

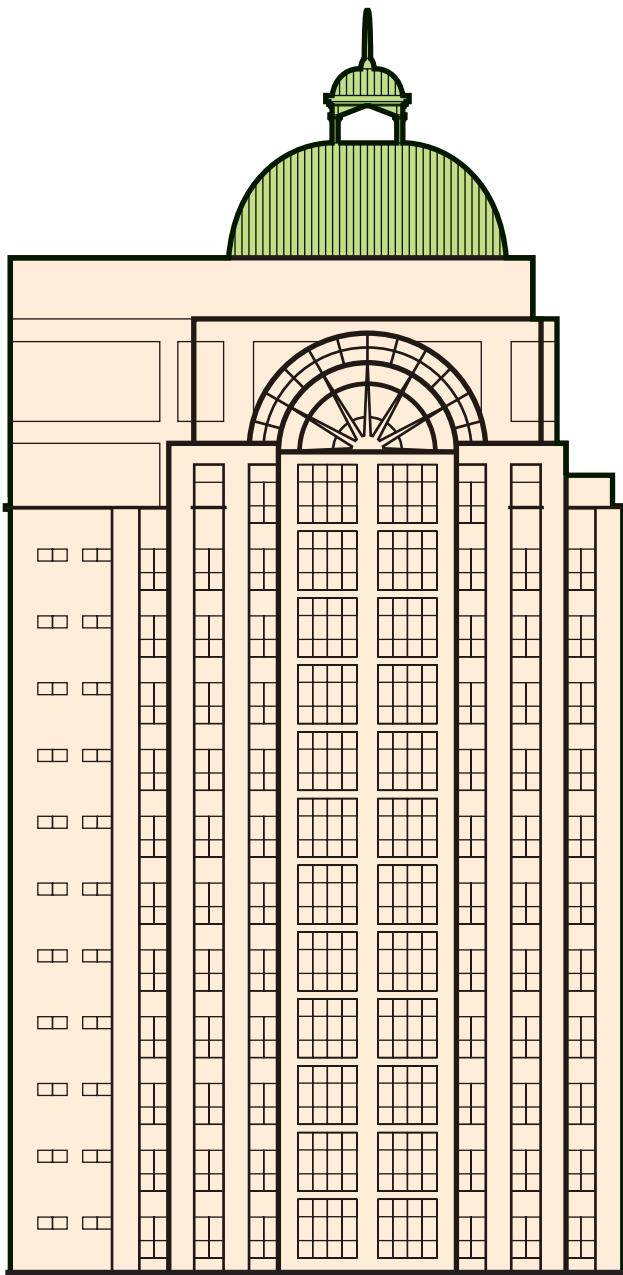


OUR LOGO, VISION & BUSINESS PHILOSOPHY

Our Logo depicts the four corners of the world where "Eastern Philosophy Meets Western Business Practises"; representing the international components of Axis REIT Managers Berhad. It displays the culmination of their experiences, backgrounds and knowledge from Norway, Australia and Southeast Asia.

Our vision is to become the Country's leading supplier of commercial, office and light industrial real estate.

Our Business Philosophy is to provide our customers with the best solutions in the supply of office/commercial and industrial space. We practice an open, transparent and creative management of our real estate portfolio, whilst being 'hands on' with our tenants. Our principal objective is to translate our business philosophy into best management practises thereby maximising returns to Axis-REIT Unitholders.



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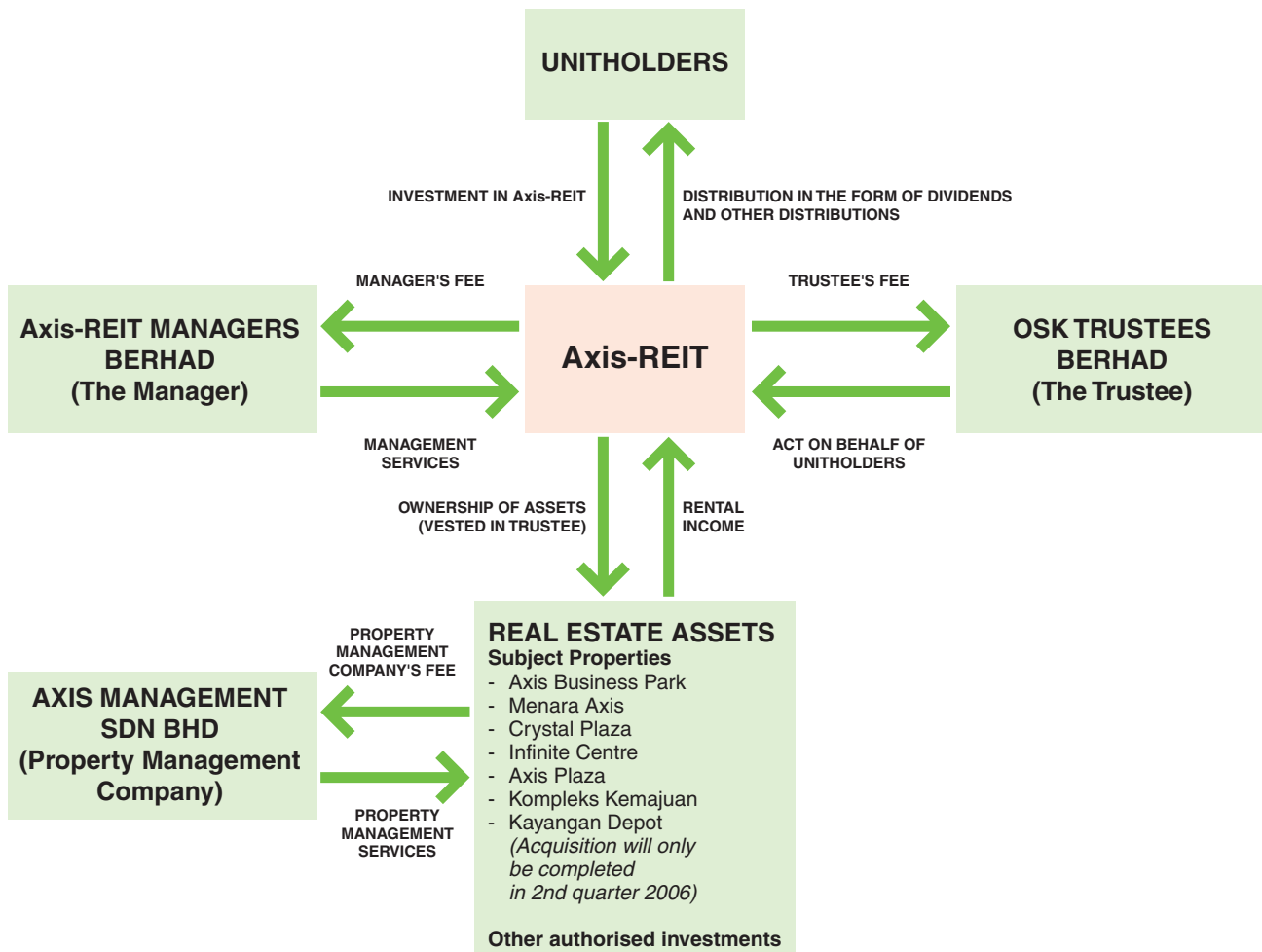
What is a REIT

WHAT IS A REIT?

“ A REIT is a collective investment scheme where funds from investors are pooled and invested towards a specified goal as set out in the investment objective of the fund. In addition, a REIT is a fund that invests (via funds raised from investors) in a portfolio of real estate assets or real estate-related assets. Rents from these real estate generate income collected from tenants, which is then distributed to investors at regular intervals. REITs therefore provide investors with an alternative transparent, liquid vehicle to invest in a diverse portfolio of professionally managed income-generating commercial real estate, which has the potential of a capital upside over the long run. ”

THE STRUCTURE OF Axis-REIT

The following diagram illustrates the structure of Axis-REIT and the relationships between Axis-REIT, the Manager, the Property Management Company, the Trustee and the Unitholders.





Salient Features of Fund

Fund category	REIT
Fund type	Growth and income
Growth strategy	The Manager intends to achieve the primary objectives of the Fund by implementing investment and growth strategies which include strategies for organic growth and selective acquisitions of additional real estates.
Approved size of Fund	205,901,000 Units
Authorized investments	At least 75% of the total assets of Axis-REIT must be invested in Real Estate Assets, real estate-related assets or liquid assets out of which at least 50% must be invested in Real Estate Assets and the balance 25% may be invested in any other authorized investments.
Initial Public Offering Retail Price	RM1.25 per Issue Unit.
FYE	31 December
Distribution policy	Semi-annually in arrears, all (or such lower percentage as determined by the Manager in its absolute discretion) of the distributable income of Axis-REIT. For the 3 FYEs 31 December 2007, Axis REIT Managers intends to distribute 95% of the distributable income of Axis-REIT.
Borrowing limitations	Up to 35% of the total asset value of the Fund at the time the borrowing is incurred
Revaluation policy	The real estate shall be revalued at least once every year from the date of the last valuation
No redemption by Unit holders	Unit holders have no right to request the Manager to repurchase their Units while the Units are listed and not suspended for more than 90 consecutive Market Days
Minimum initial investment	Minimum of 100 Units
Minimum additional investment	Multiples of 100 Units
Investor profile	Suitable for investors who understand the risks related to the real estate industry and expect to benefit from the periodic distribution of income and long-term growth of the Fund
Form	The Units will be issued in registered form and shall be constituted by the Deed
Board lot	100 Units per board lot
Quotation	Main Board of Bursa Malaysia Securities Bhd
Bursa Malaysia Stock Number	AXREIT 5106

Financial Highlights

	ACTUAL 3 AUG TO 31 DEC 2005	FORECAST 15 AUG TO 31 DEC 2005	VARIANCE (%)
Net Income (RM '000) ⁽¹⁾	10,018	7,908	26.68
Income Distribution (RM '000)	9,677	7,743	24.98
Earnings per Unit (sen)	4.87	3.84	26.82
Distribution per Unit (sen)	4.70	3.76	25.00
Annualised management expense ratio (%)	0.88	1.33	33.83
Annualised distribution yield (%) ⁽²⁾	9.21	8.02	14.84
Annualised distribution yield (%) ⁽³⁾	6.65	5.79	14.85

AS AT 31 DECEMBER 2005

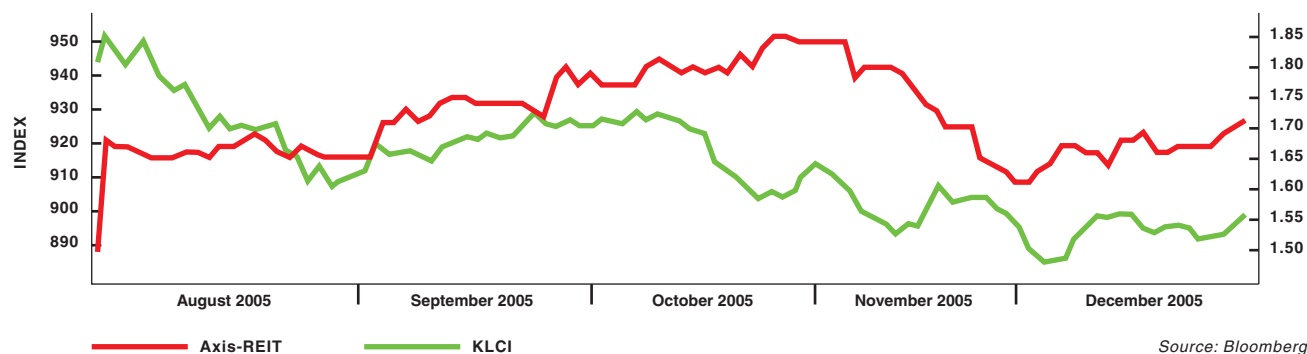
Total Assets (RM '000)	339,632
Total borrowing (RM '000)	40,000
Total Unitholders' fund (RM '000)	277,851
Market Capitalisation (RM '000)	356,209
Total borrowings to total assets (%)	11.77
Net asset value per Unit (RM)	1.35
Unit price (RM) - IPO - retail portion	1.25
Market Price per unit as at 31 Dec 2005 (RM)	1.73
No. of units in circulation ('000)	205,901
No. of Unitholders	1,216

Note: (1) - Axis-REIT was listed on 3 August 2005 and commenced to recognize gross revenue on this date whereas the prospectus forecast was to take effect only on 15 August 2005.

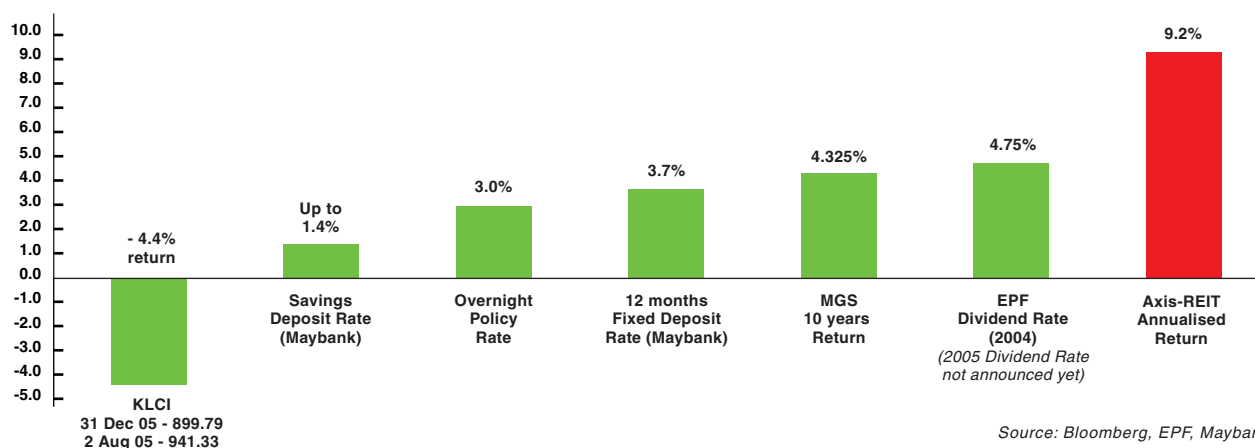
(2) - This is based on the IPO price per unit of RM 1.25 for the retail portion.

(3) - This is based on the Market Price per unit as at 31 December 2005 of RM 1.73 per unit.

Axis- REIT UNIT PRICE PERFORMANCE



COMPARABLE RETURNS



Chairman's Message

I have great pleasure to present to the Unitholders of Axis Real Estate Investment Trust (Axis-REIT), the inaugural Annual Report of Axis-REIT for the financial period ended 31 December 2005.

On behalf of the Board of Directors and Management of Axis REIT Managers Berhad (the Manager), it would be appropriate to mention at this juncture that Axis-REIT was the first REIT to be listed on Bursa Malaysia Securities Berhad (Bursa Malaysia), when on 3 August 2005, its units were admitted into the Official List. The listing of Axis-REIT units were undertaken under the Securities Commission's (SC's) new Guidelines on Real Estate Investment Trusts, introduced in January 2005, which superseded the previous Guidelines on Property Trust Funds.

Of Axis-REIT's total fund size of 205,901,000 units, 81,400,000 units were allocated to institutional and selected investors at a price of RM 1.38 per unit and 17,000,000 units were offered to the public at a price of RM 1.25 per unit. Of the remaining 107,501,000 units, 107,500,000 units were issued to, and retained by, the vendors of the properties, which Axis-REIT acquired and 1,000 units were issued to Axis REIT Managers Bhd as promoter units.

Upon listing, Axis-REIT achieved an opening price of RM1.48 per unit, and closed at RM1.68, a premium of 34.4% over the retail price at the end of the first listing day. I am pleased to report that the unit price closed on 31 December 2005 at RM1.73 per unit, representing a gain of more than 38% over the retail offer price.

Unitholders will also be delighted to know that the Manager has declared an income distribution of RM9,677,347 which translates to 4.70 sen per unit. This income distribution represents an improvement of 25% over the Manager's forecast Distribution Per Unit ("DPU") of 3.76 sen for the period under review. In terms of returns, the DPU represents an annualized yield of 9.2% based on the retail offer price of RM1.25 per unit.

I am also pleased to report that despite the current environment of rising interest rates, with Bank Negara Malaysia's last interest rate hike announcement at the end of 2005, Axis-REIT's unit price has remained resilient.

While we fully appreciate that interest rates are expected to rise further in 2006, the Manager shall continue to identify and acquire earnings accretive assets and implement suitable strategies to improve rental returns, as a means to manage the impact of interest rate increases to Axis-REIT's unit price, thereby staying ahead of the curve.

Axis-REIT Outperforms Forecast

Axis-REIT has demonstrated its ability to offer investors an alternative investment in a quality, diverse and well-managed portfolio of properties. In addition the Manager has proven its ability to deliver on its promise to investors of expanding the property portfolio quickly. This was done when two additional properties were acquired within four months of listing.



Kompleks Kemajuan in Petaling Jaya and Kayangan Depot in Shah Alam were acquired on 2nd December 2005, for a total sum of RM45,100,000. These acquisitions have and will be totally funded by internal funds and borrowings. The timing of these acquisitions does not have any material effect on the financial results of Axis-REIT for the period ended 31st December 2005.

The Manager took over the operations of Kompleks Kemajuan on 16 December 2005 and is expected to take possession of Kayangan Depot in the second quarter of 2006. These new acquisitions have also demonstrated the Manager's ability to undertake acquisitions below market value. The purchase of these two properties shall provide Unitholders a capital gain of about RM9,000,000 and an enhanced DPU of 0.8 sen, on an annualized basis.

With these additions, Axis-REIT now owns a portfolio of seven office and office/industrial real estate properties with an aggregate Net Lettable Area (NLA) of 1,348,796 sq. ft. This represents an expansion of 364,178 sq. ft., or an increase of 37.0%, over the initial NLA of the properties in the portfolio.

All seven properties continue to outperform neighbouring properties through their superior locations, excellent building management and proactive tenant care strategies.

Management Delivers Results

The Manager's extensive experience in managing investment grade properties has contributed significantly to the performance of Axis-REIT. The Executive Committee of the Manager meets regularly and they bring along their experiences to bear in the running of Axis-REIT through the targeting of new potential acquisitions, property management related matters, as well as looking at the needs of tenants.

Their very professional approach has resulted in excellent renewals being obtained post-listing and enhancements within the buildings in the portfolio.

Tenancy commitments amounting to 188,747 sq. ft., representing 19.2% of the total NLA (of the 5 properties), were successfully concluded during the period under review. Of this figure, 173,185 sq. ft. was in renewal of existing tenancies, whilst the balance 15,562 sq. ft. was new tenancies. The percentage increase in income for both the renewed and new tenancies is almost 23% or RM1,120,000, on an annualized basis.

At the same time, the Manager has also achieved savings in the operational costs of the properties in Axis-REIT.

Bright Outlook For REITs

As Malaysian investors become more discerning in their investment decisions, there will be a growing realization that REITs compare more favourably to similar investment instruments such as Time Deposits, Bonds and other Fixed Income securities.

This realization may become more apparent with the increasing uncertainty in the direction of the equities market.

The stated income distribution policies of REITs will also be a contributing factor to its attractiveness as a defensive stock in an investment portfolio.

Various government incentives, which were introduced recently, have given a boost to REITs in general. Amongst these are the elimination of Real Property Gains Tax and stamp duties for the purchase of properties by REITs. Despite these incentives, much still needs to be done to ensure Malaysian REITs are able to provide continued growth and gain acceptance as an asset class, as seen in more matured markets such as Australia and the United States of America.

From a regional perspective, REITs in Asia are gaining in popularity and is attracting considerable interest from international fund managers. As a result of this, a number of countries, including Malaysia, have begun reforms of their local property laws and tax regulations to enable REITs to be established in their jurisdictions.

Singapore continues to lead in this field, and it is acknowledged that their tax incentives and property law reforms are the major reasons for the success of their REITs.

With the recent listing of two more REITs on Bursa Malaysia, and I am certain there will be more to come, it is timely for the regulatory authorities to review the incentives available, so as to enable Malaysian REITs to continue to be competitive and attractive to both local and foreign investors.

Axis-REIT Voted Second Best IPO For 2005 (The Edge Malaysia - 8 Jan 2006)

Axis-REIT's listing is widely recognized as one of the most important developments of the real estate market in Malaysia and represents a major milestone for the capital market, paving the way for more REITs to be listed.

In one of Malaysia's most respected weekly business publications, Axis-REIT was rated as the second best IPO for the year since it was the first of its asset class, it performed admirably after its listing, and was well received because it offered units to the market with an 8% yield, thus creating an upside for investors.

The fact that new acquisitions were announced within four months of listing demonstrated the strengths of the Manager in creating future value for the REIT.

Acknowledgements

On behalf of the Manager, I would like to take this opportunity to thank the Unitholders of Axis-REIT for their continued confidence in us. Our appreciation is also extended to the SC and Bursa Malaysia for their invaluable counsel during the listing of Axis-REIT.

I would also like to acknowledge our gratitude to our strategic business partners, namely OSK Trustees Berhad, Aseambankers Malaysia Berhad, Commerce International Merchant Bankers Berhad, Malayan Banking Securities Sdn. Bhd., Malayan Banking Berhad, Bumiputra-Commerce Bank Berhad, Symphony Capital Sdn Bhd., Zaid Ibrahim & Co, SF Chan & Co, KPMG, KPMG Tax Services Sdn Bhd, Colliers, Jordan Lee & Jaafar Sdn. Bhd., CH Williams Talhar & Wong, Haz-Iq Capital Sdn. Bhd. and Archer Corporate Services Sdn. Bhd.

Last, but by no means least, our thanks to the tenants of Axis-REIT properties for their kind support and cooperation.

Dato' Abdul Azim Mohd Zabidi

Chairman

Axis REIT Managers Berhad

Date: 21 February 2006

Manager's Report

The Manager is pleased to submit their first report and audited financial statements to Unitholders of Axis Real Estate Investment Trust (Axis-REIT) for the period from 3 August, 2005 (date of commencement) to 31 December, 2005 (the "Period").

Since the listing of Axis-REIT on the Bursa Malaysia on the 3 August 2005, the Manager has focused on actively managing the property portfolio with the objective of delivering the forecast yield to Unitholders. In addition the Manager has successfully acquired two properties since listing that would further enhance the portfolio of Axis- REIT and enhance distributions to Unitholders as well as provide diversity in the property portfolio. The performance of the Period demonstrates the commitment of the Manager to deliver a superior performance for the benefit of Unitholders.

PRINCIPAL ACTIVITY OF AXIS-REIT

Axis-REIT is a real estate investment trust constituted by the Deed and principally regulated by Securities Laws (as defined in section 2(1) of the SCA), the SC Guidelines on REITs, the Listing Requirements of Bursa Securities, the Rules of the Depository and taxation laws and rulings (collectively "Applicable Laws and Requirements").

The Deed was entered into on 15 June 2005 between Axis-REIT Managers as the Manager of Axis-REIT, and OSK Trustees Berhad, as the Trustee of Axis-REIT, and the Deed was registered and lodged with the Securities Commission (SC) on 16 June 2005.

Axis-REIT commenced business on the 3 August 2005 and was formed to own and invest primarily in commercial, office and office/industrial real estate. The primary objectives of the Fund are:

- (a) to provide Unitholders with distribution of income; and
- (b) to achieve long-term growth in the NAV per Unit of the Fund.



REVIEW OF PERFORMANCE

	2005 (AS AT 31 DECEMBER 2005)
Total Net Asset Value (RM)	277,850,172
Units in Circulation (Units)	205,901,000
Net Asset Value per unit (RM)	1.349
Market value per Unit (RM) as at 31 Dec 2005	1.73
Highest Traded Price for the Period (RM)	1.86
Lowest Traded Price for the Period (RM)	1.48

RESULTS

	ACTUAL (RM'000)	PROSPECTUS (RM'000)
Total Trust Revenue	14,089	12,882
Total Property Expenses	2,300	2,261
Total Income	11,789	10,621
Total Non-Property Expenses	1,737	2,470
Income before Taxation	10,052	8,151
Income after Taxation	10,018	7,908
Earnings per Unit after Tax (sen)	4.87	3.84
Distribution per Unit (DPU) Sen	4.70	3.76

The Manager is pleased to report that for the Period, commencing from 3 August 2005 till 31 December 2005, the total revenue of the Trust was RM14,088,960 of which RM328,289 was attributable to interest income. Gross rental income for the Period was RM13,760,131 and this represents a 10.3% increase in comparison to the original projections in the prospectus dated June 30, 2005. The increase in rental was mainly attributable to the increase in rental rates on renewed tenancies, the establishment of fresh tenancies, an increase in car park income, and the gross rental income of RM140,908 from the acquisition of Kompleks Kemajuan, which was completed on 16 December 2005.

For the Period, total expenditure was RM4,036,629 comprising property expenses of RM2,299,910 and non-property expenses of RM1,736,719.

In the Prospectus dated June 30, 2005, the Trust forecast an amount of RM7,908,000 of Earnings after Tax for the period ending 31 December 2005 whereas the audited results were RM10,018,000. The deviation of RM2,110,000 representing 26.7% between the forecast and audited results was largely due to:-

> **Timing Of Income Recognition**

The Prospectus had forecasted gross rental income recognition of the five (5) properties acquired by the Trust to commence on 15 August 2005 but listing was brought forward to 3 August 2005 instead. Proceeds from the IPO were used to settle four (4) properties on 4 August 2005 and one (1) property on 8 August 2005. The additional gross rental income generated by the five (5) properties amounted to RM871,000 but is also set off by recognition of additional property expenses.

> **Acquisition Of Kompleks Kemajuan On 16 December 2005**

Kompleks Kemajuan contributed RM95,000 of Net Property Income from 16 December 2005 till 31 December 2005. This new acquisition was not reflected in the Prospectus' forecast.

> **Strong Leasing Results & Stable Occupancy**

The Manager has secured renewals from existing tenancies as well as established new tenancies due to the preferred location and quality of the properties in the Trust's portfolio and has remained in line or above the IPO forecasts.

14 Tenancy commitments amounting to 188,747 sq ft representing 19.2% of the total net lettable area of the five IPO Properties were successfully concluded. This was concluded from June 2, 2005 till 31 December, 2005 and this is represented by 173,185 sq ft in renewed existing tenancies as well as 15,562 sq ft in new tenancies. The increase income is annualized at RM1,120,000 representing a 23% rise over the existing tenancies negotiated.

Axis-REIT's average occupancy remained unchanged at 99% for the period on the portfolio of properties listed at the time of the IPO. The Manager is working towards 100% occupancy in both the original portfolio as well as recently acquired properties in the 2006 financial year.

> **Reduction In Interest Expense**

The Prospectus had assumed a book-building price of RM1.25 per unit for the institutional investors' portion but due to overwhelming subscription the book-building price achieved was RM1.38 per unit. As a result, the Axis-REIT was able to raise an additional RM10,600,000 in cash. Together with the crossing over of tenants' security deposit of close to RM10,500,000, Axis-REIT was able to reduce its initial borrowings to fund the acquisitions of the five (5) properties. Secondly, the Prospectus had assumed an interest rate cost of 5.00% per annum whereas Axis-REIT was able to fund its borrowings at a rate between 4.40% per annum to 4.50% per annum. For the period ended 31 December 2005, the interest expense was RM738,000 as compared to the Prospectus's forecast of RM1,161,000 - a total reduction of RM423,000.

> **Listing Expenses Charged Against Unitholders' Fund**

For the period ended 31 December 2005 a sum of RM230,000 in respect of facility fees paid to a financial institution, stamp duty, legal and loan documentation fees for securing bank borrowings were included as 'Listing Expenses' and charged directly against Unitholders' Fund.

PROVISION FOR TAXATION

There was a reduction in tax provision for the period ended by RM209,000 mainly due to tax-exempt interest income of RM309,000.

PROVISION FOR DOUBTFUL DEBTS

There was a non-occurrence of bad debt for a specific tenant and the provision made amounting to RM150,000 was written back.

OTHERS

The additional gross rental income, as mentioned above, has also resulting in a higher payout for property management fees. There was also an overall reduction in total expenditure due to economies of scale and favorable terms extended by the various service providers.

The favorable deviation mentioned above, of RM2,110,000 has enabled Axis-REIT to make a higher (by RM1,934,000) than disclosed income distribution for the period ended 31 December 2005 for the benefit of all Unitholders.

DISTRIBUTION PER UNIT EXCEEDS FORECAST

No distribution was paid during the Period. For the Period under review, income before taxation and available for distribution stood at RM10,052,331. Pursuant to the Distribution Policy as disclosed in the Trust's Prospectus dated 30 June 2005 the Manager has declared and the Trustee approved an income distribution of 4.7 sen per unit, totaling RM9,677,347 (equivalent to 96.3% of the earnings before tax) for the financial period ended 31 December 2005, and to be paid on 28 February 2006. This leaves an undistributed income before taxation of RM375,000. With a tax provision of RM34,000 the retained earnings after tax amounted to RM341,000.

The Distribution per Unit ("DPU") of 4.70 sen translates to a yield of 6.65% based on the closing price of RM1.73 on 31 December 2005. The result was 25% ahead of forecasts (3.76 sen for the period) and is in line with the objectives of the Fund to provide Unitholders with excellent distributions in line with the Manager's strategies.

BREAKDOWN OF UNITHOLDERS

	NUMBER OF UNITHOLDERS	PERCENTAGE OF UNITHOLDERS	NUMBER OF UNITHOLDINGS	PERCENTAGE OF UNITHOLDINGS
5,000 and below	720	59.21%	1,557,000	0.76%
5,001 to 10,000	174	14.31%	1,345,500	0.65%
10,001 to 50,000	140	11.51%	3,549,000	1.72%
50,001 to 500,000	128	10.53%	23,424,000	11.38%
500,001 and above	54	4.44%	176,025,500	85.49%
	1,216	100%	205,901,000	100%

DIRECTORS OF THE MANAGER

Directors who served since commencement are:

DIRECTOR	ALTERNATE
Dato' Abdul Azim Mohd Zabidi	-
Dato' Mohamed Salleh Bajuri	-
Dato' Abas Carl Gunnar bin Abdullah	Alex Lee Lao
Geroge Stewart LaBrooy	-
Lim Kian Thiam	Khoo Cheang Ee
Stephen Tew Peng Hwee	-

DIRECTORS BENEFITS

Since the date of commencement, no Director of the Manager has received or become entitled to receive any benefit by reason of a contract made by the Trust or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who may be deemed to have derived a benefit by virtue of certain property management fees receivable in the ordinary course of business from the companies in which the Directors have interest.

There were no arrangements during and at the end of the period, which had the object of enabling Directors of the Manager to acquire benefits by means of the acquisition of units in, or debentures of the Trust or any other body corporate.

MANAGERS FEES

The Manager is entitled to receive a fee of up to a maximum of 1% 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 Axis-REIT's Units or upon any distribution of income and capital.

The Trustee and Unitholders must approve any increase in the maximum permitted level of the Manager's fees by way of an ordinary resolution of the Unitholders passed at a Unitholders' meeting convened in accordance with the Deed.

For the period 31 December 2005, the Manager's fee was RM 794,177 representing 0.70% per annum of the NAV of Axis-REIT. The Manager did not receive any soft commissions during the Period.

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 the fees, costs, charges, expenses and outgoings incurred by it that are directly related and necessary to the business of the Fund.

GROWTH STRATEGY AND INVESTMENT POLICY

The Manager has demonstrated its commitment to growth both organically as well as through new acquisitions, a strategy that was well documented in the Prospectus.

ORGANIC GROWTH STRATEGY

The Manager will continue to actively market the remaining spaces in the buildings through:-

- > Maintaining high occupancy levels and maximizing tenant retention
- > Leasing opportunities
- > Asset enhancements
- > Minimizing property operating expenses
- > Superior customer service
- > Strong alliances with real estate practitioners

ACQUISITION STRATEGY

The Manager is pleased to report that on 2 December 2005, Axis-REIT announced the acquisitions of two properties to its portfolio. The properties are Kompleks Kemajuan purchased for a consideration of RM29,000,000 and Kayangan Depot purchased for a consideration of RM16,100,000.

Information on Kompleks Kemajuan

Kompleks Kemajuan is a five (5) storey office/showroom cum warehouse complex with basement car park situated at No. 2, Jalan 19/1B, 46300 Petaling Jaya, Selangor and sited on a leasehold land held under PN 3940, Lot 24, Town of Petaling Jaya, District of Petaling, Selangor with a land area of 87,972 sq. ft.. The tenure of the lease is ninety-nine (99) years expiring on 4 July 2065. Kompleks Kemajuan is approximately twelve (12) years old. It has a gross built up area of 318,614 sq. ft. (include basement car park), net lettable area of 201,414 sq. ft. and has one hundred and sixty-eight (168) car park bays. The category of land use is industrial. Currently, Kompleks Kemajuan has an occupancy rate of 72.8%. The current average gross rental rate for the tenanted office space is approximately RM2.20 per square feet ("sq. ft") per month and for the tenanted warehouse space is approximately RM1.39 per sq. ft per month.

> Basis of The Kompleks Kemajuan Purchase Price

The purchase consideration for Kompleks Kemajuan was arrived at based on a willing-buyer, willing-seller basis after taking into account the market value of Kompleks Kemajuan of RM36.2 million as appraised by M/s C H Williams Talhar & Wong Sdn Bhd, an independent firm of registered valuers in its valuation report dated 22 November 2005. The valuation of RM36.2 million was arrived at using a combination of comparison and investment methods of valuation.

> Source of Funding

The acquisition of Kompleks Kemajuan was funded by a combination of bank borrowings and internally generated funds.

Completion of Purchase

- > The purchase was completed on the 16 December 2005 and Axis-REIT took possession of the property on that date.

Information on Kayangan Depot

Kayangan Depot is a three (3) storey office cum warehouse complex with one hundred and thirteen (113) car park bays situated at No. 3, Jalan 15/16, Section 15, 40200 Shah Alam, Selangor and sited on a leasehold land held under H.S.(D) 22390, P.T. 61, Section 15, Town of Shah Alam, District of Petaling, Selangor with a land area of 132,697 sq. ft.. The tenure of the lease is ninety-nine (99) years expiring on 12 January 2086. Kayangan Depot is approximately thirteen and a half (13.5) years old. It has a gross built up area of 169,194 sq. ft. and net lettable area of 162,206 sq. ft.. The category of land use is industrial. Currently, Kayangan Depot has an occupancy rate of 100%. The current average gross rental rate for the tenanted office space is approximately RM0.97 per sq. ft per month and for the tenanted warehouse space is approximately RM0.89 per sq. ft per month.

Basis of the Kayangan Depot Purchase Price

- > The purchase consideration for Kayangan Depot was arrived at based on a willing-buyer, willing-seller basis after taking into account the market value of Kayangan Depot of RM18.2 million as appraised by M/s C H Williams Talhar & Wong Sdn Bhd, an independent firm of registered valuers in its valuation report dated 22 November 2005. The valuation of RM18.2 million was arrived at using a combination of comparison and investment methods of valuation.

Source of Funding

- > The proposed acquisition of Kayangan Depot will be funded by a combination of bank borrowings and internally generated funds.

Completion of Purchase

- > The completion of the purchase is anticipated to be in the 2nd Quarter 2006 as the Manager is awaiting approval from State authority for the transfer of title.

FUTURE ACQUISITIONS

In the evaluation of future acquisition opportunities, the Manager will continue to focus on the following investment criteria:

- > Yield Enhancement opportunities
- > Evaluation of occupancy and tenant characteristics
- > Superior location
- > Value add opportunities
- > Length of land lease (in the case of leasehold properties)
- > Building and facility specifications

INVESTMENTS OF THE TRUST

Total investments for the period ended 31 December 2005 was RM336,550,000

	RM '000	%
At valuation:		
Real Estate		
- Commercial & Office buildings and Warehouse		
Axis Plaza	26,000	7.73
Axis Business Park	93,000	27.63
Crystal Plaza	65,000	19.31
Menara Axis	80,000	23.77
Infinite Centre	32,000	9.51
Kompleks Kemajuan	36,200	10.76
	332,200	98.71
At fair value:		
Deposits with licensed banks	4,350	1.29
	336,550	100.00

GEARING

DEBT FACILITIES

Axis-REIT has a RM95,000,000 secured facility comprising of a RM40,000,000 Revolving Credit and a RM55,000,000 Overdraft Facility.

The Debt is short term in nature with a 12 month fixed rate for the Revolving Credit and a floating rate for the Overdraft.

As at 31 December 2005, Axis-REIT has only drawn down RM40,000,000 of the Revolving Credit Facility. It will proceed to draw down approximately RM15,000,000 of the Overdraft Facility in April 2006 to fund the purchase of Kayangan Depot.

GEARING CAPACITY

As of 31 December 2005, Axis-REIT had a gearing ratio (external borrowings to total assets) of 11.77%, and had available credit facilities of RM55,000,000. There is capacity to borrow an additional RM23,870,000 before reaching the 35% limit permitted under the REIT Guidelines.

On the purchase of Kayangan Depot scheduled for 2nd quarter 2006 the gearing will rise to 15.50% and there will be an unutilized credit facilities of RM40,000,000 together with an additional capacity to borrow RM30,240,000.

The Manager will be utilising the available credit facilities to further pursue its acquisition strategy prior to a Unit issue.

UNITS IN ISSUE

On 15 June 2005, 1,000 promoter units were issued and subscribed by the Manager on the date of registration of the Deed that constitutes the Trust, with Securities Commission. The Manager had on the day of listing disposed off the 1,000 promoter units in compliance with the SC Guidelines on REITs. On 3 August 2005, a total of 205,901,000 units were in issue when Axis-REIT was listed on the Main Board of Bursa Malaysia Securities Berhad.

81,400,000 units were allocated to Institutional and selected investors at a price of RM1.38 per Unit and 17,000,000 units were offered to the public at a price of RM1.25 per Unit.

There were no further changes to the number of units in issue of Axis-REIT during the Period.

REVALUATIONS

The original portfolio of properties was valued on 24 June 2005 at a combined value of RM296,000,000. New acquisitions, Kompleks Kemajuan and Kayangan Depot were valued on 22 November 2005 for a total value of RM54,400,000. As they were purchased below the valuations obtained, a valuation reserve for these two purchases at RM8,992,446 will be added to the Net Asset Value (NAV) as and when they are concluded.

Axis-REIT will undertake revaluations of all properties every financial year to reflect the fair values of the properties of the Fund.

NET ASSET VALUE (“NAV”) OF AXIS-REIT

At the time of listing the NAV of Axis-REIT was RM1.315. In line with the listing requirements the NAV has been posted weekly with Bursa Malaysia and published on their website.

With the completion of the acquisition of Kompleks Kemajuan on 16 December 2005, the NAV rose to close at RM1.349 on 31 December 2005. This was a result of a revaluation reserve of RM7,007,762 being transferred to the revaluation reserve account as a result of the property being purchased at a discount to valuation.

PROSPECTS

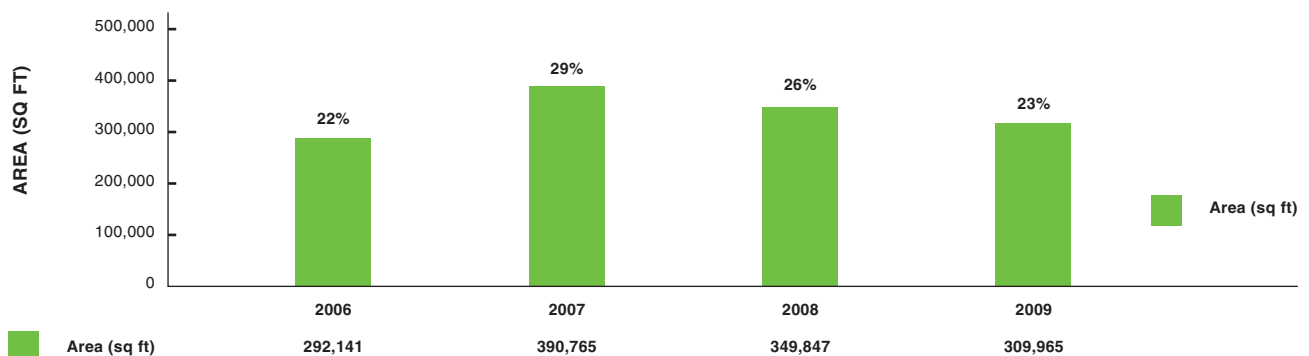
All the properties in the original portfolio of Axis-REIT which are primarily located in Petaling Jaya and Shah Alam will continue to enjoy a high level of occupancy and rising rentals upon renewal due to the strength of the location and tightening supply of office and office / Industrial spaces in these locations.

For the newly acquired properties of Kompleks Kemajuan and Kayangan Depot the Manager will be allocating a budget of RM2,000,000 for building enhancements, which is scheduled to be completed in 2006. Funding for the enhancements will be via working capital and is not expected to affect the performance of Axis-REIT for 2006.

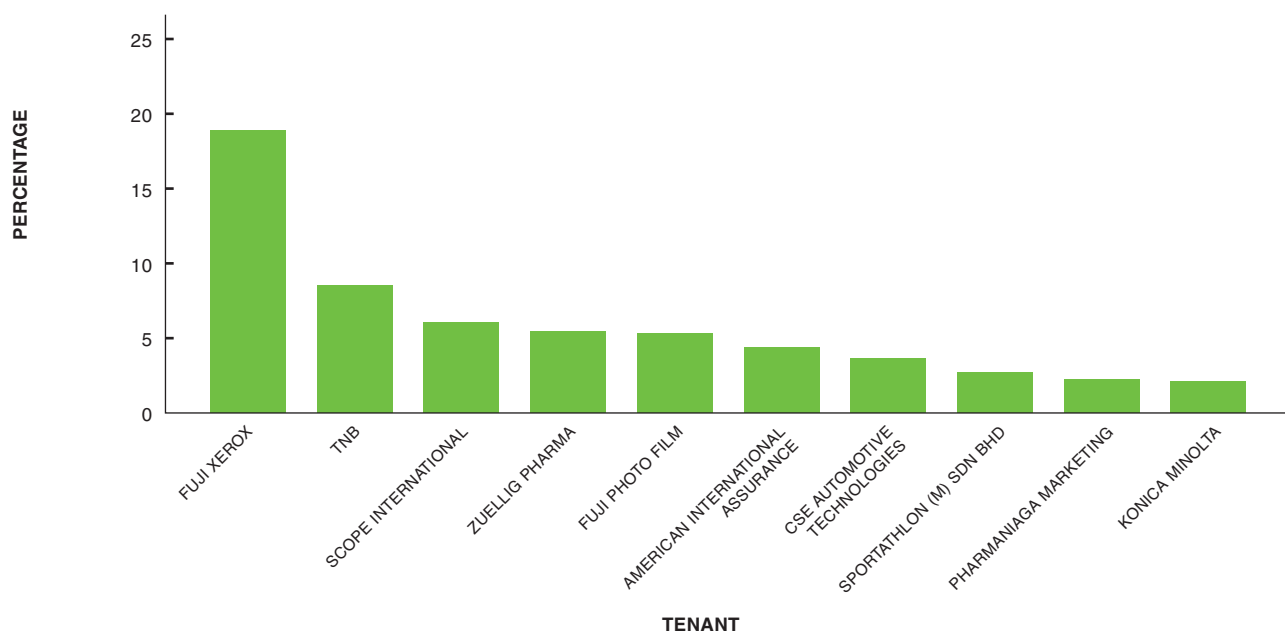
This will enable the properties to be actively marketed with a view to fill up the vacant spaces at stronger rentals resulting in better returns for Unitholders.

In addition the Manager will be actively pursuing acquisitions in 2006 that would further enhance the portfolio of Axis-REIT, and enhance distributions to Unitholders, as well as provide diversity in the property portfolio.

LEASE EXPIRY (Including Kompleks Kemajuan & Kayangan Depot)



TOP TEN TENANTS BY GROSS RENTAL VALUE OF THE AXIS-REIT PORTFOLIO AS AT 31 DECEMBER 2005.



TRAINING ATTENDED BY DIRECTORS OF THE MANAGER

For the year 2005, the following Directors have attended the Training programs/ Seminars listed below:

1. Mandatory Accreditation Program (MAP) - 15-16 November 2005
 - > George Stewart LaBrooy
 - > Dato' Abas Carl Gunnar bin Abdullah
 - > Khoo Cheang Ee
2. Strategic Corporate Planning for Company Directors and Senior Management - 5 April 2005
 - > Dato' Abdul Azim Mohd Zabidi
3. Bond Markets (Financing, Investment, Benefits & Risks) Latest Bond Products- 2 March 2005
 - > Dato Mohamed Salleh bin Bajuri
4. REITs - Broadening Investment Opportunities in Malaysia - 2 June 2005
 - > George Stewart LaBrooy
 - > Khoo Cheang Ee
5. REIT Conference Kuala Lumpur 21-22 September 2005
 - > George Stewart LaBrooy
6. Malaysia Securitization & Real Estate Investment Trusts (REITs) Conference - 25-26 October 2005
 - > George Stewart LaBrooy
7. Securitization World Asia 2005 - Singapore - 20 November - 1 December 2005
 - > George Stewart LaBrooy

OTHER STATUTORY INFORMATION

Before the financial statements of Axis-REIT were made out, the Manager took reasonable steps to ascertain that:

- i) there are no bad debts to be written off and no provision need be made for doubtful debts, and
- ii) All current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Manager is not aware of any circumstances:

- i) that would render it necessary to write off any bad debts, or provide for any doubtful debts, or
- ii) that would render the value attributed to the current assets in Axis-REIT financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of Axis-REIT misleading or inappropriate, or
- 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.

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 period and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of Axis-REIT that has arisen since the end of the financial period.

No contingent liability or other liability of Axis-REIT has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Manager, will or may substantially affect the ability of Axis-REIT to meet its obligations as and when they fall due.

As of the date of this report there was no material contract entered into between the Trustees and the Directors and / or major shareholders of the Manager.

In the opinion of the Manager, the results of the operations of Axis-REIT for the financial period ended 31 December 2005 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial period and the date of this report.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept appointment.

For and on behalf of the Manager, Axis REIT Managers Berhad, signed in accordance with a resolution of the Directors:

STEPHEN TEW PENG HWEE
Director

GEORGE STEWART LABROOY
Executive Director

Kuala Lumpur,

Date: 21 February 2006

Calendar of Events

1. Soft Launch of Menara Axis

17 August 2004



Soft launch held in conjunction with the visit of Fuji Photo Film Co Ltd Japan President & CEO, Mr Shigetaka Komori and the official opening of their new Showroom and Corporate HQ at Menara Axis.

2. Official launch of Menara Axis

28 October 2004



Housing and Local Government Minister, Datuk Seri Ong Ka Ting signs the plaque in conjunction with the official opening of Menara Axis.

3. Axis REIT Managers Bhd Board meets for the first time

22 March 2005



The first official meeting of the Board of Directors of Axis REIT Managers Bhd.

4. Sale & Purchase Agreement between Vendors & Trustees

17 June 2005



The directors of the Axis Group representing the Vendors enter into a Sale & Purchase Agreement with OSK Trustees Berhad, setting the stage for the listing of Axis-REIT.

5. Underwriting Ceremony

20 June 2005



The Underwriting Ceremony between Axis REIT Managers Berhad, Asseambankers and Mayban Securities Sdn Bhd.

6. Launch of the Axis-REIT Prospectus

30 June 2005



About 300 analysts, fund managers and guests attended the Prospectus Launch of Malaysia's first Real Estate Investment Trust.

7. Balloting

19 August 2005



Axis-REIT IPO Balloting of the Public Offer commences; Institutional Offer was 18.36% & the Public Offer was 3.72% oversubscribed.

8. Axis-REIT Commences Trading

3 August 2005



Axis-REIT Commences Trading on the Bursa Malaysia Berhad; finishing the day with a premium of 43 sen over the IPO price of RM 1.25 per unit.

9. Analysts Briefing on the 3rd Quarter Results & New Acquisitions

5 December 2005



Axis-REIT announces the Unaudited Financial Results for the period 30 September 2005 and the acquisition of two properties to be injected in the REIT.

10. Analysts Briefing on the 31 December 2005 Unaudited Results & Income Distribution

24 January 2006



Axis-REIT announces the Unaudited Financial Results for the period end December 2005 and Distribution of Income per Unit of 4.70 sen for the period.