

let's GROW



## Contents

01	Financial Highlights
03	Directors of the Manager
05	Chairman's Message
07	Manager's Report
17	Portfolio at a Glance
18	Property Details
21	The Axis-REIT Team
22	Corporate Governance
23	Investor Relations
28	FAQ
31	<b>Financial Statement</b> Statement by the Manager
33	Trustee's Report
35	Balance Sheet
36	Income Statement
38	Statement of Change in Net Asset Value
40	Cash Flow Statement
42	Notes to the Financial Statement
61	Corporate Directory
63	Property Report

### Axis Real Estate Investment Trust ("Axis-REIT")

Axis-REIT was the first Real Estate Investment Trust (REIT) to list on Bursa Malaysia Securities Berhad ("Bursa Securities") on 3 August 2005. The listing was undertaken under the revised Securities Commission ("SC") Guidelines on REITs.

Axis-REIT owns a diversified portfolio of properties in the Klang Valley comprising:

- o Commercial offices
- o Office Industrial buildings
- o Logistics centers

These properties house many multinational companies who have been tenants of the Axis Group for many years. They are involved in the imaging, medical, home appliances, automotive, pharmaceutical, insurance, wellness and fitness industries.

Axis REIT Managers Bhd ("The Manager") is the Manager of Axis-REIT.

The Manager is committed to delivering long-term sustainable distributions, and capital-stability through a focused business plan to:

- o Optimize its capital structure
- o Have professional asset management
- o Buy accretive investments with capital growth

## 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.

This Annual Report for the period ended 31 December 2006 has been prepared by Axis REIT Managers Berhad (649450-W) as the Manager of Axis-REIT. Whilst every care has been taken in relation to its accuracy, no warranty is given or implied. The information provided is not investment advice and recipients should consider obtaining independent advice before making any decision that relies on this information. All values are expressed in Malaysian currency unless otherwise stated. This Annual Report is issued in February 2007.



## Financial Highlights

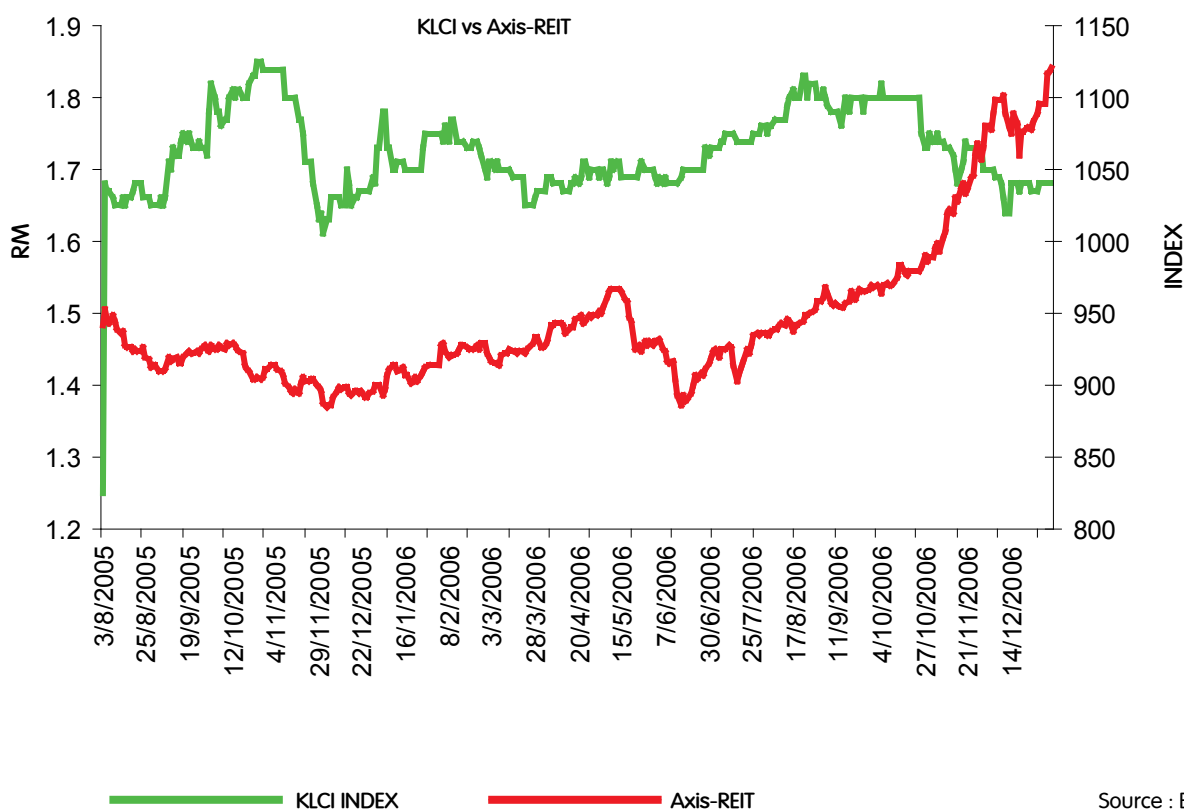
Total Net Income (RM '000) \*  
Income available for Distribution (RM '000)  
(Realised)  
Earnings per Unit ("EPU") (sen)  
(Realised)  
Income Distribution (RM '000)  
Distribution per Unit ("DPU") (sen)  
(of which the tax-exempt portion is)

1 Jan 2006 to 31 Dec 2006	3 Aug 2005 to 31 Dec 2005
42,922	10,018
26,405	10,018
12.82	4.87
26,664	9,677
12.95	4.70
0.168	0
9	6
411,781	339,632
88,089	40,000
294,109	277,851
345,913	356,209
21.39	11.77
1.43	1.35
1.25	1.25
1.68	1.73
205,901	205,901
941	1,216

\*includes unrealized income (not available for distribution) of RM 16,517,000

Number of investment properties  
Total Assets (RM '000)  
Total Borrowings (RM '000)  
Total Unitholders' Fund (RM '000)  
Market Capitalisation (RM '000)  
Total borrowings to total assets (%)  
Net Asset Value ("NAV") per Unit  
Unit Price (RM) – IPO retail price  
Market Price per Unit – 31 December 2006 (RM)  
No. of units in circulation ('000)  
No. of Unitholders

## Axis-REIT Unit Price Performance



Source : Bloomberg



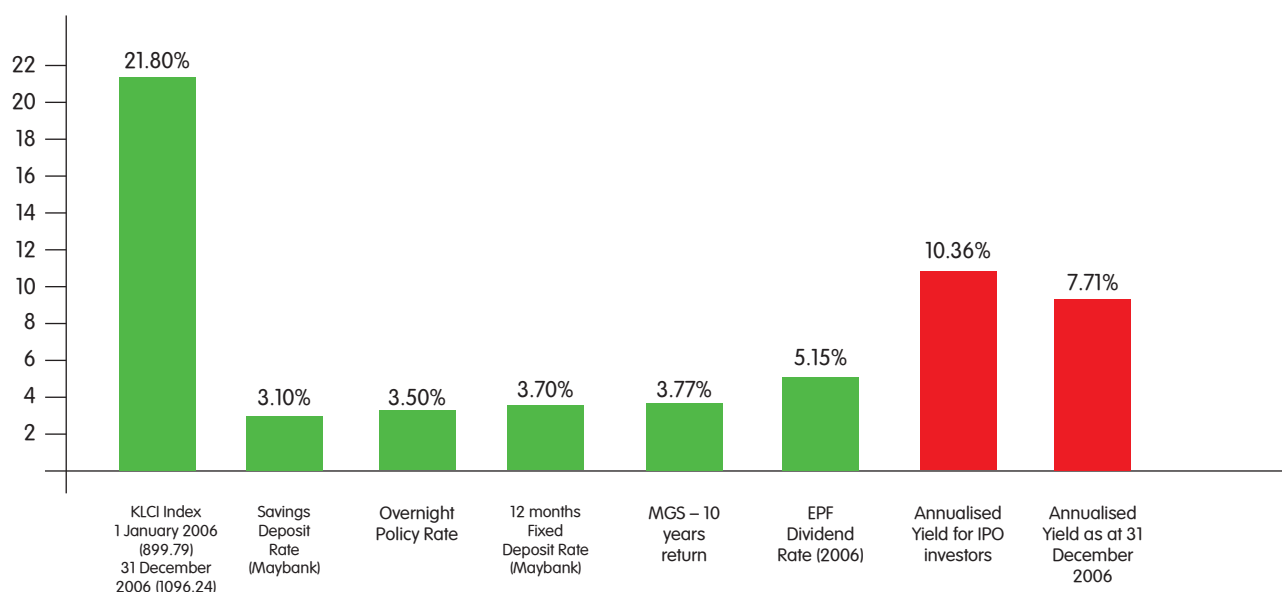
## Trading Statistics for 2006

Opening Price – 1 Jan 2006	RM 1.69
Closing Price – 31 Dec 2006	RM 1.68
High ( 22 Aug 2006 )	RM 1.83
Low ( 13 Dec 2006 )	RM 1.63

## Distributions Since Listing

	Distribution per Unit
Period ended 31 Dec 2005	4.70 sen
Interim – 30 June 2006	6.20 sen
Final – 31 December 2006	6.75 sen

## Comparable Returns



Source : Bloomberg, EPF, Maybank



## Directors Of The Manager

The Directors of the Manager at the date of this report are:



**Dato' Mohamed Salleh Bajuri, 55**, has been an Independent Non-Executive Director of the Manager since 15 March 2005. He was appointed as Independent Non- Executive Chairman on the 20th November 2006. He is a qualified Chartered Accountant from Ireland and a member of the Malaysian Institute of Accountants (MIA) since 1986. He came back to Malaysia in 1979, and joined Peat Marwick & Co as its Senior Auditor. He then joined Maybank Finance Bhd as a Manager and in 1982 was promoted to General Manager. After that he was seconded to Malayan Banking Bhd and promoted to General Manager in 1988, a position he held till 1992. Between 1982 & 1987, he was the Alternative Chairman of the Association of Finance Companies in Malaysia (AFCM) and was Chairman of AFCM Committees for Education and Public Relations. From 1997 to 1999, he was a Director of Saham Sabah Berhad and was one of the Trustees for Yayasan Kebajikan SDARA and also Tabung Melayu Pontian Sdn Bhd Bhd. In 1992, he took over JB Securities Sdn Bhd, a stockbroking firm in Johor, where he held the position of Managing Director till 1995. He is now involved in the Hotel and Property Business and is Group Executive Director of CRSC Holdings Bhd. He is also a director of a number of public and private companies, amongst others, Asian Pac Holdings Bhd, Seacera Tiles Bhd, Eden Enterprises (M) Bhd, Harbour Link Group Bhd, Seal Polymer Industries Bhd, LKT Industrial Bhd and Milux Corporation Bhd.



**George Stewart LaBrooy, 55**, has been the Director of the Manager since 25 October 2004 and was appointed by the Board of Directors as Executive Director on 22 March 2005. He graduated with a Bachelor of Engineering (Hons) and a Post Graduate Diploma in Business Studies from the University of Sheffield in 1973 and 1974, respectively. Currently, he is a member of the Institute of Engineers, Malaysia. He has served in top management positions in the Malaysian industrial sector for over 20 years before joining Axis Equities Sdn Bhd (a major shareholder of Axis Development Sdn Bhd ("ADSB") in 1995. During this period he managed two (2) of the Groups' Build and Lease projects namely the Blondal headquarters in Shah Alam and Axis Plaza. He also set up the Property Management division in ADSB and was actively involved in the successful tenanting of real estate owned by the group. In November 2003, he spearheaded the project to identify suitable properties owned by common shareholders of ADSB to be injected into Malaysia's first REIT. This was successfully concluded on 3 August 2005 when Axis-REIT was listed on the Main Board of Bursa Malaysia Securities Berhad. He is a prominent speaker on the subject of REITs and has been invited to present papers at seminars in Malaysia, Singapore and Hong Kong. In addition to his duties of Executive Director, he also handles Investor Relations, and is a Member of the Executive Committee. He is also a Member of the Technical Committee of the FMUTM and is also a Director of a number of private companies, which is involved in property development and property investment.



**Dato' Abas Carl Gunnar bin Abdullah, 47**, as been a Non-Independent Non-Executive Director of the Manager since 15 March 2005. He was appointed as Non-Executive Deputy Chairman on the 20th November 2006. He is also the Managing Director of ADSB since 1999. He graduated with a Diploma in Chemistry from the University of Gothenburg, Sweden in 1980 and a Diploma in Marketing from the University of Oslo, Norway in 1981. From 1985 to 1993, he was the Managing Director in Jotun Powder Coatings (M) Sdn Bhd (formerly known as Corro-Coat (M) Sdn Bhd). 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 Lim Kian Thiam to build Crystal Plaza. He currently serves as a Member of the Executive and the Remuneration and Nomination Committees of the Board. He is also a director of a number of private companies which are involved in property development and property investment.



**Lim Kian Thiam, 54**, has been a Non-Independent Non-Executive Director of the Manager since 15 March 2005. He is a member of the Malaysian Institute of Certified Public Accountants since 1978 and has been a Council Member since 1988. He also serves in the Institute's Executive Committee, Administration Finance & Accounting Committee and chairs its Public Affairs Committee. Since 1989, he has purpose-built many buildings in Klang Valley for multinationals and local multinational companies. He is also the Founder and Chairman of Victoria Investments & Properties Pty Ltd and Jayaland Corporation Pty Ltd, both based in Melbourne, Australia since 1994. Victoria Investments & Properties Pty Ltd has been involved in the purchase, value-add and subsequent sale of real estate in excess of A\$200 million, including commercial office buildings, industrial warehouse, a bulky goods display and retail centre, a suburban retail shopping centre and residential land. He currently serves as a member of the Executive and the Audit Committees of the Axis Board. He is also a director of a number of private companies in Malaysia and Australia which are involved in property investment.



**Stephen Tew Peng Hwee, 45**, has been a Non-Independent Non-Executive Director of the Manager since 25 October 2004. He graduated with a Diploma from the Institute of Marketing, United Kingdom in 1982. He is the Immediate Past President of the Malaysian Institute of Estate Agents and served as a board member of the Board of Valuers, Appraisers and Estate Agents from 1998 - 2004. He started his career as a Real Estate Agent 20 years ago and today owns the real estate firm Hectares & Stratas. Together with Lim Kian Thiam and other investors, he has over the past 15 years purpose built for investment income, many buildings which have housed multinationals. In 1992 he teamed up with Lim Kian Thiam and Dato' Abas Carl Gunnar bin Abdullah to build Crystal Plaza. He currently serves as a Member of the Executive Committee of the Board. He is also a Director of a number of private companies which are investment holding companies.



**Dato' Fateh Iskandar Bin Dato' Mohamed Mansor, 38**, was appointed as an Independent Non-Executive Director of the Manager on 20 November 2006. He is the Group Managing Director of Glomac Berhad. He holds a Law Degree from the University of Queensland, Australia and an MBA. He joined Glomac Sdn Bhd in 1992 as General Manager (Business Development) and was promoted to Group General Manager in 1994. He was later promoted to Group Executive Director in 1997 overseeing the day-to-day operations of the Group as well as the Group's corporate policies. Presently he is the Group Managing Director of Glomac Berhad. Dato' Fateh Iskandar is currently a National Council Member for REHDA Malaysia and Chairman of REHDA Selangor. He is also involved in politics where currently he is the Vice Head of the Kelana Jaya UMNO Division and sits on the Economics Bureau of UMNO Selangor and UMNO Malaysia. Apart from sitting on several private limited companies, he also sits as a Board Member, Audit Committee Member and an EXCO Member of Kumpulan Hartanah Selangor Berhad, a Selangor State Investment Company. Recently he was appointed as a Board Member of Lembaga Perumahan & Hartanah Selangor, a body that governs property development and investments in the state of Selangor. He is also a Member of the Remuneration and Nomination Committees of the Manager.



**Tuan Haji Mohamed Shah Bin Tan Sri Kadir, 60**, was appointed as an Independent Non Executive Director of the Manager on 20 November 2006. He graduated with a Bachelor of Agricultural Science degree from the University of Malaya in 1971, and went for further training at the Asian Institute of Management in Manila. After a three (3) year stint at the Department of Agriculture, he ventured into the business world managing companies dealing in steelworks fabrication and the manufacture of cooling towers. He was the General Manager of Sports TOTO (M) Sdn Bhd upon its privatization. His last post was as the Managing Director and joint venture partner of Golden Arches Restaurants Sdn Bhd (GARSB), the local McDonald's joint venture. He sold off his shareholdings in GARSB in 2006 and is currently advisor to Convenience Shopping Sdn Bhd, the local 7-Eleven entity. He is also currently a Director of several private companies involved in property development and investment. He is a Member of the Audit Committee.





## Chairman's Message

Dear Unitholders,

'On behalf of the Board, I am pleased to present Axis-REIT's Annual Report for the Financial Year Ended 31 December 2006.'



### Our Mission For 2007: Let's Grow

For the cover of our Annual Report this year, we have taken an unusual approach to state our mission for Axis-REIT and that is to grow in 2007 and thereafter. "Let's Grow" does not exclusively mean that we only intend to add properties to our portfolio but also means growth in the liquidity of the Fund-Size, growth in Distribution per Unit ("DPU"), and growth of our management expertise to improve the delivery of service to Unitholders.

### Malaysian REITs Witnesses the End of the Market Adoption Phase

The initial phase of 2005 - 2006 was the market adoption phase. From a platform of little knowledge of what REITs were all about I am proud to add that as the pioneer REIT in Malaysia, the Manager has worked very hard in the early stages to promote REITs as an exciting asset class. The market has now learnt and accepted REIT's as a defensive stock and as a new asset class. Although small in size compared to other regional REITs at 7.5% yields, Malaysian REITs are the best performing in Asia.

However this is all set to change in the coming two years. In 2007 and 2008 we will witness the growth phase of Malaysian REITs. With the anticipated launch of several more new REIT offerings in 2007, our market capitalization could exceed USD 1 Billion, and together with the growth in the asset sizes of existing ones will provide market breadth and depth, thanks to an improving regulatory regime and enhancements to existing portfolios.

### Strong Financial Results

Axis REIT achieved a strong set of results in 2006, recording a DPU of 12.95 sen in its first full year of operation. In comparison to its prospectus forecast for 2006 of 10.79 sen, this represents an improvement of 20%. In addition the Fund was able to report a revaluation surplus of RM 16,517,000, which increased the gross asset value of the investment properties to RM 408,250,000 at End 2006.

### Portfolio Additions

The Manager has worked hard at expanding our portfolio with the addition of three (3) properties for 2006. All three (3) properties; Wisma Bintang, Kayangan Depot and the North Port Logistics Centre 1 were yield accretive purchases, which contributed favourably to the income of the Fund in the second half of the year.

### Significant Events

- o On the 3 November 2006 Axis-REIT held its first Unitholders meeting to amend the Deed. The amendments were tailored to include the latest amendments of the REIT guidelines introduced by the Securities Commission ("SC") as well as Bursa Malaysia Securities Berhad requirements.
- o On the 19 December 2006 an exemption was obtained from the SC from compliance with clause 11.02(2) of the Guidelines on REITs which states that all revaluations of real estate must be conducted every three (3) years approved by the SC before being incorporated in the accounts. The exemption has allowed Axis-REIT to undertake a "desktop" revaluation of all its properties for the intermediate years instead of a full valuation, saving the Fund RM 400,000 as well as informing Unitholders of the current value of the properties in the portfolio.
- o On 30 October 2006 Axis-REIT announced its proposed issuance and placement of 50,000,000 new units. The final submission was made to the SC on the 16 January 2007 and approval was obtained on 31 January 2007.
- o On 5 January 2007, the Manager called for a meeting for all the REIT Managers in Malaysia to form the Association of REIT Managers Malaysia ("ARMM"). Once formed ARMM will be able to participate in dialogues with the authorities and especially with the Ministry of Finance to lobby for changes in the tax regimes applied to REITs in order to make Malaysian REITs more attractive in the region.



### Looking Ahead

The Manager has made a commitment to double the asset size of the Fund in 2007 through the careful acquisition of quality and yield-accretive properties. This will be achieved through the raising of additional debt and the issuance of new Axis-REIT Units.

As a leader in offering quality office, commercial and industrial space to the business community of Malaysia, we will continue to build on our reputation as the leading landlord in this sector. Many of our recently acquired buildings are undergoing refurbishment to reposition them in the market, and with the economy expanding under the 9th Malaysian Plan we anticipate more leasing activities as businesses expand or relocate to consolidate their operations.

With many tenancies coming up for review in 2007, especially in Menara Axis and Crystal Plaza, we are anticipating positive rental reviews, which will contribute to the income of the Fund. This is in light of the tightening supply of quality office and warehouse space in the Klang Valley.

We are also anticipating further reviews of the taxation system of REIT income, bringing Malaysia in line with the best practices in the region. This will result in the narrowing of the spread between the yield of the Fund and the ten (10) year Government Bond, and lead to an increase in the pricing of REIT units.

### Changes to the Board of Directors

20th November 2006 witnessed the departure of our Chairman Dato' Abdul Azim Mohd Zabidi after having served the Board since 15th March 2005. On behalf of the Board, I wish to express my heartfelt thanks to him for the excellent job he did as our Chairman. The wealth of experience he brought with him to the Board at a time the industry was in its infancy was invaluable.

I am also indeed honoured to be nominated as the new Chairman of the Board of the Manager and thank the Members of the Board for their confidence in me.

I also wish to welcome two (2) new members to our Board; Dato' Fateh Iskandar Bin Dato' Mohamed Mansor and Tuan Haji Mohd Shah bin Tan Sri Kadir as Independent Non-Executive Directors. The Board has now three (3) Independent Directors displaying our commitment to continued transparency and good corporate governance for the benefit of the Unitholders.

### In Appreciation

The excellent results for 2006 would not have happened if it were not for the commitment and hard work of our staff and management. I would like to extend the Board's heartfelt thanks for their dedication in carrying out their duties over the past year.

In addition, I wish to thank all our Tenants and Business Partners for their continued support, as well as my fellow Board Members for all the contributions they have made over the year.

And finally I would like to thank you, our Unitholders, for your trust and confidence in our Fund. I am confident that Axis-REIT will continue to deliver yet another year of stellar returns for all of you.

Sincerely

Dato' Mohamed Salleh Bajuri  
Chairman  
Date: 16 February 2007





## Manager's Report

Dear Unitholders,

'The Manager is pleased to submit their Annual Report and audited financial statements to Unitholders of Axis Real Estate Investment Trust ("Axis-REIT" or "the Fund") for the Year Ended 31 December, 2006.'



### HIGHLIGHTS

The key highlights of the Financial Year 2006 are:

- o Recorded a net income available for distribution of RM 26,664,180; an improvement of 20% from the Prospectus.
- o Achieved a Distribution per Unit ("DPU") of 12.95 sen (of which 0.168 sen is tax-exempt), one of the highest pay-outs in the region.
- o Completed the acquisition of three (3) additional properties worth RM 67,700,000 (market value) during 2006.
- o Recorded a net appreciation of RM 16,516,746 in the fair value of the property portfolio at end 2006.
- o Rise in the Net Asset Value ("NAV") from RM 1.35 to RM 1.43 an increase of 5.9%.
- o Commenced enhancements on properties acquired by the Fund.
- o Held the first Unitholders' Meeting on 3rd November 2006.
- o Announced the first issuance and placement of 50,000,000 new Axis-REIT Units on 30 October 2006. The approval from Securities Commission ("SC") has been obtained on 31 January 2007.

### 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 Malaysia Securities Berhad ("Bursa Securities"), the Rules of the Depository and taxation laws and rulings (collectively "Applicable Laws and Requirements").

The Fund was established on 15 June 2005 and listed on the official list of Bursa Securities on the 3 August 2005. The principal activity of the Fund is to invest in a diverse portfolio of properties in commercial, office and office/industrial real estate with the primary objective of achieving an attractive level of returns from rental income and for long term capital growth.

### REVIEW OF PERFORMANCE

	2006 (As of 31 December 2006)
Total Net Asset Value (RM)	294,109,370
Units in Circulation (Units)	205,901,000
Net Asset Value per Unit (RM)	1.428
Market Value per Unit (RM) As at 31 Dec 2006	1.68
Highest Traded Price (RM)	1.83
Lowest Traded Price (RM)	1.63



## RESULTS

	2006 Audited (RM'000)
Gross revenue	40,931
Property expenses	(7,802)
Net rental income	33,129
Interest income	37
Change in the fair value of investment properties	16,517*
Total income	49,683
Total non-property expenses	(6,501)
Net income before taxation	43,182
Tax expense	(260)
Net income after taxation	42,922
Earnings per unit after tax (sen)	20.85
Distribution per unit ("DPU") from 2006's income (sen)	12.80
Additional DPU from 2005's undistributed tax exempt retained earnings (sen)	0.15
Total DPU for 2006 (sen)	12.95

\* Unrealised gain and is not available for income distribution

The Manager is pleased to report that for the year ended 31 December 2006, the total revenue of the Fund was RM 40,968,852 of which RM 37,413 was attributable to interest income. Gross property income for the year was RM 40,931,439 and this represents a 22% increase in comparison to the original projections for 2006 stated in the Prospectus dated 30 June 2005. The increase was attributable to higher rental rates on renewed tenancies, the establishment of fresh tenancies, an increase in car park income and the additional rental income generated from the combined acquisitions of Kompleks Kemajuan (completed on 16 December 2005), Axis North Port Logistics Centre (completed on 22 May 2006), Kayangan Depot and Wisma Bintang (both completed on 30 June 2006).

For the year, total expenditure was RM 14,302,649 comprising Property Expenses of RM7,801,631, Non Property Expenses of RM 3,363,633 and Interest Expenses of RM 3,137,385 making a total of RM 14,302,649.

In the Prospectus dated 30 June 2005, the Fund forecast an amount of RM 22,911,000 of Earnings after Tax (realised) for the period ending 31 December 2006, whereas the audited results were RM 26,416,000. The positive deviation of RM 3,505,000 is represented as follows:

	Actual (RM'000)	Prospectus (RM'000)	Deviation (RM'000)
Gross Rental Income	40,931	33,489	7,442
Interest Income	37	1,177	(1,140)
Gross Income	40,968	34,666	6,302
Less:-			
Property Expenses	7,802	5,246	2,556
Non-Property Expenses	6,501	6,029	472
Total Expenses	14,303	11,275	3,028
Earnings before Tax (realized)	26,665	23,391	3,274
Taxation	249	480	231
Earnings after Tax (realized)	26,416	22,911	3,505
Deviation			15.3%



The positive deviation of RM 3,505,000 representing 15.3% between the forecast and audited results were largely due to :-

- o **Increase of Income of the original five (5) IPO properties**  
The Fund saw the gross rental income of the original five (5) IPO properties exceeded its forecast by RM 256,000 during the year. This is in part due to increased rental step-ups on tenancy renewals and higher rental rates secured on new tenants not envisaged in the prospectus projections.
- o **Recognition of income from four (4) newly acquired properties**  
The breakdown of the income from the four (4) new properties is as follows:

Property Description	Gross Income	Property Expenses	Net Income
Kompleks Kemajuan Axis North Port Logistics Centre 1 (Start 23-5-2006)	RM3,471,000	RM 1,358,000	RM2,113,000
Kayangan Depot (Start 1-7-2006)	802,000	153,000	649,000
Wisma Bintang (Start 1-7-2006)	1,024,000	354,000	670,000
	1,300,000	102,000	1,198,000
<b>TOTAL</b>			<b>4,630,000</b>

- o **Reduction in Tax Expense**  
As a result of higher income distribution for the year 2006 (98.8% of the income available for distribution) as compared to the prospectus projection of 95%, this invariably reduces the tax payable by RM 231,000.
- o **Reduction in Interest Income**  
There was a reduction in the projected Interest Income by RM 1,140,000 because funds available were deployed instead to purchase the four (4) newly acquired properties for cash
- o **Increase in Non-Property Expenses**  
There was an increase in Non-Property Expenses of RM 472,000, made up of the increase in the manager's fee, effective 1 July 2006, from 0.7% to 1.0% per annum based on NAV of the Fund, revaluation fees to comply with current accounting standards as well as provision for bad and doubtful debts.

This favorable deviation amounting to RM 3,505,000 has enabled the Fund to make a higher than projected Income DPU for the financial year 2006 ultimately benefiting all unitholders.

#### DPU EXCEEDS FORECAST

An Income Distribution of 4.70 sen per unit totalling RM 9,677,347 (equivalent to 96.3% of the income before tax) was paid on 28 February 2006 in respect of the financial period commencing from 3 August 2005 to 31 December 2005.

For the first six (6) months of the financial period ended 30 June 2006, an interim Income Distribution of 6.2 sen per unit totalling RM 12,765,862 (equivalent to 97.18% of the earnings before tax (realized)) was paid on 30 August 2006.

For the (second) 2 half ended 31 December 2006, the Manager has recommended and OSK Trustee Berhad (the Trustee) has approved a final Income Distribution of 6.75 sen, totalling RM 13,898,318 which includes RM 309,341 that being year 2005's undistributed tax exempt income.

The combined total distribution for the financial year 2006 is 12.95 sen or 7.71 % yield based on the closing unit price of RM 1.68 on 31 December 2006. The Manager is pleased to announce that this amount of 12.95 sen per unit of Income Distribution is one of the highest amongst all the REITs regionally in Asia.

#### BREAKDOWN OF UNITHOLDERS

	No of Unitholders	% of Unitholders	No of Unitholdings	% of Unitholdings
5,000 and below	533	56.64%	1,184,400	0.58%
5,001 to 10,000	149	15.84%	1,165,300	0.56%
10,001 to 50,000	109	11.58%	2,637,200	1.28%
50,001 to 500,000	101	10.73%	21,187,000	10.29%
500,001 and above	49	5.21%	179,727,100	87.29%
<b>TOTAL</b>	<b>941</b>	<b>100.00%</b>	<b>205,901,000</b>	<b>100.00%</b>



## DIRECTORS OF THE MANAGER

Director's who have served since commencement are:

Director	Date of Appointment/ Resignation
Dato' Abdul Azim Mohd Zabidi	Resigned 20-11-06
Dato' Mohamed Salleh Bajuri	Appointed on 15-03-05
Dato' Abas Carl Gunnar Bin Abdullah	Appointed on 15-03-05
Stephen Tew Peng Hwee	Appointed on 25-10-04
Lim Kian Thiam	Appointed on 15-03-05
George Stewart LaBrooy	Appointed on 25-10-04
Dato' Fateh Iskandar Bin Dato' Mohd Mansor	Appointed on 20-11-06
Tuan Haji Mohamed Shah Bin Tan Sri Kadir	Appointed on 20-11-06
Alex Lee Lao (alternate to Dato' Abas Carl Gunnar bin Abdullah)	Appointed on 15-03-05
Khoo Cheang Ee (alternate to Lim Kian Thiam)	Appointed on 15-03-05

## MEMBERS OF THE RESPECTIVE COMMITTEES

	AUDIT COMMITTEE	REMUNERATION & NOMINATION COMMITTEE	EXECUTIVE COMMITTEE
Dato' Abdul Azim Mohd Zabidi	C *	C*	
Dato' Mohamed Salleh Bajuri	M (C) **	M (C) **	
Dato' Abas Carl Gunnar bin Abdullah		M	C
Lim Kian Thiam	M		M
Stephen Tew Peng Hwee			M
George Stewart LaBrooy			M
Dato' Fateh Iskandar Bin Dato' Mohd Mansor		M***	
Tuan Haji Mohamed Shah Bin Tan Sri Kadir	M***		

C – Chairman,

M – Member

\* Resigned w.e.f. 20 November 2006

\*\* Appointed as Chairman w.e.f. 20 November 2006

\*\*\* Appointed w.e.f. 20 November 2006

## MEETING ATTENDANCE

	BOARD MEETINGS (No. of meetings held - 5)	AUDIT COMMITTEE (No. of meetings held - 3)	REMUNERATION & NOMINATION COMMITTEE (No. of meetings held - 4)	EXECUTIVE COMMITTEE (No. of meetings held - 8)
Dato' Abdul Azim Mohd Zabidi	4/5	3/3	4/4	
Dato' Mohamed Salleh Bajuri	5/5	3/3	4/4	
Dato' Abas Carl Gunnar bin Abdullah	5/5		4/4	8/8
Lim Kian Thiam	5/5	3/3		7/8
Stephen Tew Peng Hwee	5/5			8/8
George Stewart LaBrooy	5/5			8/8
Dato' Fateh Iskandar Bin Dato' Mohd Mansor	1/1**			
Tuan Haji Mohamed Shah Bin Tan Sri Kadir	1/1**			

\*\* Appointed w.e.f 20 November 2006



### DIRECTORS' BENEFITS

For the twelve month period Ended 31 December 2006, 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 of which the Director is a Member, or with a company in which the Director has a substantial financial interest, other than our Director Stephen Tew Peng Hwee, who may have deemed to have derived a benefit by virtue of certain tenancy commissions fees receivable by Hectares & Stratas, a real estate practice of whom he is the Principal.

There were no arrangements during, and at the end of the twelve month 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 Fund or any other body corporate.

### MANAGER'S FEES

For the financial year ended 31 December 2006, 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 of which the Director is a member, or with a company in which the Director has a substantial financial interest except as disclosed in Note 10 of the Financial Statements.

There were no arrangements during and at the end of the twelve months 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 Fund or any other body corporate.

The Manager receives a fee of 1% per annum (increased from 0.70% effective 1 July 2006) of the NAV of the Fund, 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 Units or upon any distribution of income and capital.

Any increase in the maximum permitted level of the Manager's fees of 1% per annum must be approved by the Trustee and Unitholders by way of an ordinary resolution of the Unitholders passed at a Unitholders' meeting convened in accordance with the Deed.

For the FYE 31 December 2006, the Manager's fee was RM 2,420,489, representing 0.7% per annum of the NAV of the Fund for the period 1 January 2006 to 30 June 2006 and 1% per annum of the NAV of the Fund for the period 1 July 2006 to 31 December 2006. 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 continued to demonstrate to the investment community its commitment to growth through its ability to purchase properties from third parties for the Fund as well as to undertake asset enhancement exercise on existing properties to improve rental income stream.

#### Organic Growth Strategy

The Manager is committed to organically grow the Fund through:-

- o Maintaining high occupancy levels and tenant retention
- o Focusing on filling empty spaces in newly acquired buildings
- o Creating new leasing opportunities in existing properties
- o Enhancing and repositioning of assets
- o Minimizing property expenses
- o Providing superior customer service
- o Maintaining a strong alliance with real estate practitioners

#### Acquisition Strategy

The Manager is pleased to report that for the first half of 2006 it successfully acquired two (2) new properties bringing the total portfolio to nine (9) properties, apart from the original five (5) IPO properties and the two (2) new properties (Kompleks Kemajuan & Kayangan Depot) announced in December 2005. The two (2) properties were the Axis North Port Logistics Center 1, the Fund's first logistics centre asset, purchased for a consideration of RM 10,300,000, and Wisma Bintang (Cycle & Carriage Bintang Berhad HQ), which was purchased for a consideration of RM 32,500,000.

The Manager is also pleased to report the completion of the acquisition of Kayangan Depot on 30 June 2006, after State Authority approval for the transfer of the title was obtained.

With the conclusion of these acquisitions the Manager has successfully increased the managed space to 1,650,434 sq ft from an initial 981,147 sq ft, representing an increase of 68%.



### Information on Axis North Port Logistics Centre 1

Owned by the Selangor State Development Corporation since 1993, Lot 24, Jalan Lebu 1 is an industrial lot located within a development called Kawasan Perusahaan Bandar Sultan Sulaiman, North Port, Pelabuhan Klang. The property is an integrated logistics center with offices and docking bays for containers. It is located near the North Port, Port Klang and has excellent access to the main highway connecting the Port to the NKVE. The combined gross built-up area of the Original Buildings and the Extensions is 149,248 sq. ft. It has an industrial title with a tenure of lease of 99 years.

Lot 24, with its existing buildings and land, is currently tenanted by MISC Integrated Logistics Sdn. Berhad (Co. No. 112036-P) ("The Tenant"). A tenancy agreement was entered between the EC Distribution Sdn Bhd ("Vendor") and the Tenant on 9 February 2006 for the period commencing 1 January 2006 and expiring on 31 December 2007 at a monthly rental of RM 110,000 and with an option to renew for another three years at rental based on prevailing market rate to be mutually agreed upon.

The annualized gross rental income is RM 1,320,000. The rental rate per month per square feet is RM0.85 calculated on a net lettable area of 130,000 sq.ft.

- o **The Basis of Lot 24 Purchase price**  
The purchase consideration for Lot 24 was arrived at based on a willing-buyer willing-seller basis after taking into account the market value of Lot 24 of RM13.5 million as appraised by Colliers, Jordan Lee & Jaafar Sdn Bhd, an independent firm of registered valuers in its valuation report dated 6 March 2006. The valuation was arrived at using a combination of cost and investment methods of valuation.
- o **Source of Funding**  
The acquisition of the Axis North Port Logistics Center 1 was funded by existing bank borrowings.
- o **Completion of Purchase**  
The purchase was completed on 22 May 2006.

### Information on Wisma Bintang

Wisma Bintang consists of Lot 13A & Lot 13B which are two contiguous plots of industrial land. Together, they form a near rectangular shape

#### LOT 13A

Lot 13A is an Industrial Lot and constructed upon it is a four (4) storey showroom cum office space with a basement level. Lot 13A is currently occupied by Cycle & Carriage as their showroom cum office. Further details of Lot 13A are set out in the table below.

Property particulars	: Lot 13A, Jalan 225, Section 51A, 46100 Petaling Jaya, Selangor Darul Ehsan.[ Held under title PN 4614 Lot 20 Section 32, Town of Petaling Jaya, District of Petaling.]
Land area	: 108,900 sq. ft.
Gross floor area	: approximately 94,771 sq.ft.
Net lettable area	: approximately 65,856 sq.ft.
Tenure	: Industrial leasehold for a period of 99 years, expiring on 23, January 2067
Occupancy as at 31 December 2006:	100.00%

#### LOT 13B

Lot 13B is an Industrial Lot and constructed upon it a 2 ½ storey car service centre, a guardhouse and a refuse chamber/store building. Lot 13B is currently occupied by Cycle & Carriage as their car servicing centre. Further details of Lot 13B are set out in the table below:-

Property particulars	: Lot 13B, Jalan 225, Section 51A, 46100 Petaling Jaya, Selangor Darul Ehsan.[ Held under title 4615 Lot 356 Town of Petaling Jaya, District of Petaling]
Land area	: 105,841 sq. ft.
Gross floor area	: approximately 121,210 sq.ft. (excluding guard house and refuse chamber
Net lettable area	: approximately 107,151 sq.ft. (excluding guard house and refuse chamber
Tenure	: Industrial leasehold for a period of 99 years, expiring on 8, June 2071.
Occupancy as at 31 December 2006:	100.00%

The property is currently leased to Cycle & Carriage Bintang Bhd for a period of six (6) years with an option to renew for a further six (6) years. The Initial Lease Term shall be six (6) years. The agreed annual rental for the first three (3) years of the Initial Lease Term shall be fixed at RM2,600,000.00 per year ("First Term") and for the remaining three (3) years of the Initial Lease Term the annual rental shall be revised to be the lower of the Fair Market Value Rent or 110% of the agreed First Term rental, as the case may be, subject to the same not being lesser than the prevailing agreed rent for the First Term.

- o **Basis of the Wisma Bintang Purchase Price**  
The purchase consideration for Lot 13A & Lot 13B was arrived at based on a willing-buyer willing-seller basis after taking into account the total combined market value of Lot 13A & Lot 13B of RM36.0 million as appraised by Colliers, Jordan Lee & Jaafar Sdn Bhd, an independent firm of registered valuers in its valuation report dated 8 May 2006. The valuation was arrived at using a combination of comparison and investment methods of valuation.





- o **Source of Funding**  
The Proposed Acquisition of Lot 13A & Lot 13B was funded by existing bank borrowings.
- o **Completion of Purchase**  
The purchase was completed on 30 June 2006 and Axis-REIT took possession of the property on that date.

#### Future Acquisitions

In evaluating future acquisitions the Manager will continue to focus on the following areas:-

- o Location
- o Yield enhancement acquisitions
- o Evaluation of tenants and occupancy
- o Property enhancement opportunities
- o Length of lease
- o Portfolio rebalancing to reduce lease renewal risk
- o Building specifications

#### INVESTMENTS OF AXIS-REIT

Total Investment Properties as at 31 December 2006 was RM 408,250,000.

	RM '000	%
At valuation as at 31 December 2006:		
Real Estate		
Axis Plaza	28,000	6.85
Axis Business Par	93,600	22.93
Crystal Plaza	68,000	16.65
Menara Axis	82,000	20.09
Infinite Centre	32,500	7.96
Kompleks Kemajuan	36,250	8.88
Axis North Port Logistic Centre 1	13,500	3.31
Kayangan Depot	18,400	4.51
Wisma Bintang	36,000	8.82
	-----	-----
	408,250	100
	=====	=====

#### GEARING

##### Debt Facilities

Axis-REIT has a RM 100,000,000 secured facility comprising a RM 40,000,000 Revolving Credit and a RM 60,000,000 Overdraft Facility.

The Debt is short term in nature with a twelve (12) month fixed rate for the Revolving Credit as well as for the Overdraft.

As at 31 December 2006, Axis-REIT has drawn down RM 40,000,000 of the Revolving Credit Facility and utilized RM 48,089,280 of the Overdraft Facility.

##### Gearing Capacity

As at 31 December 2006, Axis-REIT had a gearing ratio (external borrowings to total assets) of 21.39% (11.77% as at 31 December 2005), and had unutilised credit facilities of RM 11,910,720. There is capacity to borrow an additional RM 105,890,000 before breaching the 50% limit permitted under the REIT Guidelines.

The Manager will be utilizing the available credit facilities and the additional borrowing capacity to further pursue its acquisitions prior to the issuance of any new units.

#### UNITS IN ISSUE

As of 31 December 2006 the total number of units in issue of Axis-REIT is 205,901,000.

#### NET APPRECIATION ON FAIR VALUES OF INVESTMENT PROPERTIES

This is in respect to recent changes in accounting policies for Investment Properties for the annual accounting period beginning on 1 January 2006 (FRS 140, Investment Properties). The Manager is pleased to report that these changes have been reflected in the twelve (12) month financial report for the period under review.



In the prior year, investment properties of Axis-REIT were stated at cost and no depreciation was provided on them. It is the Manager's practice to appraise the value of the investment properties at least once every year by independent professional valuers based on open market value, and to maintain these properties in such condition that the residual value is high so that any depreciation, if applicable, would be insignificant. Any valuation surpluses arising there from will be incorporated in the financial statements.

With effect from 1 January 2006, in accordance with FRS 140, investment properties are stated at fair value. Any gain or loss arising from a change in the fair values of investment properties is recognized in income statement for the period in which it arises.

In accordance with the transitional provisions under FRS 140, an adjustment to the opening balance of retained profit for fair values of investment properties is made.

The effect on the opening balances of net assets value at 1 January 2006 plus the current period changes in fair values of investment properties as result of the valuations are highlighted and shown below:-

	Unitholders' Capital RM'000	Non-distributable Revaluation Reserve RM'000	Distributable Undistributed income Realised Unrealised RM'000 RM'000		Total Unitholders' Funds RM'000
<b>At 1 January 2006</b>					
- As previously reported	234,892	42,618	341	-	277,851
- Effect of adopting FRS 140	-	(42,618)	-	42,618	-
Restated balance	234,892	-	341	42,618	277,851
<b>Operations for the year ended 31 December 2006</b>					
Net income for the year	-	-	26,405	16,517	42,922
Provision for distribution to unitholders	-	-	(26,664)	-	(26,664)
Net assets as at 31 Dec. 2006	234,892	-	82	59,135	294,109

The Manager is pleased to report that it has sought and obtained from the SC a waiver on 19 December 2006 from compliance with Sub-clause 11.02(2) of the guidelines on REITs which states that revaluations on real estate shall be done once every three years and must be approved by the SC before being incorporated in the accounts. In effect this would have required the Fund to incur the cost of a full revaluation of all its existing properties in the region of RM 500,000 annually in order to comply with the new accounting standards. Instead the Fund was permitted to undertake a "desktop" valuation for the financial year ended 2006 at a much lower cost and have these fair values of the properties adopted and incorporated to the accounts, accordingly.

#### NET ASSET VALUE ("NAV") OF AXIS-REIT

The NAV of Axis-REIT as at 31 December 2006 was RM 1.428 per unit. In line with our listing requirements, the NAV has been posted weekly with Bursa Malaysia Securities Berhad ("Bursa Securities") and published on their website.

#### SIGNIFICANT EVENTS

##### FIRST UNITHOLDERS MEETING:

On behalf of the Board, Aseambankers (M) Berhad ("Asean") had on 12 September 2006 announced to Bursa Securities Malaysia Berhad that Axis-REIT proposed to amend the Deed by way of a Supplemental Deed to incorporate, amongst others, the following:

- an acquisition and disposal fee of 1% and 0.5% respectively based on the purchase and disposal consideration of the Real Estate Assets to be paid to the Manager upon completion of the acquisition and disposal by Axis-REIT. Since the Real Estate Assets refer to real estate and single purpose companies, the acquisition and disposal fee is not applicable for the acquisition and disposal of other authorized investments as defined in the Deed;
- the total borrowing limit of the Fund and issuance of debentures to finance acquisitions to be consistent with the new Guidance Note 2 of the SC's Guidelines on REITs issued on 10 July 2006; and
- the administrative and/or technical amendments to the Deed in accordance with the applicable laws, regulations and guidelines governing REITs.

The first Unitholders Meeting was held on the 3rd November 2006 and all proposals contained in the Supplemental Deed was unanimously passed by the Unitholders present.

The Manager is pleased to report that the Supplemental Deed was approved by the SC and was duly executed and stamped on the 8 December 2006.



#### APPLICATION FOR THE ISSUANCE AND PLACEMENT OF 50 MILLION NEW AXIS-REIT UNITS

The Manager is pleased to report that an announcement had been made to Bursa Securities on 30 October 2006 on the proposed issuance and placement of 50 million new Axis-REIT units. A submission was made to the Securities Commission and approval was obtained on 31 January 2007.

The proceeds from the placement is meant to improve the liquidity of the Axis-REIT Units as well as pare down borrowings once the gearing hits 45% or above.

#### APPOINTMENT OF AXIS PROPERTY SERVICES AS THE PROPERTY MANAGER

On the Manager's recommendation the Trustee agreed to the appointment of Axis Property Services ("APS") as the Property Manager for Axis-REIT to take effect from 1 January 2007 via a Property Management Agreement executed between the Trustee, the Manager and Axis Property Services.

Axis Property Services is owned by Selina Khor Siew Kuan, a qualified Valuer registered with the Board of VAEA and with 23 years of extensive experience in Valuation and Property Management. Her appointment enables Axis-REIT to have the services of a dedicated Property Manager in compliance with the Board of VAEA Act.

Axis-REIT will be in a unique position in that it will have the services of a dedicated Property Manager who will only be undertaking the property management activities of the Axis REIT's properties as well as working closely with the Manager.

#### PROSPECT

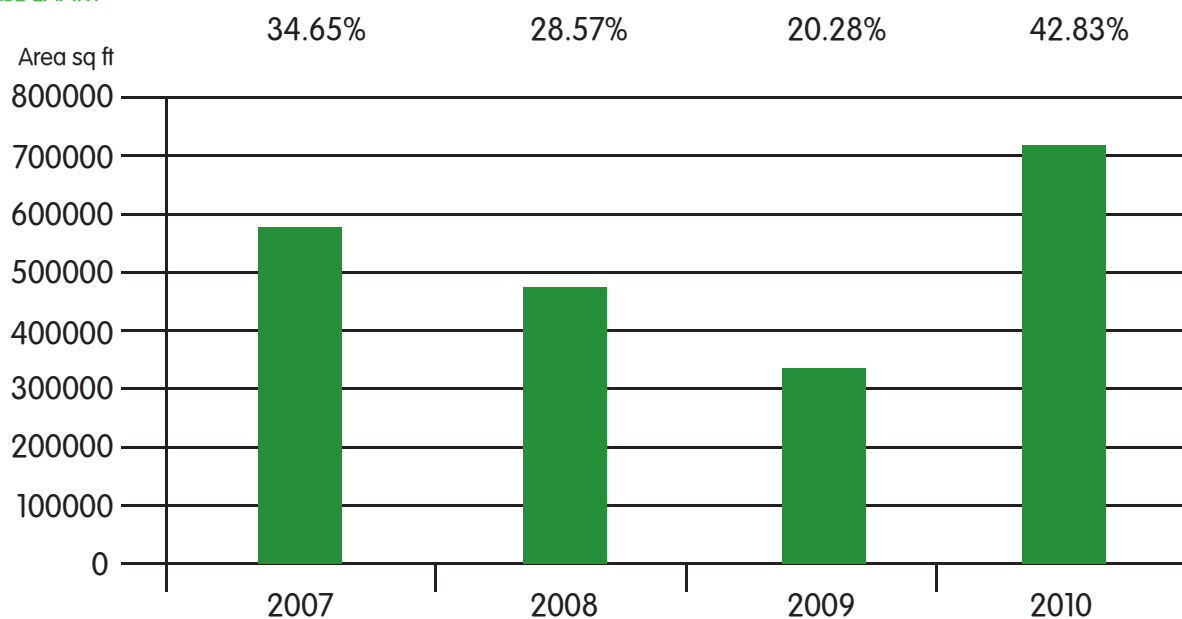
All the original five (5) IPO properties in the Axis REIT portfolio continues to enjoy a high level of occupancy (99%) due to its strategic locations, excellent facilities and continuing tightening supply in the market.

For the newly acquired properties, both Wisma Bintang and the Axis North Port Logistics Centre 1 enjoyed full occupancy and have commenced to make positive contribution since completion in mid 2006.

As for Kayangan Depot, enhancements began soon after completion of acquisition at end June 2006 which has since been completed in November 2006. Kompleks Kemajuan is currently undergoing extensive enhancements in order to reposition itself as a premier office/industrial building. On completion, this building will attract new quality tenants at more favourable rental rates than before. Currently both buildings are undergoing tenant changes and the Manager is anticipating a decline in rental income for these properties in the first half of 2007 as the spaces get filled up gradually. We expect both these properties to show a strong recovery in rental growth in the second half of 2007.

Let's Grow will be the focus for 2007, and the Manager is stepping up the pace of acquisitions in 2007 with a view to doubling the asset size of the Fund.

#### LEASE EXPIRY



Year	Area sq ft	%
2007	571,630.00	34.65
2008	471,369.57	28.57
2009	334,589.00	20.28
2010	706,554.00	42.83



#### TOP TEN TENANTS BY GROSS RENTAL VALUE OF THE AXIS-REIT PORTFOLIO AS OF 31 DECEMBER 2006

Tenant	Property	% of Total Gross Rental
Fuji Xerox Asia Pacific Pte. Ltd	Axis Business Park	15.08
Tenaga Nasional Berhad	Crystal Plaza	8.9
Cycle & Carriage Bintang Berhad	Wisma Bintang	6.35
Fuji Photo Film (M) Sdn Bhd	Menara Axis	4.83
Zuellig Pharma Sdn Bhd	Axis Business Park	4.76
Scope International (M) Sdn Bhd	Crystal Plaza & Menara Axis	4.42
American International Assurance Co. Ltd.	Menara Axis	3.42
CSE Automotive Technologies Sdn Bhd	Axis Plaza	2.95
Philips Malaysia Sdn Bhd	Menara Axis	2.51
Sportathlon (M) Sdn Bhd	Menara Axis	2.45
<b>Total</b>		<b>55.67%</b>

#### OTHER STATUTORY INFORMATION

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

- o there are no bad debts to be written off and no provision need be made for doubtful debts, and
- o all current assets have been stated at the lower of cost and net realizable value.

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

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

- o 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
- o 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.

In the opinion of the Manager, the results of the operations of Axis-REIT for the financial period ended 31 December 2006 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.

This concludes the Managers 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  
Kuala Lumpur  
Date: 16 February 2007

George Stewart Labrooy  
Executive Director



## Portfolio at a Glance

1



6



2



7



3



8



4



9



5



1. MENARA AXIS  
No 2, Jalan 51A/223  
46100 Petaling Jaya  
Selangor D.E.
2. AXIS BUSINESS PARK  
No 10, Jalan Bersatu 13/4  
46200 Petaling Jaya  
Selangor D.E.
3. AXIS PLAZA  
Lot 5, Jalan Penyair U1/44  
Off Jalan Glenmarie  
Temasya Industrial Park, Batu Tiga  
40150 Shah Alam, Selangor D.E.
4. KAYANGAN DEPOT  
No 3, Jalan 15/16  
Lot PT 16, Section 15  
40200 Shah Alam, Selangor D.E.
5. CRYSTAL PLAZA  
No 4, Jalan 51A/223  
46100 Petaling Jaya  
Selangor D.E.
6. INFINITE CENTRE  
Lot 1, Jalan 13/6  
46200 Petaling Jaya  
Selangor D.E.
7. KOMPLEKS KEMAJUAN  
Lot 24, Jalan 19/1  
46300 Petaling Jaya  
Selangor D.E.
8. WISMA BINTANG  
(CYCLE & CARRIAGE BINTANG BHD HQ)  
Lot 13A & 13B  
Jalan 225 Section 51A  
46100 Petaling Jaya  
Selangor D.E.
9. AXIS NORTH PORT LOGISTICS CENTRE 1  
Lot 24, Jalan Lebu 1  
Kawasan Perusahaan  
Bandar Sultan Sulaiman  
North Port, Pelabuhan Klang  
Selangor D.E.





## Property Details

### Menara Axis

" Menara Axis is a unique boutique office building where tenants enjoy a real presence in the building through signage offerings as well as showrooms on the ground floor."

<b>PROPERTY</b> <b>MENARA AXIS</b>	<b>TITLE</b> Commercial Leasehold expiring 29th August 2065	<b>APPRAISED VALUE</b> RM 82,000,000	<b>MAJOR TENANTS</b> Fuji Photo Film (M) Sdn Bhd American International Assurance Co Ltd Sportathlon (M) Sdn Bhd Philips Malaysia Sdn Bhd DHL Worldwide Express Sdn Bhd
<b>ADDRESS</b> No 2 Jalan 51A/223 46100 Petaling Jaya Selangor D.E.	<b>AGE OF BUILDING</b> Approx 2 years	<b>GROSS REVENUE *</b> RM 8,936,912	
<b>CATEGORY</b> Office	<b>NET LETTABLE AREA</b> 174,025 sq ft	<b>AVERAGE OCCUPANCY **</b> 100%	
	<b>PURCHASE PRICE</b> RM 71,400,000	<b>NUMBER OF TENANTS **</b> 14	

\* For the period 1 Jan 2006 - 31 December 2006  
\*\* As at 31 December 2006

Menara Axis is the newest building in the Axis-REIT portfolio being completed in 2004. Featuring a unique and distinctive moorish design, the building has well defined and highly efficient floor spaces with the possibility of flexible operating hours by tenants. To date it remains one of Petaling Jaya's top office choices for Multinationals. Menara Axis is strategically located within the established industrial and commercial area of Section 51A, Petaling Jaya. Prominent landmarks within the immediate vicinity include Crystal Plaza, Armada Hotel, PJ Hilton, Wisma MCIS Zurich, Stamford College and Menara PKNS. Menara Axis enjoys excellent accessibility from Kuala Lumpur city centre as well from Subang Jaya and Shah Alam via the Federal Highway or alternatively, via Lebuhraya Damansara-Puchong and Lebuhraya SPRINT. It has further benefited from the Asia Jaya Putra LRT station as well as the main bus stop along the Federal Highway, both of which are located about 100 metres away. Owing to its strategic location, Menara Axis has attracted major tenants of the service sectors such as AIA, Fuji Photo Film (M) Sdn Bhd, Philips (M) Sdn Bhd and Sportathlon which operates Fitness First.

### Crystal Plaza

" Crystal Plaza provides tenants with a large floor plate design featuring a twin lobby enabling unprecedented possibilities for highly efficient office layouts and lower overall real rents."

<b>PROPERTY</b> <b>CRYSTAL PLAZA</b>	<b>TITLE</b> Commercial Leasehold Expiring 9th June 2059	<b>APPRAISED VALUE</b> RM 68,000,000	<b>MAJOR TENANTS</b> Tenaga Nasional Bhd Scope International (M) Sdn Bhd Cosmopoint Sdn Bhd Asia Training Sdn Bhd
<b>ADDRESS</b> No 4 Jalan 51A/223 46100 Petaling Jaya Selangor D.E.	<b>AGE OF BUILDING</b> About 10 years	<b>GROSS REVENUE *</b> RM 7,999,024	
<b>CATEGORY</b> Office	<b>NET LETTABLE AREA</b> 200,970 sq ft	<b>AVERAGE OCCUPANCY **</b> 100%	
	<b>PURCHASE PRICE</b> RM 56,400,000	<b>NUMBER OF TENANTS **</b> 10	

\* For the period 1 Jan 2006 - 31 December 2006  
\*\* As at 31 December 2006

Located next door to Menara Axis the building enjoys the same convenience for transport and connectivity. In addition the building is designed with high tension electrical supply system with large power reserves so essential to data and recovery centres. Built with one of the highest floor plate efficiency of all the buildings in the Axis-REIT portfolio, its tenants have taken advantage of the efficient design of the building to maximize their office layouts.

### Axis Business Park

" Axis Business Park has redefined the way office / industrial space should be presented for prospective tenants."

<b>PROPERTY</b> <b>AXIS BUSINESS PARK</b>	<b>TITLE</b> Industrial Leasehold Expiring 13th January 2060	<b>APPRAISED VALUE</b> RM 93,600,000	<b>MAJOR TENANTS</b> Fuji Xerox Asia Pacific Pte Ltd Zuellig Pharma Sdn Bhd Honeywell Engineering Sdn Bhd Johnson & Johnson (M) Sdn Bhd Barang-Barang Lifestyles Sdn Bhd
<b>ADDRESS</b> No 10, Jalan Bersatu 13/4 46200 Petaling Jaya Selangor D.E.	<b>AGE OF BUILDING</b> 3-29 years	<b>GROSS REVENUE *</b> RM 10,832,806	
<b>CATEGORY</b> Office / Warehouse	<b>NET LETTABLE AREA</b> 340,970 sq ft	<b>AVERAGE OCCUPANCY **</b> 100%	
	<b>PURCHASE PRICE</b> RM 84,600,000	<b>NUMBER OF TENANTS **</b> 9	

\* For the period 1 Jan 2006 - 31 December 2006  
\*\* As at 31 December 2006

Axis Business Park is strategically located in the centre of Petaling Jaya's Section 13 industrial area. Axis Business Park is predominantly surrounded by industrial premises and purpose built office/industrial buildings. Some of the notable office buildings in the vicinity include Colgate Palmolive, Kompakar, Panasonic, Dutch Baby Milk Industries, Mulpha International, Tan Chong Motor and F&N Dairies. Axis Business Park features a unique combination of office and warehousing/ distribution centres in the heart of Petaling Jaya. Its design has attracted companies in the marketing, distribution and service industries such as Fuji Xerox, Zuellig Pharma, Pharmvision, Honeywell Engineering and Johnson & Johnson to locate in the complex. Axis Business Park is accessible from Kuala Lumpur city centre via the Federal Highway, LDP or Lebuhraya SPRINT with alternative roads through Jalan Damansara, Jalan Dato Abu Bakar and Jalan 12/18.





## Property Details

### Axis Plaza

" A landmark building featuring high-quality building finishes, and intelligent design that creates an excellent environment for marketing and distribution companies to operate."

<b>PROPERTY</b> <b>AXIS PLAZA</b> <b>ADDRESS</b> Lot 5, Jalan Penyair U 1/44 Off Jalan Glenmarie Temasya Industrial Park, Batu Tiga 40150 Shah Alam, Selangor D.E. <b>CATEGORY</b> Office / Warehouse	<b>TITLE</b> Freehold <b>AGE OF BUILDING</b> About 8 years <b>NET LETTABLE AREA</b> 118,765 sq ft <b>PURCHASE PRICE</b> RM 22,500,000	<b>APPRAISED VALUE</b> RM 26,000,000 <b>GROSS REVENUE *</b> RM 2,991,455 <b>AVERAGE OCCUPANCY **</b> 93.4% <b>NUMBER OF TENANTS **</b> 6	<b>MAJOR TENANTS</b> Ricoh (Malaysia) Sdn. Bhd. Electrolux Home Appliances S/B CSE Automotive Technologies S/B Electrolux Commercial Products S/B City-Link Express Sdn. Bhd. EMS Asia Group Sdn. Bhd.
--	--	---	--

\*\* For the period 1 Jan 2006 - 31 December 2006

\*\* As at 31 December 2006

Axis Plaza is strategically located along the Federal Highway within an industrial scheme known as Temasya Industrial Park, which is near the prominent and established industrial development of Glenmarie Industrial Park. It enjoys a high visibility along the Federal Highway, where major tenants have taken advantage to display their company logos. The building features a high level of finishes with large highly efficient floor plates, and served by three passenger and two goods lifts. Properties in the immediate vicinity comprise mainly purpose-built factories, warehouses and terraced factories. Prominent industrial premises include Blondal, BMW, Toshiba, National Panasonic, Shah Alam Stadium, Glenmarie Golf and Country Club and Holiday Inn Glenmarie Resort. Access to Axis Plaza is easily available from the Federal Highway, via the NKVE, KESAS or Sungei Buloh expressway.

### Infinite Centre

" A convenient combination of office, warehousing and distribution activities can now be housed in yet another property in the Axis-REIT portfolio."

<b>PROPERTY</b> <b>INFINITE CENTRE</b> <b>ADDRESS</b> Lot 1 Jalan 13/6 46200 Petaling Jaya Selangor D.E. <b>CATEGORY</b> Office / Warehouse	<b>TITLE</b> Industrial Leasehold expiring 24th March 2065 <b>AGE OF BUILDING</b> 19 years <b>NET LETTABLE AREA</b> 149,888 sq ft <b>PURCHASE PRICE</b> RM 25,450,000	<b>APPRAISED VALUE</b> RM 32,500,000 <b>GROSS REVENUE *</b> RM 3,574,827 <b>AVERAGE OCCUPANCY **</b> 100% <b>NUMBER OF TENANTS **</b> 12	<b>MAJOR TENANTS</b> Pharamiaga Marketing Sdn Bhd Konica Minolta Business Solutions FJ Benjamin C Melchers GmbH & Co Crystal Edge Sdn Bhd
--	---	---	--

\*\* For the period 1 Jan 2006 - 31 December 2006

\*\* As at 31 December 2006

Infinite Centre is strategically located in Petaling Jaya's Section 13 industrial hub, which provides a central location for its tenants' distribution network. Properties within the immediate vicinity comprise are mainly purpose-built detached factories and individually designed industrial properties such as the premises of Dutch Lady Milk Industries (M) Sdn Bhd, Robert Bosch, OSIM, UTAR College and Sin Chew Jit Poh. Infinite Centre is accessible from the Kuala Lumpur city centre via Federal Highway, Lebuhraya SPRINT, LDP or alternatively, via Jalan Damansara.

### Kompleks Kemajuan

" A unique combination of professional warehousing activities, showroom and office space in a single offering makes this building unique amongst similar tenantable spaces in Petaling Jaya."

<b>PROPERTY</b> <b>KOMPLEKS KEMAJUAN</b> <b>ADDRESS</b> Lot 24, Jalan 19/1 46300 Petaling Jaya Selangor D.E. <b>CATEGORY</b> Office / Warehouse	<b>TITLE</b> Industrial Leasehold Expiring 4th July 2065 <b>AGE OF BUILDING</b> About 14 years <b>NET LETTABLE AREA</b> 201,972 sq ft <b>PURCHASE PRICE</b> RM29,000,000	<b>APPRAISED VALUE</b> RM 36,250,000 <b>GROSS REVENUE *</b> RM 3,470,849 <b>AVERAGE OCCUPANCY **</b> 57.6% <b>NUMBER OF TENANTS **</b> 14	<b>MAJOR TENANTS</b> Goucerea Marketing Sdn Bhd Hong Leong Marketing Co Bhd Salwan Corporation Bhd WOFS.COM Sdn Bhd EP2m Services Sdn Bhd
--	--	--	--

\* For the period 1 Jan 2006 - 31 December 2006

\*\* As at 31 December 2006

Kompleks Kemajuan is strategically located within the established industrial and commercial area of Section 19, Petaling Jaya. Prominent landmarks within the immediate vicinity include UMW Toyota Sales, Service and Spares Centre, Wisma Academy, Wisma KT, Menara Merai and British American Tobacco. Kompleks Kemajuan enjoys excellent accessibility from Kuala Lumpur City Centre as well as from Subang Jaya and Shah Alam via the Federal Highway, or alternatively, via Lebuhraya Damansara-Puchong and Lebuhraya SPRINT. It has further benefited from the Asia Jaya Putra LRT shuttle bus service which stops 100 meters from the property. The property is currently undergoing a RM 3,000,000 facelift to reposition it as a premier choice in the office/warehouse sector.



## Property Details

### Kayangan Depot

"Featuring large warehousing and distribution facilities so close to the major road networks, places Kayangan Depot in an excellent position to attract companies, which want visibility and convenience for their operations."

<b>PROPERTY</b> <b>KAYANGAN DEPOT</b> <b>ADDRESS</b> No 3, Jalan 15/16, Lot PT 16, Section 15, 40200 Shah Alam, Selangor D.E. <b>CATEGORY</b> Industrial	<b>TITLE</b> Industrial Leasehold Expiring 12th January 2086 <b>AGE OF BUILDING</b> About 14 years <b>NET LETTABLE AREA</b> 162,206 sq ft <b>PURCHASE PRICE</b> RM 16,100,000	<b>APPRAISED VALUE</b> RM 18,400,000 <b>GROSS REVENUE *</b> RM 1,023,628 <b>AVERAGE OCCUPANCY **</b> 71.02% <b>NUMBER OF TENANTS **</b> 6	<b>MAJOR TENANTS</b> Maxis Mobile Naza Kia Nineteen-O-One
--	---	--	--

\* As of 1 July 2006-31 December 2006  
 \*\* As at 31 December 2006

Kayangan Depot is strategically located within the established industrial and commercial area of Section 15 Shah Alam. Prominent landmarks within the immediate vicinity include Goodyear, Daihatsu Headquarters, SumiPuteh Steel centre and Nylex (M) Sdn Bhd. Recently refurbished and upgraded, it features a combination of showrooms, offices and warehouse space for the prospective tenants. Kayangan Depot enjoys excellent accessibility from Kuala Lumpur, Petaling Jaya, Subang Jaya, Port Klang and Klang via the Federal Highway or alternatively, via KESAS or the NKVE. It has further benefited from its very close access to the Federal Highway and the KESAS highway as well as its very prominent location next to the Goodyear roundabout.

### Axis North Port Logistics Centre 1

"Axis North Port Logistics Centre 1 is a double storey office cum single storey warehouse building which is currently 100% occupied by MISC Integrated Logistics Sdn Bhd".

<b>PROPERTY</b> <b>AXIS NORTH PORT LOGISTICS CENTRE 1</b> <b>ADDRESS</b> Lot 24, Jalan Lebu 1 Kawasan Perusahaan Bandar Sultan Sulaiman North Port, Pelabuhan Klang Selangor Darul Ehsan <b>CATEGORY</b> Office/Warehouse	<b>TITLE</b> Industrial Leasehold <b>AGE OF BUILDING</b> 14 years <b>NET LETTABLE AREA</b> 130,000 sq ft <b>PURCHASE PRICE</b> RM 10,300,000	<b>APPRAISED VALUE</b> RM 13,500,000 <b>GROSS REVENUE *</b> RM 801,935 <b>AVERAGE OCCUPANCY **</b> 100% <b>NUMBER OF TENANTS **</b> 1	<b>TENANTS</b> MISC Integrated Logistic Sdn Bhd
--	---	--	---

\* As of 22 May 2006-31 December 2006  
 \*\* As at 31 December 2006

Axis North Port Logistics Centre 1 is located at Lot 24, Jalan Lebu 1, Kawasan Perusahaan Sultan Sulaiman, North Port, Port Klang. The property features a double storey office cum single storey warehouse building with a gross built up area of approximately 149,248 sq ft and a net lettable area of 130,000 sq ft. Axis North Port Logistics Centre is currently 100% occupied by MISC Integrated Logistics Sdn Bhd.

### Wisma Bintang (Cycle & Carriage Bintang Berhad HQ)

"We are pleased to have Wisma Bintang as part of the Axis-REIT portfolio. The property consisting of an office block and an excellent workshop has been refurbished, and strategically located near the Federal Highway".

<b>PROPERTY</b> <b>WISMA BINTANG (CYCLE &amp; CARRIAGE BINTANG BERHAD HQ)</b> <b>ADDRESS</b> Lot 13A & Lot 13B Jalan 225 Section 51A 46100 Petaling Jaya Selangor Darul Ehsan <b>CATEGORY</b> Industrial	<b>TITLE</b> Lot 13A Leasehold Expiring January 2067 Lot 13B Leasehold Expiring January 2071 <b>AGE OF BUILDING</b> 21 years <b>NET LETTABLE AREA</b> Lot 13A - 65,816 sq ft Lot 13B - 107,151 sq ft	<b>PURCHASE PRICE</b> RM 32,500,000 <b>APPRAISED VALUE</b> RM 36,000,000 <b>GROSS REVENUE *</b> RM 1,300,000 <b>AVERAGE OCCUPANCY **</b> 100% <b>NUMBER OF TENANTS **</b> 1	<b>TENANTS</b> Cycle & Carriage Bintang Berhad
--	---	--	--

\* As of 1 July 2006-31 December 2006  
 \*\* As at 31 December 2006

Forming a near rectangle shape, Lot 13A & Lot 13B are two contiguous plots of leasehold industrial land in Petaling Jaya, which are strategically located near to the busy Federal Highway and fronts Jalan 225, Section 51A. Lot 13A, the Cycle & Carriage Bintang Berhad HQ, is a four storey showroom cum office space with a basement level, and a gross built-up area of approximately 94,771 sq ft. The Lot 13B property houses a 2 1/2 storey car service centre, a guard house and a refuse chamber/store building with a gross floor area of 121,210 sq ft (excluding guard house and refuse chamber). Both these properties are currently 100% occupied by Cycle & Carriage Bintang Berhad and serves as their corporate headquarters and car service center. Cycle & Carriage Bintang Berhad has entered into a Lease Agreement with OSK Trustees to lease the property for a six year period with a six year option to renew.



## The Axis-Reit Team



*From (L-R): Lim Yoon Peng, Leong Kit May, George Stewart Labrooy, Khoo Cheang Ee*

**George Stewart LaBrooy** has been the **Director** of the Manager since 25 October 2004 and was appointed by the Board of Directors of Axis REIT Managers as **Executive Director** on 22 March 2005.

**Lim Yoon Peng** joined the Manager as its **Chief Financial Officer** in May 2006. He is responsible for overseeing the REIT's financial and risk management, business and investment strategies, regulatory compliance, acquisitions analysis as well as capital management. In addition, he also assists the Executive Director in investors' relations. Since 2005, Mr. Lim has attended several real estate master-classes and REIT seminars and workshop and was also a panel speaker at Real Estate Investment World – China Conference held in Shanghai in March 2006. Prior to joining the Manager, Mr. Lim spent four (4) years as the Financial Controller cum Company Secretary of Victoria Investments & Properties Pty Ltd of Australia, a group of companies involved in property investments and development in Melbourne, Australia. Lim Yoon Peng is a qualified accountant, a Fellow Member of The Chartered Association of Certified Accountants, UK, and a Member of the Malaysian Institute of Accountants and National Institute of Accountants, Australia. He has more than 25 years of extensive financial management and accounting experience and has held senior positions in various multinational companies from UK, Australia and Malaysia.

**Khoo Cheang Ee** has been an **Alternate Director** to Lim Kian Thiam since 15 March 2005 and was appointed as the **Investment and Business Development Manager** of the Manager on 16 May 2005. He is a member of the Institute of Approved Company Secretaries since 1994. From 1987 to 1997, he was a Director of Magnet Management Sdn Bhd. Thereafter, he joined IBMS (M) Sdn Bhd as a Financial Controller from 1997 to 2002, which is involved in providing administrative services. Prior to joining Axis REIT Managers, he was the Financial Controller of KTG Management Sdn Bhd, which is also involved in providing administrative services. He is also a director of a number of private companies which are involved in property investment.

**Leong Kit May** was appointed **Accountant** of the Manager on 18 September 2006. She graduated with a Bachelor of Business (Accountancy) from RMIT Australia in 1997 and is a Member of the Malaysian Institute of Accountants and Certified Practising Accountants of Australia. She oversees the entire accounting department and is responsible for the preparation of monthly and statutory financial statements. She also assists the Chief Financial Officer in corporate finance and regulatory compliance matters. Prior to joining Axis-REIT Managers Berhad she was the Accountant of UAO Asset Management Sdn Bhd (the Manager of UOA REIT) since December 2005 having been seconded from UOA Holdings Sdn Bhd where she had worked for the UOA Group since 2001. Preceding that she was with Ernst & Young and Gew & Partners where she gained her audit and accounting skills.



## Corporate Governance

Axis REIT Managers Berhad ("The Manager"), in its capacity as the Manager of Axis-REIT recognizes that an effective corporate governance culture is critical to performance on the Manager and consequently the success of Axis-REIT. As a result the Manager has adopted a comprehensive Corporate Governance frame work that meets best practice principles. In particular the Manager has to act honestly, with due care and diligence, and in the best interest of the Unitholders.

The following sections describe the Managers main Corporate Governance Practices and Policies. They are designed to ensure that applicable laws and regulations as determined by Securities Laws (as defined in section 2(1) of the SCA), the SC Guidelines on Real Estate Investment Trusts ("REIT's"), the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Rules of the Depository, taxation laws and rulings, the Corporate Governance Code and that the Managers obligation as described in Axis- REIT's Trust Deed are properly and efficiently carried out.

### THE MANAGER OF AXIS-REIT

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.

The primary role of the Manager is to set the strategic direction of the Fund and make recommendations to the Trustee on acquisitions, divestments and enhancements in line with the agreed strategy.

The Manager is also responsible for the risk management of the Fund. Its other main functions are listed below;

- o Using its best endeavours to carry on and conduct its business in a proper and efficient manner and conduct all transactions of the Fund in a transparent manner and at arms length.
- o Preparing an annual review for the Board of Directors which may contain proposals and forecasts on net income, DPU, capital expenditure, sales and valuations frequency, explanations on variances to previous forecasts, written reports on the future potential rental income stream generated by the portfolio of properties owned by Axis-REIT and the underlying assumptions, operational costs and any other assumptions.
- o Ensuring compliance to all legislation, rules and guidelines issued by the SC and Bursa Securities, and compliance of any tax rulings issues by the Inland Revenue Department.
- o Attending to all queries from Unitholders.
- o Supervising the property manager which performs the facilities management, lease and marketing management, project management services, and fit-out management services.

Axis-REIT is externally managed by the Manager and as a result has no employees. The Manager 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.

Axis REIT Managers Berhad is the appointed Manager of Axis-REIT in accordance with the terms of the Deed dated 15 June 2005. The Deed outlines the circumstances under which the Manager can be retired.

### BOARD OF DIRECTORS

The Board of Directors of the Manager oversees the management and corporate governance of the Manager including the establishment of Key Performance Indicators ("KPI's") for management and the monitoring achievement of the same. All Board members participate in matters relating to corporate governance, business operations, risk management, financial performance and the nomination and review of Directors.

The Board meets regularly at least once a quarter, to discuss and approve the release of the quarterly, half year and annual results, review acquisitions and disposals, the annual budget, capital expenditure requirements, performance of the Manager and Axis-REIT against the previously approved budget. When necessary, the Board meets to review and approve acquisitions or disposals for recommendation to the Trustee.

The Board had reviewed an operational audit conducted by Messers KPMG which was completed on 26 Jan 2006. Management has adopted all the recommendations put forward and implemented them within the stipulated timeframe. This has resulted in the Manager having established a sound system of internal controls and among others sets out approval guidelines and policy for capital expenditure, investments and divestments criterias, capital and funds management, risk management etc.

Changes to regulations, policies, guidelines and accounting policies are monitored closely. The Directors are briefed of any changes to current practices at regular Board meeting, specially convened meetings or via circularized board papers.

### BOARD COMPOSITION

As of 31 December 2006 the Board currently comprises seven (7) members, three (3) of whom are independent directors in compliance with the SC REIT Guidelines.





The following principles guides the Board composition

- o The Chairman of the Board should be an independent Non-Executive Director
- o The Board should comprise directors with a broad range of commercial experience including expertise in fund management and the property market
- o At least 1/3 of its members should be independent directors

The composition of the Board is reviewed annually to ensure that it has the best mix of expertise and experience.

During the year 2006 the Board has met for a total of five (5) times. The most recent meeting was held on 29 January 2007 to approve the Unaudited Financial Accounts and the Income Distribution for the Financial Year Ended 2006.

#### CHAIRMAN & EXECUTIVE DIRECTOR

The positions of Chairman and Executive Director are held by separate persons in order to maintain an effective segregation of duties.

The Chairman ensures that members of the Board work together with the management in a constructive manner to address strategies, business operation and enterprise issues.

The Executive Director has full executive responsibilities over the execution of the agreed business policies and directions set by the Board and of all operational decisions of managing Axis-REIT.

With more than 1/3 of the Board being independent directors, it enables the management to tap their expertise and broad business experience of issues presented before the Board. This promotes a healthy and professional relationship between the Board and the Manager.

#### BOARD REMUNERATION

The remuneration of the Directors is paid by the Manager and not from the Fund.

#### COMMITTEES

The Board has established the following committees to assist it in discharging its duties. The committees are:

- o The Executive Committee
- o The Audit Committee
- o The Nomination and Remuneration Committee

##### The Executive Committee

The Executive Committee was appointed by the Board on 22 March 2005. It operates under the delegated authority from the Board and is represented by Non Executive Directors and the Executive Director. The following are the Executive Committee Members during 2006:

- Dato Abas Carl Gunnar bin Abdullah – Non-Independent Non-Executive Chairman
- Stephen Tew Peng Hwee – Non-Independent Non-Executive Member
- Lim Kian Thiam – Non-Independent Non-Executive Member
- Stewart LaBrooy - Executive Member

This committee oversees the day-to day activities of the Manager on behalf of the Board which includes:

- o Recommendations for presentation to the Board of all acquisitions, investments and disposals;
- o Make recommendations to the Board to consider any financing offers and additional banking facilities;
- o Report and recommend to the Board any corporate exercise, including the issuance of new Axis-REIT units and,
- o Forward summary reports of all Executive Committee meetings and activities undertaken to all Board members.

The Executive Committee has met formally a total of nine (9) times in 2006. However there have been several informal meetings held between members of the Committee during the period.

##### Audit Committee

The Audit Committee was appointed by the Board on 22 March 2005. It comprises three (3) members two of whom (including the Chairman) are Independent Non-Executive Directors of the Board.

The composition of the Committee as at 31 December 2006 is:-

- o Dato' Mohamed Salleh Bajuri – Independent Non-Executive Chairman
- o Mr. Lim Kian Thiam – Non-Independent Non-Executive Member
- o Tuan Haji Mohamed Shah bin Tan Sri Kadir – Independent Non-Executive Member

The role of the Audit Committee is to monitor and evaluate the effectiveness of the Manager's internal controls and financial management. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports and for its subsequent announcement. The Audit Committee is also responsible for the appointment of the external and internal auditors.



The Audit Committee's responsibilities also include:

- o Reviewing external audit reports to ensure that where deficiencies in internal control has been identified, appropriate and prompt remedial action is taken by management;
- o Monitoring legislation regulated by Securities Laws (as defined in section 2(l) of the SCA), the SC Guidelines on REITs, the Listing Requirements of Bursa Securities, the Rules of the Depository and taxation laws and rulings;
- o Reviewing Internal Audit reports pertaining to risk management, the operational manual compliance and internal controls ensuring that changes recommended and agreed on are promptly implemented by the management;
- o Reviewing the statutory financial statements and audit report for quarterly, half year and annual reports and reporting to the Board and,
- o Monitoring the procedures established for related party transactions to ensure that compliance is strictly adhered to as laid out in the Securities Guidelines for REITs and the Deed.

The Audit Committee met three (3) times in 2006 and was briefed by the external auditors on two (2) occasions.

#### **The Remuneration and Nomination Committee**

The Remuneration and Nomination Committee was appointed by the Board on 21 November 2005. The composition of the committee as of 31 December 2006 is as below:

- o Dato' Mohamed Salleh Bajuri – Independent Non Executive Chairman
- o Dato' Abas Carl Gunnar bin Abdullah – Non-Independent Non-Executive Member
- o Dato' Fateh Iskandar bin Dato' Mohamed Mansor – Independent Non-Executive Member

The responsibilities of the Committee are:

- o To establish and recommend to the Board the policy framework in determining the remuneration of members of the Board, the Executive Director, members of executive management and to review changes to the remuneration policy from time to time, so as to ensure that the Company attracts and retains the highest calibre individuals.
- o To recommend to the Board, candidates for directorships proposed by and other board members and/or from senior management;
- o To recommend to the Board, any director(s) to fill seats on Board Committees.
- o To recommend to the Board for the continuation (or not) in service of executive director(s) and Directors who are due for retirement by rotation.
- o To determine appropriate training for Directors and review the fulfillment of such training.

#### **TRADING IN AXIS-REIT UNITS**

In general the Manager encourages the Directors and employees to hold Axis REIT's units. However, dealings in Axis-REIT's units will be subject to compliance with paragraph 14.08 of the Bursa Securities listing requirements as follow:-

- o During the period commencing one month before the public announcement of Axis-REIT's quarterly, half year and annual results and ending one market day after the announcement; and
- o At any time the Manager is in possession of price sensitive price information.

#### **RISK ASSESMENT AND MANAGEMENT OF BUSINESS RISK**

Effective risk management is a fundamental part of the Manager's business strategy in order to ensure there are no adverse disruptions to the income distribution and to mitigate any potential loss which may impact negatively upon all the unitholders so as to preserve their investments.

The Manager is aware that the most likely risk will arise when making property investment decisions and as such the Manager has established a procedure to be followed during the acquisition process. In accordance with this policy, the Manager ensures that a comprehensive due diligence process is carried out in relation to any proposed investment and to evaluate any likely risk factors that may have any significant impact.

The Board will meet quarterly and more often if necessary to assess the performance of the Manager, and Axis-REIT against established and approved budgets. The Board also assesses the risk factors the assets of Axis-REIT are exposed to, examines liability management and act on comments submitted by the auditors or the Audit Committee.

The Board and the Executive Committee reviews and approves all investment decisions.

The management meets regularly to review compliance to operational manuals established as well discuss continuous disclosure issues.





### DEALINGS WITH CONFLICTS OF INTEREST

The Manager has established the following procedures to deal with potential conflicts of interest issues which it (including its directors, executive officers and employees) may encounter in managing Axis-REIT:

- o The Manager will be a dedicated Manager of Axis-REIT and will not manage any other real estate investment trust or be involved in any other real property business;
- o All Executive Officers will be employed by the Manager;
- o Any related party transactions must be duly disclosed by the related parties to the Audit Committee and the Board;
- o The Board shall ensure 1/3 of its members are independent directors;
- o In circumstances where any directors or officers of the Manager may have a direct or indirect interest in any related party transactions they will abstain from voting at any Board meeting and will require Trustee's approval prior to entering into any agreement.

The Directors of the Manager are under a fiduciary duty towards Axis-REIT to act in the best interest in relation to decisions affecting Axis-REIT when they are voting as a member of the Board. In addition, the Directors, the Executive Director and the Executive Officers of the Manager are expected to act with honesty and integrity at all times.

### DEALING WITH RELATED PARTY TRANSACTIONS

The Manager will comply with all requirements as laid out in the SC's Guidelines on REITs on related party transactions including provisions contained in the Deed.

The Manager will establish procedures that will ensure that such transactions are undertaken in full compliance to the REIT Guidelines and are carried out on an arm's length basis and under normal commercial terms, which are no more favourable than those extended to unrelated third parties. The Manager would have to demonstrate to the Audit Committee that transactions (whether they be for the purchase of services or property) would be taken on normal commercial terms, which may include in the case of the purchase of services the obtaining quotations from parties unrelated to the Manager, or in the case of purchase of property the obtaining the valuation from an independent valuer.

Related party transactions shall require the Trustee to ensure that such transactions are at arms length in accordance with all applicable requirements of the Guidelines on REIT's. Further the Trustee, as Trustee for Axis-REIT, has the ultimate discretion under the Fund Deed to decide whether or not to enter into a transaction involving a related party of the Manager. If the Trustee is to sign any contract with a related party of the Trustee or the Manager, the Trustee will review the contract documentation to ensure it complies with the requirements relating to related party transactions in the Guidelines for REITs and provisions as described in the Deed, and any future revisions of the said guidelines and provisions.

All related party transactions are subject to regular periodic review by the Audit Committee.

The Audit Committee plans to review Internal Audit reports to ensure that guidelines and procedures established are complied with in relation to Related Party Transactions. If a member of the Audit Committee has an interest in a transaction he is to abstain from participating in the review and recommendation process in relation that transaction.

### COMMUNICATION WITH UNITHOLDERS

The Listing Requirements of Bursa Securities require that a listed entity discloses to the market matters that could have a material effect on the price of the entity's securities.

The Manager has established a strong culture of continuous disclosure and transparent communication with Unitholders and the investment community. The Manager achieves this through timely and full disclosure of all material information relating to Axis-REIT by way of public announcements on the Bursa Securities website and through its own website at [www.axis-reit.com.my](http://www.axis-reit.com.my).

The Manager has also conducted regular briefings for analysts and fund managers, as well as the media. At these briefings the Manager will present the latest acquisitions of Axis-REIT as well as discuss the business outlook of the industry. The Manager has also actively participated in various seminars on REITs further advancing the understanding of the asset class.



## Investor Relations



*A Presentation on the Axis-REIT Unaudited Result For Period Ended 31 December 2005*

We are pleased to report that since the listing of Axis-REIT, the Manager has continued to provide Unitholders with open and transparent communications through the Bursa Securities website, the Axis-REIT website, media briefings, seminars and investor and analysts briefings.

The Axis-REIT website [www.axis-reit.com.my](http://www.axis-reit.com.my) is fully operational. Through it the investing public is able to receive e-mail alerts and up to date information on share price and announcements of the Fund.

We will continue to generate more awareness and interest in REITs particularly by our active participation in local seminars and briefings to International Investors.

### CONTACT INFORMATION

To find out more about Axis-REIT please contact:

George Stewart LaBrooy

Executive Director

Tel: +603- 7958 4882

Fax: +603 – 7957 6881

E-mail: [info@axis-reit.com.my](mailto:info@axis-reit.com.my)

### THE UNIT REGISTRAR

Symphony Share Registrars Sdn Bhd

Level 26 Menara Multi-Purpose

Capital Square

No 8 Jalan Munshi Abdullah

50100 Kuala Lumpur

Tel: 03-2721 2222

Email: [ssrs@symphony.com.my](mailto:ssrs@symphony.com.my)

Website: [www.symphony.com.my](http://www.symphony.com.my)

### BURSA MALAYSIA INVESTOR RELATIONS

Email : [enquiries@bursamalaysia.com](mailto:enquiries@bursamalaysia.com)

Tel : (603) 2034 7000

Fax : (603) 2732 0069



#### PROPOSED CORPORATE TIMETABLE FOR AXIS-REIT

##### January 2007

- o Announcement of Unaudited Results for the Financial Year Ended 31 Dec 2006.
- o Announcement of Final Income Distribution to Unitholders for the year ended 31 December 2006 as well as the entitlement and payment date.

##### February 2007

- o Payment of Income Distribution to Unitholders
- o Release of Audited Results for the Financial Year Ended 31 Dec 2006.

##### April 2007

- o Announcement of Unaudited 2007 1st Quarter Results.

##### July 2007

- o Announcement of Unaudited 2007 2nd Quarter Results.
- o Announcement of Interim Income Distribution to Unitholders for the six (6) months Ending 30 June 2007, as well as the entitlement and payment date.

##### August 2007

- o Payment of Interim Income Distribution to Unitholders.

##### October 2007

- o Announcement of Unaudited 2007 3rd Quarter Results.

##### January 2008

- o Announcement of Unaudited Results for the Financial Year Ending 31 December 2007.
- o Announcement of Final Income Distribution to Unitholders for the Year Ending 31 December 2007 as well as the entitlement and payment date.

##### February 2008

- o Payment of Income Distribution to Unitholders.
- o Release of Audited Results for the Financial Year Ending 31 December 2007.