



Frequently Asked Questions

1) How often does Axis-REIT make any income distribution?

Income distributions are payable no later than 28 February (for final year end distribution) and 31 August (for interim half year) each year. However, in certain circumstances such as the issuance of new units by Axis-REIT during the year, it may be necessary to make a special Income Distribution at different periods in order to attribute Income Distribution to existing Unitholders to avoid any income dilution from the enlarged Unitholders' capital.

2) How are these Income Distributions paid?

Payments are made via cheques to each unitholder with an attached Distribution Tax Voucher detailing entitlement and gross/net amount payable.

3) Are there different types of Income Distribution?

Yes. At the Fund level, the source from which income is distributed could be derived from:-

- o Current year's realised income before taxation;
- o Current year's tax exempt income, if any;
- o Portion of 'Accumulated Retained Earnings' that have been taxed;
- o Portion of 'Accumulated Retained Earnings' that consist of tax exempt income.

4) What is the tax treatment of Unitholders?

Commencing 1 January 2007 the new amendments to the Finance Act 2006 were gazetted. As a result there has been a change in the tax treatment of Distributions to Unitholders for the year 2007. This is explained as follows: Where Axis-REIT distributes income that is exempt from tax under section 61A(1) to the unitholders (other than resident companies), Axis-REIT shall upon distributing the income deduct therefrom tax at the following rates:

Type of Unitholder	Rate of Withholding Tax
Resident and Non-Resident (foreign) Individual Unitholders	15%
Non- Resident Company	27%
Local Institutional Investor	15%
Foreign Institutional Investor	20%
Resident Company	Tax Flow Through

5) How do I calculate my net income distribution?

Based on the final Income Distribution per unit of 6.75 sen for the Financial Year Ended 31 December 2006 the taxable portion is 6.582 sen and the tax-exempt portion is 0.168 sen. The following calculations apply for Distribution in 2006.

Assumption 10,000 Axis REIT Units	Distribution to Local / Foreign Individual Unitholder (15% withholding tax deducted at source): RM 576.27	Distribution to Non-Resident Company Unitholder (27% tax deducted at source): RM 497.29
Assumption 10,000 Axis REIT Units	Distribution to Local Institutional Unitholder (15% withholding tax deducted at source): RM 576.27	Distribution to Foreign Institutional Unitholder (20% withholding tax deducted at source): RM 543.36

6) Where can I view the Deed and Supplemental Deed of Axis-REIT?

The Deed is available for inspection at the principal place of business of the Trustee at 6th Floor, Plaza OSK, and Jalan Ampang, 50450 Kuala Lumpur.

7) What is the total number of Axis-REIT Units in issue currently?

A total of 205,901,000 Units are in issue as at 31 December 2006.



8) When can new Units be issued?

The Manager may from time to time recommend an increase in the number of Units by way of rights issue or bonus issue to existing Unitholders in proportion to their holding of Units, or by way of placement to any person or corporations, as consideration issue for subscription or such other methods as may be accepted by the SC. The issue of Units will be utilised to finance asset acquisitions for Axis-REIT or to balance the debt-equity matrix of the Fund. The prior approvals of the SC and the Trustee are required for any increase in the size of the REIT through the creation of further Units. The prior approval of the Unitholders by way of ordinary resolution or otherwise will also be required for the creation of further Units where stipulated in the Deed or under the applicable laws and requirements. The Manager is expected to convene and hold a Unitholders' meeting in 2007 to obtain unitholders' approval for the issuance of 50,000,000 new Axis-REIT units which was approved by the Securities Commission ("SC") on 31 January 2007.

9) What are my rights as a Unitholder?

The key rights of Unitholders include rights to:

- o receive income and other distributions attributable to the Units held;
- o receive the fund reports of Axis-REIT; and
- o participate in the termination of Axis-REIT by receiving a share of all net cash proceeds derived from the realisation of the assets of Axis-REIT less any liabilities, in accordance with their proportionate interests in Axis-REIT.

10) How can the Deed be amended?

Save where an amendment to the Deed has been approved by a resolution of not less than 2/3 of all Unitholders for the time being (or such other majority as may be required under the SC's Guidelines on REITs) passed at a meeting of Unitholders' duly convened and held in accordance with the provisions of the Deed, no amendment may be made to the provisions of the Deed unless the Trustee certifies, in its opinion, that such amendment does not materially prejudice the interests of Unitholders and does not operate to release to any material extent the Trustee or the Manager from any responsibility to the Unitholders. At a Unitholders' meeting held on 3 November 2006 the Unitholders approved the changes to the Deed vide a Supplemental Deed which was stamped and executed on the 8 December 2006.

11) Under what circumstances can a Meeting of Unitholders be called?

Under the applicable law and requirements and the provisions of the Deed, and the Supplemental Deed, Axis-REIT will not hold any meetings for Unitholders unless the Trustee or the Manager convenes a meeting or unless not less than fifty (50) Unitholders or 1/10th in number of Unitholders (whichever is lesser) summon a meeting to be convened. Any decision to be made by resolution of Unitholders shall be made by ordinary resolution, unless a majority resolution or special resolution is required by the applicable laws and requirements and/or the Deed and Supplemental Deed.

At least fourteen (14) days' notice of every meeting (other than a meeting convened to pass a special resolution, which requires at least twenty one (21) day's notice) shall be given to the Unitholders in the manner provided in the Deed. The quorum at a meeting shall be as follows:

- o where an ordinary resolution or majority resolution only is to be proposed, at least five (5) persons holding or representing by proxy at least 10% of all the Units and carrying the right to vote at the meeting; and
- o where a special resolution is to be proposed, at least five (5) persons holding or representing by proxy at least 15% of all the Units and carrying the right to vote at the meeting.

Voting at a meeting shall be by a show of hands provided that a poll shall be taken in any case where:

- o it is required by the Deed or by law that the question be decided by a majority which is to be measured by a percentage of the votes of those present; or
- o it is demanded either before or immediately after any question is put to a show of hands by Unitholders present, holding (or representing by proxy) between them not less than 5% of the Units issued.

12) Can the Manager vote at Unitholders' meetings?

No. Neither the Manager nor its related corporations or associated persons (as defined in the Deed) shall be entitled to vote in respect of any matter and shall not be counted in a quorum, unless otherwise permitted by the SC.



AXIS REAL ESTATE INVESTMENT TRUST

(Established in Malaysia)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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Statement by the Manager

In the opinion of the Directors, the financial statements set out on pages 35 to 58 are drawn up in accordance with the provisions of the Deed dated 15 June 2005 and the Supplemental Deed dated 8 December 2006, Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of Axis Real Estate Investment Trust at 31 December 2006 and of the results of their operations and cash flows for the year ended on that date.

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

.....
Stephen Tew Peng Hwee

.....
George Stewart LaBrooy

Kuala Lumpur

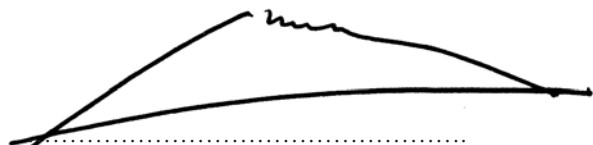
Date: 16 February 2007



Statutory Declaration

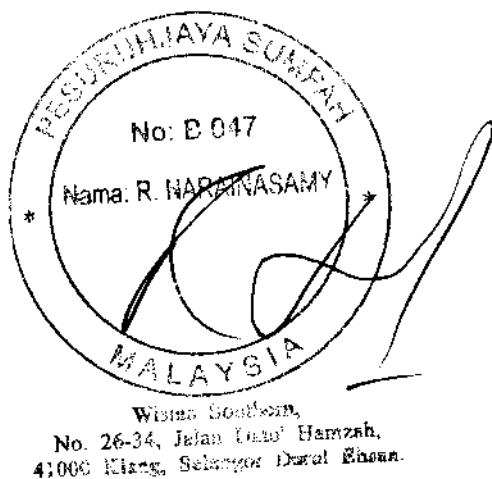
I, George Stewart LaBrooy, the Director of Axis REIT Managers Berhad primarily responsible for the financial management of Axis Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 35 to 58, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Klang on 16 February 2007



.....
George Stewart LaBrooy

Before me:





Trustee's Report

To the Unitholders of Axis Real Estate Investment Trust (Established in Malaysia)

We have acted as Trustee of Axis Real Estate Investment Trust ("Axis-REIT") for the financial year ended 31 December 2006. In our opinion and to the best of our knowledge, Axis REIT Managers Berhad ("the Manager") has managed Axis-REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Deed dated 15 June 2005 and the Supplemental Deed dated 8 December 2006, other provisions of the Deed, the Securities Commission Act 1993, the applicable Guidelines on Real Estate Investment Trusts and other applicable laws during the financial year then ended.

We have ensured the procedures and processes employed by the Manager to value and price the units of Axis-REIT are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements.

We also confirm that the income distributions declared and paid during the financial year ended 31 December 2006 are in line with and are reflective of the objectives of Axis-REIT. Two distributions have been declared for the financial year ended 31 December 2006 are as follows:-

- 1) Interim income distribution of 6.20 sen per unit paid on 30 August 2006; and
- 2) Final income distribution of 6.75 sen per unit to be paid in February 2007.

For and on behalf of the Trustee,
OSK Trustees Berhad

.....
Ong Eu Jit
Chief Operating Officer

Kuala Lumpur

Date: 16 February 2007



Report of the Auditors

To the Unitholders of Axis Real Estate Investment Trust (Established in Malaysia)

We have audited the financial statements set out on pages 35 to 58. The preparation of the financial statements is the responsibility of the Directors of Axis REIT Manager Berhad ("the Manager") of Axis Real Estate Investment Trust ("Axis-REIT").

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Securities Commission's Guidelines on Real Estate Investment Trust and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Manager as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of Axis-REIT are properly drawn up in accordance with the provisions of the Deed dated 15 June 2005 and the Supplemental Deed dated 8 December 2006, Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of Axis-REIT at 31 December 2006 and the results of its operations and cash flows for the year ended on that date.

KPMG
Firm Number: AF 0758
Chartered Accountants

Kuala Lumpur

Date: 16 February 2007

Hasman Yusri Yusoff
Partner
Approval Number: 2583/08/08(U)



Axis Real Estate Investment Trust

(Established in Malaysia)

Balance Sheet as at 31 December 2006

	Note	2006 RM'000	2005 RM'000
Assets			
Investment properties	4	408,250	332,200
Deposits placed with licensed banks	5	-	4,350
Receivables, deposits and prepayments	6	3,318	2,799
Tax recoverable		151	61
Cash and cash equivalents		62	222
Total assets		411,781	339,632
Liabilities			
Payables and accruals	7	15,685	12,104
Provision for income distribution	8	13,898	9,677
Borrowings	9	88,089	40,000
Total liabilities		117,672	61,781
Net Asset Value ("NAV")		294,109	277,851
Unitholders' Funds			
Unitholders' capital	10	234,892	234,892
Undistributed income	10	59,217	341
Revaluation reserve	10	-	42,618
Total unitholders' funds		294,109	277,851
Units in Circulation ('000)		205,901	205,901
Net Asset Value ("NAV") per unit (RM)		1.428	1.349

The notes on pages 42 to 58 are an integral part of these financial statements.



Axis Real Estate Investment Trust

(Established in Malaysia)

Income Statement

For the Year Ended 31 December 2006

	Note	2006 RM'000	3.8.2005 to 31.12.2005 RM'000
Gross revenue	11	40,931	13,761
Property expenses	12	(7,802)	(2,300)
Net rental income		33,129	11,461
Interest income		37	328
Change in the fair value of investment properties	4	16,517	-
Total Income		49,683	11,789
Manager's fees		2,420	794
Trustee's fees		142	57
Auditor's fees		54	40
Tax Agent's fees		12	10
Bad debts written off		119	-
Allowance for doubtful debts		167	-
Administrative expenses		353	98
Interest expense		3,137	738
Valuation fees		97	-
Total expenses		6,501	1,737
Net income before taxation		43,182	10,052
Tax expense	13	(260)	(34)
Net income for the year/period		42,922	10,018
Net income for the year/period is made up as follows:			
Realised		26,405	10,018
Unrealised			
- Change in the fair value of investment properties		16,517	-
		42,922	10,018
Earnings per Unit (sen)	14	20.85	4.87

The notes on pages 42 to 58 are an integral part of these financial statements.



Income Statement

For the Year Ended 31 December 2006

(continued)

	Note	2006 RM'000	3.8.2005 to 31.12.2005 RM'000
Earnings per Unit (before manager's fee)			
- Gross (sen)		22.15	5.27
- Net (sen)		22.02	5.25
		=====	=====
Net income distribution			
Interim income distribution of 6.20 sen (2005 - Nil) per unit		12,766	-
Proposed final income distribution of 6.75 sen (2005: 4.70 sen) per unit payable on 28 February 2007 (2005: 28 February 2006)		13,898	9,677
	15	<u>26,664</u>	<u>9,677</u>
		=====	=====
Income distribution per Unit			
- Gross (sen) - interim	15	6.20	-
- Gross (sen) - final	15	6.75	4.70
- Net (sen) - interim	15	6.20	-
- Net (sen) - final*	15	*6.75	4.70
		=====	=====

* Pursuant to the amended Section 109D(2) of the Income Tax Act, 1967 under the Finance Act 2006 which was gazetted on 31 December 2006, withholding tax will be deducted for distributions made to following type of unitholders:

- resident corporate	tax at prevailing rate, no withholding tax
- resident non-corporate	withholding tax 15%
- non-resident individual	withholding tax 15%
- non-resident corporate	withholding tax 27%
- non-resident institutional	withholding tax 20%

The notes on pages 42 to 58 are an integral part of these financial statements.



Statement of Changes in Net Asset Value

For the Year Ended 31 December 2006

(continued)

	Unitholders' capital RM'000	Non-distributable Revaluation reserve RM'000	Distributable		Total Unitholders' funds RM'000
			Undistributed income Realised RM'000	Unrealised RM'000	
Unitholders' transactions					
Distribution to Unitholders					
- Provision (Note 15)	-	-	(26,664)	-	(26,664)
	_____	_____	_____	_____	_____
Decrease in net assets resulting from Unitholders' transactions	-	-	(26,664)	-	(26,664)
	-----	-----	-----	-----	-----
Net assets as at 31 December 2006	234,892	-	82	59,135	294,109
	=====	=====	=====	=====	=====

Note 10

The notes on pages 42 to 58 are an integral part of these financial statements.



Axis Real Estate Investment Trust

(Established in Malaysia)

Cash Flow Statement

For the Year Ended 31 December 2006

	2006 RM'000	3.8.2005 to 31.12.2005 RM'000
Cash flows from operating activities		
Net income before taxation	43,182	10,052
<i>Adjustments for:</i>		
Interest expense	3,137	738
Interest income	(37)	(328)
Change in fair value of investment properties	(16,517)	-
	<hr/>	<hr/>
Operating income before changes in working capital	29,765	10,462
Trade and other receivables	(519)	(2,799)
Trade and other payables	3,581	12,104
	<hr/>	<hr/>
Cash generated from operation	32,827	19,767
Tax paid	(350)	(95)
	<hr/>	<hr/>
Net cash from operating activities	32,477	19,672
	-----	-----
Cash flows from investing activities		
Interest received	37	328
Uplift/(Placement) of pledged deposits placed with licensed banks	450	(450)
Purchase of investment properties	(59,278)	(182,082)
Payment for enhancement of investment properties	(255)	-
	<hr/>	<hr/>
Net cash used in investing activities	(59,046)	(182,204)
	-----	-----
Cash flows from financing activities		
Interest paid	(3,137)	(738)
Listing expenses	-	(6,191)
Proceeds from issue of Units	-	133,583
Proceeds from borrowings	-	40,000
Distribution paid to Unitholders	(22,443)	-
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(25,580)	166,654
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(52,149)	4,122
Cash and cash equivalents at 1 January	4,122	-
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	(48,027)	4,122
	=====	=====



Cash Flow Statement

For the Year Ended 31 December 2006
(continued)

i) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2006 RM'000	2005 RM'000
Cash and bank balances	62	222
Deposits with licensed bank (excluding deposits pledged)	-	3,900
Bank overdraft	(48,089)	-
	<u>(48,027)</u>	<u>4,122</u>
	=====	=====

The notes on pages 42 to 58 are an integral part of these financial statements.



Axis Real Estate Investment Trust

(Established in Malaysia)

Notes to the Financial Statements

1. General

Axis Real Estate Investment Trust ("Axis-REIT") is a Malaysia-domiciled real estate investment trust constituted pursuant to Deed dated 15 June 2005 and the Supplemental Deed dated 8 December 2006 (collectively referred to the "Deed") between Axis REIT Managers Berhad (the "Manager") and OSK Trustees Berhad (the "Trustee"). The Deed is regulated by the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Listing Requirement of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings. Axis-REIT will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of Clause 26 of the Deed. The addresses of its registered office and principal place of business are as follows:

Registered office
Suite 11.1A, Level 11
Menara Weld
76 Jalan Raja Chulan
50200 Kuala Lumpur

Principal place of business
Suite 6.04 Penthouse
Wisma Academy
4A Jalan 19/1
46300 Petaling Jaya
Selangor Darul Ehsan

Axis-REIT is principally engaged in investment of a diverse portfolio of properties with the primary objective of achieving an attractive level of return from rental income and for long-term capital growth.

Axis-REIT was formally admitted to the Main Board of Bursa Malaysia Securities Berhad on 3 August 2005.

Axis-REIT has entered into several service agreements in relation to the management of Axis-REIT and its property operations. The fee structure of these services is as follows:

(a) Property management fees

The Property Manager, Axis Management Sdn. Bhd., is entitled to a property management fee in respect of the management of the investment properties owned by Axis-REIT as provided in the Deed. The fee is based on a certain graduated scale as provided in the provisions of the revised Valuers, Appraisers and Estate Agents Act, 1981 as required by the Securities Commission's Guidelines on Real Estate Investment Trust. The property management fees are payable monthly in arrears.

(b) Manager's fees

Pursuant to the Deed, the Manager is entitled to receive a fee of up to a maximum of 1.00% (2005: 1.00%) per annum of the Net Asset Value of Axis-REIT, calculated based on the monthly accrual basis and payable monthly in arrears. The Manager's fees for year ended 31 December 2006 of RM2,420,489 (2005: RM794,177) is 1% with effective from 1 July 2006 from the previous 0.70% (2005: 0.70%) of the monthly net asset value.

(c) Trustee's fees

Pursuant to the Deed, the Trustee is entitled to receive a fee of 0.05% (2005: 0.05%) per annum of the Net Asset Value of Axis-REIT calculated based on the monthly accrual basis and payable monthly in arrears. The trustee's fees for the year ended 31 December 2006 is RM141,648 (2005: RM 56,727).

2. Basis of Preparation

(a) Statement of compliance

The financial statements of the Axis-REIT have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB) and accounting principles generally accepted in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.



Notes to the Financial Statements (continued)

The MASB has issued a number of new and revised Financial Reporting Standards (FRSs) that are effective for accounting periods beginning after 1 January 2006 or available for early adoption. In this set of financial statements, Axis-REIT has chosen not to early adopt FRS 117, Leases and FRS 124, Related Party Disclosures which are effective for annual periods beginning on or after 1 October 2006 and Amendment to FRS 119/2004, Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures which is effective for annual periods beginning on or after 1 January 2007. The MASB has also issued FRS 139, Financial Instruments: Recognition and Measurement but for which the MASB has yet to announce the effective date of this standard. Axis-REIT has not adopted FRS 139 and by virtue of the exemption in paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

On 15 August 2006, the MASB issued FRS 6, Exploration for and Evaluation of Mineral Resources which will be effective for annual periods beginning on or after 1 January 2007 and for which is not applicable to Axis-REIT. Hence, no further disclosure is warranted.

The effects of adopting the new / revised FRSs in 2006 are set out in note 24.

The financial statements were approved by the Board of Directors on 16 February 2007.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for investment property as explained in the accounting policy note.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4 - valuation of investment properties.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Axis-REIT, unless otherwise stated.

(a) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both.

In the previous years, all investment property were stated at valuation with surplus recognised as revaluation reserve. Following the adoption of FRS 140, Investment Property, all investment property are measured initially and subsequently at fair value with any change therein recognised in the income statement.

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values Axis-REIT's investment property portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.



Notes to the Financial Statements (continued)

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between Axis-REIT and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

First adoption of FRS 140, Investment Property

The adoption of FRS 140, Investment Property, resulted in a change in accounting policy for investment properties. Until 31 December 2005, Axis-REIT recognised investment properties using valuation method. In accordance with FRS 140, investment properties can be valued either using cost or fair value method. Axis-REIT has adopted the fair value method in measuring investment properties with effect from 1 January 2006.

(b) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(c) Cash and cash equivalents

Cash and cash equivalents consist of in cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(d) Impairment

The carrying amounts of assets except for investment property that is measured at fair value are reviewed at each balance sheet date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each balance sheet date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(e) Borrowings

Borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.



Notes to the Financial Statements (continued)

(f) Provisions

A provision is recognised if, as a result of a past event, Axis-REIT has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provision for income distribution

Provision for income distribution is recognised when any distribution declared, determined or publicly recommended by the Directors of the Manager and approved by the Trustee but not distributed at the balance sheet date.

(g) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(h) Revenue

(i) Rental income

Rental income consists of rental income from letting of lots, car parks and other associated income, is recognised on a straight line basis over the term of rent.

(ii) Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the assets.

(i) Expenses

(i) Property expenses

Property expenses consist of property management fees, quit rents and assessment, and other property outgoings in relation to investment properties where such expenses are the responsibility of the Trust. Property management fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1 (a).

(ii) Manager's fees

Manager's fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1 (b).

(iii) Trustee's fees

Trustee's fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1 (c).

(iv) Interest expense

All interest and other costs incurred in connection with borrowings are expensed using the effective interest method, in period in which they are incurred.

(j) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



Notes to the Financial Statements (continued)

4. Investment Properties

	2006 RM'000	2005 RM'000
At 1 January	332,200	-
Acquisitions	59,278	289,582
Enhancement	255	-
Change in fair value	16,517	-
Revaluation surplus	-	42,618
At 31 December	<u>408,250</u> =====	<u>332,200</u> =====
Included in the above are:		
Buildings	408,250 =====	332,200 =====

Notes to the Financial Statements (continued)



4. Investment Properties (continued)

Description of Property	Tenure of land	Term of Lease Year	Remaining Term of Lease Year	Location	Existing Use	Occupancy rates as at 31 December 2006 %	Valuation as at 31 December 2006 RM'000	Acquisition cost as at 31 December 2006 RM'000	Percentage of valuation to Net Asset Value as at 31 December 2006 %
Axis Plaza*	Freehold	-	-	Shah Alam	Office & Warehouse	92.9	28,000	22,500	9.5
Axis Business Park**	Leasehold	99	54	Petaling Jaya	Office & Warehouse	94.2	93,600	84,600	31.8
Crystal Plaza*	Leasehold	99	53	Petaling Jaya	Commercial	100	68,000	56,400	23.1
Infinite Centre*	Leasehold	99	59	Petaling Jaya	Office & Warehouse	96.7	32,500	25,450	11.1
Kompleks Kemajuan**	Leasehold	99	59	Petaling Jaya	Office & Warehouse	57.6	36,250	29,192	12.3
Menara Axis**	Leasehold	99	59	Petaling Jaya	Commercial	100	82,000	71,440	27.9
Axis Logistic Centre 1*	Leasehold	99	99	Klang	Warehouse	100	13,500	10,373	4.6
Kayangan Depot**	Leasehold	99	80	Shah Alam	Office & Warehouse	71	18,400	16,224	6.3
Wisma Bintang*	Leasehold	99	61/65	Petaling Jaya	Office & Workshop	100	36,000	32,681	12.2
Investment properties							408,250	348,860	

* The properties were valued on 13 December 2006, 8 December 2006, 7 December 2006, 20 October 2006 and 8 September 2006, by Colliers, Jordan Lee & Jaafar Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, the cost and the investment methods of valuation.

** The property was valued on 13 December 2006 and 19 October 2006 by C H Williams Taihar & Wong Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison and investment methods of valuation.

The properties are charged to financial institution for banking facilities granted to Axis-REIT (Note 9).



Notes to the Financial Statements (continued)

4. Investment Properties (continued)

In relation to the abovementioned revaluation of investment properties, Axis-REIT has on 19 December 2006 obtained the approval from Securities Commission ("SC") for the exemption from compliance with sub-clause 11.02(2) of the Guidelines on Real Estate Investment Trusts which states that all revaluation of real estates must be approved by the SC before being incorporated in the accounts (Note 22).

Fair value of investment properties is determined by comparing its current value with recent sale of similar properties in the vicinity with appropriate adjustments made for differences in location, floor area and other relevant factors before arriving at the fair value of the investment properties. The determination of appropriate adjustments to the recent sale value involve a degree of judgment before arriving at the respective investment property's fair value.

Description of Property	Tenure of land	Term of Lease	Year	Remaining Term of Lease	Location	Existing Use	Occupancy rates as at		Valuation as at		Acquisition cost as at		Percentage of valuation to Net Asset Value as at 31 December 2005
							31 December 2005	%	31 December 2005	RM'000	31 December 2005	RM'000	
Axis Plaza*	Freehold	-	-	-	Shah Alam	Office & Warehouse	93.4	26,000	22,500	9.3			
Axis Business Park* #	Leasehold	99	55	55	Petaling Jaya	Office & Warehouse	100.0	93,000	84,600	33.5			
Crystal Plaza*	Leasehold	99	54	54	Petaling Jaya	Commercial	100.0	65,000	56,400	23.4			
Infinite Centre*	Leasehold	99	60	60	Petaling Jaya	Office & Warehouse	100.0	32,000	25,450	11.5			
Kompleks Kemajuan**	Leasehold	99	60	60	Petaling Jaya	Office & Warehouse	72.8	36,200	29,192	13.0			
Menara Axis**#	Leasehold	99	60	60	Petaling Jaya	Commercial	100.0	80,000	71,440	28.8			
Investment properties								332,200	289,582				

* The properties were valued on 24 June 2005 by Colliers, Jordan Lee & Jaafar Sdn. Bhd., an independent firm of professional valuers using the comparison, the cost and the investment methods of valuation.

** The property was valued on 22 November 2005 by C H Williams Talhar & Wong Sdn. Bhd., an independent firm of professional valuers using the comparison and investment methods of valuation.

The properties are charged to financial institution for banking facilities granted to Axis-REIT (Note 9).



Notes to the Financial Statements (continued)

5. Deposits Placed with Licensed Banks

	2006 RM'000	2005 RM'000
Deposits placed with licensed banks	-	4,350
	=====	=====

Included in fixed deposits is RM Nil (2005: RM450,000) pledged for banking facilities granted to Axis-REIT (Note 9).

6. Receivables, Deposits and Prepayments

	Note	2006 RM'000	2005 RM'000
Trade			
Trade receivables		991	938
Less: Allowance for doubtful debts		(167)	-
		-----	-----
		824	938
		-----	-----
Non-trade			
Other receivables		13	13
Deposits		2,390	1,804
Prepayments		91	44
		-----	-----
		2,494	1,861
		-----	-----
		3,318	2,799
		=====	=====

7. Payables and Accruals

	2006 RM'000	2005 RM'000
Trade payables	757	169
Other payables and accrued expenses	1,706	899
Tenants' deposits		
- payable within 12 months	3,831	953
- payable after 12 months	9,391	10,083
	-----	-----
	15,685	12,104
	=====	=====

Included in other payable and accrued expenses is amount due to the Manager and the Trustee of RM260,368 (2005: RM169,503) and RM11,952 (2005: RM11,531) respectively which are unsecured, interest free and payable monthly in arrears.



Notes to the Financial Statements (continued)

8. Provision for Income Distribution

	2006 RM'000	2005 RM'000
At 1 January	9,677	-
Provisions made during the year/period	26,664	9,677
Payments made during the year	(22,443)	-
At 31 December	13,898	9,677
	=====	=====

9. Borrowings

This note provides information about the contractual terms of Axis-REIT's interest-bearing borrowings. For more information about Axis-REIT's exposure to interest rate, see note 19.

	2006 RM'000	2005 RM'000
Current		
Secured revolving credit	40,000	40,000
Bank overdraft	48,089	-
	88,089	40,000
	=====	=====

Terms and debt repayment schedule

	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2006						
Secured revolving credit	1	40,000	40,000	-	-	-
Bank overdraft	1	48,089	48,089	-	-	-
		=====	=====	=====	=====	=====

	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2005						
Secured revolving credit	1	40,000	40,000	-	-	-
		=====	=====	=====	=====	=====

Notes to the Financial Statements

(continued)



10. Total Unitholders' Funds

Unitholders' capital	2006	2005
	Number of Units '000	Number of Units '000
Authorised:		
At 1 January/31 December	205,901	205,901
	=====	=====
	2006	2005
	RM'000	RM'000
At 1 January	234,892	-
Issue of new Units:		
- 107,501,000 Units @ RM1.00	-	107,501
- 17,000,000 Units @ RM1.25	-	21,250
- 81,400,000 Units @ RM1.38	-	112,332
Listing expenses (Note 16)	-	(6,191)
	-----	-----
At 31 December	234,892	234,892
	=====	=====

Unitholdings of Directors and their related parties and substantial unitholders

As at 31 December 2006, the Manager did not hold any Units in Axis-REIT. However, the Directors of the Managers and their related parties held Units in Axis-REIT, details of which are as follows:

	2006		2005	
	Number of Units '000	Market value RM'000	Number of Units '000	Market value RM'000
The Manager's Directors' Direct Unitholdings in Axis-REIT:				
Dato' Abas Carl Gunnar bin Abdullah	149	250	124	215
Lim Kian Thaim	2,500	4,200	-	-
Tew Peng Hwee @ Teoh Peng Hwee	2,570	4,318	70	121
Dato' Mohamed Salleh Bajuri	150	252	250	433
George Stewart LaBrooy	30	50	-	-
Alex Lee Lao	200	336	200	346
	=====	=====	=====	=====
The Manager's Directors' indirect Unitholdings in Axis-REIT:				
Dato' Abas Carl Gunnar bin Abdullah*	61,800	103,824	32,700	56,571
Dato' Mohamed Salleh Bajuri**	400	672	300	519
Tew Peng Hwee @ Teoh Peng Hwee***	91,735	154,115	97,450	168,589
Lim Kian Thiam****	63,985	107,495	99,400	171,962
Alex Lee Lao*****	27,750	46,620	-	-
	=====	=====	=====	=====



Notes to the Financial Statements (continued)

10. Total Unitholders' Funds (continued)

	2006		2005	
	Number of Units '000	Market value RM'000	Number of Units '000	Market value RM'000
Axis-REIT's substantial shareholders' direct Unitholdings in Axis-REIT:				
Baiduri Kemas Sdn. Bhd.	34,050	57,204	30,750	53,198
Crystal Properties Sdn. Bhd.	27,750	46,620	24,900	43,077
Prestigious Landmarks Sdn. Bhd.	28,520	47,914	34,670	59,979
	=====	=====	=====	=====
The direct Unitholdings of the related Parties of the Manager's Director in Axis-REIT:				
Paridah binti Mohd Nor (spouse of Dato' Mohamed Salleh Bajuri)	100	168	100	173
Irda Nurhidayah binti Mohamed Salleh (daughter of Dato' Mohamed Salleh Bajuri)	50	84	-	-
Irda Suriana binti Mohamed Salleh (daughter of Dato' Mohamed Salleh Bajuri)	50	84	-	-
Infinite Centre Sdn. Bhd.	1,415	2,377	7,130	12,335
Kasturi Gemilang Sdn. Bhd.#	-	-	1,950	3,374
PAMS Holdings Sdn. Bhd.	150	252	150	260
PAMS Corporation Sdn. Bhd.	50	84	50	87
	=====	=====	=====	=====

¹ The breakdown of the indirect Unitholdings of the Manager's Directors can be obtained from the information on the direct Unitholdings of the substantial unitholders as well as the direct Unitholdings of the related parties of the Manager's Directors.

* Deemed interested by virtue of his shareholdings in Axis Equities Sdn. Bhd.[^] and Crystal Properties Sdn. Bhd., a substantial unitholder of Axis-REIT.

** Deemed interested by virtue of his family interest in PAMS Holdings Sdn. Bhd. and PAMS Corporation Sdn. Bhd., both are unitholders of Axis-REIT, and also the direct interests in Axis-REIT held by his spouse and daughters.

*** Deemed interested by virtue of his shareholdings in Pet Resins (M) Sdn. Bhd.^{^^}, Salperon Holdings Sdn. Bhd.^{^^^}, Crystal Properties Sdn. Bhd., a substantial unitholder of Axis-REIT and Infinite Centre Sdn. Bhd., a unitholder of Axis-REIT.

**** Deemed interested by virtue of his shareholdings in Axis Equities Sdn. Bhd.[^], Pet Reins (M) Sdn. Bhd.^{^^}, Salperon Holdings Sdn. Bhd.^{^^^} and Infinite Centre Sdn. Bhd., a unitholder of Axis-REIT.

***** Deemed interested by virtue of his shareholdings in Crystal Properties Sdn. Bhd., a substantial unitholder of Axis-REIT.



Notes to the Financial Statements (continued)

10. Total Unitholders' Funds (continued)

- ^ Axis Equities Sdn. Bhd. is the ultimate holding company of T.S. Property Development Sdn. Bhd. T.S. Property Development Sdn. Bhd. has a substantial interest in Axis Development Sdn. Bhd. which in turn has substantial interest in Baiduri Kemas Sdn. Bhd., a substantial unitholder of Axis-REIT.
- ^^ Pet Resins (M) Sdn. Bhd. has a substantial interest in Axis Development Sdn. Bhd., a company having substantial interest in Baiduri Kemas Sdn. Bhd., a substantial unitholder of Axis-REIT.
- ^^^ Salperton Holdings Sdn. Bhd. is the holding company of Prestigious Landmarks Sdn. Bhd., a substantial unitholder of Axis-REIT.
- # Dato' Abas Carl Gunnar bin Abdullah and Lim Kian Thiam were previously deemed interested in Kasturi Gemilang Sdn. Bhd. by virtue of Section 6A(4) of the Companies Act, 1965.

The market value of the Units was determined by multiplying the number of Units with the market price of RM1.68 (2005: RM1.73) as at 31 December 2006.

	Note	2006 RM'000	2005 RM'000
Undistributed income			
- Realised		82	341
- Unrealised		59,135	-
		<u>59,217</u>	<u>341</u>
		=====	=====

Note a - This unrealised gain relating to the fair value adjustment to the investment properties.

Revaluation reserve

The revaluation reserve was related to the revaluation of investment properties.

11. Gross Revenue

	2006 RM'000	3.8.2005 to 31.12.2005 RM'000
Rental income from investment properties	36,868	12,320
Car park income	2,623	1,007
Other income	1,440	434
	<u>40,931</u>	<u>13,761</u>
	=====	=====



Notes to the Financial Statements (continued)

12. Property Expenses

	2006 RM'000	3.8.2005 to 31.12.2005 RM'000
Assessment	1,147	333
Service contracts and maintenance	2,177	547
Property management fees	831	320
Property management reimbursements	402	133
Utilities	1,919	530
Others	1,326	437
	<hr/> 7,802 <hr/> =====	<hr/> 2,300 <hr/> =====

13. Tax Expense

Recognised in the income statement

	2006 RM'000	3.8.2005 to 31.12.2005 RM'000
Current tax expense		
- Current year	249	34
- Prior year	11	-
	<hr/> 260 <hr/> =====	<hr/> 34 <hr/> =====
Profit before tax	43,182	10,052
	<hr/> =====	<hr/> =====
Tax at 28%	12,091	2,815
Non-deductible expenses	174	16
Non taxable items	(4,624)	-
Tax exempt income	-	(87)
Effect of income distribution exempted from tax	(7,380)	(2,710)
Other items	(1)	-
	<hr/> 260 <hr/> =====	<hr/> 34 <hr/> =====

14. Earnings per Unit

The calculation of earnings per Unit is based on the net income for the year/period of RM42,922,000 (2005: RM10,018,000) to the number of units in circulation during the year/period of 205,901,000 (2005: 205,901,000).



Notes to the Financial Statements (continued)

15. Distribution to Unitholders

Distribution to Unitholders is from the following sources:

	2006 RM'000	3.8.2005 to 31.12.2005 RM'000
Net rental income	33,129	11,395
Interest income – tax exempt	36	-
– non-tax exempt	-	19
	-----	-----
	33,165	11,414
Less: Expenses	(6,501)	(1,737)
	-----	-----
	26,664	9,677
	=====	=====
	12.95	4.70
	=====	=====
Net provision for distribution per Unit (sen)	12.95	4.70
	=====	=====

Includes the payment of the interim income distribution of 6.20 sen per unit on 30 August 2006, totalling RM12,765,862 in respect of the six months period ended 30 June 2006.

16. Listing Expenses

	2006 RM'000	3.8.2005 to 31.12.2005 RM'000
Brokerage and commissions	-	3,124
Professional fees	-	1,784
Miscellaneous expenses	-	1,283
	-----	-----
	-	6,191
	=====	=====

These expenses were deducted directly against the Unitholders' funds. Included in the professional fees were non-audit fees paid and payable to auditors of Axis-REIT amounting to RM Nil (2005: RM155,000) for acting as independent reporting accountants with respect to the issuance and placement of Units in Axis-REIT.



Notes to the Financial Statements (continued)

17. Portfolio Turnover Ratio		3.8.2005 to 31.12.2005
	2006	
Portfolio Turnover Ratio ("PTR") (times)	0.10	0.53
	===	===

The calculation of PTR is based on the average of total acquisitions and total disposals of investments in Axis-REIT for the year to the average net asset value during the year calculated on a weekly basis.

18. Management Expense Ratio		3.8.2005 to 31.12.2005
	2006	
Management expense ratio ("MER") (%)	1.19	0.88
	===	===

The calculation of the MER is based on the total fees of Axis-REIT incurred, including Manager's fees, Trustee's fees, audit fees, tax agent's fees, administrative expenses, bad debts written off and allowance for doubtful debts, to the average net asset value during the period. Since the net asset value is calculated on a weekly basis, comparison of the MER of Axis-REIT with other real estate investment trusts which uses different basis of calculation may not be an accurate comparison.

19. Financial Instruments

Financial risks management objectives and policies

Exposure to credit, interest rate and liquidity risk arises in the normal course of Axis-REIT's business. Axis-REIT has written risk management policies and guidelines which sets out their overall business strategies and its general risk management philosophy.

Credit risk

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of financial asset.

Interest rate risk

Axis-REIT's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.



Notes to the Financial Statements (continued)

19. Financial Instruments (continued)

Liquidity risk

The Manager monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to finance the Axis-REIT's operations and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the Securities Commission's Guidelines on Real Estate Investment Trust concerning limits on total borrowings.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing liabilities, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature:

	<-----2006----->			<-----2005----->		
	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	Average effective interest rate %	Total RM'000	Less than 1 year RM'000
Floating rate instruments						
Financial asset						
Deposits with licensed banks	-	-	-	2% - 3.70%	4,350	4,350
Financial liability						
Revolving credit	4.40%	-	-	4.40%	-	-
	5.01%	40,000	40,000	4.45%	40,000	40,000
Bank overdraft	4.45% - 4.91%	48,089	48,089	-	-	-

Fair values

The carrying amounts of cash and cash equivalents, receivables, deposits and prepayments, other payables and accruals, and short term borrowings, approximate fair values due to the relatively short term nature of these financial instruments.

20. Capital Commitments

Capital expenditure commitments

Investment properties

Contracted but not provided for and payable:

Within one year

2006 RM'000	2005 RM'000
-	14,490
=====	=====



(continued)

21. Significant Related Party Transactions

	2006 RM'000	3.8.2005 to 31.12.2005 RM'000
Property management fees paid/payable to Property Manager	-	98
Acquisition cost of a property payable to a related company of the Directors of the Manager	27	47
Tenancy agency commissions payable to a related company of the Directors of the Manager	36	-
	=====	=====

These transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with related parties.

22. Exemptions Received from Securities Commission ("SC")

- a. Axis-REIT has on 24 February 2006 obtained the approval from SC on a waiver of registered lease status of the acquisition of Axis Logistic Centre 1 as stated under Clause 10.03 (5) of SC Guidelines on Real Estate Investment Trusts ("Guidelines on REIT").
- b. Axis-REIT has on 19 December 2006 obtained the approval from SC for the exemption from compliance with sub-clause 11.02 (2) of the Guidelines on REIT which states that all revaluation of real estates must be approved by the SC before being incorporated in the accounts.

23. Subsequent Event

On 1 January 2007, Axis-REIT has appointed Axis Property Services (PM (3) 0025) as the Property Manager for Axis-REIT vide a Property Management Agreement executed between OSK Trustees Berhad, Axis REIT Managers Berhad and Axis Property Services, dated 9 January 2007.

24. Changes in Accounting Policies

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2006.

The changes in accounting policies arising from the adoption of FRS 140, Investment Property are summarised below:

FRS 140, Investment Property

Axis-REIT now measures all investment property at fair value with any change therein recognised in the income statement. In accordance with the transitional provisions, the change in accounting policy has had no impact as amounts reported in year 2005 or prior period. Instead, the changes have been accounted for by restating the opening balances as at 1 January 2006. The adoption of FRS 140 has the effect of increasing the retained earnings at 1 January 2006 by RM42,618,000.



Unitholders Statistics

Analysis of Unitholdings as at 31 December 2006

SIZE OF HOLDINGS	NUMBER OF UNITHOLDERS	%	NUMBER OF UNITS HELD	%
1 – 99	1	0.11	50	0.00
100 – 1,000	209	22.21	175,350	0.09
1,001 – 10,000	472	50.16	2,174,300	1.06
10,001 – 100,000	136	14.45	4,762,500	2.30
100,001 - 10,295,049*	120	12.75	108,468,800	52.68
10,295,050** and above	3	0.32	90,320,000	43.87
TOTAL	941	100.00	205,901,000	100.00

* less than 5% of total issued units

** 5% and above of total issued units

Record of Depositors

Top 30 Unitholders as at 31 December 2006

As listed in the Record of Depositors

Ranking	Unitholder	No. of Units	% of Total Issued Units
1	Baiduri Kemas Sdn Bhd	34,050,000	16.54
2	Prestigious Landmarks Sdn Bhd	28,520,000	13.85
3	Crystal Properties Sdn Bhd	27,750,000	13.48
4	Citigroup Nominees (Asing) Sdn Bhd Exempt an for American International Assurance Company Limited	8,115,000	3.94
5	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Wawasan 2020	7,429,800	3.61
6	Employees Provident Fund Board	7,200,000	3.50
7	HSBC Nominees (Tempatan) Sdn Bhd Nomura Asset Mgmt SG for Employees Provident Fund	5,744,200	2.79
8	Cartaban Nominees (Tempatan) Sdn Bhd Exempt an for Amanah SSCM Nominees (Tempatan) Sdn Bhd (Account 1)	4,289,800	2.08
9	Valuecap Sdn Bhd	3,680,000	1.79
10	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Prudential Equity Income Fund (4801)	3,000,000	1.46
11	Asia Life (M) Berhad As Beneficial Owner (PF)	2,866,000	1.39
12	Permodalan Nasional Berhad	2,853,500	1.39
13	SBB Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	2,800,000	1.36
14	Tew Peng Hwee @ Teoh Peng Hwee	2,570,000	1.25



Record of Depositors (continued)

15	Lim Kian Thiam	2,500,000	1.21
16	AMMB Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Pacific Pearl Fund (5/1-9)	2,116,300	1.03
17	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LGF)	1,895,000	0.92
18	AMMB Nominees (Tempatan) Sdn Bhd Amanah SSCM Asset Management Berhad For Tenaga Nasional Berhad Retirement Benefit Trust Fund (7/893-1)	1,812,000	0.88
19	Allianz Life Insurance Malaysia Berhad	1,670,400	0.81
20	Citigroup Nominees (Tempatan) Sdn Bhd Uni.Asia Life Assurance Berhad (Life Fund)	1,664,600	0.81
21	Amanah Raya Nominees (Tempatan) Sdn Bhd Auto Progress Fund	1,567,500	0.76
22	Citigroup Nominees (Tempatan) Sdn Bhd Exempt An For Prudential Assurance Malaysia Berhad	1,497,800	0.73
23	Citigroup Nominees (Tempatan) Sdn Bhd ING Insurance Berhad (INV-IL PAR)	1,470,100	0.71
24	Infinite Centre Sdn Bhd	1,415,000	0.69
25	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad For Avenue Tacticalextra Fund (250082)	1,280,000	0.62
26	Malaysian Assurance Alliance Berhad As Beneficial Owner (Growth Fund)	1,200,000	0.58
27	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Hwang-DBS Select Income Fund (4850)	1,158,600	0.56
28	MCIS Zurich Insurance Berhad	1,105,000	0.54
29	Mayban Nominees (Tempatan) Sdn Bhd Hwang-DBS Investment Management Bhd For PanGlobal Berhad (220019)	1,100,000	0.53
30	AMMB Nominees (Tempatan) Sdn Bhd AmTrustee Berhad For HLG Dividend Fund (HLGDF)	1,000,000	0.49



Corporate Directory

Manager	:	Axis REIT Managers Berhad
Manager's Principal Place of Business	:	Suite 6.04 Penthouse Wisma Academy 4A Jalan 19/1 46300 Petaling Jaya Selangor Darul Ehsan Tel: 03-7958 4882 Fax: 03-7957 6881
Manager's Registered Office	:	Suite 11.1A Level 11 Menara Weld 76 Jalan Raja Chulan 50200 Kuala Lumpur Tel: 03-2031 1988 Fax: 03-2031 9788
Board of Directors of the Manager	:	Dato' Mohamed Salleh Bajuri <i>Independent Non-Executive Chairman</i> George Stewart LaBrooy <i>Executive Director</i> Dato' Abas Carl Gunnar bin Abdullah <i>Non-Independent Non-Executive Director / Deputy Chairman</i> Lim Kian Thiam <i>Non-Independent Non-Executive Director</i> Stephen Tew Peng Hwee <i>Non-Independent Non-Executive Director</i> Dato' Fateh Iskandar B. Dato' Mohamed Mansor <i>Independent Non-Executive Director</i> Tuan Haji Mohamed Shah bin Tan Sri Kadir <i>Independent Non-Executive Director</i> Alex Lee Lao <i>Alternate to Dato' Abas Carl Gunnar bin Abdullah</i> Khoo Cheang Ee <i>Alternate to Lim Kian Thiam</i>
Audit Committee	:	Dato' Mohamed Salleh Bajuri (Chairman) Tuan Haji Mohamed Shah bin Tan Sri Kadir Lim Kian Thiam
Executive Committee	:	Dato' Abas Carl Gunnar bin Abdullah (Chairman) George Stewart LaBrooy Lim Kian Thiam Stephen Tew Peng Hwee
Remuneration and Nomination Committee	:	Dato' Mohamed Salleh Bajuri (Chairman) Dato' Fateh Iskandar B. Dato' Mohamed Mansor Dato' Abas Carl Gunnar bin Abdullah



Corporate Directory (continued)

Company Secretary of the Manager	:	Yeoh Chong Keat <i>(Membership number: MIA2736)</i> Rebecca Leong Siew Kwan <i>(Membership number: MAJCSA7045547)</i>
Property Management Company	:	Axis Property Services Suite 6.04 Penthouse Wisma Academy 4A Jalan 19/1 46300 Petaling Jaya Selangor
Trustee	:	OSK Trustees Berhad 6th Floor Plaza OSK Jalan Ampang 50450 Kuala Lumpur Tel: 03-2333 8333 Fax: 03-2175 3288 Email: OSK_Trustees@osk.com.my Website: www.osktrustees.com.my
Principal Bankers of the Fund	:	Malayan Banking Berhad 3rd Floor Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur CIMB Bank Berhad (formally known as Bumiputra Commerce Bank Berhad) UL Bangunan Amanah Raya Jalan Semantan Damansara Heights 50490 Kuala Lumpur
Auditors	:	KPMG Wisma KPMG Jalan Dungun Damansara Heights 50490 Kuala Lumpur
Tax Agent	:	KPMG Tax Services Sdn Bhd Wisma KPMG Jalan Dungun Damansara Heights 50490 Kuala Lumpur
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 Website: www.symphony.com.my
Bursa Malaysia Securities Name	:	AXREIT
Bursa Malaysia Securities Stock Code	:	5106



Property Report

Klang Valley Office & Industrial Property Market Outlook 2007

The office and industrial property market within Klang Valley has been performing strongly in tandem with the economy of the country. The Gross Domestic Product (GDP) of Malaysia was noted to have expanded by 6.0% for the period of January to September 2006. Growth during the 3rd quarter of 2006 was led by the manufacturing and services sectors each recording growth rates of 7.1% and 6.5% respectively. The final quarter of 2006 was noted to have seen continued growth and is expected to record strong expansion rates with the services sector leading the way.

Barring any slowdown in major global markets, the services and manufacturing sectors are expected to continue on an upward trend as both sectors are the largest contributors to the Malaysian economy. According to the Minister of International Trade and Industry, Malaysia's manufacturing sector is expected to record a growth rate of 7% for the year 2006, on the back of resilient domestic and global demand, compared with a growth of 4.9% recorded for 2005. On investments, a total of 372 projects with investments of RM10.9 billion were approved from January to May 2006. Of these, domestic investments accounted for 58.7% or RM6.4 billion, whilst foreign investments were RM4.5 billion or 41.3%. The country's trade volume for the year 2006 was also noted to have breached the trillion ringgit mark whereby trade volume totalled RM1.069 trillion. Exports during 2006 totalled RM588.95 billion whilst imports stood at RM480.49 billion.

According to the Third Industrial Masterplan 2006-2020 (IMP3), the manufacturing sector is expected to grow at an annual average rate of 5.6 per cent during the period of 2006-2020, contributing 28.5 per cent to the economy in 2020. The IMP3, which was launched on August 18, 2006, contains policy directions, strategies and programs aimed at further developing the manufacturing and the services sectors. In the manufacturing-related services, eight services sub-sectors have been identified for further development during the IMP period. These are business and professional services, distributive trade, construction, education and training, healthcare services, tourism services, ICT services and logistics.

Selangor remains the largest contributor to the industrial property supply within Malaysia consisting of about 36% of the national supply. Together, Kuala Lumpur and Selangor have a total of 36,839 units of various industrial properties which account for about 42% of the national supply.

Supply of industrial properties within Klang Valley (as at 3Q06)				
Location	Existing supply	Future supply		
		Incoming	Planned	Total
Selangor	31,724	3,736	2,374	6,110
Wilayah Persekutuan	5,115	0	156	156

Source: NAPIC 3Q06



Property Report (continued)

Existing Supply of Industrial Properties in Selangor, 3Q06						
Districts	Number of Industrial Properties					
	Terraced	Semi-detached	Detached	Flatted Factory	Industrial Complex	TOTAL
Petaling	10,121	1,215	1,460	263	5	13,064
Klang	4,461	966	896	7	42	6,372
Kuala Langat	158	0	65	0	37	260
Kuala Selangor	54	18	10	0	0	82
Sabak Bernam	21	0	0	0	0	21
Gombak	2,581	75	447	0	8	3,111
Hulu Selangor	3,528	117	64	0	0	3,709
Hulu Langat	3,474	481	424	0	2	4,381
Sepang	533	175	16	0	0	724
Total	24,931	3,047	3,382	270	94	31,724

Source: NAPIC 3Q06

Terraced, semi-detached and detached factory types consist of 99% of the total supply of industrial properties within Selangor whilst the largest supply of industrial properties is noted to be located within the District of Petaling. It is also noted that the largest amount of industrial complexes are located within the Districts of Klang and Kuala Langat.

Transactions of Industrial Properties in Selangor		
Period	Volume	Value (RM million)
Yearly		
2003	2,497	2,096.69
2004	3,030	3,027.24
2005	2,768	2,533.17
Quarterly		
1H05	1,337	1,230.70
2H05	1,431	1,302.47
1H06	1,435	1,460.18

Source: JPPH

The performance of the industrial property sector is noted to have been mixed between 2003 and 2005 whilst an uptrend in transaction volume and value for industrial properties was recorded from the 1st half of 2005 to the 1st half of 2006. Generally, the industrial property market within Selangor and Wilayah Persekutuan K.L. remained stable during the course of 2006.

In the industrial property sector, it has been noted that there is an increasing interest in logistics and warehousing centres. The logistics industry comprises transport as its core element and is complemented by various related services, such as warehousing and forwarding. The IMP3 considers the logistics industry as an important link to enhance the country's progress in industrialization and international trade. Hence, the logistics industry will be further developed to keep pace with the increasing demand of international trade, as well as provide a source of growth to the national economy. Such efforts are expected to spur demand for warehouses/storage space, particularly for those in prime areas, which have easy access to seaports and airports. With the country's trade volume breaching the trillion Ringgit mark last year, sustained demand for logistics centres is expected to continue into 2007 due to expectations of continued growth of international trade volume during the year.



Property Report (continued)

The office property sector within Klang Valley performed robustly during the course of 2006 and is expected to remain active during 2007 barring any major slowdown in overall economic conditions. Average occupancy rates of office premises within the cities of Kuala Lumpur and Petaling Jaya remained high with gradual increases in rentals for selected buildings during 2006. The total supply of office space within Wilayah Persekutuan K.L. (WPKL) and Selangor stood at 7,758,473 square metres in 492 buildings. Total space of purpose built office space within WPKL and Selangor accounted for 53.7% of the national supply.

Supply of purpose built office space within Selangor (as at 3Q06)			
Location	Number of Buildings	Total space (sq. m.)	Occupancy rate (%)
Petaling Jaya	36	803,135	80.3
Subang Jaya	10	124,740	95.7
Sunway City	2	23,854	95.0
Seri Kembangan/Sg. Besi	3	46,965	72.3
Shah Alam	23	373,753	90.9
Bandar Utama	1	22,931	100.0
Kelana Jaya	14	167,564	89.8
Puchong	1	30,283	86.8
Klang Town	12	71,443	72.9
Kajang/Cheras	8	29,149	77.2
Ampang	6	74,962	79.2
Sepang	3	48,432	70.7
Kuala Selangor	2	4,587	34.7
Selayang	1	8,148	100.0
Total	122	1,829,946	84.1

Source: NAPIC 3Q06

Demand for purpose built office space within Kuala Lumpur City Centre and suburban areas of the Federal Territory of Kuala Lumpur (WPKL) remained robust during 2006 with occupancy rates hitting a high of 89.3% for the localities of Jalan Ampang. A breakdown of purpose built office space by location within WPKL with corresponding occupancy rates are given in the table below.

Supply of purpose built office space within Klang Valley (as at 3Q06)				
Location	Existing supply (sq. m.)	Future supply (sq. m.)		
		Incoming	Planned	Total
Selangor	1,829,946	69,771	30,154	99,925
Wilayah Persekutuan	5,928,527	680,867	1,193,237	1,874,104

Source: NAPIC 3Q06

The occupancy of purpose built office space as at the 3rd quarter of 2006 (3Q06) within WPKL and Selangor stood at 6,366,550 square metres or 82% of the total supply. Occupancy of purpose built office space remained higher within Selangor recording an occupancy rate of 84% whilst WPKL recorded a marginally lower rate of 81% as at the 3Q06. A breakdown of purpose built office space by location within Selangor and corresponding occupancy rates are given in the table below.



Property Report (continued)

Supply of purpose built office space within WPKL (as at 3Q06)			
Location	Number of Buildings	Total space (sq. m.)	Occupancy rate (%)
Golden Triangle	44	873,266	80.7
Jalan Ampang	23	769,310	89.3
Central Business District	95	1,173,789	79.7
Within City Centre	123	1,583,309	79.8
Suburban	85	1,528,853	81.0
Total	370	5,928,527	81.4

Source: NAPIC 3Q06

Rental rates of purpose built offices within WPKL and Selangor remained stable between 2005 and 2006 and is expected to record gradual increases in tandem with gradually increasing occupancy rates. Rental rates for purpose built office space within Kuala Lumpur Golden Triangle ranged between RM1.90 to RM6.00 per square foot whilst offices located along Jalan Ampang and within the Central Business District of Kuala Lumpur recorded rental rates ranging between RM2.30 to RM8.00 and RM1.90 to RM4.50 respectively. Rental rates for purpose built office space within Selangor and more precisely within Petaling Jaya, Subang Jaya and Shah Alam recorded rental rates ranging between RM1.30 to RM4.00, RM1.90 to RM4.00 and RM1.50 to RM3.30 respectively.

Sustained demand for purpose built office space should continue during 2007. This is due to the fact that more and more multi-national companies (MNC's) are looking towards Malaysia and mainly Kuala Lumpur and Petaling Jaya to set up regional headquarters as rental rates within Malaysia remain relatively low compared to state capitals of other Asian countries. Demand for logistics centres located close to airports and seaports are also expected to rise due to increasingly higher export and import activities with localities such as Klang, Johor and Penang set to benefit the most.

With commercial and industrial sectors being the main contributors to economic activities for Malaysia coupled with Selangor and WPKL being the hub for industrial properties and purpose built office buildings within the nation, the respective property markets within both localities should continue to remain active for the year 2007. Barring a major national economic slow down which may result from events, demand, rental rates and capital values are expected to see positive movements in the immediate future.

Prepared by

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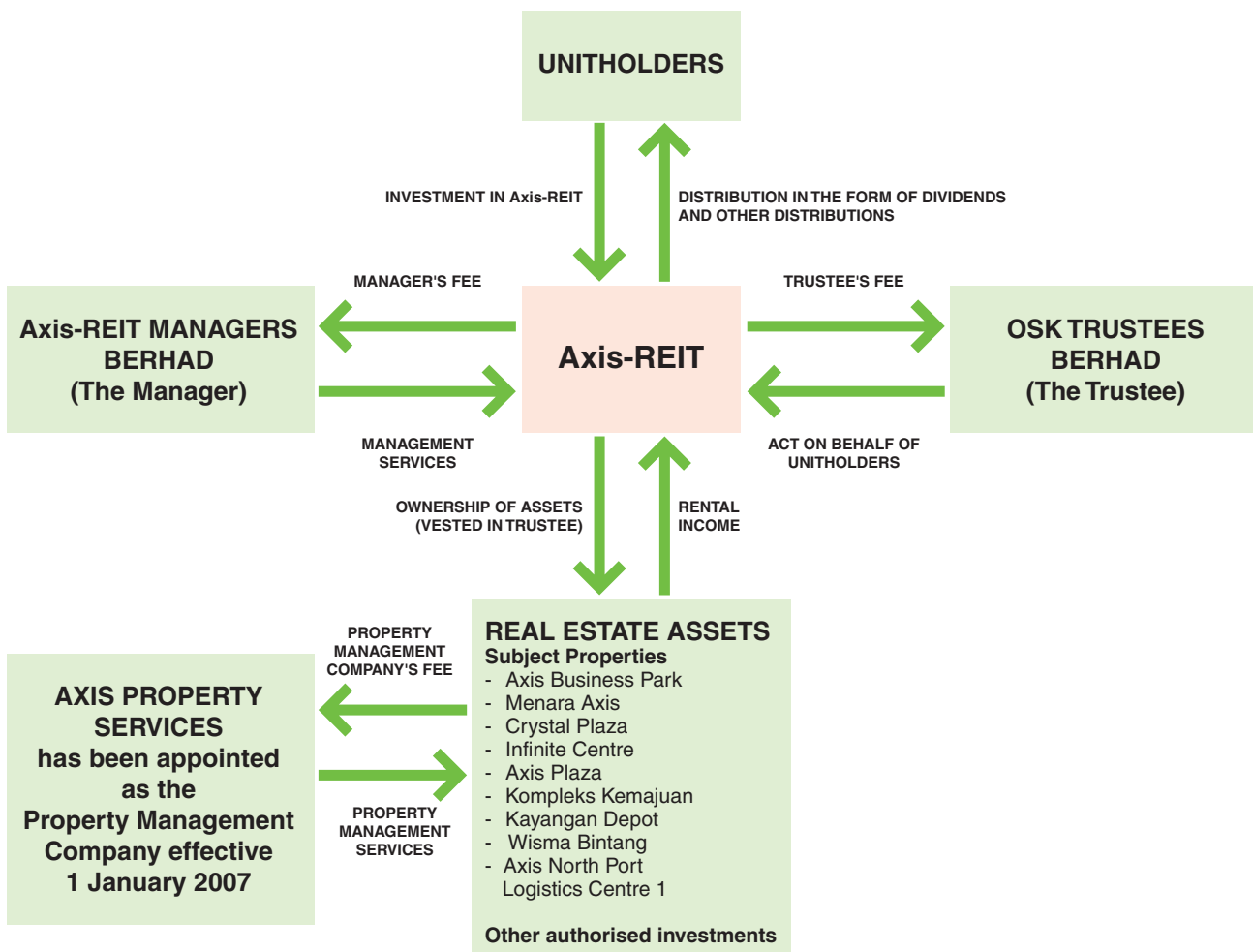


What is a Reit?

“ 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:







AXIS REIT MANAGERS BERHAD

(Company Number 649450-W)
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