	42,000	42,773	2.0			
Nusejaya Tech Park Facility 2 (d)	Freehold	-	-	Iskandar Puteri, Johor	Manufacturing facilities	100.0	100.0	15,500	14,105	0.7			
Axis Facility @ Batu Kawan (l)	Leasehold	30	29	Simpang Ampat, Penang	Logistics Warehouse	100.0	100.0	18,950	14,598	0.9			
Axis Facility 2 @ Nilai (h)	Leasehold	99	69	Nilai, Negeri Sembilan	Manufacturing facilities	100.0	100.0	51,000	50,920	2.4			
Axis Facility 2 @ Bukit Raja (b)	Leasehold	99	69	Klang	Manufacturing facilities	100.0	100.0	39,000	37,654	1.8			
D37c Logistics Warehouse (e) **	Leasehold	41	35	Tanjung Pelepas	Logistics Warehouse	100.0	100.0	66,100	66,094	3.1			
Axis Shah Alam Distribution Centre 5 (b)	Leasehold	99	54	Shah Alam	Logistics Warehouse	100.0	100.0	95,000	96,330	4.5			
Axis Industrial Facility @ Shah Alam (a)	Leasehold	99	57	Shah Alam	Manufacturing facilities	100.0	100.0	12,800	12,257	0.6			
Total								3,280,240	2,786,010				

4. Investment properties (continued)

- (a) Axis Industrial Facility @ Shah Alam, Pasir Gudang Logistics Warehouse 1, Bukit Raja Distribution Centre, D8 Logistics Warehouse, FCI Senai, Axis Mega Distribution Centre, Niro Warehouse, Tesco Bukit Indah, Beyonics i-Park Campus Block E, Kerry Warehouse, Indahpura Facility 1, Crystal Plaza and D21 Logistics Warehouse were valued on 1 July 2020, 7 July 2020, 21 July 2020, 18 August 2020, 18 August 2020, 19 August 2020, 4 September 2020, 4 September 2020, 29 September 2020, 29 September 2020, 25 November 2020 and 7 December 2020, respectively by Rahim & Co. International Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation, except for Axis Industrial Facility @ Shah Alam which was based on the cost method of valuation and Axis Mega Distribution Centre comprising phase 1 site, which is the developed portion known as Nestle Distribution Centre and phase 2 site, which is the undeveloped portion of the remaining land based on the investment method and comparison method of valuation respectively.
- (b) Strateq Data Centre, Axis Shah Alam Distribution Centre 5, Axis Shah Alam Distribution Centre 2, Infinite Center, Axis Northport Distribution Centre 1 and Axis Facility 2 @ Bukit Raja were valued on 21 July 2020, 21 August 2020, 26 August 2020, 28 August 2020, 21 July 2020 and 27 October 2020, respectively by PA International Property Consultants (KL) Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation except for Axis Shah Alam Distribution Centre 5 which was based on the cost method of valuation.
- (c) Axis Vista, Wasco Facility @ Kuantan, Axis Aerotech Centre @ Subang, Axis MRO Hub, Wisma Academy Parcel, The Annex and Axis Industrial Facility @ Rawang, were valued on 16 July 2020, 19 August 2020, 10 September 2020, 25 September 2020, 30 September 2020, 3 November 2020 and 13 November 2020, respectively by Savills (Malaysia) Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation except for Axis Industrial Facility @ Rawang which was based on the cost method of valuation and Axis Vista and The Annex which were based on the comparison method of valuation.
- (d) Axis Steel Centre @ SiLC, Axis Shah Alam Distribution Centre 3, Nusajaya Tech Park Facility 1 and 2, Beyonics i-Park Campus Block A, B, C and D and Wisma Kemajuan were valued on 10 July 2020, 13 August 2020, 30 September 2020, 8 October 2020 and 30 October 2020, respectively by C H Williams Talhar & Wong Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (e) Menara Axis, D37c Logistics Warehouse and Axis Business Park were valued on 11 September 2020, 30 September 2020 and 2 October 2020, respectively by First Pacific Valuers Property Consultants Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (f) Fonterra HQ and Senawang Industrial Facility were valued on 13 July 2020 and 7 October 2020, respectively by KGV International Property Consultants (M) Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (g) Seberang Prai Logistics Warehouse 1 and 2 and Bayan Lepas Distribution Centre were valued on 19 August 2020 and 6 October 2020, respectively by Henry Butcher Malaysia (Penang) Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the cost method of valuation.
- (h) Axis Facility 2 @ Nilai, Quattro West and Axis Shah Alam Distribution Centre 4 were valued on 11 September 2020, 1 November 2020 and 11 November 2020, respectively by PPC International Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation except Axis Shah Alam Distribution Centre 4 which was based on the cost method of valuation.

4. Investment properties (continued)

- (i) Axis Business Campus and Axis Technology Centre were valued on 2 September 2020 and 30 October 2020, respectively by Nawawi Tie Leung Property Consultants Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the cost method of valuation.
- (j) Axis Shah Alam Distribution Centre 1 and Emerson Industrial Facility Nilai were valued on 9 July 2020 and 18 August 2020, respectively by Knight Frank Malaysia Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (k) Axis Hypermarket @ Sungai Petani and Seberang Prai Logistics Warehouse 3 were valued on 9 July 2020 and 3 September 2020, respectively by Savills (Penang) Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (l) Axis Facility @ Batu Kawan was valued on 21 October 2020 by VPC Alliance (Kajang) Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.

^ These properties are charged to financial institutions for revolving credit and term financing facilities granted to Axis-REIT (Note 10).

^^ These properties are pledged as security for the Islamic Medium Term Notes ("Sukuk") (Note 10).

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

* Fixed land lease of 30 years with an automatic renewal and/or extension for a further 19 years up to 30 December 2066.

** Fixed land lease of 11 years until 23 March 2025 with an option to renew for a further term of 30 years, subject to payment of RM1.00 by Axis-REIT.

4. Investment properties (continued)

2019

Property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Location	Existing use	Occupancy rates as at		Fair value as at		Cost of investment as at		Percentage of fair value to Net Asset Value as at	
						31.12.2019	%	31.12.2019	RM'000	31.12.2019	RM'000	31.12.2019	%
Menara Axis (e) ^^	Leasehold	99	46	Petaling Jaya	Commercial office	78.2	112,000	90,175	5.4				
Crystal Plaza (a) ^^	Leasehold	99	40	Petaling Jaya	Commercial office	76.8	113,700	68,514	5.5				
Axis Business Park (e) ^^	Leasehold	99	41	Petaling Jaya	Office/Industrial	90.3	121,000	101,906	5.8				
Infinite Center (b) ^	Leasehold	99	46	Petaling Jaya	Office/Industrial	100.0	43,500	36,808	2.1				
Wisma Kemajuan (e) ^	Leasehold	99	46	Petaling Jaya	Office/Industrial	75.6	65,600	37,954	3.2				
Axis Business Campus (i) ^	Leasehold	99	48	Petaling Jaya	Office/Industrial	85.1	80,600	63,317	3.9				
Axis Shah Alam Distribution Centre 1 (j)	Freehold	-	-	Shah Alam	Manufacturing facilities	100.0	37,200	22,507	1.8				
Axis Hypermarket @ Sungai Petani (k) ^	Freehold	-	-	Sungai Petani	Hypermarket	100.0	49,000	38,973	2.4				
FCI Senai (a) ^	Leasehold	60	48	Senai, Johor	Manufacturing facilities	100.0	25,360	12,693	1.2				
Fonterra HQ (f)	Freehold	-	-	Shah Alam	Office/Industrial	84.7	20,600	11,196	1.0				
Quattro West (h) ^^	Leasehold	99	53	Petaling Jaya	Commercial office	43.5	56,000	51,126	2.7				
Strateq Data Centre (b) ^	Leasehold	99	49	Petaling Jaya	Office/Industrial	100.0	57,000	42,729	2.7				
D21 Logistics Warehouse (h) ^¥	Leasehold	60	36	Tanjung Pelepas	Logistics Warehouse	100.0	29,000	28,413	1.4				
Niro Warehouse (a)	Leasehold	60	32	Pasir Gudang	Logistics Warehouse	100.0	27,700	15,234	1.3				
Pasir Gudang Logistics Warehouse 1 (a)	Leasehold	60	48	Pasir Gudang	Logistics Warehouse	100.0	21,300	13,814	1.0				
Axis Vista (e) ^^	Leasehold	99	47	Petaling Jaya	Office/Industrial	100.0	57,500	34,441	2.8				
Axis Northport Distribution Centre 1 (h) ^^	Leasehold	99	83	Klang	Logistics Warehouse	100.0	78,100	66,917	3.8				
Bukit Raja Distribution Centre (a) ^^	Freehold	-	-	Klang	Logistics Warehouse	100.0	108,000	78,427	5.2				
Seberang Prai Logistics Warehouse 1 (g) ^	Leasehold	60	34	Seberang Prai	Logistics Warehouse	100.0	24,000	17,821	1.2				
Seberang Prai Logistics Warehouse 2 (g) ^	Leasehold	60	34	Seberang Prai	Logistics Warehouse	100.0	9,400	7,384	0.5				
Tesco Bukit Indah (a) ^^	Freehold	-	-	Johor Bahru	Hypermarket	100.0	106,000	76,969	5.1				

NOTES TO THE FINANCIAL STATEMENTS

4. Investment properties (continued)

2019

Property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Location	Existing use	Occupancy rates as at 31.12.2019	Fair value as at 31.12.2019	Cost of investment as at 31.12.2019	Percentage of fair value to Net Asset Value as at 31.12.2019
		(Years)	(Years)			%	RM'000	RM'000	%
Axis Mega Distribution Centre (a) ^	Leasehold	99	72	Kuala Langat	Logistics Warehouse	100.0	314,000	258,766	15.1
Axis Technology Centre (l) ^	Leasehold	99	48	Petaling Jaya	Office/Industrial	49.9	61,000	50,613	2.9
D8 Logistics Warehouse (a) ^	Leasehold	60	36	Johor Bahru	Logistics Warehouse	100.0	40,100	30,689	1.9
Bayan Lepas Distribution Centre (e) ^	Leasehold	60	43	Bayan Lepas	Logistics Warehouse	100.0	61,600	50,318	3.0
Seberang Prai Logistics Warehouse 3 (g)	Leasehold	60	33/49	Seberang Prai	Logistics Warehouse	100.0	69,500	62,555	3.3
Emerson Industrial Facility Nilai (j) ^	Leasehold	99	76	Nilai	Manufacturing facilities	100.0	35,000	27,443	1.7
Wisma Academy Parcel (c) ^	Leasehold	99	43	Petaling Jaya	Office/Industrial	70.2	74,500	77,287	3.6
The Annex (c) ^	Leasehold	99	43	Petaling Jaya	Office/Industrial	60.4	20,000	13,531	1.0
Axis MRO Hub (e)	Leasehold	99	66	Shah Alam	Manufacturing facilities	100.0	53,300	53,640	2.6
Axis Shah Alam Distribution Centre 3 (c)	Freehold	-	-	Shah Alam	Logistics Warehouse	100.0	192,000	187,011	9.2
Axis Steel Centre @ SiLC (l) ^	Freehold	-	-	Nusajaya	Manufacturing facilities	100.0	163,000	155,949	7.8
Axis Shah Alam Distribution Centre 2 (e)	Leasehold	99	47	Shah Alam	Logistics Warehouse	100.0	48,350	47,020	2.3
Beyondics i-Park Campus Block A (d) ^	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0	16,500	14,470	0.8
Beyondics i-Park Campus Block B (d) ^	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0	15,000	13,115	0.7
Beyondics i-Park Campus Block C (d) ^	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0	14,000	11,934	0.7
Beyondics i-Park Campus Block D (d) ^	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0	25,000	22,504	1.2

4. Investment properties (continued)

2019

Property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Location	Existing use	Occupancy rates as at 31.12.2019	Fair value as at 31.12.2019	Cost of investment as at 31.12.2019	Percentage of fair value to Net Asset Value as at 31.12.2019
		(Years)	(Years)			%	RM'000	RM'000	%
Axis Industrial Facility @ Rawang (c)	Freehold	-	-	Rawang	Manufacturing facilities	0.0	42,000	42,696	2.0
Kerry Warehouse (a)	Leasehold	60	54	Johor Bahru	Logistics Warehouse	100.0	38,200	33,725	1.8
Wasco Facility @ Kuantan (a) ^	Leasehold	99	90	Kuantan	Manufacturing facilities	100.0	155,000	157,619	7.5
Axis Aeratech Centre @ Subang (h) *	Leasehold	49	47	Subang	Manufacturing facilities	100.0	89,500	73,075	4.3
Axis Shah Alam Distribution Centre 4 (h)	Freehold	-	-	Shah Alam	Logistics Warehouse	100.0	86,000	84,270	4.1
Indahpura Facility 1 (d) ^	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0	8,000	7,343	0.4
Beyondics i-Park Campus Block E (d) ^	Freehold	-	-	Johor Bahru	Manufacturing facilities	100.0	32,000	32,099	1.5
Senawang Industrial Facility (e)	Freehold	-	-	Senawang	Logistics Warehouse	100.0	21,000	18,933	1.0
Nusajaya Tech Park Facility 1 (d)	Freehold	-	-	Iskandar Puteri, Johor	Manufacturing facilities	100.0	42,000	42,773	2.0
Nusajaya Tech Park Facility 2 (d)	Freehold	-	-	Iskandar Puteri, Johor	Manufacturing facilities	100.0	15,500	14,105	0.7
Axis Facility @ Batu Kawan (h)	Leasehold	30	30	Simpang Ampat, Penang	Logistics Warehouse	100.0	16,000	14,545	0.8
Total							2,990,610	2,515,346	

NOTES TO THE FINANCIAL STATEMENTS

4. Investment properties (continued)

- (a) D8 Logistics Warehouse, Bukit Raja Distribution Centre, Axis Mega Distribution Centre, Pasir Gudang Logistics Warehouse 1, Niro Warehouse, Kerry Warehouse, FCI Senai, Tesco Bukit Indah, Wasco Facility @ Kuantan and Crystal Plaza were valued on 24 July 2019, 26 July 2019, 2 August 2019, 28 August 2019, 28 August 2019, 28 August 2019, 29 August 2019, 4 September 2019, 21 October 2019 and 6 December 2019, respectively by Rahim & Co. International Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation, except for Axis Mega Distribution Centre comprising phase 1 site, which is the developed portion known as Nestle Distribution Centre and phase 2 site, which is the undeveloped portion of the remaining land, using the investment method and comparison method of valuation respectively.
- (b) Strateq Data Centre and Infinite Center were valued on 15 August 2019 and 5 September 2019, respectively by PA International Property Consultants Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (c) Axis Shah Alam Distribution Centre 3, Axis Industrial Facility @ Rawang, Wisma Academy Parcel and The Annex were valued on 31 July 2019, 20 August 2019, 20 November 2019 and 2 December 2019, respectively by Savills (Malaysia) Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation except for Axis Industrial Facility @ Rawang which uses the cost method of valuation and The Annex which uses comparison method of valuation.
- (d) Beyonics i-Park Campus Block A, B, C, D and E, Indahpura Facility 1, Nusajaya Tech Park Facility 1 and 2 were valued on 25 September 2019, 25 September 2019, 25 November 2019 and 27 November 2019, respectively by C H Williams Talhar & Wong Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (e) Axis Vista, Bayan Lepas Distribution Centre, Axis MRO Hub, Senawang Industrial Facility, Axis Shah Alam Distribution Centre 2, Wisma Kemajuan, Axis Business Park and Menara Axis were valued on 23 July 2019, 5 September 2019, 30 October 2019, 7 November 2019, 14 November 2019, 21 November 2019, 3 December 2019 and 6 December 2019, respectively by First Pacific Valuers Property Consultants Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (f) Fonterra HQ was valued on 19 August 2019 by KGV International Property Consultants (M) Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (g) Seberang Prai Logistics Warehouse 1 and 2 and 3 were valued on 14 October 2019 and 15 October 2019, respectively by Henry Butcher Malaysia (Penang) Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the cost and investment methods of valuation.
- (h) D21 Logistics Warehouse, Axis Aerotech Centre @ Subang, Axis Northport Distribution Centre 1, Axis Shah Alam Distribution Centre 4, Quattro West and Axis Facility @ Batu Kawan were valued on 22 July 2019, 19 August 2019, 20 August 2019, 22 October 2019, 21 November 2019 and 31 December 2019, respectively by PPC International Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation except Axis Shah Alam Distribution Centre 4 which uses cost method of valuation.

4. Investment properties (continued)

- (i) Axis Business Campus and Axis Technology Centre were both valued on 21 November 2019 by Nawawi Tie Leung Property Consultants Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the cost method of valuation.
- (j) Emerson Industrial Facility Nilai and Axis Shah Alam Distribution Centre 1 were valued on 7 November 2019 and 4 December 2019, respectively by Knight Frank Malaysia Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (k) Axis Hypermarket @ Sungai Petani was valued on 26 September 2019 by Savills (Penang) Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- (l) Axis Steel Centre @ SiLC was valued on 22 October 2019 by Savills (Johor) Sdn Bhd, an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- ^ These properties are charged to financial institutions for revolving credit and term financing facilities granted to Axis-REIT (Note 10).
- ^^ These properties are pledged as security for the Islamic Medium Term Notes ("Sukuk") (Note 10).
- ¥ Fixed land lease of 30 years until 23 March 2025 with an option to renew for a further term of 30 years.
- * Fixed land lease of 30 years with an automatic renewal and/or extension for a further 19 years up to 30 December 2066.

The following are recognised in profit or loss in respect of investment properties:

	Note	2020 RM'000	2019 RM'000
Revenue	12	232,234	222,464
Property operating expenses	13	(33,716)	(30,756)
Change in fair value of investment properties	4.1.1	10,796	94,064

4.1 Fair value information

As at 31 December 2020, the fair value of investment properties amounting to RM3,280,240,000 (2019: RM2,990,610,000) is categorised as Level 3 in accordance with MFRS 13, using unobservable inputs.

4. Investment properties (continued)

4.1 Fair value information (continued)

Level 3 fair value

The following table shows a reconciliation of Level 3 fair value:

	Note	2020 RM'000	2019 RM'000
At 1 January		2,990,610	2,798,500
Acquisitions		263,253	61,087
Enhancements		7,411	29,470
		3,261,274	2,889,057
Gains and losses recognised in profit or loss			
Change in fair value - unrealised	4.1.1	18,966	101,553
At 31 December		3,280,240	2,990,610

4.1.1 The change in fair value as presented in the profit or loss of RM10,796,000 (2019: RM94,064,000) is after offsetting unbilled lease income receivable amounting to RM8,170,000 (2019: RM7,489,000).

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
a) The investment method considers income and expense data relating to the subject property being valued and estimates value through a capitalisation process. Capitalisation relates to income (usually a net income figure) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalisation rates), yield or discount rates (reflecting measures of return on investment), or both. In general, the principle of substitution holds that the income stream which produces the highest return commensurate with a given level of risk leads to the most probable value figure.	<ul style="list-style-type: none"> Risk-adjusted term capitalisation rates ranging from 5.50% - 7.25% (2019: 5.75% - 8.00%). Risk-adjusted reversion capitalisation rates of 6.00% - 7.50% (2019: 6.15% - 8.50%). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> Risk-adjusted term capitalisation rates were lower (higher). Risk-adjusted reversion capitalisation rates were lower (higher).

4. Investment properties (continued)

4.1 Fair value information (continued)

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
b) The comparison method considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. In general, the property being valued is compared with sales of similar properties that have been transacted in the open market. Listing and offering may also be considered. Valuation under this method may be significantly affected by the timing and the characteristics (such as location, accessibility, design, size and condition) of the property transactions used for comparison.	<ul style="list-style-type: none"> Adjusted land value ranging from RM69 per sq. ft. to RM380 per sq. ft. (2019: RM70 per sq. ft. to RM300 per sq. ft.). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> Adjusted land value per sq. ft. was higher (lower).
c) The cost method considers the summation of the value components of the land and cost of building. The value components of land are estimated based on location, plot size, accessibility and other relevant factors. The cost of building is determined based on current estimates of reconstruction cost less depreciation or replacement cost less depreciation, obsolescence and existing physical condition of the building. The reconstruction or replacement cost of building is derived from estimates of current market prices for materials, labour and present construction techniques. Valuation under this method may be significantly affected by the location of the property and the market prices for materials and labour.	<ul style="list-style-type: none"> Land value ranging from RM27 per sq. ft. to RM253 per sq. ft. (2019: RM41 per sq. ft. to RM251 per sq. ft.). Main floor area cost ranging from RM40 per sq. ft. to RM250 per sq. ft. (2019: RM70 per sq. ft. to RM210 per sq. ft.). Depreciation rates ranging from 1.5% to 75% (2019: 1.5% to 30%). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> Land value were higher (lower). Main floor area cost were higher (lower). Depreciation rates were lower (higher).

Significant estimation uncertainty and judgements

The valuation reports obtained from certain external valuers also included a material valuation uncertainty paragraph to highlight that given the unprecedented set of circumstances on which to base a judgement, less certainty, and a higher degree of caution, should be attached to their valuations than would normally be the case. Due to the unknown future impact that the 2019 Novel Coronavirus ("COVID-19") pandemic might have on the real estate market, the external valuers have also recommended to keep the valuation of these properties under frequent review.

4. Investment properties (continued)

4.1 Fair value information (continued)

Valuation processes applied by Axis-REIT for Level 3 fair value

The fair value of investment properties is determined by external, independent registered valuers approved by the Securities Commission, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. A valuation is carried out on each property within Axis-REIT's investment property portfolio once every calendar year.

Highest and best use

Axis-REIT's investment properties are office/industrial buildings, logistics warehouses, hypermarkets and manufacturing facilities located in Malaysia. These properties are at their highest and best use, as there are no other factors to suggest that a different use would maximise the value of these investment properties.

Axis-REIT leases out its investment properties under operating leases. The future minimum lease payment receivable under non-cancellable leases is as follows:

	2020 RM'000
Less than one year	220,475
One to two years	179,626
Two to three years	139,451
Three to four years	122,086
Four to five years	103,797
More than five years	710,845
Total undiscounted lease payment receivable	1,476,280
	2019 RM'000
Less than one year	196,167
One to two years	171,759
Two to three years	134,306
Three to four years	108,310
Four to five years	104,756
More than five years	743,375
Total undiscounted lease payment receivable	1,458,673

5. Equipment

	Office equipment, furniture and fittings RM'000	Car park machines RM'000	Software RM'000	Total RM'000
Cost				
At 1 January 2019	943	3,497	795	5,235
Additions	481	269	-	750
At 31 December 2019/1 January 2020	1,424	3,766	795	5,985
Additions	126	47	110	283
At 31 December 2020	1,550	3,813	905	6,268
Accumulated depreciation				
At 1 January 2019	59	1,737	418	2,214
Depreciation for the year	121	369	80	570
At 31 December 2019/1 January 2020	180	2,106	498	2,784
Depreciation for the year	153	380	81	614
At 31 December 2020	333	2,486	579	3,398
Carrying amounts				
At 31 December 2020	1,217	1,327	326	2,870
At 31 December 2019	1,244	1,660	297	3,201

Leased equipment

At 31 December 2020, the net carrying amount of leased equipment was RM205,000 (2019: RM554,000).

6. Receivables, deposits and prepayments

	Note	2020 RM'000	2019 RM'000
Trade			
Trade receivables		8,379	4,207
Tenancy contract assets	6.1	4,718	5,366
		13,097	9,573
Non-trade			
Other receivables		12,126	4,747
Deposits	6.2	12,153	23,418
Prepayments		3,789	1,587
		28,068	29,752
		41,165	39,325

6.1 Tenancy contract assets relate to Axis-REIT's rights to rental income for premises that have been occupied by tenants but not yet billed at the reporting date. Rental income is recognised on a straight-line basis, including lease incentive for rent-free period, which is not part of earnings available for distribution. Rental will be billed in accordance with the billing terms as set out in the tenancy agreements.

6.2 Included in deposits is RM8,770,000 (2019: RM20,466,000) paid for potential new acquisitions of investment properties.

7. Cash and cash equivalents

	2020 RM'000	2019 RM'000
Cash and bank balances	13,867	20,948
Islamic deposits placed with licensed banks	25,941	31,597
	39,808	52,545

Included in Islamic deposits placed with licensed banks is an amount of RM300,000 (2019: RM300,000) which is pledged for banking facilities granted to Axis-REIT (Note 10) and an amount of RM16,255,000 (2019: RM19,255,000) which is maintained in a Finance Service Reserve Account with a licensed bank to cover a minimum of 12 months' financing costs for Sukuk issued by Axis-REIT's special purpose company, Axis REIT Sukuk Berhad (Note 10).

8. Total unitholders' funds

8.1 Unitholders' capital

	2020 Number of units '000	2019 Number of units '000
Issued and fully paid up:		
At 1 January	1,435,250	1,237,285
Issued for cash	-	197,965
Issued under Income Distribution Reinvestment Plan ("IDRP")	7,081	-
At 31 December	1,442,331	1,435,250

	2020 RM'000	2019 RM'000
Issued and fully paid up:		
At 1 January	1,583,791	1,247,069
New units issued:		
7,081,008 units @ RM1.67 per unit (2019: 197,965,000 units @ RM1.72 per unit)	11,825	340,500
Issuing expenses	(110)	(3,778)
At 31 December	1,595,506	1,583,791

8.2 Unitholdings of substantial unitholders, Directors of the Manager and their related parties

The following are details of the units and value held by substantial unitholders, Directors of the Manager and their related parties.

	2020		2019	
	Number of units '000	Market value RM'000	Number of units '000	Market value RM'000
Axis-REIT's substantial unitholders' direct unitholding:				
Lembaga Tabung Haji	74,538	151,312	74,263	131,446
Kumpulan Wang Persaraan (Diperbadankan)	142,278	288,824	134,296	237,704
Employees Provident Fund Board	208,199	422,644	200,386	354,683
Axis-REIT's substantial unitholders' indirect unitholding:				
Kumpulan Wang Persaraan (Diperbadankan) (i)	34,871	70,788	32,197	56,989

8. Total unitholders' funds (continued)

8.2 Unitholdings of substantial unitholders, Directors of the Manager and their related parties (continued)

	2020		2019	
	Number of units '000	Market value RM'000	Number of units '000	Market value RM'000
Directors of the Manager - direct unitholding:				
Dato' Abas Carl Gunnar Bin Abdullah	23,812	48,338	23,904	42,310
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	20	41	20	35
Tew Peng Hwee @ Teoh Peng Hwee	56,500	114,695	56,509	100,021
Alex Lee Lao (ii)	57,361	116,443	56,737	100,424
Leong Kit May	43	87	43	76
Jancis Anne Que Lao (iii)	1,957	3,973	1,944	3,441
Maxine Teoh Sui Vern (iv)	4	8	-	-
Directors of the Manager - indirect unitholding:				
Dato' Abas Carl Gunnar Bin Abdullah (v)	10,372	21,055	10,304	18,238
Alex Lee Lao (vi)	3,171	6,437	3,153	5,581
Direct unitholdings of close family members of the Directors of the Manager:				
Datin Kuyas Emiloglu (also known as Ka Ya-Shih)	10,299	20,907	10,231	18,109
Leon Lee Lao	2,322	4,714	2,307	4,083
Lao, Yin Yong Lee	849	1,723	846	1,497
Tan Siew Geok	832	1,689	925	1,637
Jeanette Ivy Robertson Lomax	255	518	255	451
Amanda Tan Myhre	73	148	73	129
John Lee Lao	1,195	2,426	1,187	2,101
Dean Lee Lao	2,419	4,911	2,403	4,253
Edward Teoh Eu Shang	1	2	5	9
Maxine Teoh Sui Vern (iv)	-	-	4	7
Adrian Teoh Eu Min	-	-	6	11

8. Total unitholders' funds (continued)

8.2 Unitholdings of substantial unitholders, Directors of the Manager and their related parties (continued)

Notes:

- Held by fund managers of Kumpulan Wang Persaraan (Diperbadankan).
- Alex Lee Lao is an alternate director to Dato' Abas Carl Gunnar Bin Abdullah.
- Jancis Anne Que Lao is an alternate director to Alvin Dim Lao.
- Maxine Teoh Sui Vern is an alternate director to Tew Peng Hwee @ Teoh Peng Hwee effective from 1 July 2020.
- Deemed interested in the direct unitholdings of his spouse, Datin Kuyas Emiloglu (also known as Ka Ya-Shih) and his daughter, Amanda Tan Myhre.
- Deemed interested in the direct unitholdings of his brothers, Lao, Yin Yong Lee and Leon Lee Lao.

The market value of the units was determined by multiplying the number of units with the market price as at 31 December 2020 of RM2.03 per unit (2019: RM1.77 per unit).

9. Deferred tax liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the investment properties.

For investment properties that are expected to be realised through sale, the measurement of deferred tax asset or liability pertaining to the investment property will be based on the Real Property Gains Tax ("RPGT") rate. It is the business model of Axis-REIT to hold investment properties to earn rental income and for long-term capital growth. Hence, there are no expected disposals of investment properties held for less than 5 years.

Movement in temporary differences during the year

	At 1.1.2019 RM'000	Recognised in profit or loss (Note 14) RM'000	At 31.12.2019/ 1.1.2020 RM'000	Recognised in profit or loss (Note 14) RM'000	At 31.12.2020 RM'000
Investment properties	4,402	4,213	8,615	507	9,122

10. Financing

	Note	2020 RM'000	2019 RM'000
Non-current			
Islamic Medium Term Notes ("Sukuk")	10.1	350,000	350,000
Finance lease liabilities	10.2	99	140
Term financing - secured	10.3	151,500	151,500
Transaction costs			
- Sukuk	10.1	(606)	(814)
- Term financing - secured	10.3	(350)	(549)
		500,643	500,277
Current			
Revolving credit - secured	10.4	611,500	315,500
Finance lease liabilities	10.2	40	104
Islamic Medium Term Notes ("Sukuk")	10.1	-	70,000
Transaction costs			
- Sukuk	10.1	-	(22)
		611,540	385,582
		1,112,183	885,859

10.1 Islamic Medium Term Notes ("Sukuk")

Axis-REIT's wholly owned subsidiary, Axis REIT Sukuk Berhad, has an Islamic Medium Term Note Programme ("Sukuk Programme") of up to RM3.0 billion in nominal value. It is a perpetual programme that commenced on 13 July 2012. Details of the Sukuk issued are set out as follows.

First Sukuk

On 13 July 2012, Axis REIT Sukuk Berhad issued RM110.0 million Sukuk in nominal value pursuant to the Sukuk Programme.

The First Sukuk of RM110.0 million was issued to re-finance Axis-REIT's existing financing facilities. The First Sukuk, which comprises four tranches have obtained long-term ratings of AAA, AA1, AA2 and AA3, respectively from RAM Rating Services Berhad ("RAM") on 4 July 2012. The expected maturity date is 10 years from the issuance date and the legal maturity date is 12 years from the issuance date.

The transaction costs relating to the First Sukuk issuance of RM110.0 million which amounted to RM1.277 million are amortised and charged to profit or loss over the expected tenure of the First Sukuk of 10 years.

The First Sukuk is secured over the investment properties as indicated in Note 4 to the financial statements and other securities as advised by the legal counsel of CIMB Investment Bank Berhad ("the Lead Manager") and mutually agreed between Axis-REIT, Axis REIT Sukuk Berhad and the Lead Manager.

10. Financing (continued)

10.1 Islamic Medium Term Notes ("Sukuk") (continued)

Second Sukuk

On 15 August 2013, Axis REIT Sukuk Berhad, issued RM155.0 million Sukuk in nominal value pursuant to the Sukuk Programme.

The Second Sukuk of RM155.0 million was issued to re-finance Axis-REIT's existing financing facilities. The Second Sukuk, which comprises five tranches have obtained long-term ratings of AAA, AAA, AA1, AA2 and AA3, respectively from RAM on 25 July 2013. The expected maturity dates are 7 years for RM70.0 million and 5 years for RM85.0 million from the issuance date and the legal maturity dates are 9.5 years and 7.5 years, respectively from the issuance date.

The transaction costs relating to the Second Sukuk issuance of RM155.0 million which amounted to RM525,000 are amortised and charged to profit or loss over the expected tenures of the Second Sukuk of 7 years and 5 years.

Axis-REIT had redeemed the 5 year Second Sukuk and 7 year Second Sukuk amounting to RM85.0 million and RM70.0 million using its existing revolving credit facilities on 15 August 2018 and 14 August 2020, respectively.

The Second Sukuk was secured over the investment properties as indicated in Note 4 to the financial statements and other securities as advised by the legal counsel of the Lead Manager and mutually agreed between Axis-REIT, Axis REIT Sukuk Berhad and the Lead Manager. These have been discharged during the financial year ended 31 December 2020.

Third Sukuk

On 7 January 2019, Axis REIT Sukuk Berhad, issued RM240.0 million Sukuk in nominal value pursuant to the Sukuk Programme.

The Third Sukuk of RM240.0 million was issued to re-finance Axis-REIT's existing financing facilities. The Third Sukuk, which is unrated, has an expected maturity date of 7 years from the issuance date and the legal maturity date is 9 years from the issuance date.

The transaction costs relating to the Third Sukuk issuance of RM240.0 million which amounted to RM579,000 are amortised and charged to profit or loss over the expected tenure of the Third Sukuk of 7 years.

The Third Sukuk is secured over an investment property as indicated in Note 4 to the financial statements and other securities as advised by the legal counsel of the Lead Manager and mutually agreed between Axis-REIT, Axis REIT Sukuk Berhad and the Lead Manager.

10. Financing (continued)**10.2 Finance lease liabilities**

Finance lease liabilities are subject to financing costs at 3.5% (2019: 3.5%) per annum.

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2020 RM'000	Finance costs 2020 RM'000	Present value of minimum lease payments 2020 RM'000	Future minimum lease payments 2019 RM'000	Finance costs 2019 RM'000	Present value of minimum lease payments 2019 RM'000
Less than one year	47	7	40	118	14	104
Between one and five years	117	18	99	168	28	140
	164	25	139	286	42	244

10.3 Term financing - secured

The term financing is secured over investment properties as indicated in Note 4 to the financial statements

The term financing of RM85.0 million is payable on 14 May 2022 while the term financing of RM66.5 million is payable on 28 January 2025 and the related transaction costs amounted to RM504,000 and RM314,000 are amortised and charged to profit or loss over the expected tenures of 3 years and 10 years, respectively.

10.4 Revolving credit - secured

The revolving credit is secured over the investment properties as indicated in Note 4 to the financial statements.

10. Financing (continued)**10.5 Reconciliation of movement of financing to cash flows arising from financing activities**

	At 1.1.2019 RM'000	Net changes from financing cash flows RM'000	Others RM'000	At 31.12.2019/ 1.1.2020 RM'000	Net changes from financing cash flows RM'000	Others RM'000	At 31.12.2020 RM'000
Sukuk	179,500	239,420	244	419,164	(70,000)	230	349,394
Finance lease liabilities	211	33	-	244	(105)	-	139
Term financing - secured	66,312	84,496	143	150,951	-	199	151,150
Revolving credit - secured	813,344	(497,844)	-	315,500	296,000	-	611,500
Total liabilities from financing activities	1,059,367	(173,895)	387	885,859	225,895	429	1,112,183

11. Payables and accruals

	Note	2020 RM'000	2019 RM'000
Current			
Trade			
Trade payables		26,576	25,373
Non-trade			
Other payables and accrued expenses	11.1	18,906	21,408
Islamic derivatives		2,130	1,225
		21,036	22,633
		47,612	48,006

11.1 Included in other payables and accrued expenses are amounts due to the Manager and the Property Manager of RM1,882,000 (2019: RM2,054,000) and RM737,000 (2019: RM673,000), respectively. These amounts are unsecured, interest-free and payable monthly in arrears.

12. Revenue

	2020 RM'000	2019 RM'000
Rental income from investment properties		
- Rental income billed in accordance with tenancy contracts	216,479	205,016
- Lease incentive adjustment	(648)	(1,030)
- Unbilled lease income receivables	8,170	7,489
Car park income	4,615	6,355
Other income	3,618	4,634
	232,234	222,464

13. Property operating expenses

	Note	2020 RM'000	2019 RM'000
Assessment		4,742	4,369
Service contracts and maintenance		11,164	9,416
Property management fees	1(a)	4,556	4,368
Property management reimbursements		3,665	3,265
Utilities		2,692	3,023
Others		6,897	6,315
		33,716	30,756

14. Tax expense

	Note	2020 RM'000	2019 RM'000
Deferred tax expense			
- Current year	9	507	4,213
Total tax expense		507	4,213

Reconciliation of tax expense

Net income before tax		142,571	213,451
Income tax using Malaysian tax rate of 24%		34,217	51,228
Non-deductible expenses		1,087	1,063
Effect of fair value change on investment properties which is not subject to tax		(8,974)	(17,652)
Effect of exemption from income tax	14.1	(26,330)	(34,639)
		-	-
Real Property Gains Tax ("RPGT")			
Cumulative fair value gain on investment properties subject to RPGT		507	3,156
Effect of changes in RPGT rate		-	4,348
Effect of changes in base date of valuation of investment properties for RPGT		-	(3,291)
		507	4,213

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

15. Earnings per unit

The calculation of earnings per unit is based on income after taxation attributable to unitholders for the year of RM142,064,000 (2019: RM209,238,000) and the weighted average number of units in circulation during the year of 1,440,996,352 (2019: 1,260,031,178).

16. Distribution to unitholders

Distribution to unitholders is from the following sources:

	2020 RM'000	2019 RM'000
Net property income		
- current year	198,518	191,708
- prior year (already subject to tax)	120	186
Profit income	875	1,434
	199,513	193,328
Less: Non-property expenses	(66,285)	(70,474)
Tax paid for prior year	-	(67)
	133,228	122,787
Adjustments to earnings available for distribution:		
- depreciation of equipment	614	570
- net measurement of loss allowance	70	(26)
- other non-cash items	(7,522)	(6,459)
	126,390	116,872
Less: Undistributed income	(187)	(120)
	126,203	116,752
Gross distribution per unit (sen)	8.75	9.26
Net distribution per unit (sen)	8.75	9.26

17. Management Expense Ratio

	2020	2019
Management Expense Ratio ("MER") (%)	1.27	1.29

The calculation of MER is based on the total fees incurred by Axis-REIT, including Manager's fees, Trustee's fees, auditors' fees, tax agent's fees and administrative expenses, to the average Net Asset Value during the year calculated on a quarterly basis. Comparison of the MER of Axis-REIT with other real estate investment trusts which use different bases of calculation may not be an appropriate comparison.

18. Operating segments

Segment information is presented based on the information reviewed by the Board of Directors of the Manager for performance assessment and resource allocation. For the purpose of the assessment of segment performance, the Board of Directors of the Manager have focused on its investment properties. This forms the basis of identifying the operating segments of Axis-REIT under MFRS 8, *Operating Segments*.

18. Operating segments (continued)

As the investment properties are similar in terms of economic characteristics and nature of services, the Board of Directors of the Manager are of the view that Axis-REIT has only one reportable segment, namely leasing of investment properties as already presented in the statement of financial position and statement of profit or loss and other comprehensive income.

Accordingly, no operating segment information has been prepared as Axis-REIT has only one reportable segment.

No geographical segment information has been prepared as all the investment properties of Axis-REIT are located in Malaysia.

19. Financial instruments**19.1 Categories of financial instruments**

The table below provides an analysis of financial instruments categorised under MFRS 9 as follows:

- (a) Financial assets measured at amortised cost ("FAAC");
- (b) Financial liabilities measured at amortised cost ("FLAC"); and
- (c) Fair value through profit or loss ("FVTPL").

	Carrying amount RM'000	FAAC/FLAC RM'000	FVTPL RM'000
2020			
Financial assets			
Receivables and deposits	32,658	32,658	-
Cash and cash equivalents	39,808	39,808	-
	72,466	72,466	-
Financial liabilities			
Tenants' deposits	72,162	72,162	-
Payables and accruals	47,612	45,482	2,130
Financing	1,112,183	1,112,183	-
	1,231,957	1,229,827	2,130
2019			
Financial assets			
Receivables and deposits	32,372	32,372	-
Cash and cash equivalents	52,545	52,545	-
	84,917	84,917	-
Financial liabilities			
Tenants' deposits	64,437	64,437	-
Payables and accruals	48,006	46,781	1,225
Financing	885,859	885,859	-
	998,302	997,077	1,225

19. Financial instruments (continued)

19.2 Net gains and losses arising from financial instruments

	2020 RM'000	2019 RM'000
Net gains/(losses) on:		
Fair value through profit or loss	(905)	(933)
Financial assets measured at amortised cost	805	1,460
Financial liabilities measured at amortised cost	(39,941)	(50,708)
Total	(40,041)	(50,181)

19.3 Financial risk management

Axis-REIT has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

19.4 Credit risk

Credit risk is the risk of a financial loss to Axis-REIT if a tenant or counterparty to a financial instrument fails to meet its contractual obligations. Axis-REIT's exposure to credit risk arises principally from its trade receivables from tenants. Axis-REIT performs annual credit evaluation of its tenants and generally does not require collateral other than tenants' deposits.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At each reporting date, Axis-REIT assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or in full after taking into consideration tenants' deposits) when there is no realistic prospect of recovery. This is generally the case when Axis-REIT determines the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

19. Financial instruments (continued)

19.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amount in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. Axis-REIT uses ageing analysis to monitor the credit quality of receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period amounts to RM8,379,000 (2019: RM4,207,000) which are collateralised by tenants' deposits.

Recognition and measurement of impairment losses

The following table provides information about the exposure to credit risk and expected credit losses ("ECLs") for receivables as at 31 December 2020.

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2020			
Past due 1 - 30 days	3,136	-	3,136
Past due 31 - 60 days	1,234	-	1,234
Past due 61 - 90 days	171	-	171
	4,541	-	4,541
Credit impaired			
Past due more than 90 days	4,557	(719)	3,838
	9,098	(719)	8,379
2019			
Past due 1 - 30 days	1,195	-	1,195
Past due 31 - 60 days	1,212	-	1,212
Past due 61 - 90 days	1,116	-	1,116
	3,523	-	3,523
Credit impaired			
Past due more than 90 days	1,333	(649)	684
	4,856	(649)	4,207

There are trade receivables on which Axis-REIT has not recognised any loss allowance as these are collateralised by tenants' deposits.

19. Financial instruments (continued)

19.4 Credit risk (continued)

Receivables (continued)

Recognition and measurement of impairment losses (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2020 RM'000	2019 RM'000
Balance at 1 January	649	675
Net remeasurement of loss allowance	70	(26)
Balance at 31 December	719	649

Trade receivables that are individually determined to be impaired relate to tenants who are in significant financial difficulties and have defaulted in payments. For the purpose of quantifying individual impairment, Axis-REIT utilises the deposits received to first off-set against the longest outstanding receivables then the remaining balance is impaired in full. The allowance account in respect of receivables is used to record impairment losses. Unless Axis-REIT is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Cash and cash equivalents

The cash and cash equivalents are placed with licensed banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. Consequently, Axis-REIT is of the view that the loss allowance is not material and hence, it is not provided for.

19.5 Liquidity risk

Liquidity risk is the risk that Axis-REIT will not be able to meet its financial obligations as they fall due. Axis-REIT's exposure to liquidity risk arises principally from its payables and accruals, tenants' deposits and financing.

The Manager monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate to finance Axis-REIT's operations, to distribute income to unitholders and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the Securities Commission's Guidelines on Listed Real Estate Investment Trusts concerning limits on total financing.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

19. Financial instruments (continued)

19.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of Axis-REIT's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual profit rate %	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Financial liabilities 2020							
<i>Non-derivative financial liabilities</i>							
Payables and accruals	45,482	-	45,482	45,482	-	-	-
Tenants' deposits*	72,162	-	85,188	17,400	10,405	21,291	36,092
Revolving credit - secured	611,500	2.65 – 4.12	612,902	612,902	-	-	-
Term financing - secured	151,150	2.67 – 4.20	163,259	5,333	87,865	70,061	-
Finance lease liabilities	139	3.50	164	47	47	70	-
Sukuk	349,394	4.61 – 4.65	412,691	16,203	123,480	33,422	239,586
	1,229,827		1,319,686	697,367	221,797	124,844	275,678
<i>Derivative financial liabilities</i>							
Islamic derivatives	2,130	-	2,130	2,130	-	-	-
	1,231,957		1,321,816	699,497	221,797	124,844	275,678

* The carrying amount of tenants' deposits has been discounted using the imputed profit rate of 3.46% (2019: 4.19%) per annum.

19. Financial instruments (continued)

19.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of Axis-REIT's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual profit rate %	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Financial liabilities							
2019							
<i>Non-derivative financial liabilities</i>							
Payables and accruals	46,781	-	46,781	46,781	-	-	-
Tenants' deposits*	64,437	-	77,890	19,597	12,123	14,643	31,527
Revolving credit - secured	315,500	3.92 – 4.12	316,563	316,563	-	-	-
Term financing - secured	150,951	3.92 – 4.20	172,584	6,154	6,154	93,724	66,552
Finance lease liabilities	244	3.50	286	122	47	117	-
Sukuk	419,164	4.18 – 4.65	500,089	87,634	16,193	145,622	250,640
	997,077		1,114,193	476,851	34,517	254,106	348,719
<i>Derivative financial liabilities</i>							
Islamic derivatives	1,225	-	1,225	1,225	-	-	-
	998,302		1,115,418	478,076	34,517	254,106	348,719

* The carrying amount of tenants' deposits has been discounted using the imputed profit rate of 3.46 (2019: 4.19%) per annum.

19. Financial instruments (continued)

19.6 Market risk

Market risk is the risk that changes in market prices such as interest rates that will affect Axis-REIT's financial position or cash flows.

The interest rate is a general economic indicator that will have an impact on Axis-REIT's financial position or cash flows regardless whether it is an Islamic real estate investment trust or otherwise.

Interest rate risk

Axis-REIT's exposure to changes in interest rates relates primarily to its financial assets which have an exposure to interest rates, such as Islamic deposits and financial liabilities which have an exposure to interest rates, such as Sukuk, term financing, revolving credit and finance lease liabilities. Interest rate risk is managed by the Manager on an on-going basis with the primary objective of limiting the extent to which the profit income and financing costs could be affected by adverse movements in interest rates.

Risk management objectives, policies and processes for managing the risk

Axis-REIT has Islamic derivatives (profit rate swaps) with notional contract amounts of RM100,000,000 and RM50,000,000, respectively (2019: a profit rate swap with notional contract amounts of RM50,000,000, RM100,000,000 and RM50,000,000, respectively) in order to achieve an approximate mix of fixed and floating rates exposure that is deemed acceptable for Axis-REIT. The swaps mature in April 2021 and April 2022, respectively.

Exposure to interest rate risk

The interest rate profile of Axis-REIT's financial instruments which have an exposure to interest rates, based on carrying amounts as at the end of the reporting period was:

	2020 RM'000	2019 RM'000
Financial assets		
<i>Fixed rate instrument</i>		
Islamic deposits placed with licensed banks	25,941	31,597
Financial liabilities		
<i>Fixed rate instruments</i>		
Finance lease liabilities	139	244
Term financing - secured	85,000	85,000
Sukuk	350,000	420,000
	435,139	505,244
<i>Floating rate instruments</i>		
Term financing - secured	66,500	66,500
Revolving credit - secured	611,500	315,500
	678,000	382,000

19. Financial instruments (continued)**19.6 Market risk (continued)****Interest rate risk (continued)***Interest rate risk sensitivity analysis**(a) Fair value sensitivity analysis*

Axis-REIT does not account for any fixed rate financial liabilities at fair value through profit or loss, and Axis-REIT does not designate Islamic derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis

A change of 100 basis points (“bp”) in interest rates at the end of the reporting period would have increased/(decreased) profit or loss by the amounts shown below.

	Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000
2020		
Floating rate instruments	(6,780)	6,780
Profit rate swaps	1,500	(1,500)
2019		
Floating rate instruments	(3,820)	3,820
Profit rate swap	2,000	(2,000)

19. Financial instruments (continued)**19.7 Fair value information**

The carrying amounts of cash and cash equivalents, receivables and deposits, payables and accruals and short term financing approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
2020										
Financial liabilities										
Tenants' deposits	-	-	-	-	-	-	72,162	72,162	72,162	72,162
Islamic derivatives	-	2,130	-	2,130	-	-	-	-	2,130	2,130
Financing	-	-	-	-	-	-	1,093,131	1,093,131	1,093,131	1,112,044
Finance lease liabilities	-	-	-	-	-	-	157	157	157	139
	-	2,130	-	2,130	-	-	1,165,450	1,165,450	1,167,580	1,186,475
2019										
Financial liabilities										
Tenants' deposits	-	-	-	-	-	-	64,437	64,437	64,437	64,437
Islamic derivatives	-	1,225	-	1,225	-	-	-	-	1,225	1,225
Financing	-	-	-	-	-	-	871,532	871,532	871,532	885,615
Finance lease liabilities	-	-	-	-	-	-	273	273	273	244
	-	1,225	-	1,225	-	-	936,242	936,242	937,467	951,521

19. Financial instruments (continued)**19.7 Fair value information (continued)****Level 2 fair value****Islamic derivatives**

The fair value of profit rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of the contracts and using market profit rates for similar instruments at the measurement date.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2019: no transfer in either directions).

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Tenants' deposits, financing and finance lease liabilities	Discounted cash flows using a rate based on the current market rate of Islamic financing facilities of Axis-REIT at the reporting date.

The discount rates used above have incorporated credit risk of Axis-REIT and liquidity risk of the instruments. The inputs for these risks are unobservable because there are no identical or similar instruments to benchmark to.

20. Capital management

Axis-REIT's objectives when managing capital is to maintain a strong capital base and safeguard Axis-REIT's ability to continue as a going concern, so as to maintain the confidence of unitholders, creditors and the market; and to sustain future development of the business. The Directors of the Manager monitor and maintain an optimal financing ratio that complies with regulatory requirements.

The Directors of the Manager continuously monitor the financing level and consider undertaking a new placement exercise to raise capital when it anticipates the need for funding, taking into consideration investor appetite in the capital market. This internal financing threshold is below that allowed by the Securities Commission's Guidelines on Listed Real Estate Investment Trusts of 50%. During the year, the Securities Commission had announced a temporary increase in the financing ratio for listed real estate investment trusts, raising the limit to 60% until 31 December 2022.

20. Capital management (continued)

The financing ratio of Axis-REIT at the end of the reporting period were as follows:

	Note	2020 RM'000	2019 RM'000
Total financing	10	1,112,183	885,859
Total assets value		3,364,083	3,085,681
Financing ratio (%)		33.06	28.71

There was no change in Axis-REIT's approach to capital management during the financial year.

21. Capital commitments

	2020 RM'000	2019 RM'000
Significant capital expenditure commitments		
Investment properties		
<i>Contracted but not provided for and payable:</i>		
- Within one year	45,199	159,834

22. Related parties

For the purposes of these financial statements, parties are considered to be related to Axis-REIT if Axis-REIT has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where Axis-REIT and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of Axis-REIT either directly or indirectly. The key management personnel include all the Directors of the Manager and the Trustee, and certain members of senior management of the Manager and the Trustee.

22. Related parties (continued)**Significant related party transactions**

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	2020 RM'000	2019 RM'000
Acquisition of investment properties from related parties of the Directors of the Manager	95,000	-
Deposit paid for the proposed acquisition of investment properties from related parties of the Directors of the Manager	2,820	-
Rental income received and receivable from companies controlled by the Directors of the Manager	5,526	5,526

The above transactions have been entered into in the normal course of business and have been established based on negotiated terms and conditions.

23. Subsequent event

On 12 January 2021, Axis-REIT completed the acquisition of a factory (Plot 112) within Kawasan Perindustrian i-Park, Kulai, in the State of Johor, held under freehold title from Axis AME IP Sdn. Bhd. for a total cash consideration of RM8,543,000.

The acquisition is part of the proposed acquisition of three separate properties (Plots 111, 112 & 132) within Kawasan Perindustrian i-Park, Kulai from Axis AME IP Sdn. Bhd. for a total purchase consideration of RM28,195,000.

Axis AME IP Sdn. Bhd. is a related party of the Directors of the Manager. During the financial year ended 31 December 2020, Axis-REIT paid a deposit amounting to RM2,819,500, as disclosed in Note 22 to the financial statements, for the proposed acquisition of the three properties.

STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 170 - 228 are drawn up in accordance with the Fourth Principal Deed dated 17 January 2020, the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, applicable securities laws, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Axis Real Estate Investment Trust at 31 December 2020 and of its financial performance and cash flows for the financial year ended on that date.

For and on behalf of the Manager,
Axis REIT Managers Berhad,

Signed on behalf of the Board of Directors of the Manager in accordance with a resolution of the Directors of the Manager:

Tew Peng Hwee @ Teoh Peng Hwee
Director

Leong Kit May
Director

Petaling Jaya,

Date: 17 February 2021

STATUTORY DECLARATION

I, **Ng Choy Tip**, the Officer of Axis REIT Managers Berhad primarily responsible for the financial management of Axis Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 170 - 228, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Ng Choy Tip (MIA Number: 40667), at Petaling Jaya in the state of Selangor Darul Ehsan on 17 February 2021.

Ng Choy Tip

Before me:

TRUSTEE'S REPORT

TO THE UNITHOLDERS OF AXIS REAL ESTATE INVESTMENT TRUST (ESTABLISHED IN MALAYSIA)

We have acted as Trustee of Axis Real Estate Investment Trust ("Axis-REIT") for the financial year ended 31 December 2020. In our opinion and to the best of our knowledge, Axis REIT Managers Berhad ("the Manager") has managed Axis-REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Fourth Principal Deed ("the Deed") dated 17 January 2020, the Securities Commission's Guidelines on Listed Real Estate Investment Trusts and applicable securities laws during the financial year then ended.

We have ensured that valuation has been carried out on all the properties of Axis-REIT in accordance with the Deed and other regulatory requirements.

We also confirm that the income distributions declared and paid during the financial year ended 31 December 2020 are in line with and are reflective of the objectives of Axis-REIT. Four distributions have been declared for the financial year ended 31 December 2020 as follows:

- 1) 1st interim income distribution of 2.10 sen per unit paid on 3 July 2020;
- 2) 2nd interim income distribution of 2.15 sen per unit paid on 2 October 2020;
- 3) 3rd interim income distribution of 2.25 sen per unit paid on 30 November 2020; and
- 4) Final income distribution of 2.25 sen per unit payable on 11 March 2021.

For and on behalf of the Trustee,
RHB Trustees Berhad
(Company No.: 200201005356 (573019-U))

Tony Chieng Siong Ung
Director

Kuala Lumpur,

Date: 17 February 2021

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF AXIS REAL ESTATE INVESTMENT TRUST (ESTABLISHED IN MALAYSIA)

INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF AXIS REAL ESTATE INVESTMENT TRUST (ESTABLISHED IN MALAYSIA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Axis Real Estate Investment Trust ("Axis-REIT"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in net asset value and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 170 - 228.

In our opinion, the financial statements give a true and fair view of the financial position of Axis-REIT as of 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of Axis-REIT in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matter

Key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial statements of Axis-REIT for the current financial year. This matter was addressed in the context of our audit of the financial statements of Axis-REIT as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of investment properties

Refer to Note 4 to the financial statements.

The key audit matter

Axis-REIT owns a portfolio of 53 investment properties comprising office/industrial buildings, logistics warehouses, hypermarkets and manufacturing facilities located in Malaysia. Investment properties represent the single largest category of assets on the statement of financial position at RM3,280,240,000 as at 31 December 2020.

These investment properties are stated at their fair values based on independent external valuations.

The valuation process involves judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied i.e. a small change in the assumptions can have a significant impact to the valuation.

The key audit matter (continued)

The valuation reports obtained from certain external valuers also included a material valuation uncertainty paragraph to highlight that given the unprecedented set of circumstances on which to base a judgement, less certainty, and a higher degree of caution, should be attached to their valuations than would normally be the case. Due to the unknown future impact that the 2019 Novel Coronavirus ("COVID-19") pandemic might have on the real estate market, the external valuers have also recommended to keep the valuation of these properties under frequent review.

This is a key audit matter as some of the key assumptions are based on unobservable inputs and hence, significant judgement is required to evaluate the unobservable inputs.

How the matter was addressed in our audit:

We assessed the processes of Axis REIT Managers Berhad ("the Manager") for the selection of the external valuers, the determination of the scope of work of the valuers, and the review and acceptance of the valuations reported by the external valuers.

We evaluated the qualifications and competence of the external valuers based on their membership of a recognised professional body. We also examined the terms of engagement the valuers entered into with the Manager to determine whether there were any matters that might have affected the valuers' objectivity or placed limitations on their scope of work.

We assessed the appropriateness of the valuation methodologies used by considering their respective merits based on the occupancy status and/or condition of each property. We tested the data applied in the valuers' computation of market value under the investment method by checking to lease agreements and other supporting documents. We challenged the capitalisation rates used in the valuation by comparing them against historical rates and available industry data. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the valuers.

We discussed with the external valuers who have included the material valuation uncertainty paragraph in their valuation reports to understand how they have considered the implications of the pandemic and market uncertainties in the valuation.

We also considered the adequacy of disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

Information Other than the Financial Statements and Auditors' Report Thereon

The Manager of Axis-REIT is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of Axis-REIT and our auditors' report thereon.

Our opinion on the financial statements of Axis-REIT does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of Axis-REIT, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF AXIS REAL ESTATE INVESTMENT TRUST (ESTABLISHED IN MALAYSIA)

Responsibilities of the Manager for the Financial Statements of Axis-REIT

The Manager is responsible for the preparation of the financial statements of Axis-REIT so as to give a true and fair view in accordance with the Fourth Principal Deed dated 17 January 2020, the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, applicable securities laws, Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of Axis-REIT that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of Axis-REIT, the Manager is responsible for assessing Axis-REIT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate Axis-REIT or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements of Axis-REIT

Our objectives are to obtain reasonable assurance about whether the financial statements of Axis-REIT as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of Axis-REIT, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Axis-REIT.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Axis-REIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of Axis-REIT or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Axis-REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of Axis-REIT, including the disclosures, and whether the financial statements of Axis-REIT represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Axis-REIT to express an opinion on the financial statements of Axis-REIT. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF AXIS REAL ESTATE INVESTMENT TRUST (ESTABLISHED IN MALAYSIA)

Auditors' Responsibilities for the Audit of the Financial Statements of Axis-REIT (continued)

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of Axis-REIT of the current year and is therefore the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the unitholders of Axis-REIT in accordance with the trust deed of Axis-REIT and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya, Selangor

Date: 17 February 2021

Chan Chee Keong
Approval Number: 03175/04/2021 J
Chartered Accountant

CHAPTER 07

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PROPERTY PORTFOLIO DETAILS

No.	Property	Net Property Income			Property Valuation					Land Tenure		
		Revenue (RM'000)	Property Operating Expense (RM'000)	Net Property Income (RM'000)	Carrying Value Before Revaluation (RM'000)	Carrying Value After Revaluation (RM'000)	Unrealised Gain/(Loss) (RM'000)	Total Investment Outlay (Including enhancements and development) (RM'000)	Accumulated Revaluation Gain/(Loss) (RM'000)	Tenure of land	Remaining Term of Lease (Years)	Age of Building (Years)
1	Menara Axis	8,019	2,530	5,489	113,138	112,500	(638)	91,313	21,186	Leasehold	45	16
2	Axis Business Campus	4,013	1,614	2,399	80,693	80,640	(53)	63,411	17,228	Leasehold	47	26-35
3	Axis Business Park	10,390	2,668	7,722	121,114	121,100	(14)	102,020	19,080	Leasehold	40	18-22
4	Axis Technology Centre	2,536	1,159	1,377	61,220	61,200	(20)	50,833	10,367	Leasehold	47	10-30
5	Axis Vista	3,357	1,343	2,014	57,500	57,500	-	34,441	23,060	Leasehold	46	47
6	Crystal Plaza	8,326	1,719	6,607	117,249	111,000	(6,249)	72,063	38,937	Leasehold	39	25
7	Infinite Center	4,150	1,351	2,799	43,697	43,700	3	37,006	6,694	Leasehold	45	34
8	Quattro West	3,212	1,262	1,950	56,000	59,000	3,000	51,126	7,874	Leasehold	52	38
9	Strateq Data Centre	5,172	389	4,783	57,000	65,000	8,000	42,729	22,271	Leasehold	48	21
10	The Annex	313	235	78	20,032	20,000	(32)	13,563	6,437	Leasehold	42	38
11	Wisma Academy Parcel	5,884	2,021	3,863	74,500	74,500	-	77,287	(2,787)	Leasehold	42	24
12	Wisma Kemajuan	5,029	1,818	3,211	65,606	66,000	394	37,960	28,040	Leasehold	45	27
13	Axis Aerotech Centre @ Subang	7,077	255	6,822	89,500	90,000	500	73,075	16,925	Leasehold	46	2
14	Axis Mega Distribution Centre	20,505	1,732	18,773	313,927	314,000	73	258,693	55,307	Leasehold	71	3
15	Axis MRO Hub	4,164	355	3,809	53,306	53,300	(6)	53,645	(345)	Leasehold	65	28
16	Axis Shah Alam DC 1	2,501	186	2,315	37,200	37,300	100	22,507	14,793	Freehold	NA	26

No.	Property	Net Property Income			Property Valuation					Land Tenure		
		Revenue (RM'000)	Property Operating Expense (RM'000)	Net Property Income (RM'000)	Carrying Value Before Revaluation (RM'000)	Carrying Value After Revaluation (RM'000)	Unrealised Gain/(Loss) (RM'000)	Total Investment Outlay (Including enhancements and development) (RM'000)	Accumulated Revaluation Gain/(Loss) (RM'000)	Tenure of land	Remaining Term of Lease (Years)	Age of Building (Years)
17	Axis Shah Alam DC 2	3,592	496	3,096	48,350	48,350	-	47,020	1,330	Leasehold	46	36
18	Axis Shah Alam DC 3	15,846	1,979	13,867	192,000	193,000	1,000	187,011	5,989	Freehold	NA	6-13
19	Axis Shah Alam DC 4	6,319	288	6,031	86,000	86,000	-	84,270	1,730	Freehold	NA	8-29
20	Axis Northport Distribution Centre 1	5,527	653	4,874	78,258	91,500	13,242	67,075	24,424	Leasehold	82	29
21	Bukit Raja Distribution Centre	7,066	519	6,547	109,371	108,000	(1,371)	79,798	28,202	Freehold	NA	14-26
22	Fonterra HQ	1,348	222	1,126	20,668	20,600	(68)	11,264	9,336	Freehold	NA	21
23	Axis Industrial Facility @ Rawang	-	679	-679	42,313	42,000	(313)	43,009	(1,009)	Freehold	NA	10-19
24	Emerson Industrial Facility Nilai	3,198	317	2,881	35,000	37,000	2,000	27,443	9,557	Leasehold	75	13-22
25	Senawang Industrial Facility	1,712	78	1,634	21,000	22,300	1,300	18,933	3,367	Freehold	NA	21
26	Axis Facility @ Batu Kawan	1,366	72	1,294	16,053	18,950	2,897	14,598	4,352	Leasehold	29	1
27	Bayan Lepas Distribution Centre	5,756	605	5,151	61,660	64,500	2,840	50,378	14,122	Leasehold	42	20
28	Axis Hypermarket @ Sungai Petani	3,412	180	3,232	49,000	49,000	-	38,973	10,027	Freehold	NA	13
29	Seberang Prai Logistics Warehouse 1	1,595	97	1,498	24,000	24,600	600	17,821	6,779	Leasehold	33	19

PROPERTY PORTFOLIO DETAILS

No.	Property	Net Property Income			Property Valuation					Land Tenure		
		Revenue (RM'000)	Property Operating Expense (RM'000)	Net Property Income (RM'000)	Carrying Value Before Revaluation (RM'000)	Carrying Value After Revaluation (RM'000)	Unrealised Gain/(Loss) (RM'000)	Total Investment Outlay (Including enhancements and development) (RM'000)	Accumulated Revaluation Gain/(Loss) (RM'000)	Tenure of land	Remaining Term of Lease (Years)	Age of Building (Years)
30	Seberang Prai Logistics Warehouse 2	630	72	558	9,400	9,840	440	7,384	2,456	Leasehold	33	24
31	Seberang Prai Logistics Warehouse 3	6,687	769	5,918	69,575	70,000	425	62,630	7,370	Leasehold	32/48	15-17
32	Wasco Facility @ Kuantan	14,320	1,214	13,106	155,000	156,000	1,000	157,619	(1,619)	Leasehold	89	6-18
33	Axis Steel Centre @ SiLC	14,628	590	14,038	163,000	163,000	-	155,949	7,051	Freehold	NA	10
34	Beyonics i-Park Campus Block A	1,361	169	1,192	16,500	16,500	-	14,470	2,031	Freehold	NA	5
35	Beyonics i-Park Campus Block B	1,234	150	1,084	15,000	15,000	-	13,115	1,885	Freehold	NA	5
36	Beyonics i-Park Campus Block C	1,127	145	982	14,000	14,000	-	11,934	2,066	Freehold	NA	5
37	Beyonics i-Park Campus Block D	2,117	269	1,848	25,000	25,000	-	22,504	2,496	Freehold	NA	5
38	Beyonics i-Park Campus Block E	2,664	266	2,398	32,000	36,000	4,000	32,099	3,901	Freehold	NA	3
39	D8 Logistics Warehouse	2,743	309	2,434	40,100	40,100	-	30,689	9,411	Leasehold	35	12
40	D21 Logistics Warehouse	2,952	411	2,541	29,000	14,100	(14,900)	28,413	(14,313)	Leasehold	35	16

PROPERTY PORTFOLIO DETAILS

No.	Property	Net Property Income			Property Valuation					Land Tenure		
		Revenue (RM'000)	Property Operating Expense (RM'000)	Net Property Income (RM'000)	Carrying Value Before Revaluation (RM'000)	Carrying Value After Revaluation (RM'000)	Unrealised Gain/(Loss) (RM'000)	Total Investment Outlay (Including enhancements and development) (RM'000)	Accumulated Revaluation Gain/(Loss) (RM'000)	Tenure of land	Remaining Term of Lease (Years)	Age of Building (Years)
41	FCI Senai	2,012	195	1,817	25,360	25,360	-	12,693	12,667	Leasehold	47	13
42	Indahpura Facility 1	546	59	487	8,000	8,200	200	7,343	857	Freehold	NA	4
43	Kerry Warehouse	2,740	273	2,467	38,200	38,200	-	33,725	4,475	Leasehold	53	7
44	Niro Warehouse	1,820	157	1,663	27,700	27,700	-	15,234	12,466	Leasehold	31	17
45	Nusajaya Tech Park Facility 1	3,141	374	2,767	42,000	42,000	-	42,773	(773)	Freehold	NA	3
46	Nusajaya Tech Park Facility 2	1,111	162	949	15,500	15,500	-	14,105	1,395	Freehold	NA	4
47	Pasir Gudang Logistics Warehouse 1	1,569	219	1,350	21,300	21,300	-	13,814	7,486	Leasehold	47	15
48	Tesco Bukit Indah	7,791	566	7,225	106,029	106,000	(29)	76,997	29,003	Freehold	NA	10
49	Axis Facility 2 @ Nilai	3,139	119	3,020	50,920	51,000	80	50,920	80	Leasehold	69	5
50	Axis Facility 2 @ Bukit Raja	2,134	102	2,032	37,654	39,000	1,346	37,654	1,346	Leasehold	69	34
51	D37c Logistics Warehouse	2,896	200	2,696	66,094	66,100	6	66,094	6	Leasehold	35	2
52	Axis Shah Alam DC 5	1,421	94	1,327	96,330	95,000	(1,330)	96,330	(1,330)	Leasehold	54	29
53	Axis Industrial Facility @ Shah Alam	66	10	56	12,257	12,800	543	12,257	544	Leasehold	57	38
Total		232,234	33,716	198,518	3,261,274	3,280,240	18,966	2,786,010	494,230			

UNITHOLDERS' STATISTICS

Analysis of Unitholdings as per the Record of Depositors

As at 29 January 2021

Issued and fully paid up Units 1,442,331,296 Units (voting right: 1 vote per Unit)

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	% of Unitholders	No. of Units Held	% of Unitholdings
▶ Less than 100	688	9.14%	14,343	Neg
▶ 100 - 1,000	1,967	26.12%	1,071,060	0.07%
▶ 1,001 - 10,000	3,235	42.96%	13,450,077	0.93%
▶ 10,001 - 100,000	1,161	15.42%	33,633,099	2.33%
▶ 100,001 to less than 5% of issued units	477	6.33%	1,132,195,257	78.50%
▶ 5% and above of issued units	2	0.03%	261,967,460	18.16%
	7,530	100.00%	1,442,331,296	100.00%

30 LARGEST UNITHOLDERS

Name of Unitholders	No. of Units Held ^	%
1 KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	142,278,125	9.86%
2 CITIGROUP NOMINEES (TEMPATAN) SDN BHD - EMPLOYEES PROVIDENT FUND BOARD	119,689,335	8.30%
3 LEMBAGA TABUNG HAJI	69,712,982	4.83%
4 TEW PENG HWEE @ TEOH PENG HWEE	56,550,025	3.92%
5 CITIGROUP NOMINEES (TEMPATAN) SDN BHD - EXEMPT AN FOR AIA BHD.	54,640,238	3.79%
6 ALEX LEE LAO	53,594,337	3.72%
7 AMANAHRAYA TRUSTEES BERHAD - AMANAH SAHAM BUMIPUTERA	42,500,000	2.95%
8 AMANAHRAYA TRUSTEES BERHAD - PUBLIC ITTIKAL SEQUEL FUND	30,528,875	2.12%
9 CITIGROUP NOMINEES (TEMPATAN) SDN BHD - EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	29,000,000	2.01%
10 AMANAHRAYA TRUSTEES BERHAD - PUBLIC SMALLCAP FUND	27,498,152	1.91%
11 CITIGROUP NOMINEES (TEMPATAN) SDN BHD - EMPLOYEES PROVIDENT FUND BOARD (AMUNDI)	25,613,654	1.78%
12 PERMODALAN NASIONAL BERHAD	21,965,335	1.52%
13 HSBC NOMINEES (ASING) SDN BHD - JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	15,371,200	1.07%
14 MAYBANK NOMINEES (TEMPATAN) SDN BHD - MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)	15,330,000	1.06%
15 AMANAHRAYA TRUSTEES BERHAD - AMANAH SAHAM MALAYSIA 3	15,122,137	1.05%
16 HSBC NOMINEES (ASING) SDN BHD - JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	15,096,100	1.05%
17 HSBC NOMINEES (TEMPATAN) SDN BHD - HSBC (M) TRUSTEE BHD FOR ZURICH LIFE INSURANCE MALAYSIA BERHAD (LIFE PAR)	14,951,831	1.04%
18 CITIGROUP NOMINEES (TEMPATAN) SDN BHD - EMPLOYEES PROVIDENT FUND BOARD (ASIANISLAMIC)	14,697,454	1.02%
19 TOKIO MARINE LIFE INSURANCE MALAYSIA BHD - AS BENEFICIAL OWNER (PF)	14,302,042	0.99%
20 ABAS CARL GUNNAR BIN ABDULLAH	13,824,751	0.96%
21 CARTABAN NOMINEES (TEMPATAN) SDN BHD - PBTB FOR TAKAFULINK DANA EKUITI	12,398,230	0.86%
22 AMANAHRAYA TRUSTEES BERHAD - PUBLIC ISLAMIC SELECT TREASURES FUND	12,112,861	0.84%

Name of Unitholders	No. of Units Held ^	%
23 HSBC NOMINEES (TEMPATAN) SDN BHD - HSBC (M) TRUSTEE BHD FOR ZURICH LIFE INSURANCE MALAYSIA BERHAD (NP-OTHER-REITS)	11,866,700	0.82%
24 AMANAHRAYA TRUSTEES BERHAD - PUBLIC ISLAMIC OPPORTUNITIES FUND	11,480,379	0.80%
25 KA, YA-SHIH ALSO KNOWN AS MYHRE, KUYAS	10,298,509	0.71%
26 CIMB GROUP NOMINEES (TEMPATAN) SDN BHD - CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND	9,761,035	0.68%
27 AMSEC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR ABAS CARL GUNNAR BIN ABDULLAH	9,431,001	0.65%
28 CITIGROUP NOMINEES (TEMPATAN) SDN BHD - KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	9,165,280	0.64%
29 CITIGROUP NOMINEES (ASING) SDN BHD - CBNY FOR DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO OF DFA INVESTMENT DIMENSIONS GROUP INC	8,059,422	0.56%
30 HONG LEONG ASSURANCE BERHAD - AS BENEFICIAL OWNER (LIFE PAR)	7,732,097	0.54%
	894,572,087	62.05%

^ according to securities accounts on a non-consolidated basis

MAJOR UNITHOLDERS (10% and above)

Name of Major Unitholders	Direct Interest		Indirect Interest	
	No. of Units	%	No. of Units	%
▶ EMPLOYEES PROVIDENT FUND BOARD	210,116,679	14.57%	-	-
▶ KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	142,278,125	9.86%	35,199,266^^	2.44%

^^ Held by Fund Managers of Kumpulan Wang Persaraan (Diperbadankan)

DIRECTORS' INTERESTS

Name of Directors/Alternate Directors	Direct Interest		Indirect Interest	
	No. of Units	%	No. of Units	%
▶ YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin (Director)	20,000	Neg	-	-
▶ Dato' Abas Carl Gunnar Bin Abdullah (Director)	23,811,878	1.65%	10,371,627*	0.72%
▶ Stephen Tew Peng Hwee @ Teoh Peng Hwee (Director)	56,550,025	3.92%	-	-
▶ Leong Kit May (Director)	42,894	Neg	-	-
▶ Mohd Sharif Bin Hj Yusof (Director)	-	-	-	-
▶ Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor (Director)	-	-	-	-
▶ Alvin Dim Lao (Director)	-	-	-	-
▶ Alex Lee Lao (Alternate Director)	57,360,579	3.98%	3,171,007**	0.22%
▶ Jancis Anne Que Lao (Alternate Director)	2,898,816	0.20%	-	-
▶ Maxine Teoh Sui Vern (Alternate Director)	3,500	Neg	-	-

* Deemed interested in the direct unitholdings of his spouse and daughter, Datin Kuyas Emiloglu (also known as Ka Ya-Shih) and Amanda Tan Myhre in Axis-REIT

** Deemed interested in the direct unitholdings of his brothers, Lao, Yin Yong Lee and Leon Lee Lao in Axis-REIT

Remarks:

These Unitholders' Statistics have been prepared as at 29 January 2021 in line with the requirements of Bursa Securities where such information is to be made up to a date not earlier than 6 weeks from the date of the AGM notice

PROPERTY MARKET OVERVIEW 2020



MARKET INDICATIONS

The destructive impact of the prolonged nationwide Movement Control Order (MCO), implemented since 18 March 2020 to contain the spread of the novel coronavirus is reflected in the country's poor economic performance for 2Q2020. Malaysia's GDP contracted 17.1% on the quarter (1Q2020: +0.7%) as measures such as travel restrictions, enforced business closures and restricted social activities left many businesses and economic sectors struggling to stay afloat.

Following the gradual reopening the economy and better external demand conditions, however, Malaysia's GDP improved in 3Q2020 by shrinking -2.7% as compared with the sharp contraction in 2Q2020. Malaysia's economy is projected to contract between -5.5% and -3.5% for the year of 2020.

The country's unemployment rate was recorded at 4.7% in 3Q2020, an improvement from 5.1% in 2Q2020. For 2020, the unemployment rate is expected to peak at between 3.5% and 5.5%, the highest since 1995 due to the unprecedented crisis caused by the COVID-19 outbreak.

Malaysia registered a deflation (-1.2%) in 2020, the first time in five decades, primarily due to lower global oil and commodity prices coupled with tiered electricity tariff rebate since April 2020 and suppressed domestic demand amongst other factors. Bank Negara Malaysia (BNM) has projected that headline inflation will average higher to 2.5% in 2021, mainly on improved global oil prices.

The Business Conditions Index (BCI) posted a modest gain of 25.3 points to settle at 86.3 points in 3Q2020, indicating a boost in manufacturers' confidence level although it remains below the threshold level for the seventh consecutive quarter. The index expanded 17.2 points on the year, reflecting a slow recovery from the prolonged COVID-19 pandemic.

The central bank cut the overnight policy rate (OPR) by 25 basis points to 1.75% on 7 July 2020, its fourth revision in 2020 to provide a more accommodative monetary environment to support the country's economy.

Malaysia's Industrial Production Index (IPI) contracted 0.5% year-on-year (y-o-y) in October 2020, mainly due to a significant decline of 10.6% in the mining sector. Meanwhile, the manufacturing and electricity indices recorded increments of 2.4% and 1.0% respectively.

INDUSTRIAL SECTOR OVERVIEW

The manufacturing sector continued to be one of the main contributors that drives Malaysia's economic growth, attracting both local and foreign investments. From January till September 2020, 740 projects with total investment value of RM65,335.1 million were approved and this created some 51,172 job opportunities.

Manufacturing Sector: Investment Overview, 2018 to Jan-Sept 2020^(p)

Malaysia	2018	2019	Jan-Sept 2020 ^(p)
▶ Number of Approved Projects	721	988	740
▶ Domestic Investment (RM Million)	29,353.5	28,288.5	25,901.1
▶ Foreign Investment (RM Million)	58,022.1	54,444.1	39,433.9
▶ Total Capital Investment (RM Million)	87,375.6	82,732.56	65,335.0

Source: Malaysian Investment Development Authority (MIDA)
Note: (p) = preliminary data

The bulk of investments came from foreign sources with about 60.4% share (RM39,433.9 million) while the remaining RM25,901.1 million or 39.6% share was contributed by domestic investments. During the review period, the top five (5) foreign countries with investments in the manufacturing sector are China with RM16,768.7 million, followed by Singapore (RM7,616.5 million), Switzerland (RM2,762.4 million), the USA (RM2,324.3 million) and Netherlands (RM1,854.6 million).

For the first nine months of 2020, petroleum products contributed the highest percentage of approved investments in the manufacturing sector at 22.9% (RM14,959.2 million), followed closely by basic metal products with 22.2% or RM14,475.9 million. Electrical and electronics products as well as machinery and equipment were next with 11.7% (RM7,651.8 million) and 8.8% (RM5,750.8 million) respectively.

Sarawak topped with the highest approved investments in the manufacturing sector from January to September 2020, with RM15,809.0 million (circa 24.2%) out of the country's total investments. This is followed by Sabah with RM11,860.6 million (18.2%), Pulau Pinang (RM10,607.5 million or 16.2%), Selangor (RM7,300.2 million or 11.2%) and Johor (RM5,714.7 million or 8.7%).

INDUSTRIAL MARKET

1.0 GREATER KUALA LUMPUR / KLANG VALLEY

1.1 Industrial Sector

For the January to September 2020 period, WP Kuala Lumpur and Selangor recorded a total of 245 approved manufacturing projects with total capital investment of RM8,520.6 million.

Greater Kuala Lumpur: Approved Manufacturing Projects, 2018 to Jan-Sept 2020^(p)

Federal Territory / State	2018		2019 ^(p)		Jan-Sept 2020 ^(p)	
	No. of Projects	Total Capital Investment (RM Million)	No. of Projects	Total Capital Investment (RM Million)	No. of Projects	Total Capital Investment (RM Million)
▶ WP Kuala Lumpur	10	167.1	12	174.2	11	1,220.4
▶ Selangor	241	18,947.4	315	17,040.2	234	7,300.2
▶ Greater Kuala Lumpur	251	19,114.5	327	17,214.4	245	8,520.6

Source: Malaysia Investment Development Authority (MIDA)
Note: (p) = preliminary data

Notable manufacturing related announcements in Selangor in 2020 include the following:

- Wistron, through its subsidiary Wistron Technology (M) Sdn Bhd, has acquired Western Digital Sdn Bhd's factory located in Sungei Way Free Trade Industrial Zone, Petaling Jaya for RM120 million. The newly acquired plant in Malaysia will be devoted to making internet of things (IoT) products and it is expected to commence operations in the first half of 2021. The facility comprises of two sites - the first site measures circa 3.6 acres with a double-storey building and a 5-storey building with two basement levels (built-up area of circa 500,000 sq ft) and a second site that measures circa 11 acres with a similar total built-up area of circa 500,000 sq ft.
- Permodalan Nasional Berhad (PNB), KWEST Sdn Bhd and AREA Group of Companies (AREA) have entered into a joint-venture (JV) for the development of COMPASS @ Kota Seri Langat (KSL). The freehold integrated industrial and logistic hub on a 220-acre site carries a gross development value (GDV) of RM1.4 billion. The gated and guarded development will offer "build-to-suit" warehouses and manufacturing facilities of sizes ranging from 100,000 sq ft to 1,000,000 sq ft for sale or lease, and smaller "built-to-sell" detached factories of 8,000 sq ft to 50,000 sq ft.
- One-stop logistics solutions provider, Swift Haulage Sdn Bhd (Swift Group) is investing RM30 million in a 175,000 sq ft green technology, state-of-the-art facility in the Port Klang Free Zone. The group had leased seven acres of PKFZ's last available industrial land for 30 years with investment cost of RM70 million. The warehouse will be a regional distribution hub and storage facility for medical devices and fast-moving consumer goods.
- Property developer, Oriental Interest Bhd (OIB) Group has launched Arym Pulau Indah, its maiden industrial project. MTT Shipping Sdn Bhd via an instrumental agreement with OIB Group is acquiring six industrial lots or around 24.5 acres in Arym for over RM70 million. The 196-acre Arym Pulau Indah offers 41 industrial units and a small commercial component with a total GDV of approximately RM400 million. Phase 1 of the development is slated for completion by the first quarter of 2022.

- The 198-hectare Kuala Langat Industrial Hub, bordering the Kuala Langat and Sepang districts, is set to be one of the largest industrial parks in Selangor. Designated for the electrical and electronics industry, the project by NCT Group has an estimated GDV of RM3 billion and is expected to begin operations in about four years' time. NCT Group has signed a Memorandum of Understanding (MoU) with Future Inno Park Sdn Bhd to bring in international investors.
- The government has announced a RM17.23 million incentive package to assist and alleviate the financial burden of logistics players in Port Klang. The incentives include exemption and discounts of 50% to 100% on lease rentals to tenants of Port Klang Authority from March to December, a 20% discount on port dues to shipping lines and foreshore charges to private jetty users from July to December and a deferment up to 30% rent collection for tenants of Port Klang Free Zone (PKFZ) from July to December.
- Local data centre services provider MyTelehaus Data Centres Sdn Bhd has signed the sales and purchase agreement with Cyberview Sdn Bhd for the development of two new data centres in Cyberjaya. MyTelehaus will design and build a hyper scale data centre up to 20MW with future expansion of another data centre with upgradeable and lower density requirements on the land plots measuring 1.72 acres and 1.96 acres each. The construction of the data centres will commence early next year.

1.1.1 Overview

WP Kuala Lumpur and Selangor: Volume & Value of Industrial Property Transactions, 2018 to Jan-Sept 2020^(p)

Federal Territory / State	Industrial Property Type	2018		2019 ^(p)		Jan-Sept 2020 ^(p)	
		Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)
▶ WP Kuala Lumpur	Terraced	74	109.28	61	90.37	26	38.86
	Semi-detached	14	79.86	13	72.00	5	25.38
	Detached	10	83.51	15	110.90	9	68.11
	Industrial Complex	59	18.34	45	15.81	19	9.12
	Others ⁽¹⁾	17	44.33	15	88.55	2	1.67
	Total	174	335.32	149	377.63	61	143.14
	▶ Selangor	Terraced	899	855.13	942	871.22	492
Semi-detached		435	1,585.13	407	1,517.60	211	850.67
Detached		206	3,384.77	206	3,676.32	92	1,092.32
Industrial Complex		40	87.59	33	13.84	37	16.98
Others ⁽¹⁾		449	2,376.91	624	2,197.48	292	2,763.11
Total		2,029	8,289.53	2,212	8,276.46	1,124	5,215.42
▶ Greater Kuala Lumpur	Terraced	973	964.41	1,003	961.59	518	531.20
	Semi-detached	449	1,664.99	420	1,589.61	216	876.05
	Detached	216	3,468.28	221	3,787.22	101	1,160.43
	Industrial Complex	99	105.93	78	29.64	56	26.10
	Others ⁽¹⁾	466	2,421.24	639	2,286.03	294	2,764.78
Total	2,203	8,624.85	2,361	8,654.09	1,185	5,358.56	

Source: National Property Information Centre (NAPIC)

Notes:

(1) Others include industrial vacant plot and other types of industrial property.

(2) (p) = preliminary data

Selangor recorded a total of 2,212 industrial property transactions valued at RM8,276.46 million in 2019, about 9.0% higher in volume but 0.2% lower in value of transactions compared to the previous year (2018: 2,029 transactions valued at RM8,289.53 million). In contrast, WP Kuala Lumpur registered lower transacted volume (-14.4%) but higher transacted value (+12.6%) with 149 industrial properties valued at RM377.63 million changing hands in 2019.

For the first nine months of 2020, there were 1,185 industrial property transactions with combined value of RM5,358.56 million within Greater Kuala Lumpur. The most actively transacted property category is terraced factory, accounting for circa 43.7% of the total transacted volume, followed by industrial properties categorised as 'others' (24.8%), semi-detached (18.2%), detached (8.5%) and industrial complex (4.7%) units.

In terms of value, the industrial properties in the 'others' category topped with circa 51.6% share or RM2,764.78 million, followed by the detached factory (21.7%), semi-detached (16.3%), terraced (9.9%) and industrial complex (0.5%) categories.

1.1.2 Supply: Existing and Future

As of 3Q2020, the cumulative existing supply of industrial properties in Greater Kuala Lumpur stood at 46,106 units with the highest concentration of supply dominated by terraced factory category with 31,192 units or 67.7% market share.

WP Kuala Lumpur and Selangor: Supply of Industrial Properties by Type, 2018 to 3Q2020^(p)

Federal Territory / State	Industrial Property Type	Existing Supply (No. of Units)			Future Supply (No. of Units)	
		2018	2019 ^(p)	3Q2020 ^(p)	Incoming	Planned
▶ WP Kuala Lumpur	Terraced	2,545	2,545	2,545	0	37
	Semi-detached	412	412	412	0	0
	Detached	511	511	511	0	0
	Flatted Factory	1,670	1,670	1,670	0	0
	Industrial Complex	0	0	0	0	0
	Cluster	0	0	0	0	0
	Total	5,138	5,138	5,138	0	37
▶ Selangor	Terraced	28,394	28,520	28,647	478	274
	Semi-detached	6,506	6,598	6,690	236	852
	Detached	5,110	5,213	5,261	233	470
	Flatted Factory	263	263	263	248	0
	Industrial Complex	107	107	107	2	4
	Cluster	0	0	0	92	93
	Total	40,380	40,701	40,968	1,289	1,693
▶ Greater Kuala Lumpur	Terraced	30,939	31,065	31,192	478	311
	Semi-detached	6,918	7,010	7,102	236	852
	Detached	5,621	5,724	5,772	233	470
	Flatted Factory	1,933	1,933	1,933	248	0
	Industrial Complex	107	107	107	2	4
	Cluster	0	0	0	92	93
Total	45,518	45,839	46,106	1,289	1,730	

Source: National Property Information Centre (NAPIC)

Note: (p) = preliminary data

The cumulative existing supply of industrial units in WP Kuala Lumpur has remained unchanged at 5,138 units since 2018. Terraced industrial units made up the largest share of circa 49.5% (2,545 units), followed by flatted factories at circa 32.5% or 1,670 units.

There is no incoming supply of industrial properties in the Federal Territory although there is a total of 37 units of terraced factories under planning stage in Mukim Kuala Lumpur and Mukim Setapak.

In Selangor, the cumulative existing supply of industrial properties stood at 40,968 units as of 3Q2020, reflecting an increase of 267 units in the terraced, semi-detached and detached categories from 2019. Similar to WP Kuala Lumpur, terraced industrial units dominate the existing supply with circa 69.9% market share, followed by the semi-detached and detached categories with 16.3% and 12.8% share respectively.

Terraced industrial units also dominate incoming supply (478 units or circa 371%) while there are also 248 flatted factory units, 236 semi-detached units and 233 detached units coming on-stream in the state. The bulk of incoming supply are from Klang District (469 units) with some 265 units of terraced factories, 64 units of semi-detached factories and 140 detached units.

A total of 1,693 industrial units are under planning stage in Selangor with the bulk of the planned supply coming from Klang District (49.9%), Kuala Selangor District (20.0%) and Kuala Langat District (11.5%).

WP Kuala Lumpur and Selangor: Supply of Industrial Properties by District, 2018 to 3Q2020^(p)

Federal Territory / State	District / Mukim	Existing Supply (No. of Units)			Future Supply (No. of Units)	
		2018	2019 ^(p)	3Q2020 ^(p)	Incoming	Planned
WP Kuala Lumpur	Bandar Kuala Lumpur	227	227	227	0	0
	Petaling Jaya	0	0	0	0	0
	Ampang	0	0	0	0	0
	Batu	3,046	3,046	3,046	0	0
	Cheras	0	0	0	0	0
	Hulu Kelang	0	0	0	0	0
	Kuala Lumpur	488	488	488	0	22
	Petaling	1,295	1,295	1,295	0	0
	Setapak	82	82	82	0	15
	Total		5,138	5,138	5,138	0
Selangor	Petaling	14,286	14,325	14,378	316	0
	Klang	8,159	8,375	8,429	469	845
	Kuala Langat	492	492	569	86	194
	Kuala Selangor	234	244	250	202	338
	Sabak Bernam	35	35	35	42	2
	Gombak	4,615	4,626	4,688	57	97
	Hulu Selangor	4,324	4,334	4,334	59	72
	Hulu Langat	7,323	7,357	7,357	46	90
	Sepang	912	913	928	12	55
	Total		40,380	40,701	40,968	1,289

Source: National Property Information Centre (NAPIC)

Note: (p) = preliminary data

1.1.3 Capital Values

Selected transactions of industrial land and detached factories / warehouses in Selangor in 2020 are tabulated below.

Selangor: Selected Industrial Property Transactions, 2020

No.	Location	Property Details	Land Area (Built-up Area)	Tenure ⁽¹⁾	Date of Transaction	Consideration (RM million)
1	Off Jalan Bukit Kemuning, Klang	Vacant Land	3.69 acres	FH	November 2020	13.0
2	Sungei Way Free Trade Industrial Zone, Petaling Jaya	Industrial facilities	14.6 acres (~1 mil sq ft)	FH	October 2020	120.0
3	Jalan Perigi Nenas 8/7, Pulau Indah Industrial Park, Klang	Vacant Land	4.77 acres	LH	September 2020	11.0
4	Jalan Jururancang U1/21, Seksyen U1, Hicom Glenmarie Industrial Park, Shah Alam	A single-storey detached factory with an annexed five storey office building	1.44 acres (81,203 sq ft)	FH	September 2020	21.0
5	Jalan Pengapit 15/19, Seksyen 15, Shah Alam ⁽²⁾	A parcel of industrial land built upon with a single-storey detached warehouse building	2.16 acres (41,061 sq ft)	LH	September 2020	11.9
6	Jalan Utas 15/7, Seksyen 15, Shah Alam ⁽³⁾	A parcel of industrial land improved upon with a single-storey warehouse with a double-storey annex office (Block A) and a single-storey warehouse (Block B)	10.41 acres (285,249 sq ft)	LH	August 2020	95.0
7	Eco Business Park V, Bandar Puncak Alam	Vacant land	16.32 acres	LH	August 2020	53.3
8	Mukim Labu, Daerah Sepang	Vacant land	60.57 acres	LH	August 2020	158.3
9	Jalan Akob, Kapat, Klang	Vacant land	68 acres	FH	July 2020	103.6
10	Jalan Padang Jawa, Seksyen 16, Shah Alam	Detached factory with office	1.71 acres (31,685 sq ft)	FH	July 2020	16.9
11	Sebelah Kompleks Perabot Olak Lempit, Pekan Bukit Changgang, Kuala Langat	Vacant Land	16.72 acres	FH	July 2020	29.1
12	Sebelah Kompleks Perabot Olak Lempit, Pekan Bukit Changgang, Kuala Langat	Vacant Land	41.82 acres	FH	July 2020	72.8
13	Jalan Haji Abdul Manan, Meru, Kapar, Klang	Detached factory with office	10.01 acres (65,100 sq ft)	FH	July 2020	40.0

No.	Location	Property Details	Land Area (Built-up Area)	Tenure ⁽¹⁾	Date of Transaction	Consideration (RM million)
14	Persiaran Selangor, Section 15, Shah Alam	A 3-storey office building, a single-storey detached warehouse building annexed with 2 units of 2-storey office buildings	3.34 acres (71,677 sq ft)	LH	July 2020	19.4
15	Mukim of Kapar, District of Klang	Vacant land	4.99 acres	FH	June 2020	21.8
16	Jalan TS 6/10, Taman Industri Subang, Subang Jaya	Detached factory with office	1.59 acres (23,277 sq ft)	LH	February 2020	18.0
17	Jalan Pemaju U1/15, Glenmarie Industrial Park, Shah Alam	Vacant Land	1.28 acres	FH	February 2020	14.3
18	Jalan Halba 16/16, Seksyen 16, Shah Alam	Detached factory with office	1.75 acres (25,201 sq ft)	LH	January 2020	13.0

Sources: Bursa Malaysia / JPPH / Knight Frank Research

Notes:

(1) FH = Freehold; LH = Leasehold;

(2) RHB Trustees Berhad, the trustee for Axis-REIT, has entered into a sale and purchase agreement with Melewar Steel Services Sdn Bhd in relation to the Proposed Acquisition of the Property, for and on behalf of Axis-REIT.

(3) RHB Trustees Berhad, the trustee for Axis-REIT, has entered into a sale and purchase agreement with Axis Development Sdn Bhd in relation to the Proposed Acquisition of the Property, for and on behalf of Axis-REIT.

1.1.4 Rental Values

In the locality of Kepong, the asking rentals of detached industrial units range from RM1.40 per sq ft to RM1.75 per sq ft per month while for the locality of Sungai Besi - Chan Sow Lin, the monthly asking rentals of similar industrial premises are higher, ranging from RM2.00 per sq ft to RM2.50 per sq ft.

In selected established industrial areas such as Section 13, Section 19 and Section 51A of Petaling Jaya, the monthly asking rentals for detached factories and warehouses range from RM2.00 per sq ft to RM3.00 per sq ft.

Meanwhile, detached factories and warehouses in Temasya Glenmarie and Hicom Glenmarie Industrial Park command asking rentals from RM1.50 per sq ft to RM2.00 per sq ft per month while in nearby industrial areas such as Section 15 and Section 26 of Shah Alam, the monthly asking rentals of similar premises range from RM1.30 per sq ft to RM1.80 per sq ft.

Detached factories and warehouses in Subang Hi-Tech Industrial Park command monthly asking rentals between RM1.60 per sq ft and RM2.10 per sq ft.

In Klang, industrial premises located within Port Klang are observed to command monthly rental in the region of RM1.50 per sq ft to RM1.80 per sq ft while in Bukit Raja Industrial Park, the monthly asking rentals are slightly higher and range from RM1.60 per sq ft to RM2.40 per sq ft.

Note: All rental values stated above vary according to location / scheme, type and quality of premises, size and other value factors.

2.0 JOHOR

2.1 Industrial Sector

During the January to September 2020 period, the state of Johor recorded a total of 165 projects with combined capital investment value of RM5,714.7 million.

Johor: Approved Manufacturing Projects, 2018 to Jan-Sept 2020^(p)

Johor	2018	2019 ^(p)	Jan-Sept 2020 ^(p)
▶ Number of Approved Projects	144	209	165
▶ Total Capital Investment (RM Million)	30,514.7	11,455.2	5,714.7

Source: Malaysia Investment Development Authority (MIDA)

Note: (p) = preliminary data

There were several notable announcements on the investment and expansion plans of industrial facilities in the state during the year.

- PDZ Holdings Bhd and Sanichi Technology Bhd are planning to jointly develop a regional e-commerce logistics hub on a 234-acre land in Desaru, Kota Tinggi. The logistics hub will be a mixed development comprising an e-commerce centre, a distribution centre, warehouses and a transit centre. The GDV of the project is expected to exceed RM20 billion.
- Dialog Group Bhd is pumping another RM100 million into its Johor-based Dialog Terminals Langsat facility which will enable it to store a further 85,000 m³ of clean petroleum products. The expansion is expected to be ready for operations by 4Q2021. The plant currently has an operating capacity of 770,000 m³ which has been fully leased out.
- Serba Dinamik Holdings Bhd, through its wholly owned subsidiary, Serba Dinamik Group Bhd, is buying Teluk Ramunia Yard in Kota Tinggi, Johor from Petronas Asset Sdn Bhd for RM320 million. Teluk Ramunia Yard comprises four adjoining parcels of industrial land measuring 68.78 hectares in total with industrial buildings comprising warehouses, workshops, fabrication yard and other ancillary buildings.
- AME Elite Consortium Bhd is constructing a new 10,000 sq m high-performance factory at AME Elite's i-Park @ Senai Airport City industrial park for Switzerland headquartered EMS provider Enics AG, the company's first manufacturing site in Southeast Asia. AME Elite targets to complete the construction of the new custom-built facility by early 2021.
- HQ Pack Sdn Bhd has also commissioned AME Elite Consortium Bhd to construct its expanded facility in i-Park @ Indahpura. The integrated facility with circa 60,000 sq ft of built-up area will encompass a production factory, cleanroom, warehouse and office block with targeted completion by the second half of 2021.
- AME Elite Consortium is pushing ahead to complete Jstar Motion Sdn Bhd's fourth manufacturing facility with built-up area of 137,629 sq ft in i-Park @ Indahpura by May 2021. The first two plants, also located within i-Park @ Indahpura, were completed in the first half of 2020 while the third plant in the same industrial park is slated for completion by the first quarter of 2021.
- Port of Tanjung Pelepas Sdn Bhd (PTP) has welcomed four new ship to shore (STS) quay cranes. Each crane with a lifting capacity of 65 tonnes is 55.5m high and weighs 1,900 tonnes - capable of handling containers over 24 rows across ultra large container vessels (ULCV). The purchase of the Super Post Panamax cranes forms part of PTP's asset management strategy which aims to improve efficiency in the terminal, allowing the port to serve ULCVs with a capacity of more than 23,000 TEUs.
- Johor Port Bhd has also purchased a new ship to shore (STS) quay crane in addition to the existing eight quay cranes at Johor Port. The new STS quay crane has a safe lifting capacity of 40.6 tonnes and is capable of handling containers over 15 rows across Post-Panamax size vessel with an outreach of up to 10 stacks high on deck. The crane is expected to be fully operational by December 2020.

2.2 Industrial Property Market

2.2.1 Overview

In Johor, a total of 1,016 industrial properties valued at RM2,059.53 million were transacted during 2019, reflecting an annual increase of circa 17.3% in transacted volume albeit a 7.6% decline in value of transactions.

Johor: Industrial Property Volume and Value Transactions, 2018 to Jan-Sept 2020^(p)

Industrial Property Type	2018		2019 ^(p)		Jan-Sept 2020 ^(p)	
	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)
▶ Terraced	237	156.39	291	197.39	138	116.01
▶ Semi-detached	223	441.27	257	525.79	100	196.77
▶ Detached	152	787.24	176	827.48	72	494.23
▶ Industrial Complex	2	8.48	0	0	2	321.20
▶ Others ⁽¹⁾	252	834.92	292	508.88	122	403.06
Total	866	2,228.30	1,016	2,059.53	434	1,531.27

Source: National Property Information Centre (NAPIC)

Notes:

(1) Others include industrial vacant plot and other types of industrial property.

(2) (p) = preliminary data

A total of 434 transactions valued at RM1,531.27 million changed hands during the first three quarter of 2020. The terraced category is most actively transacted (31.8%), followed by properties categorised as 'others' (28.1%), semi-detached (23.0%), and detached (16.6%) units. In terms of transacted value, the detached category topped with RM494.23 million (32.3%), followed by the 'others' (26.3%) and industrial complex (21.0%) categories.

2.2.2 Supply: Existing and Future

As of 3Q2020, the cumulative existing supply of industrial properties in Johor stood at 18,025 units. There was an increase of 344 units from 2019, made up of one terraced unit, 50 semi-detached units, 149 detached units and 144 cluster units.

Johor: Supply of Industrial Properties by Type, 2018 to 3Q2020^(p)

Type	Existing Supply (No. of Units)			Future Supply (No. of Units)	
	2018	2019 ^(p)	3Q2020 ^(p)	Incoming	Planned
▶ Terraced	7,822	8,037	8,038	233	206
▶ Semi-detached	4,245	4,538	4,588	406	282
▶ Detached	3,755	3,854	4,003	125	231
▶ Flatted Factory	0	0	0	0	0
▶ Industrial Complex	410	424	424	0	7
▶ Cluster	608	828	972	308	88
Total	16,840	17,681	18,025	1,072	814

Source: National Property Information Centre (NAPIC)

Note: (p) = preliminary data

The terraced category continues to dominate the existing supply in Johor with circa 44.6% market share, followed by the semi-detached and detached categories with 25.5% and 22.2% market share respectively. The bulk of terraced industrial units (5,0541 units) are mainly located in Johor Bahru District.

As for incoming supply, the semi-detached and cluster categories dominate with 406 units (37.9%) and 308 units (28.7%) respectively. The bulk of these supply (244 semi-detached units and 260 cluster units) will be located in Johor Bahru District.

Semi-detached units also dominate the planned supply, followed by detached units and terraced units, accounting for 34.6%, 28.4% and 25.3% share respectively.

The bulk of planned supply will come from Johor Bahru District (72.6%), followed by Kota Tinggi District (10.1%) and Segamat District (8.5%).

Johor: Supply of Industrial Properties by District, 2018 to 3Q2020^(p)

District	Existing Supply (No. of Units)			Future Supply (No. of Units)	
	2018	2019 ^(p)	3Q2020 ^(p)	Incoming	Planned
▶ Johor Bahru	10,447	10,966	11,229	707	591
▶ Kota Tinggi	395	395	395	62	82
▶ Pontian	407	505	507	32	27
▶ Kluang	977	987	987	28	10
▶ Mersing	66	66	69	0	0
▶ Muar	173	173	173	26	21
▶ Batu Pahat	1,464	1,500	1,520	42	12
▶ Segamat	503	513	513	0	69
▶ Kulai	2,200	2,368	2,424	175	2
▶ Tangkak	208	208	208	0	0
Total	16,840	17,681	18,025	1,072	814

Source: National Property Information Centre (NAPIC)

Note: (p) = preliminary data

2.2.3 Capital Values

There were several notable transactions of industrial land and detached factories / warehouses in Johor in 2020 as follow:

Johor: Selected Industrial Property Transactions, 2020

No.	Location	Property Details	Land Area (Built-up Area)	Tenure ⁽¹⁾	Date of Transaction	Consideration (RM million)
1	Jalan i-Park 1/8, Kawasan Perindustrian i-Park, Bandar Indahpura, Kulai, Johor ⁽²⁾	A single-storey detached factory with mezzanine office	1.25 acres (24,950 sq ft)	FH	November 2020	6.7
2	Jalan i-Park 1/8, Kawasan Perindustrian i-Park, Bandar Indahpura, Kulai, Johor ⁽²⁾	A single-storey detached factory with mezzanine office	1.20 acres (35,339 sq ft)	FH	November 2020	8.5
3	Jalan i-Park 1/10, Kawasan Perindustrian i-Park, Bandar Indahpura, Kulai, Johor ⁽²⁾	A single-storey detached factory with mezzanine office	2.14 acres (57,545 sq ft)	FH	November 2020	13.0
4	Southern Industrial & Logistics Clusters (SILC) Phase 3, Iskandar Puteri	Non-Bumiputera and Bumiputera industrial lots	169.8 acres	FH	October 2020	434.3
5	Jalan Idaman 3/4, Taman Perindustrian Idaman, Senai, Kulajaya	Detached factory with office	1.11 acres (4,199 sq ft)	FH	July 2020	5.5
6	Jalan Firma 3, Kawasan Perindustrian Tebrau IV, Johor Bahru	A single-storey detached factory with a three-storey office building, a one and half-storey detached factory and a single-storey detached warehouse	2.17 acres (N/A)	FH	July 2020	10.7
7	Jalan Mega 1/9, Taman Perindustrian Nusa Cemerlang, Pulau, Johor Bahru	Detached factory	1.41 acres (4,598 sq ft)	FH	May 2020	10.2
8	Jalan i-Park SAC 8, i-Park Senai Airport City (SAC), Tebrau, Johor Bahru	Vacant land	2.21 acres	FH	May 2020	7.7
9	Jalan Firma 2, Perindustrian Tebrau 1, Tebrau, Johor Bahru	Detached factory with office	1.00 acre (22,010 sq ft)	FH	March 2020	6.3
10	Jalan Cemerlang, Taman Perindustrian Cemerlang, Plentong, Johor Bahru	Vacant land	2.29 acres	FH	March 2020	8.0
11	Jalan Keluli, Kawasan Perindustrian Pasir Gudang, Plentong, Johor Bahru	Vacant land	5.18 acres	LH	February 2020	10.0
12	Jalan 18, Taman Sri Kluang, Kluang	Detached factory with office	2.20 acres (37,537 sq ft)	FH	February 2020	7.0
13	Tepi Jalan Yong Peng – Ayer Hitam Tanjung Sembrong, Batu Pahat	Vacant land	4.69 acres	FH	January 2020	6.1

Sources: Bursa Malaysia / JPPH / Knight Frank Research

Notes:

(1) FH = Freehold; LH = Leasehold

(2) RHB Trustees Berhad, the trustee for Axis-REIT, has entered into a sale and purchase agreement with Axis AME IP Sdn Bhd in relation to the Proposed Acquisition of the Property, for and on behalf of Axis-REIT.

2.2.4 Rental Values

In Johor, detached industrial units in the locality of Pasir Gudang command monthly asking rentals ranging from RM1.00 per sq ft to RM1.50 per sq ft while for similar premises in the locality of Senai, the monthly asking rentals are from RM1.15 per sq ft to RM1.50 per sq ft.

In the Port of Tanjung Pelepas, detached factories and warehouses command asking rentals ranging from RM1.50 per sq ft to RM1.80 per sq ft per month.

Note: All rental values stated above vary according to location / scheme, type and quality of premises, size and other value factors.

3.0 PENANG

3.1 Industrial Sector

During the first nine months of 2020, there were 108 approved manufacturing projects in Penang with total capital investments of RM10,607.5 million.

Penang: Approved Manufacturing Projects, 2018 to Jan-Sept 2020^(p)

Penang	2018	2019 ^(p)	Jan-Sept 2020 ^(p)
▶ Number of Approved Projects	108	166	108
▶ Total Capital Investment (RM Million)	5,781.0	16,855.4	10,607.5

Source: Malaysia Investment Development Authority (MIDA)

Note: (p) = preliminary data

Significant announcements on investment and expansion plans of manufacturing plants in the state include the following.

- Bosch, a global supplier of technology and services, is set to build a manufacturing facility in Penang focusing on semiconductor components and sensor testing. The construction of the plant is scheduled to begin in 2021, with completion of the production area and first series production expected to be in 2023. The new facility will sit on an 100,000 sq m (circa 24.7 acres) of land.
- US-based DexCom Inc has chosen Batu Kawan Industrial Park in Penang as its third manufacturing site. The new site, its first outside of the US, will help increase the production of its industry-leading continuous glucose monitoring (CGM) systems.
- NI, previously known as National Instruments, will expand its manufacturing plant spanning 2.4 hectares next to its current facility. Work on the new plant, estimated to cost about RM30 million, is expected to begin by the end of 2020 and will take 18 months to complete.
- Semiconductor test equipment maker, Pentamaster Corp Bhd, is investing over RM100 million over the next three years in a medical device plant in Batu Kawan. Pentamaster has invested RM40 million into the plant and is now setting up a RM60 million production facility in it to produce medical devices over the next three years.
- Lam Research, via Lam Manufacturing Malaysia, has invested a total of US\$225 million (circa RM1 billion) for a new manufacturing facility at Batu Kawan Industrial Park. The soon-to-be-operational 700,000 sq ft advanced technology production plant will become the largest facility within the whole Lam Research group.
- Sony Corp will close a factory in Penang next year and consolidate its manufacturing operations by transferring its operations to Selangor, in order to further enhance operational efficiency. Operations at the plant will end by September 30 and it will shut by the end of March 2022, affecting about 3,600 employees in Penang.
- FedEx is opening a new station in Batu Kawan. This first station on the mainland is the second largest in the area and is twice the size of its previous station in Bayan Lepas. Measuring circa 44,000 sq ft, the integrated warehouse and sorting facility is capable of handling up to 3,000 packages per hour.

3.2 Industrial Property Market

3.2.1 Overview

The industrial property market in Penang slowed down in 2019, registering only 392 transactions valued at RM864.91 million, circa 14.4% and 25.9% lower in transacted volume and value on the year respectively.

Penang: Industrial Property Volume and Value Transactions, 2018 to Jan-Sept 2020^(p)

Industrial Property Type	2018		2019 ^(p)		Jan-Sept 2020 ^(p)	
	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)
▶ Terraced	165	141.46	133	90.67	75	65.48
▶ Semi-detached	80	157.52	90	174.37	65	116.90
▶ Detached	50	567.41	45	391.09	33	302.13
▶ Industrial Complex	22	27.80	15	6.82	5	2.33
▶ Others ⁽¹⁾	141	273.63	109	201.96	53	124.56
Total	458	1,167.82	392	864.91	231	611.41

Source: National Property Information Centre (NAPIC)

Notes:

(1) Others include industrial vacant plot and other types of industrial property.

(2) (p) = preliminary data

During the first three quarters of 2020, there were 231 transactions in the industrial sub-sector with total value of RM611.41 million. The most transacted category is terraced units (32.5% share), followed by the semi-detached (28.1%), 'others' (22.9%), detached (14.3%) and industrial complex (2.2%) categories. In terms of value, the detached category topped with RM302.13 million (49.4% share), followed by the 'others' (20.4%), semi-detached (19.1%), terraced (10.7%) and industrial complex (0.4%) categories.

3.2.2 Supply: Existing and Future

The existing supply of industrial property in Penang stood at 9,414 units as of 3Q2020, with the bulk of supply coming from terraced units (54.4%), followed detached units (20.6%) and semi-detached units (18.7%).

There was an increase of 183 units from 2019, made up of 18 terraced units, 122 semi-detached units, 26 detached units and 17 cluster units.

Penang: Supply of Industrial Properties by Type, 2018 to 3Q2020^(p)

Type	Existing Supply (No. of Units)			Future Supply (No. of Units)	
	2018	2019 ^(p)	3Q2020 ^(p)	Incoming	Planned
▶ Terraced	5,083	5,099	5,117	14	14
▶ Semi-detached	1,626	1,640	1,762	194	184
▶ Detached	1,900	1,910	1,936	9	15
▶ Flatted Factory	489	511	511	0	0
▶ Industrial Complex	71	71	71	1	0
▶ Cluster	0	0	17	0	0
Total	9,169	9,231	9,414	218	213

Source: National Property Information Centre (NAPIC)

Note: (p) = preliminary data

The majority of terraced, semi-detached and detached factories in Penang are located in Seberang Perai Tengah District with 3,085 units, 1,124 units and 1,114 units respectively.

Currently, there are 218 industrial units under incoming supply with semi-detached units dominating the market share (194 units or 89.0%), followed by the terraced and detached categories with 6.4% and 4.1% share respectively. It is noted that some 72 units and 68 units of semi-detached factories will be constructed in Seberang Perai Selatan District and Seberang Perai Utara District respectively in the near term.

Penang: Supply of Industrial Properties by District, 2018 to 3Q2020^(p)

District	Existing Supply (No. of Units)			Future Supply (No. of Units)	
	2018	2019 ^(p)	3Q2020 ^(p)	Incoming	Planned
▶ Timur Laut	808	830	832	0	0
▶ Barat Daya	854	857	882	1	1
▶ Seberang Perai Utara	1,401	1,417	1,417	71	63
▶ Seberang Perai Tengah	5,231	5,252	5,339	72	54
▶ Seberang Perai Selatan	875	875	944	74	95
Total	9,169	9,231	9,414	218	213

Source: National Property Information Centre (NAPIC)

Note: (p) = preliminary data

As for planned supply, the majority comprise of semi-detached (86.4%), detached (7.0%) and terraced (6.6%) units located in Seberang Perai Selatan District (44.6%), Seberang Perai Utara District (29.6%), Seberang Perai Tengah District (25.4%) and Barat Daya District (0.5%).

3.2.3 Capital Values

There were several notable transactions of industrial premises in Penang in 2020.

Penang: Selected Industrial Property Transactions, 2020

No.	Location	Property Details	Land Area (Built-up Area)	Tenure ⁽¹⁾	Date of Transaction	Consideration (RM million)
1	Jalan Besar Valdor, Kawasan Perindustrian Valdor, Sungai Jawi	Detached Factory	7.75 acres (108,855 sq ft)	FH	September 2020	22.0
2	Batu Kawan Industrial Park, Mukim 13, Seberang Perai Selatan	Vacant Land	5.5 acres	LH	September 2020	12.5
3	Jalan Perindustrian Valdor, Kawasan Industri Valdor, Seberang Perai Selatan	Vacant Land	5.75 acres	FH	June 2020	8.1
4	Bayan Lepas FTZ Fasa 1, Perindustrian PDC, Barat Daya	Detached factory with office	1.50 acres (6,207 sq ft)	LH	May 2020	11.5
5	Tingkat Perusahaan 6, Kawasan Perusahaan Prai (NFTZ), Seberang Perai Tengah	Detached factory with office	5.04 acres (94,916 sq ft)	LH	February 2020	15.9
6	Jalan Sungai Baong, Kg Perabut Sg Baong, Seberang Perai Selatan	Vacant Land	12.4 acres	FH	January 2020	18.0
7	Lorong Perindustrian Bukit Minyak 2, Industri Bukit Minyak (PDC), Seberang Perai Tengah	Detached factory with office	1.31 acres (18,000 sq ft)	LH	January 2020	7.5

Sources: JPPH / Knight Frank Research
Note: (1) FH = Freehold; LH = Leasehold

3.2.4 Rental Values

Detached industrial / warehouse premises located in Bayan Lepas Industrial Park generally command higher monthly rental rates ranging from RM2.40 per sq ft to RM3.00 per sq ft.

Meanwhile, the monthly asking rentals of detached industrial premises in Bukit Tengah Industrial Park and Prai Industrial Estate range from RM1.00 per sq ft to RM1.60 per sq ft and from RM1.70 per sq ft to RM2.20 per sq ft respectively.

The monthly asking rental rates of similar industrial property in Bukit Minyak Industrial Park and Penang Science Park range from RM1.20 per sq ft to RM1.75 per sq ft as they share similar industrial characteristics.

Note: All rental values stated above vary according to location / scheme, type and quality of premises, size and other value factors.

4.0 PAHANG

4.1 Industrial Sector

There were 34 approved manufacturing projects in Pahang in 2019, circa two-fold the number of approved projects in 2018. However, the total capital investment in 2019 was lower by circa 38.4% on the year at RM4,943.0 million (2018: RM8,028.4 million).

In the first nine months of 2020, Pahang approved 24 manufacturing projects with combined capital investment of RM3,126.3 million.

Pahang: Approved Manufacturing Projects, 2018 to Jan-Sept 2020^(p)

Pahang	2018	2019 ^(p)	Jan-Sept 2020 ^(p)
▶ Number of Approved Projects	15	34	24
▶ Total Capital Investment (RM Million)	8,028.4	4,943.0	3,126.3

Source: Malaysia Investment Development Authority (MIDA)
Note: (p) = preliminary data

Notable announcements relating to the manufacturing sector in the state include the following:

- BASF Petronas Chemicals Sdn Bhd (BPC), a joint-venture between BASF Nederland BV and Petronas Chemicals Group Bhd (PCG), will close down its butanediol (BDO) and derivatives plant in Kuantan in March next year. The decision will not impact other plants within the facility. The decision was made following the company's aim to realign its product portfolio focusing on long-term growth.
- AE Carbon Capital (Bera) and Pahang State Development Corporation (PKNP) plan to develop a 50-acre (20.2-hectare) industrial eco-park worth RM320 million in Bentong, anchored by the 5th generation of fully Integrated Green Resource Manufacturing of multiple green-tech products for local and export markets.
- Green Technology Park (GTP) in Paloh Hinai by Nextgreen Global Bhd (NGGB) has kick-start its operation of producing wood-free paper in July. The development of GTP, on 165 hectares at a total cost of RM2 billion, commenced in 2015 and involves a total of five phases.

4.2 Industrial Property Market

4.2.1 Overview

The volume of industrial property transactions in Pahang was lower by circa 6.0% in 2019 although the transacted value was circa 18.2% higher. A total of 189 industrial properties worth RM443.41 million changed hands in 2019.

Pahang: Industrial Property Volume and Value Transactions, 2018 to Jan-Sept 2020^(p)

Industrial Property Type	2018		2019 ^(p)		Jan-Sept 2020 ^(p)	
	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)
▶ Terraced	51	26.06	59	21.90	11	4.95
▶ Semi-detached	17	11.48	7	7.15	11	7.09
▶ Detached	16	50.24	12	131.15	9	37.79
▶ Industrial Complex	0	0	0	0	0	0
▶ Others ⁽¹⁾	117	287.33	111	283.21	47	86.39
Total	201	375.11	189	443.41	78	136.22

Source: National Property Information Centre (NAPIC)

Notes:

- (1) Others include industrial vacant plot and other types of industrial property.
(2) (p) = preliminary data

For the first three quarters of 2019, Pahang recorded a total of 78 industrial property transactions with corresponding value RM136.22 million. Industrial properties categorised under 'others' recorded the highest volume and value of transactions with 47 properties worth RM86.39 million changing hands.

4.2.2 Supply: Existing and Future

In Pahang, the cumulative existing supply of industrial properties was recorded at 3,578 units as of 3Q2020, showing a marginal increase of circa 0.5% or 19 units from year 2019 (3,559 units). The new completion comprised of 18 terraced units and one detached unit.

The bulk of existing supply is made up of 2,312 terraced units or circa 64.6% market share, followed by units in the detached, semi-detached and industrial complex categories with 22.0%, 11.3% and 2.0% market share respectively. The majority of terraced factories in Pahang are located in Kuantan District (1,182 units).

Pahang: Supply of Industrial Properties by Type, 2018 to 3Q2020^(p)

Type	Existing Supply (No. of Units)			Future Supply (No. of Units)	
	2018	2019 ^(p)	3Q2020 ^(p)	Incoming	Planned
▶ Terraced	2,283	2,294	2,312	68	174
▶ Semi-detached	406	406	406	4	18
▶ Detached	780	787	787	2	32
▶ Flatted Factory	0	0	0	0	0
▶ Industrial Complex	72	72	73	0	2
▶ Cluster	0	0	0	0	0
Total	3,541	3,559	3,578	74	226

Source: National Property Information Centre (NAPIC)

Note: (p) = preliminary data

A total of 74 industrial units will be coming on-stream - comprising 68 units or 91.9% of terraced factories, four units of semi-detached factories (5.4%) of and two units of detached factories (2.7%). The bulk of under construction terraced factories are located in Rompin District (41 units).

Pahang: Supply of Industrial Properties by District, 2018 to 3Q2020^(p)

District	Existing Supply (No. of Units)			Future Supply (No. of Units)	
	2018	2019 ^(p)	3Q2020 ^(p)	Incoming	Planned
▶ Kuantan	1,867	1,870	1,871	26	120
▶ Pekan	61	61	61	1	9
▶ Rompin	213	217	217	41	13
▶ Maran	67	67	67	0	1
▶ Temerloh	755	755	755	1	3
▶ Bentong	118	118	118	0	0
▶ Jerantut	195	206	206	5	47
▶ Bera	59	59	59	0	30
▶ Raub	63	63	81	0	3
▶ Lipis	105	105	105	0	0
▶ Cameron Highlands	38	38	38	0	0
Total	3,541	3,559	3,578	74	226

Source: National Property Information Centre (NAPIC)

Note: (p) = preliminary data

In the planning pipeline are a total of 226 industrial units, made up of 77.0% in the terraced category, followed by the detached and semi-detached categories with 14.2% and 8.0% share respectively. About half of the planned supply (53.1% or 120 units) will be from Kuantan District, followed by Jerantut District (20.8%) and Bera District (13.3%).

4.2.3 Capital Values

The following tabulates notable transactions of industrial land in Pahang in 2020.

Pahang: Selected Industrial Property Transactions, 2020

No.	Location	Property Details	Land Area	Tenure ⁽¹⁾	Date of Transaction	Consideration (RM)
1	Jalan Industri 3/1, Kawasan Perindustrian Temerloh, Mentakab, Temerloh	Vacant land	0.25 acre	FH	July 2020	420,000
2	Off Jalan Temerloh -Kerdau, Kawasan Industri Songsang, Songsang, Temerloh	Vacant land	1.10 acres	LH	January 2020	1.0 million

Sources: JPPH / Knight Frank Research

Note: (1) FH = Freehold; LH = Leasehold

4.2.4 Rental Values

The industrial premises in Pahang are mainly concentrated within Kuantan District and command monthly asking rentals of between RM1.20 per sq ft and RM1.70 per sq ft.

5.0 NEGERI SEMBILAN

5.1 Industrial Sector

In the first three quarters of 2020, Negeri Sembilan recorded a total of 24 approved manufacturing projects with total capital investment of RM2,195.3 million.

Negeri Sembilan: Approved Manufacturing Projects, 2018 to Jan-Sept 2020^(p)

Negeri Sembilan	2018	2019 ^(p)	Jan-Sept 2020 ^(p)
▶ Number of Approved Projects	40	44	24
▶ Total Capital Investment (RM Million)	2,430.8	3,565.7	2,195.3

Source: Malaysia Investment Development Authority (MIDA)
Note: (p) = preliminary data

In Negeri Sembilan, significant announcements in the industrial sector, including expansion plans of manufacturing plants are as follows.

- Dutch Lady Milk Industries Bhd (DLM) has announced the expansion of its manufacturing capabilities with the acquisition of three parcels of adjoining freehold industrial land measuring circa 32.59 acres in total in Bandar Baru Enstek, Negeri Sembilan for RM56.79 million (RM40 per sq ft). The corporation will invest RM340 million to develop a new dairy manufacturing hub on the site, commencing next year till 2025.
- Regal Orion Sdn Bhd is developing a big data centre in Labu, Negeri Sembilan. It signed a Memorandum of Understanding (MoU) with Heitech Padu Bhd in November 2020 to form a partnership in data centre business. Total investment in the data centre is expected to cost about RM1 billion, with the first phase of the centre to commence in July 2022. The data centre is expected to have 30MW capacity.
- The state government of Negeri Sembilan has decided to allow foreign companies and manufacturers, registered with the Ministry of International Trade and Industry (MITI), to own leasehold and freehold industrial land worth RM2 million and above.

5.2 Industrial Property Market

5.2.1 Overview

In Negeri Sembilan, a total of 350 industrial properties worth RM535.81 million changed hands in 2019. The volume of transactions was circa 8.0% higher on the year although the corresponding transacted value was circa -24.7% lower (2018: 324 transacted units with collective value of RM711.74 million).

Negeri Sembilan: Industrial Property Volume and Value Transactions, 2018 to Jan-Sept 2020^(p)

Industrial Property Type	2018		2019 ^(p)		Jan-Sept 2020 ^(p)	
	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)	Volume (No.)	Value (RM million)
▶ Terraced	107	43.55	97	41.47	73	31.23
▶ Semi-detached	42	47.02	38	38.78	38	44.08
▶ Detached	42	240.53	20	150.75	19	132.84
▶ Industrial Complex	1	25.00	0	0	0	0
▶ Others ⁽¹⁾	132	355.64	195	304.81	85	98.04
Total	324	711.74	350	535.81	215	306.19

Source: National Property Information Centre (NAPIC)

Notes:

(1) Others include industrial vacant plot and other types of industrial property.

(2) (p) = preliminary data

From January to September 2020, there were 215 industrial property transactions with corresponding value RM306.19 million in the state. Industrial properties categorised under 'others' topped the volume of transactions with 85 units or 39.5% share, followed closely by the terraced category with 73 units (34.0%). In terms of value, detached category topped the list with RM132.84 million or circa 43.4% share, followed by the 'others' (32.0%), semi-detached (14.4%) and detached (10.2%) categories.

5.2.2 Supply: Existing and Future

As of 3Q2020, there were some 5,524 existing industrial units in Negeri Sembilan, an increase of eight semi-detached units from 2019.

The terraced category continues to dominate existing supply with 3,712 units or circa 67.2% market share, followed by the semi-detached (circa 15.4% share) and detached units (circa 13.4% share) categories. The existing terraced factories in the state are mostly concentrated in Seremban District (3,035 units).

Negeri Sembilan: Supply of Industrial Properties by Type, 2018 to 3Q2020^(p)

Type	Existing Supply (No. of Units)			Future Supply (No. of Units)	
	2018	2019 ^(p)	3Q2020 ^(p)	Incoming	Planned
▶ Terraced	3,712	3,712	3,712	59	219
▶ Semi-detached	834	844	852	26	126
▶ Detached	736	739	739	4	276
▶ Flatted Factory	0	0	0	0	0
▶ Industrial Complex	221	221	221	0	0
▶ Cluster	0	0	0	0	0
Total	5,503	5,516	5,524	89	621

Source: National Property Information Centre (NAPIC)

Note: (p) = preliminary data

In the near term, some 89 industrial units are expected to come on-stream. The incoming supply is dominated by terraced units (66.3%), followed by semi-detached units (29.2%) and detached units (4.5%). The majority of the incoming terraced factories (35 units) will come from Seremban District while the remaining 25 terraced units will come from Jempol District.

Negeri Sembilan: Supply of Industrial Properties by District, 2018 to 3Q2020^(p)

District	Existing Supply (No. of Units)			Future Supply (No. of Units)	
	2018	2019 ^(p)	3Q2020 ^(p)	Incoming	Planned
▶ Jelebu	5	5	5	0	0
▶ Jempol	312	312	312	25	38
▶ Kuala Pilah	159	159	159	0	0
▶ Port Dickson	276	278	278	0	0
▶ Rembau	24	35	35	0	0
▶ Seremban	4,461	4,461	4,469	64	564
▶ Tampin	266	266	266	0	19
Total	5,503	5,516	5,524	89	621

Source: National Property Information Centre (NAPIC)

Note: (p) = preliminary data

As for planned supply, there will be 276 units of detached factories (circa 44.4% share), followed by the terraced and semi-detached categories with 35.3% and 20.3% respectively. The bulk of planned supply will come from Seremban District with circa 90.8% market share or 594 units made up of 276 units of detached factories, 188 units of terraced factories and 100 units of semi-detached factories.

5.2.3 Capital Values

Notable transactions of industrial premises in Negeri Sembilan during 2020 are tabulated below.

Negeri Sembilan: Selected Industrial Property Transactions, 2020

No.	Location	Property Details	Land Area (Built-up Area)	Tenure ⁽¹⁾	Date of Transaction	Consideration (RM million)
1	Jalan Teknologi 4, Techpark Enstek, Bandar Enstek	Vacant land	32.59 acres	FH	July 2020	56.8
2	Jalan Seremban / Tampin, Tuanku Jaafar Industrial Park, Seremban	Detached factory with office	2.03 acres (49,406 sq ft)	FH	June 2020	6.4
3	Jalan Seremban / Tampin, Tuanku Jaafar Industrial Park, Seremban	Vacant land	1.02 acres	FH	June 2020	3.2
4	Off KM31, Jalan Lenggeng / Broga, Lenggeng, Seremban	Vacant land	1.89 acres	FH	January 2020	3.0
5	Off KM 8, Jalan Seremban / Tampin, Senawang Industrial Estate, Seremban	Vacant land	4.26 acres	LH	January 2020	5.0
6	Jalan Mambau / Port Dickson, Rasah, Seremban	Vacant land	4.41 acres	FH	January 2020	6.3

Sources: JPPH / Knight Frank Research
 Note: (1) FH = Freehold; LH = Leasehold

5.2.4 Rental Values

In Senawang, the monthly asking rentals of detached factories and warehouses range from RM1.00 per sq ft to RM1.50 per sq ft while detached industrial units in Nilai command similar rental range from RM1.00 per sq ft to RM1.60 per sq ft per month.

6.0 INDUSTRIAL MARKET OUTLOOK

The exponential growth of the e-commerce sector fuelled by the COVID-19 pandemic has created a strong tailwind for the operations of logistics companies, leading to higher demand for warehousing space and logistics / distribution centres.

Moving forward, the industrial sector is expected to be resilient with rising demand in the logistics / distribution centre segment. Under the short-term Economic Recovery Plan (PENJANA), which was unveiled on 5 June 2020, various incentives were announced to cushion the severe impact arising from the pandemic. They include a generous tax holiday period of up to 15 years for foreign companies which make new investments in the manufacturing sector with capital investments of RM500 million and above. Coupled with the fast-track approval mechanism for manufacturing licences and tax incentives with the establishment of Project Acceleration and Coordination (PACU) in the Malaysian Investment Development Authority (MIDA), this will help to raise the country's attractiveness in the eyes of foreign investors and potentially draw higher FDI flows.

To improve the competitiveness of Port Klang, the government had allocated RM50 million in the National Budget 2020 for the repair and maintenance of roads leading to the port while in Budget 2021, there was another provision for Phase 2 of the Third Klang Bridge and the continuation of Phase 3 of the upgrading of the Pulau Indah ring road. The Central Spine Project will also be continued with the new alignment from Kelantan to Pahang.

Budget 2021 also broadens the Authorised Economic Operator (AEO) facility to include logistics service providers and warehouse operators. The Royal Malaysian Customs Department (RMCD) will integrate 43 permit issuing agencies and trading licenses into the AEO platform. To date, circa 56 AEOs have been approved, mainly to manufacturers and traders.

The outlook for the industrial sector remains optimistic supported by positive sentiments in the manufacturing and logistics sectors.

OFFICE MARKET

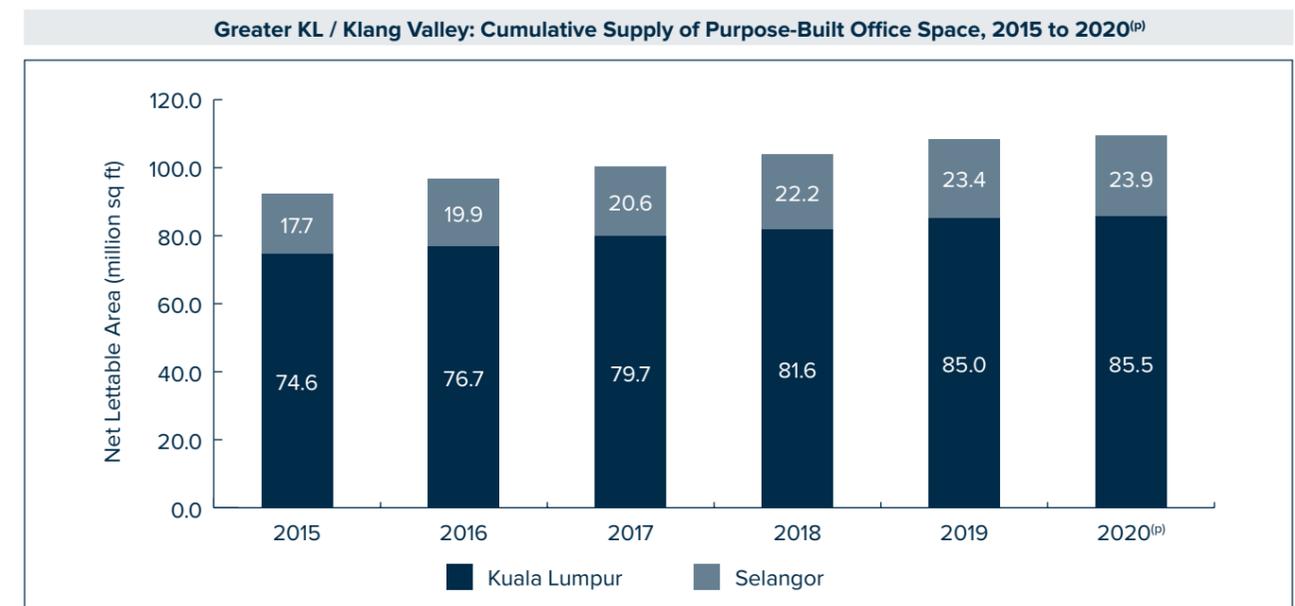
7.0 GREATER KUALA LUMPUR / KLANG VALLEY

7.1 Supply: Existing and Future

The existing supply of purpose-built office in Greater KL / Klang Valley has grown steadily over the years. As of 2020^(p), the cumulative existing supply of purpose-built office space in Greater KL / Klang Valley stood at circa 109.5 million sq ft, depicting a 1.0% increment from the previous year.

The first quarter of 2020 saw the completion of Menara Hap Seng 3 with an additional space of circa 201,000 sq ft. Another notable completion in KL City during 4Q2020 is Menara TCM with 372,000 sq ft NLA. Meanwhile, the completion of office buildings in Selangor during the year include Sumurwang Tower @ i-City (1Q2020) and Menara Star 2 @ Pacific Star (3Q2020) with NLA of circa 285,000 sq ft and 251,000 sq ft respectively.

Collectively, Kuala Lumpur and Selangor saw an additional space of circa 573,000 sq ft and 536,000 sq ft respectively during 2020.



Source: Knight Frank Research

There is a high impending supply currently under construction and in the planning pipeline. New office space estimated at circa 12.8 million sq ft of space, is expected to come on stream in the next two years (2021 to 2022). The bulk of incoming supply (circa 10.8 million sq ft or 84.4%) will come from Kuala Lumpur while the remaining 2.0 million sq ft (circa 15.6%) will be from Selangor.

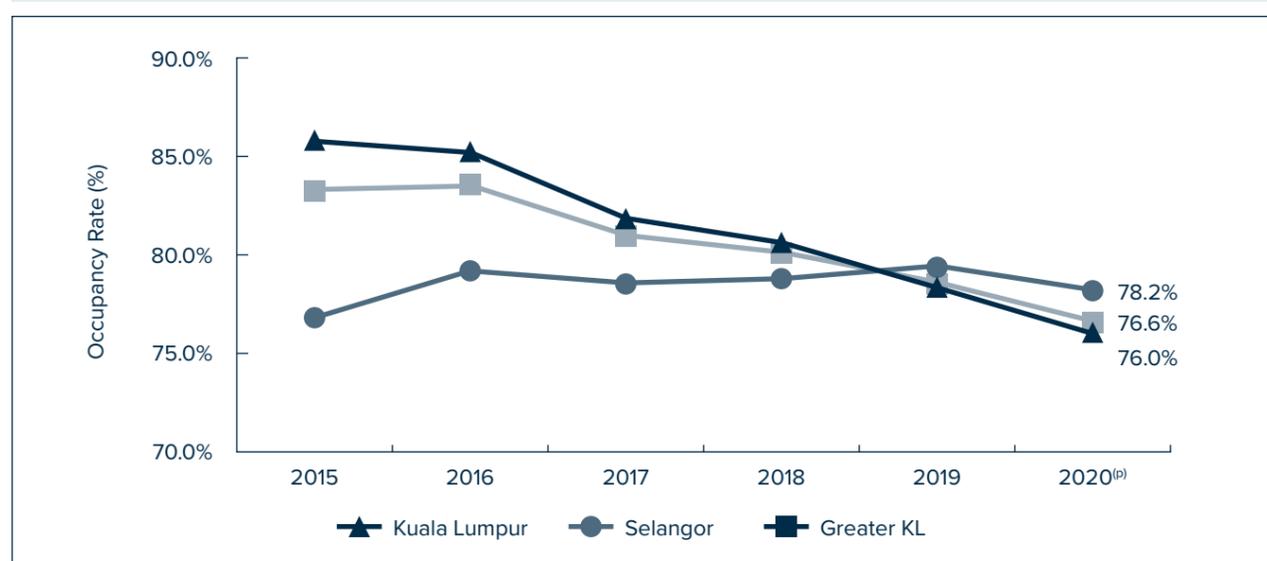
By the first half of 2021, 12 office buildings are scheduled for completion with nine located in KL City and the remaining three in Selangor. Upcoming completions in the city are Affin Tower and HSBC Tower, both in TRX; The Stride Strata Office, TS Law Tower, UOB Tower 2, Permata Sapura, Menara Great Eastern 2, Legasi Kampong Bharu and Plaza Conlay @ Conlay 301 while in Selangor, they are HCK Tower @ Empire City, Quill 9 Annex and Imazium @ Uptown.

7.2 Occupancy Rates

As of 2020^(p), the overall occupancy rate in Kuala Lumpur dipped further to record at 76.0% amid severe disruptions caused by the COVID-19 pandemic (2019: 78.3%). Newly completed buildings continue to compete for a limited pool of tenants / occupiers.

Similarly, the occupational demand in Selangor was also under pressure during the review period and was analysed at 78.2% (2019: 79.4%).

Greater KL / Klang Valley: Occupancy Trend, 2015 to 2020^(p)

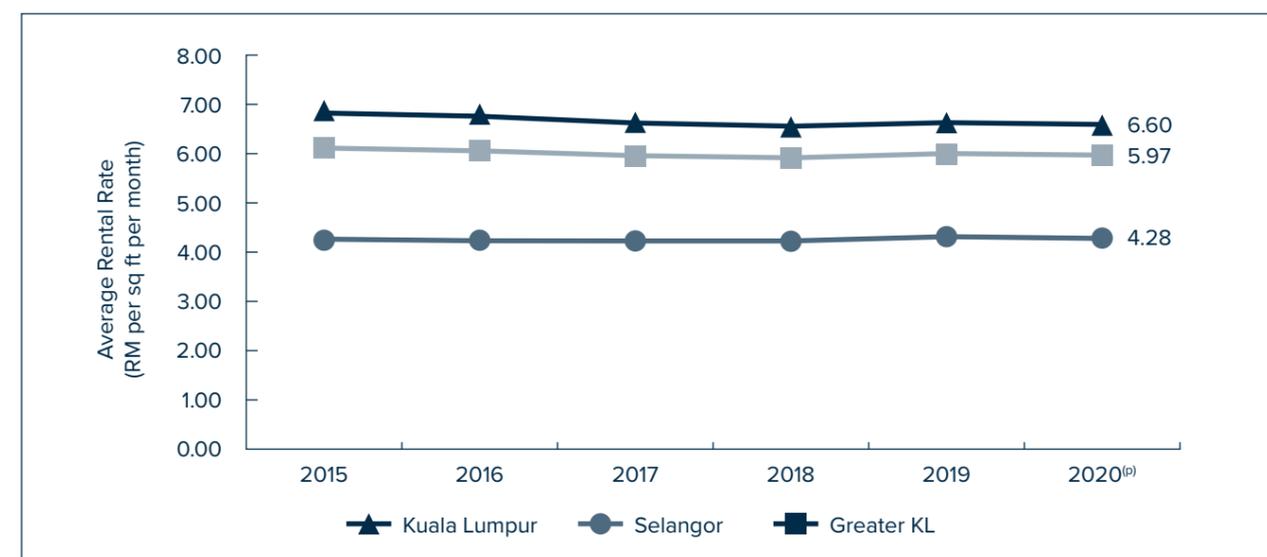


Source: Knight Frank Research

7.3 Rental Rates

There was a slight dip in the average rental rate of office space in Kuala Lumpur, from RM6.61 per sq ft per month in 2019 to about RM6.60 per sq ft per month in 2020^(p). The widening gap between supply and demand coupled with weak leasing market heightens competition as existing and newly completed buildings compete for the same pool of tenants.

Greater KL / Klang Valley: Average Rental Rates, 2015 to 2020^(p)



Source: Knight Frank Research

Similar to Kuala Lumpur, the average office rent in Selangor was also lower at RM4.28 per sq ft per month (2019: RM4.31 per sq ft per month). In the sub-markets of Petaling Jaya, Subang Jaya, Shah Alam and Cyberjaya, the average monthly rentals were in the region of RM4.52 per sq ft; RM4.33 per sq ft; RM3.47 per sq ft and RM4.03 per sq ft respectively.

7.4 Capital Values

Notable office transactions in Klang Valley during 2020 include Menara Guoco, The Pinnacle Sunway, UOA Corporate Tower and Quill Building 5 with combined value of circa RM1.44 billion.

Greater KL / Klang Valley: Notable Office Transactions, 2020

Transaction Date	Building Name	Locality	Tenure	Estimated NLA (sq ft)	Consideration (RM)	Analysis (RM per sq ft)
▶ March 2020	Menara Guoco ⁽¹⁾	Damansara Heights	Freehold	232,133	242,100,000	1,043
▶ June 2020	The Pinnacle Sunway ⁽²⁾	Bandar Sunway	Leasehold	576,864	450,000,000	780
▶ September 2020	UOA Corporate Tower ⁽³⁾	Bangsar South	Leasehold	732,871	700,000,000	955
▶ November 2020	Quill Building 5 ⁽⁴⁾	Cyberjaya	Freehold	81,602	45,000,000	551

Source: Knight Frank Research

Notes:

- (1) Menara Guoco: MTrustee Berhad, the trustee of Tower REIT ("Trustee"), has entered into a conditional sale and purchase agreement with DC Offices Sdn Bhd for the proposed acquisition of the 19-storey office building for a cash consideration of RM242.1 million. The building, with a gross floor area and net lettable area of 310,183 sq ft and 232,133 sq ft respectively, is 97.1% occupied and has a gross rental income of approximately RM15.6 million for the FYE 30 June 2019.
- (2) The Pinnacle Sunway: Sunway REIT Management Sdn Bhd (SRSB), the manager of Sunway Real Estate Investment Trust (Sunway REIT), had on 29 June 2020 entered into a conditional sale and purchase agreement for the acquisition of The Pinnacle Sunway for RM450 million. The deal was made via RHB Trustees Bhd, the trustee of Sunway REIT, with Sunway Integrated Properties Sdn Bhd and Sunway Pinnacle Sdn Bhd, both of which are wholly-owned indirect subsidiaries of Sunway Bhd. The 24-storey office building with GBI-certified and MSC-status is 100% occupied at the point of sale.
- (3) UOA Corporate Tower: RHB Trustees Berhad, the trustee of UOA REIT ("Trustee"), has entered into a conditional sale and purchase agreement with Distinctive Acres Sdn Bhd and Paramount Properties Sdn Bhd for the proposed acquisition of a stratified 38-storey office building with a penthouse level for a cash consideration of RM700mil. The property has gross floor area (GFA) and net lettable area (NLA) of 959,764 sq ft and 732,871 sq ft respectively.
- (4) Quill Building 5: MRCB Quill Management Sdn Bhd, being the manager of MRCB-Quill REIT (MQREIT), announced that Maybank Trustees Berhad, acting solely in the capacity as trustee for MQREIT, had on 12 November 2020 entered into a sale and purchase agreement with Deriv Services Sdn Bhd for the proposed disposal of Quill Building 5 for a cash consideration of RM45 million. The 5-storey office building with 1 level of sub-basement and 1 1/2 level of a basement car park has a gross floor area of 227,039 sq ft and net lettable area of 81,602 sq ft.

8.0 OFFICE MARKET OUTLOOK

In the near term, the rental rates and occupancy levels of office buildings in Malaysia, especially in Klang Valley where there is also an imbalance in supply and demand, will experience further downward pressure.

The rental and occupancy levels of KL City office market is expected to dip further as the gap between supply and demand continues to widen amid weaker office demand and shrinking pool of tenants. Meanwhile, the KL Fringe and Selangor office markets, which attract a wider profile of tenants, are expected to remain relatively resilient, supported by the improved infrastructure and rail network that continue to drive demand in these decentralised locations.

The growing sense of uncertainty amid the unprecedented crisis as well as the need to preserve cash and reduce capital expenditure will result in lower level of leasing / transactional activity as businesses and occupiers review or put on hold their real estate decisions. The resurgence of cases has also caused delays in decision-making for multinational corporations planning to set up their offices or expand their presence in Malaysia.

The unprecedented crisis has also compelled many organisations to rethink their standard operating mode while embracing technology such as cloud-based IT solutions and communication channels in their business operations. Moving forward, Business Continuity Plan measures such as working from home, split-team arrangement and de-densification requirements may be the new normal for some while physical distancing measures may lead to a reversal of open office trend.

Co-working or flexible space may be a good option for new occupiers and businesses looking to expand to navigate in the near term before committing to a longer-term plan.

Several hotels are also beginning to offer attractive work from hotel packages to mitigate the low occupancy rate brought by the pandemic. They provide a refreshing change to those who are tired of working from home and also cater as an alternative place to work for corporations that have to comply with stringent distancing rules and limit their workforce in the office.

Amid challenges in the office market, selected REITs or landlords of well-located buildings which are dated and older are shifting their focus on asset management and enhancement initiatives by refurbishing / revamping their office buildings. They are also motivated to offer attractive leasing packages that are centred on tenant retention to improve their market competitiveness and attract new occupiers.

HYPERMARKET SEGMENT

9.0 JOHOR

9.1 Supply: Existing

As of 3Q2020, the cumulative existing space of hypermarkets in Johor stood at circa 5.52 million sq ft, following the completion of three hypermarkets in Johor Bahru and Kota Tinggi, with combined NLA of approximately 197,195 sq ft. This reflects circa 3.7% growth in existing supply.

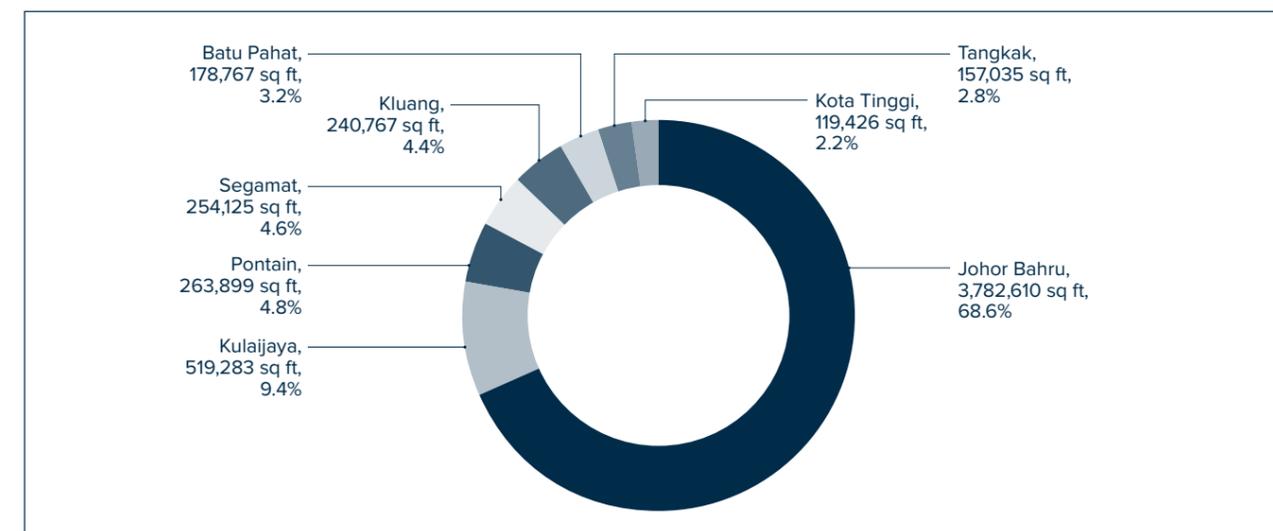
Johor: Existing Supply of Hypermarkets, 2018 to 3Q2020^(P)

Locality	2018		2019 ^(P)		3Q2020 ^(P)	
	No. of Properties	Estimated NLA (sq ft)	No. of Properties	Estimated NLA (sq ft)	No. of Properties	Estimated NLA (sq ft)
▶ Johor Bahru	25	3,518,937	26	3,633,584	28	3,782,610
▶ Kulaijaya	4	519,283	4	519,283	4	519,283
▶ Kota Tinggi	2	119,426	2	119,426	2	119,426
▶ Pontian	3	263,899	3	263,899	3	263,899
▶ Batu Pahat	1	133,160	1	133,160	2	178,767
▶ Kluang	2	213,287	3	240,767	3	240,767
▶ Segamat	4	255,546	4	251,563	4	254,125
▶ Tangkak	1	157,035	1	157,035	1	157,035
Total	42	5,180,573	44	5,318,717	47	5,515,912

Source: NAPIC / Knight Frank Research

The bulk of existing supply, encompassing 28 hypermarkets, is concentrated in the locality of Johor Bahru (3.78 million sq ft or circa 68.6% market share of total space), followed by the locality of Kulaijaya with circa 9.4% share or 519,283 sq ft of space.

Johor: Existing Supply of Hypermarkets, 3Q2020^(P)

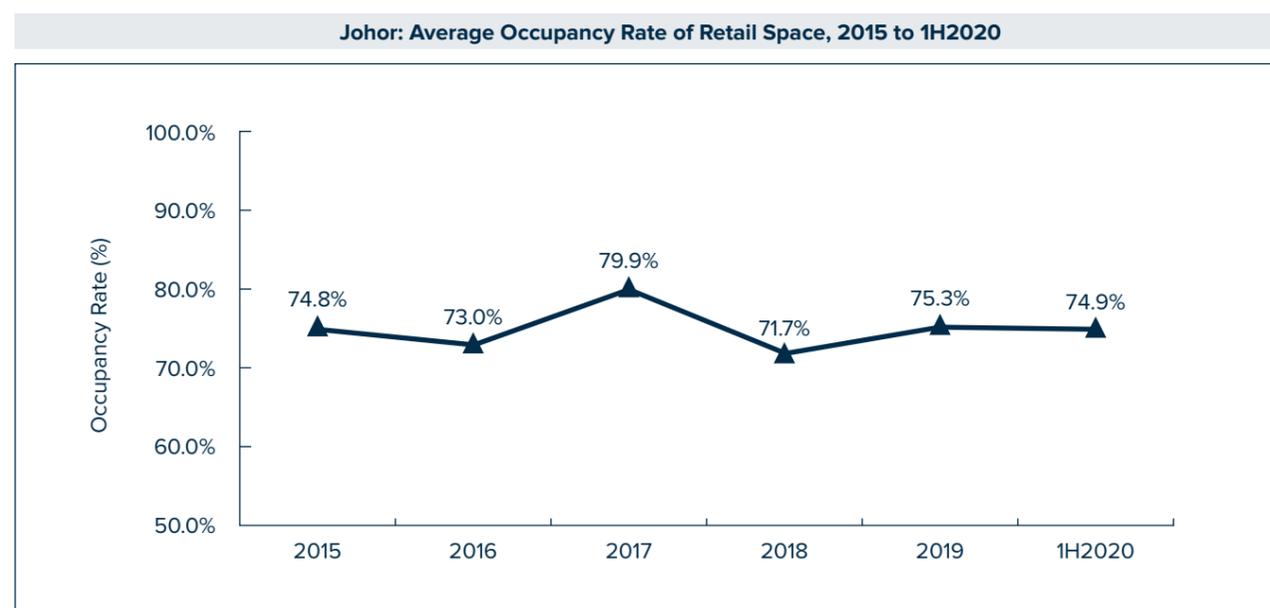


Sources: NAPIC / Knight Frank Research

The localities of Pontian, Segamat and Kluang have relatively proportionate supply of hypermarkets with circa 4.8%, 4.6% and 4.4% share respectively. The remaining supply are located within the localities of Batu Pahat, Tangkak and Kota Tinggi with approximately 3.2%, 2.8% and 2.2% share respectively.

9.2 Occupancy

The average occupancy rate of retail space (inclusive of shopping centres, arcades and hypermarkets) in Johor was recorded at 74.9% as of 1H2020. The occupancy rate peaked in 2017 at 79.9%, but has since declined to 71.1% in 2018 before marginally improving to 75.3% in 2019.



Sources: NAPIC / Knight Frank Research

9.3 Rental Rates

The rental levels of selected hypermarkets in Johor are summarised in the table below.

Johor: Rental Levels of Selected Hypermarkets, 2019 to 1H2020

Hypermarket	Location	Floor / Level	Floor Area (sq ft)	Rental Range (RM per sq ft / month)	
				2019	1H2020
▶ Central Town Prime Area					
AEON BiG	Kluang	Ground	161 – 969	4.27 – 20.53	4.27 – 20.53
▶ Central Town Secondary Area					
Econsave Taman Kota Emas	Pontian	Ground	280 – 388	8.55 – 16.82	8.55 – 14.27
Pasaraya Borong NSK	Tangkak	Ground	205 – 2,992	-	2.88 – 11.91
		First	474 – 2,723	-	4.65 – 7.50
▶ Suburban Prime Area					
Giant Southern City	Johor Bahru	Ground	226 – 248	8.70 – 20.50	8.70 – 20.50
Giant Tampai	Johor Bahru	Ground	108 – 807	3.50 – 34.16	3.50 – 34.16
Aeon BiG	Batu Pahat	Ground	269 – 1,453	3.40 – 10.61	3.40 – 10.61
▶ Suburban Secondary Area					
Pasaraya Pandan	Johor Bahru	Ground	205 – 291	10.32 – 16.67	10.32 – 16.67
		First	463 – 3,111	4.84 – 6.44	4.84 – 6.44
Mydin Pelangi Indah	Johor Bahru	Ground	258 – 1,496	3.91 – 16.24	3.91 – 16.24
		First	108 – 13,110	1.60 – 32.50	1.60 – 32.50
TESCO Desa Tebrau	Johor Bahru	Ground	118 – 1,905	2.40 – 23.85	2.40 – 23.85
		First	334 – 1,195	2.60 – 5.40	2.60 – 5.40
TESCO Extra Plentong	Johor Bahru	Ground	334 – 1,195	2.60 – 5.40	2.60 – 5.40
		First	388 – 1,378	2.80 – 9.23	2.80 – 9.23
GIANT Plentong	Johor Bahru	Ground	140 – 2,454	7.81 – 53.86	7.81 – 53.86
		First	161 – 3,531	2.01 – 21.72	2.01 – 21.72
TESCO Kulai	Kulai	Mezzanine	764	6.60	6.60
		First	409 – 2,153	2.00 – 7.40	2.00 – 7.40
Econsave Taman Daiman Jaya	Kota Tinggi	Ground	140 – 258	8.48 – 15.48	8.48 – 15.48
TESCO Parit Raja	Batu Pahat	First	269 -1,507	2.10 – 12.00	2.10 – 12.00

Sources: NAPIC / Knight Frank Research

Rental levels for hypermarkets in central town prime area, namely Aeon BiG in Kluang range from RM4.27 per sq ft to RM20.53 per sq ft per month while in central town secondary areas of Pontian and Tangkak, the monthly rental rates range from RM2.88 per sq ft to RM14.27 per sq ft.

Hypermarkets within suburban prime areas namely, Giant Southern City and Giant Tampai in Johor Bahru and Aeon BiG in Batu Pahat command higher rental levels, ranging from RM3.40 per sq ft to RM34.16 per sq ft per month.

In the suburban secondary areas of Johor Bahru, the rental levels remain competitive, ranging from RM1.60 per sq ft to RM53.86 per sq ft per month. Hypermarkets in suburban secondary area of other localities, namely Kulai, Kota Tinggi and Batu Pahat, command monthly rental rates of between RM2.10 per sq ft and RM15.48 per sq ft.

10.0 KEDAH

10.1 Supply: Existing

The cumulative existing space of hypermarkets in Kedah stood at circa 1.15 million sq ft as of 3Q2020. The existing supply has remained unchanged since 2017, following no new completions / opening of hypermarkets within the state.

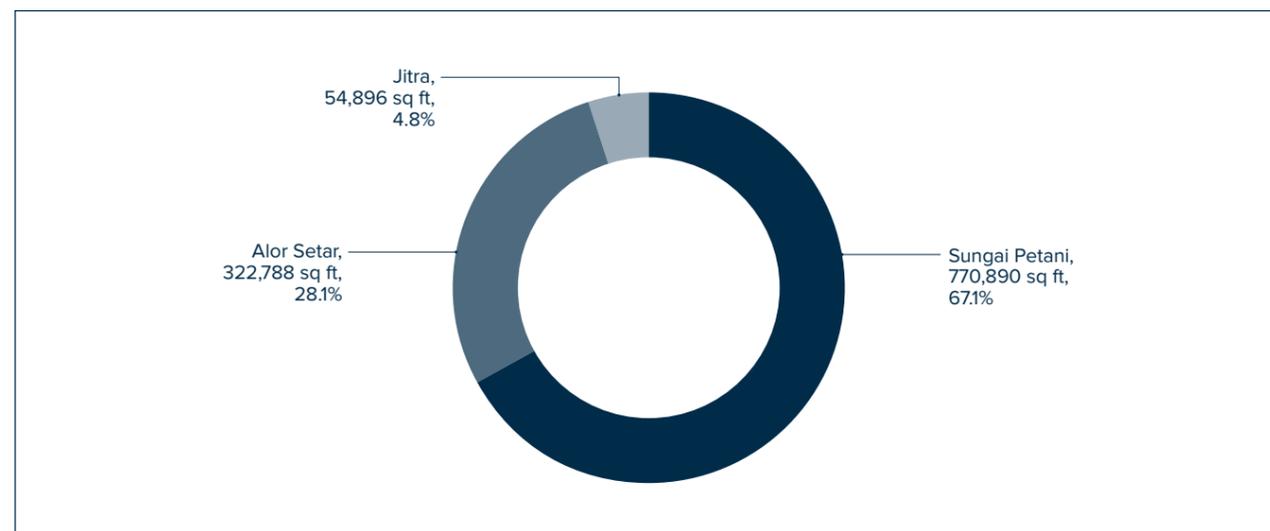
Kedah: Existing Supply of Hypermarkets, 3Q2020^(p)

Locality	No. of Properties	Estimated NLA (sq ft)
▶ Alor Setar	4	322,788
▶ Sungai Petani	6	770,890
▶ Jitra	1	54,896
Total	11	1,148,574

Sources: NAPIC / Knight Frank Research

The bulk of existing supply is located within Sungai Petani (circa 67.1% or 770,890 sq ft), with the remaining 28.1% of space (7.5 million sq ft) in Alor Setar and 4.8% in Jitra respectively.

Kedah: Existing Supply of Hypermarkets, 3Q2020^(p)

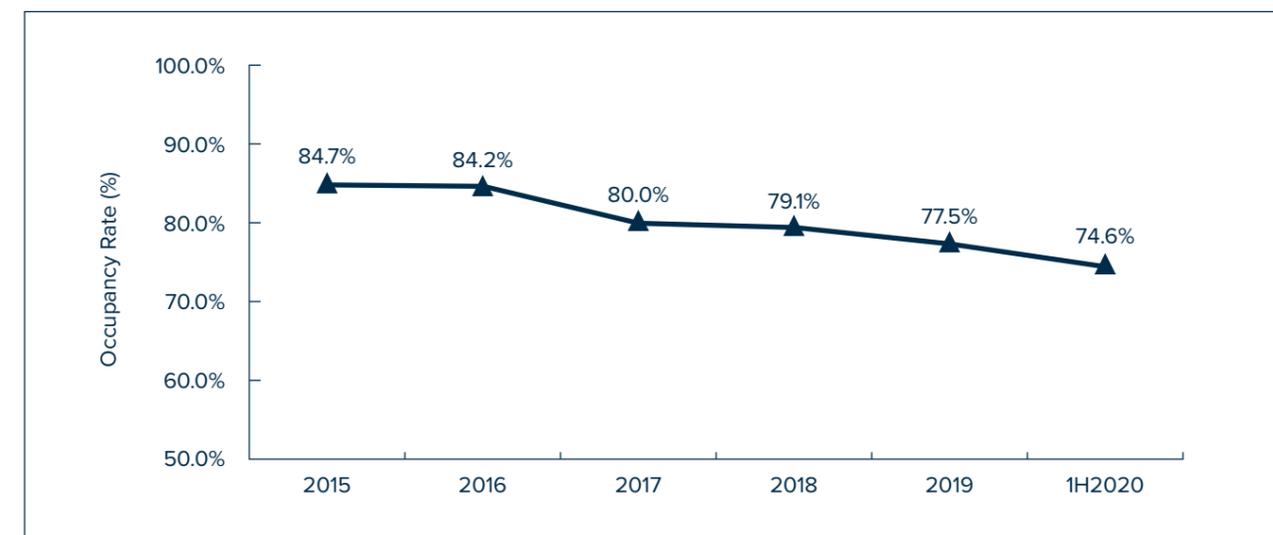


Sources: NAPIC / Knight Frank Research

10.2 Occupancy

In Kedah, the average occupancy of retail space (including shopping centres, arcades and hypermarkets), peaked at 84.7% in 2015 and has since, continued to downtrend to record at 74.6% in 1H2020.

Kedah: Average Occupancy Rate of Retail Space, 2015 to 1H2020



Sources: NAPIC / Knight Frank Research

10.3 Rental Rates

In general, rental rates of selected hypermarkets in the central town prime area of Kedah range from RM1.50 per sq ft to RM18.49 per sq ft per month.

Hypermarkets within the locality of Kota Setar, namely Mydin, Tesco Mergong and Tesco Stargate, command rental rates between RM1.50 per sq ft and RM18.49 per sq ft per month while the rental rates of Tesco Jitra in Kubang Pasu range from RM1.90 per sq ft to RM7.50 per sq ft per month.

Kedah: Rental Rates of Selected Hypermarkets, 2019 to 1H2020

Hypermarket	Floor / Level	Floor Area (sq ft)	Rental Range (RM per sq ft / month)	
			2019	1H2020
▶ Kota Setar				
Mydin	Ground	86 – 431	6.87 – 14.03	6.90 – 14.00
TESCO Mergong	Ground	226 – 646	-	6.23 – 18.49
	First	377 – 646	-	8.38 – 12.73
TESCO Stargate	Ground	301 – 829	-	1.50 – 5.00
▶ Kubang Pasu				
TESCO Jitra	Ground	592 – 2,260	1.90 – 7.53	1.90 – 7.50

Sources: NAPIC / Knight Frank Research

11.0 HYPERMARKET MARKET OUTLOOK

The retail landscape continues to face hardships largely due to the fallout of the COVID-19 outbreak, with the country's retail sales registering a negative growth rate of -9.7% for the third quarter of 2020. Despite an upward revision from -20.2% to -18.4% for the whole year of 2020, retail sales growth is expected to remain below market expectations.

Meanwhile, the Consumer Sentiment Index (CSI) recorded a slight improvement on the quarter, recording at 91.5 points in 3Q2020 (2Q2020: 90.1 points). Nonetheless, the CSI remains below the 100-point threshold for the eighth consecutive quarter since 4Q2018, following subdued consumer spending on concerns of economic recession, rising unemployment and lower disposable income amid the prolonged COVID-19 pandemic.

Shopping malls and retail developments faced sharp decline in sales and footfall following the enforcement of Movement Control Order (MCO) in March 2020 as most business activities with the exception of 'Essential Services' literally slowed or came to a complete halt.

The pandemic has brought upon a new normal as well as the unexpected revival of the hypermarket and grocery sector. The sector, which was previously clouded with challenges due to changing consumer behaviour, experienced stronger sales and profit during these unprecedented times.

The businesses of two hypermarket chains were sold in 2020. The Malaysian and Thailand operations of TESCO were purchased by Charoen Pokphand Group, Thailand's largest agriculture conglomerate for US\$10.6 billion, while there was a management buyout of TF Value-Mart with financing from Intermediate Capital Group (ICG). The new owner of TF Value-Mart has expressed plans to open in two new locations in Kedah in 2021.

Johor's retail market was adversely affected by the pandemic, particularly businesses which are dependent on the transactions and spending of Singaporean tourists, of which include hypermarkets. Despite the recent resurgence of COVID-19 cases, the anticipated commercial rollout of the vaccine by 1H2021, provides a glimmer of hope for the reopening of the international borders.

To cushion the severe impact of the novel coronavirus, the government has launched a few economic stimulus packages including PRIHATIN, aimed at supporting struggling small and medium size enterprises (SMEs); PENJANA, a RM35 billion short-term Economic Recovery Plan to restart the country's economy and; Prihatin Supplementary Initiative Package (Kita Prihatin) which allocates additional cash handouts, wage subsidies and micro-business financial grants.

In addition, the reduction in the employee's statutory contribution rate to the Employees' Provident Fund (EPF) from 11% to 9% effective 2021 as provided under Budget 2021, will boost disposable income and ramp up domestic spending. There is also a 1% reduction in the income tax rate for the RM50,001 to RM70,000 bracket, effective from 2021 (current tax rate is 14%). Both the reduction in EPF contribution and income tax rate will help to increase the disposable income of individuals especially during these trying times.

The short-term outlook for the retail sector in Johor and Kedah remains cloudy but there are windows of opportunities in the mid to longer term with the right data, key insights and value.

FREQUENTLY ASKED QUESTIONS (FAQ)

▶ **How often does Axis-REIT make an income distribution?**

Since 1 January 2009, Axis-REIT has changed its income distribution policy from semi-annual payments, to quarterly payments that are payable within one month from the book closure date. In the event of an IDRП being applied in conjunction with an income distribution, the income distribution will be paid no later than five market days after one month from the book closure date. However, in certain circumstances such as the issuance of new Units by Axis-REIT during the year, it may be necessary for a special income distribution to be declared and paid at different period(s) in order to attribute income distribution to existing Unitholders. This is to avoid any dilution as a result of the enlarged Unitholders' capital.

▶ **How is this income distribution paid?**

Payments are made via direct credit / cheques to each Unitholder with an attached Distribution Tax Voucher detailing the entitlement and the gross / net amount payable.

▶ **Are there different types of income distributions?**

Yes. At the Fund level, the source from which income is distributed could be derived from:

- The current year's realised income before taxation;
- The current year's tax-exempt income, if any;
- A portion of 'Accumulated Retained Earnings' that have been taxed;
- A portion of 'Accumulated Retained Earnings' that consists of tax-exempt income.

▶ **What is the tax treatment of Unitholders?**

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

Withholding tax will be deducted for distributions made to the following categories of unitholders:

Type of Unitholder	Withholding tax rate		
	2018	2019	2020
▶ Resident corporate	Nil [^]	Nil [^]	Nil [^]
▶ Resident non-corporate	10%	10%	10%
▶ Non-resident individual	10%	10%	10%
▶ Non-resident corporate	24%	24%	24%
▶ Non-resident institution	10%	10%	10%

[^] Tax flow through; thus no withholding tax.

▶ **How do I calculate my distribution?**

For FYE2020, the total income distribution was 8.75 sen per unit, of which 2.85 sen was derived from the utilisation of capital allowances, industrial building allowances and tax-exempt profit income, which is not subject to tax.

Type of Unitholder	Assumption: 10,000 Axis-REIT Units	
	Gross distribution (RM)	Net distribution to Unitholders after deduction of withholding tax (RM)
▶ Resident corporate*	875.00	875.00
▶ Resident individual/institutional	875.00	816.00
▶ Foreign corporate	875.00	733.40
▶ Foreign institution	875.00	816.00
▶ Foreign individual	875.00	816.00

* Tax flow through; thus no withholding tax.

FREQUENTLY ASKED QUESTIONS (FAQ)

▶ **What is my net distribution yield for 2020?**

For FYE2020, the total distribution was 8.75 sen per unit.

Type of Unitholder	Net distribution yield based on IPO price of RM0.625*	Net distribution yield based on closing price of RM2.03 on 31 December 2020
▶ Resident corporate	14.00%	4.31%
▶ Resident individual/institutional	13.06%	4.02%
▶ Foreign corporate	11.73%	3.61%
▶ Foreign institution	13.06%	4.02%
▶ Foreign individual	13.06%	4.02%

* Restated from RM1.25 to reflect the Unit Split

▶ **Where can a Unitholder view the Deed of Axis-REIT?**

The Deed is available for inspection during ordinary business hours at the principal place of business of the Manager and at the principal place of business of the Trustee.

▶ **What is the total number of Axis-REIT Units currently in issue?**

A total of 1,442,331,296 Units are in circulation.

▶ **How can new Units be issued?**

The Manager may, from time to time, recommend an increase in the number of Units by way of a rights or bonus issue to existing Unitholders in proportion to their holding of Units, or by way of placement to any person, as consideration issue for subscription or such other methods as may be permitted under the SC's Guidelines on Listed REITs. The issuance of new Units are for Axis-REIT to finance acquisitions or to balance the financing-equity matrix of the Fund.

Any issuance of new Units in Axis-REIT will be subject to the prior approval of the Trustee and Unitholders in the manner stipulated in the Deed, and subject to the applicable laws and requirements.

▶ **What are my rights as a Unitholder?**

The key rights of Unitholders include rights to receive income and other distributions attributable to the Units held, receive the fund reports of Axis-REIT, and participate in the termination of Axis-REIT by receiving a share of all net cash proceeds derived from the realisation of the assets of Axis-REIT less any liabilities, in accordance with their proportionate interests in Axis-REIT. Unitholders are also entitled to vote on resolutions tabled at meetings of Unitholders.

▶ **How can the Deed be amended?**

Any amendment to the Deed involving a material change to the investment objectives of Axis-REIT, or materially or adversely affecting the rights of the Unitholders, may only be approved by a resolution of not less than two-thirds (2/3) of the Unitholders passed at a meeting of Unitholders duly convened and held in accordance with the Deed. In cases where any amendment to the Deed does not require Unitholders' approval, no amendment may be made to the Deed unless the Trustee and the Manager certify, in their opinion, that the amendment does not materially prejudice the interests of Unitholders and does not operate to release (to any material extent) the Trustee or the Manager from any responsibility to the Unitholders.

▶ **When does Axis-REIT need to hold its AGM?**

The AGM of Axis-REIT shall be held once in every calendar year within four (4) months of the Fund's financial year end, and not more than 15 months after the last preceding AGM was held. At the AGM, the Manager shall lay before the Unitholders, the annual audited financial statements of Axis-REIT made up to a date not more than four months before the date of the AGM.

▶ **Who may convene a meeting of Unitholders?**

Either the Trustee or the Manager may convene a meeting of Unitholders at any time, subject to the provisions of the Deed. Unitholders may requisite for a meeting of Unitholders by submitting to the Manager an application to be made by not fewer than 50, or one tenth, whichever is lesser, of all Unitholders. Subject to the provisions of the Deed, the Manager will have to convene a meeting of Unitholders within 21 days after such requisition is submitted to the Manager at its registered office.

▶ **Can the Manager vote at Unitholders' meetings of Axis-REIT?**

No, unless it is a meeting held for the proposed removal of the Manager. However related parties (as defined in the Deed) of the Manager may vote provided that they have no interest in the outcome of the transaction laid before the meeting for approval (which is different from the interests of other Unitholders).

▶ **Why was Axis-REIT reclassified into an Islamic REIT?**

Axis-REIT was reclassified into an Islamic REIT:

- To widen its investor base to include local Islamic funds and also to develop investor interest from foreign Islamic funds;
- To expedite its asset growth with new strategic partners;
- To become the first Office/Industrial REIT on a global platform which complied with the then SC's Guidelines on Islamic REITs.

▶ **What are the salient compliance requirements of an Islamic REIT pursuant to the SC's Guidelines on Listed REITs?**

The salient compliance requirements are that:

- Rental obtained from non-compliant activities must not exceed the 20% benchmark as determined by the Shariah Advisory Council ("SAC") of the SC;
- An Islamic REIT is not permitted to own real estate in which all the tenants operate Shariah non-compliant activities even if the percentage of rental based on turnover is below the 20% benchmark;
- All forms of investments, deposits and financing instruments of an Islamic REIT must comply with Shariah principles;
- An Islamic REIT must use Takaful schemes to insure its real estate, unless Takaful is not available or commercially viable.

FREQUENTLY ASKED QUESTIONS (FAQ)

▶ **Is an Islamic REIT permitted to own (purchase) real estate in which the tenant(s) operate(s) mixed activities that are compliant and non-compliant according to the Shariah principles?**

An Islamic REIT is permitted to own (purchase) real estate in which its tenant(s) operate(s) mixed activities that are compliant and non-compliant, according to Shariah principles. However, the management company of the Islamic REIT must perform some additional compliance assessments before acquiring real estate that has tenant(s) that operate(s) mixed activities.

▶ **What are non-permissible activities?**

Rental activities that are classified as non-permissible as determined by the SAC are:

- conventional banking;
- conventional insurance;
- gambling;
- liquor and liquor-related activities;
- pork and pork-related activities;
- non-halal food and beverages;
- tobacco and tobacco-related activities;
- stockbroking or share-trading in Shariah non-compliant securities;
- Shariah non-compliant entertainment; and
- other activities deemed non-compliant according to Shariah principles.

▶ **Must Axis-REIT comply with additional requirements prescribed by the SC for Islamic REITs?**

Yes. Previously, the SC's Guidelines on Islamic REITs essentially provided Shariah guidance on the investment and business activities of Islamic REITs. As Axis-REIT is a listed REIT, this has since been superseded by the SC's Guidelines on Listed REITs, which sets out the additional requirements for listed Islamic REITs.

GLOSSARY

<IR> Framework	:	International <IR> Framework
AEIs	:	Asset Enhancement Initiatives
AFM	:	Axis Facilities Management Sdn Bhd
AGM	:	Annual General Meeting
ARMB or the Manager	:	Axis REIT Managers Berhad, being the Manager of Axis-REIT
Axis-REIT/the Fund/the Trust	:	Axis Real Estate Investment Trust
Bursa Securities	:	Bursa Malaysia Securities Berhad
CDS	:	Central Depository System
Deed	:	The Fourth Principal Deed dated 17 January 2020 executed between the Trustee and the Manager constituting Axis-REIT
DPU	:	Distribution per Unit
ESG	:	Environmental, Social and Governance
FYE	:	Financial Year Ended/Ending
GDP	:	Gross Domestic Product
Financing ratio	:	Financing to Total Assets
IDRP	:	Income Distribution Reinvestment Plan
Islamic REITs	:	REITs that comply with the applicable Shariah principles, concepts and rulings endorsed by the SAC
MER	:	Management Expense Ratio
NAV	:	Net Asset Value
NLA	:	Net Lettable Area, which consists of the total gross floor area less the common areas, such as corridors, amenities area and management offices of the building
Property Manager	:	Axis Property Services
REIT(s)	:	Real Estate Investment Trust(s)
RM and sen	:	Ringgit Malaysia and sen, respectively
SAC	:	Shariah Advisory Council
SC	:	Securities Commission Malaysia
SC's Guidelines on Listed REITs	:	Guidelines on Listed Real Estate Investment Trusts issued by the SC on 15 March 2018, as may be amended from time to time
Trustee of Axis-REIT/the Trustee	:	RHB Trustees Berhad, being the Trustee of Axis-REIT
Unit(s)	:	Undivided interest(s) in Axis-REIT as constituted by the Deed
Unit Split	:	Subdivision of every one existing Unit into two Units that was completed on 9 September 2015
Unitholder(s)	:	Holder(s) of the Units
WALE	:	Weighted Average Lease Expiry

NOTICE OF NINTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting (“AGM”) of Axis Real Estate Investment Trust (“Axis-REIT”) will be convened and held on a fully virtual basis at the broadcast venue, Boardroom, Penthouse, Menara Axis, No. 2, Jalan 51A/223, 46100 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 28 April 2021 at 10.00 a.m. (Malaysia time), for the following purposes:

ORDINARY BUSINESS

To receive the Audited Financial Statements for the financial year ended 31 December 2020 of Axis-REIT together with the Reports attached thereon.

SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions of Axis-REIT:

ORDINARY RESOLUTION NO. 1

PROPOSED RENEWAL OF THE AUTHORITY TO ALLOT AND ISSUE NEW UNITS IN AXIS-REIT (“UNITS”) OF UP TO 20% OF THE TOTAL NUMBER OF UNITS ISSUED IN AXIS-REIT, TO FACILITATE A PLACEMENT EXERCISE (“PROPOSED RENEWAL OF AUTHORITY”)

“**THAT** pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), and subject to requisite approvals being obtained, approval be hereby given to the Directors of Axis REIT Managers Berhad (“Manager”) to allot and issue new Units, to facilitate Axis-REIT in raising funds via a placement exercise (“Proposed Placement”), at any time to any such persons, upon such terms and conditions as they may, in their absolute discretion, deem fit and in the best interest of Axis-REIT, provided that the aggregate number of new Units to be issued pursuant to this resolution, when aggregated with the number of Units issued during the preceding 12 months, does not exceed 20% of the total number of Units issued in Axis-REIT;

THAT such authority, once renewed, shall continue to be in force until:

- (i) the conclusion of the next AGM of Axis-REIT following this AGM where the Proposed Renewal of Authority is passed, at which time the authority will lapse, unless by a resolution passed by the Unitholders at that AGM, such authority is renewed; or
- (ii) the Proposed Renewal of Authority is revoked or varied by a resolution passed by the Unitholders at a Unitholders’ meeting,

whichever is the earliest;

THAT such new Units to be issued under the Proposed Placement (“Placement Units”) shall, upon allotment and issue, rank equally in all respects with the Units already in existence except that the Placement Units will not be entitled to any distributable income, right, benefit, entitlement and/or any other distribution that may be declared, made or paid before the date of allotment and issue of the Placement Units;

AND THAT authority be and is hereby given to the Directors of the Manager and RHB Trustees Berhad (“Trustee”) (acting for and on behalf of Axis-REIT), to give effect to the Proposed Renewal of Authority including but not limited to the creation of the requisite new Units and with full powers to assent to any condition, modification, variation, arrangement and/or amendment in relation to the Proposed Renewal of Authority as they may deem fit in the best interest of Axis-REIT and/or as may be imposed by the relevant authorities **AND FURTHER THAT** the Directors of the Manager and the Trustee (acting for and on behalf of Axis-REIT), are to implement, finalise, complete and do all such acts and things (including executing such documents as may be required) in relation to the Proposed Renewal of Authority.”

NOTICE OF NINTH ANNUAL GENERAL MEETING

ORDINARY RESOLUTION NO. 2**PROPOSED RENEWAL OF THE AUTHORITY TO ALLOT AND ISSUE UP TO 131,344,468 NEW UNITS IN AXIS-REIT FOR THE PURPOSE OF THE INCOME DISTRIBUTION REINVESTMENT PLAN (“IDRP”) THAT PROVIDES THE UNITHOLDERS OF AXIS-REIT THE OPTION TO REINVEST THEIR INCOME DISTRIBUTION IN NEW UNITS (“PROPOSED RENEWAL OF IDRPA AUTHORITY”)**

“**THAT** pursuant to the approval from the Unitholders obtained on 21 August 2015 for, among others, the renewal of the authority to allot and issue new Units for the purpose of the IDRPA, approval be and is hereby given for the renewal of the authority for the Board to allot and issue new Units from time to time pursuant to the IDRPA upon such terms and conditions as they may, in their absolute discretion, deem fit and in the best interest of Axis-REIT, provided that the aggregate number of the new Units to be issued pursuant to this resolution does not exceed 131,344,468 new Units, including such number of new Units to be issued pursuant to the IDRPA in conjunction with the final income distribution for the period from 1 October 2020 to 31 December 2020 which was declared on 20 January 2021;

THAT such authority, once renewed, shall continue to be in force until:

- (i) the conclusion of the next AGM of Axis-REIT following this AGM where the Proposed Renewal of IDRPA Authority is passed, at which time the authority will lapse, unless by a resolution passed by the Unitholders at that AGM, such authority is renewed; or
- (ii) the Proposed Renewal of IDRPA Authority is revoked or varied by a resolution passed by the Unitholders at a Unitholders’ meeting,

whichever is the earliest;

THAT such new Units to be issued under the Proposed Renewal of IDRPA Authority shall, upon allotment and issue, rank equally in all respects with the Units already in existence except that the Units will not be entitled to any distributable income, right, benefit, entitlement and/or any other distribution that may be declared, made or paid before the date of allotment and issue of such Units;

AND THAT authority be and is hereby given to the Directors of the Manager and the Trustee (acting for and on behalf of Axis-REIT), to give effect to the Proposed Renewal of IDRPA Authority including but not limited to the creation of the requisite new Units and with full powers to assent to any condition, modification, variation, arrangement and/or amendment in relation to the Proposed Renewal of IDRPA Authority as they may deem fit in the best interest of Axis-REIT and/or as may be imposed by the relevant authorities **AND FURTHER THAT** the Directors of the Manager and the Trustee (acting for and on behalf of Axis-REIT), are to implement, finalise, complete and do all such acts and things (including executing such documents as may be required) in relation to the Proposed Renewal of IDRPA Authority.”

By Order of the Board of

AXIS REIT MANAGERS BERHAD (200401010947 (649450-W))

Management company of Axis Real Estate Investment Trust

Rebecca Leong Siew Kwan

Chartered Secretary

(SSM PC No. 202008000587) (MAICSA 7045547)

Petaling Jaya

26 February 2021

NOTICE OF NINTH ANNUAL GENERAL MEETING

Notes:

- (1) A Unitholder shall be entitled to attend and vote at any meeting of Unitholders and shall be entitled to appoint up to 2 persons, whether a Unitholder or not, as its proxy to attend and vote. As the 9th AGM will be conducted on a fully virtual basis, an individual Unitholder who is unable to attend and vote via the remote participation and electronic voting facilities, at the AGM, can appoint the Chairman of the meeting as his/her proxy.
- (2) Where a Unitholder is a corporation, its duly authorised representative shall be entitled to attend and vote at the meeting and shall be entitled to appoint up to 2 persons (whether a Unitholder or not) as its proxy to attend and vote.
- (3) If the Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (“Authorised Nominee”), it may appoint at least 1 proxy (but no more than 2) in respect of each securities account it holds with Units of Axis-REIT standing to the credit of the said securities account.
- (4) If the Unitholder is an exempt Authorised Nominee which holds Units for multiple beneficial owners in 1 securities account (“Omnibus Account”), there is no limit to the number of proxies which the exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
- (5) The proxy(ies) so appointed by a corporate Unitholder, an Authorised Nominee or an exempt Authorised Nominee need not be the Chairman of the meeting.
- (6) But where 2 proxies are appointed, the appointment shall be invalid unless the proportions of holdings to be represented by each proxy are specified in the Instrument of Proxy.
- (7) Only a depositor whose name appears in the Record of Depositors of Axis-REIT as at 21 April 2021 shall be regarded as a Unitholder and entitled to attend, speak and vote at this AGM of Axis-REIT or appoint proxy(ies) in the manner as indicated above.
- (8) The Instrument of Proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if the appointor is a corporation, the Instrument of Proxy must be executed under the corporation’s seal or under the hand of an officer or attorney duly authorised.
- (9) To be valid, the original Instrument of Proxy duly completed and signed must be deposited at the office of the Registrars at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 48 hours before the time appointed for holding the meeting (facsimile copy of Instrument of Proxy would be disregarded).

Additional Information:

Please refer to the Administrative Guide for Unitholders which is available on the corporate website of Axis-REIT at <https://www.axis-reit.com.my/investor/agm.php> for more details of the fully virtual 9th AGM. The Instrument of Proxy is also available for download from the same link.

EXPLANATORY NOTES ON:**Ordinary Business**

There shall be no voting on the Ordinary Business of this AGM given that the laying of the Audited Financial Statements for the financial year ended 31 December 2020 of Axis-REIT together with the Reports attached thereon, before the Unitholders at this AGM is meant for discussion only. This is in accordance with Paragraph 13.18(b) of the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia.

Other than the aforesaid Ordinary Business, there is no other ordinary business to be transacted at this AGM.

Special Business – Ordinary Resolution No. 1 : Proposed Renewal of Authority

- (a) The Manager proposes to renew the authority to allot and issue up to 20% of the total number of Units issued in Axis-REIT, to facilitate Axis-REIT in raising funds via the Proposed Placement. The Proposed Renewal of Authority will empower the Directors with the flexibility to allot and issue new Units at any time via the Proposed Placement to any such persons, upon such terms and conditions as they may, in their absolute discretion, deem fit and in the best interest of Axis-REIT, provided that the aggregate number of new Units to be issued pursuant to the Proposed Renewal of Authority, when aggregated with the number of Units issued during the preceding 12 months, does not exceed 20% of the total number of Units issued in Axis-REIT.
- (b) As of the date of this notice of AGM, the Directors of the Manager have not issued any new Units pursuant to the general mandate which was procured and approved by the Unitholders in the preceding year 2020.
- (c) With the Proposed Renewal of Authority, delays and further costs involved in convening separate Unitholders’ meetings to approve such issue of new Units to raise funds can be avoided. The Manager will have the flexibility to raise funds via the Proposed Placement for Axis-REIT, as and when such need arises. The proceeds, after deducting the estimated expenses, to be raised from the issuance of the Placement Units, may be used, at the Directors’ absolute discretion, for:

NOTICE OF NINTH ANNUAL GENERAL MEETING

- (i) repayment of Axis-REIT's existing bank financing (including finance cost payable), which are taken up to finance acquisitions of real estate;
- (ii) future investments;
- (iii) capital expenditure, including development costs; and
- (iv) working capital purposes.

Special Business – Ordinary Resolution No. 2 : Proposed Renewal of IDR P Authority

- (a) The Manager proposes to renew the authority to allot and issue up to 131,344,468 new Units, representing approximately 9.11% of the existing issued fund size of Axis-REIT of 1,442,331,296 Units, for the purpose of the IDR P. The Proposed Renewal of IDR P Authority will empower the Directors with the flexibility to allot and issue new Units at any time under the IDR P, provided that the aggregate number of Units to be issued pursuant to the Proposed Renewal of IDR P Authority does not exceed 131,344,468 new Units, including such number of new Units to be issued pursuant to the IDR P in conjunction with the final income distribution for the period from 1 October 2020 to 31 December 2020 ("2020 Final Income Distribution") which was declared on 20 January 2021.
- (b) The Unitholders had, at the 8th AGM of Axis-REIT convened and held on 17 June 2020 approved, among others, the authority to allot and issue up to 131,344,468 new Units pursuant to the IDR P. Axis-REIT had applied the IDR P to the 2020 Final Income Distribution which was declared on 20 January 2021 ("2020 IDR P"). The actual number of new Units to be issued on 11 March 2021 (being the payment date for the 2020 Final Income Distribution) pursuant to the 2020 IDR P could not be determined at this juncture as such number of new Units is subject to the election by the entitled Unitholders whose names appear on the Records of Depositors of Axis-REIT as at 4:30 p.m. on 5 February 2021.
- (c) In view of the foregoing, the remaining number of new Units that can be allotted and issued pursuant to the Proposed Renewal of IDR P Authority will be up to 131,344,468 new Units less such number of new Units to be issued pursuant to the 2020 IDR P, subject to the Unitholders' approval being obtained at the forthcoming AGM for the Proposed Renewal of IDR P Authority.
- (d) The net proceeds to be raised from the new Units to be issued pursuant to the 2020 IDR P in conjunction with the 2020 Final Income Distribution (after deducting the related issuing expenses) shall be utilised to refurbish and/or renovate the properties of Axis-REIT.
- (e) Any proceeds to be raised from the issuance(s) of new Units pursuant to the Proposed Renewal of IDR P Authority, if such authority is renewed at the forthcoming AGM, shall be utilized to refurbish and/or renovate the properties of Axis-REIT.

Personal Data Notice

In view of the enforcement of **Personal Data Protection Act 2010** ("Act") which regulates the processing of personal data in commercial transactions, the Act applies to us, **Axis REIT Managers Berhad**, being the management company of Axis-REIT.

The personal data processed by us may include your name, contact details, and mailing address and any other personal data derived from any documentation. We may use or disclose your personal data to any person we may engage for the purpose of the issuance of the Notice of AGM, processing of the Instrument of Proxy and the convening of the AGM of Axis-REIT. As such, it is necessary for us to obtain your personal data in order to carry out the said purposes.

Subject to the requirements under the Act, if you would like to make any enquiries of your personal data, please contact us using any of the following modes:

Mailing address : Axis REIT Managers Berhad
Penthouse, Menara Axis, No. 2, Jalan 51A/223
46100 Petaling Jaya, Selangor Darul Ehsan

Telephone / Fax No : 603-7958 4882 /603-7957 6881

E-mail Address : pdpa@axis-reit.com.my



REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted under the laws of Malaysia)

INSTRUMENT OF PROXY

Central Depository System Account No.	No. of Units held in Axis-REIT

*I/We (full name of individual/corporation)

*MyKad/Passport No./Registration No. *Contact No./Email

of (address)

being a Unitholder of **Axis Real Estate Investment Trust** ("**Axis-REIT**") hereby appoints the following:

Full Name (In block letters):	MyKad/Passport No.:	Proportion of Unitholdings	
		No. of Units	Percentage (%)
Address:			

***OR failing him/her / AND,**

Full Name (In block letters):	MyKad/Passport No.:	Proportion of Unitholdings	
		No. of Units	Percentage (%)
Address:			

OR failing him/her, *the CHAIRMAN OF THE MEETING, as my/our proxy to attend and vote for me/us on my/our behalf at the Ninth Annual General Meeting ("9th AGM") of Axis-REIT to be held on a fully virtual basis at the broadcast venue, Boardroom, Penthouse, Menara Axis, No. 2, Jalan 51A/223, 46100 Petaling Jaya, Selangor Darul Ehsan, Malaysia on **Wednesday, 28 April 2021 at 10.00 a.m. (Malaysia time)** or at any adjournment thereof.

VOTING INSTRUCTIONS

RESOLUTION		FOR	AGAINST
Ordinary Resolution No. 1	Proposed Renewal of Authority		
Ordinary Resolution No. 2	Proposed Renewal of IDR P Authority		

Please indicate with an "X" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he/she thinks fit.

Dated this day of 2021

.....
Signature of Unitholder OR Common Seal

* Strike out whichever is not desired.

Fold this flap for sealing

Notes:

- (1) A Unitholder shall be entitled to attend and vote at any meeting of Unitholders and shall be entitled to appoint up to 2 persons, whether a Unitholder or not, as its proxy to attend and vote. As the 9th AGM will be conducted on a fully virtual basis, an individual Unitholder who is unable to attend and vote via the remote participation and electronic voting facilities, at the AGM, can appoint the Chairman of the meeting as his/her proxy.
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Additional Information:

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**AFFIX
STAMP**

Management Company of Axis Real Estate Investment Trust
Axis REIT Managers Berhad
c/o Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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Prepared by:
Axis REIT Managers Berhad
(200401010947 (649450-W))
As the Manager of Axis-REIT

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