

Annual Report
2011

AS GOOD AS GOLD



Malaysia's 1st Islamic Office/Industrial REIT



“Axis-REIT is the first Islamic Office / Industrial REIT listed globally. It is one of the five Malaysian REITs to have a market capitalization greater than RM 1 Billion ringgit and was included in Maybank Investment Bank’s listing of the top 5 investment picks for 2012.”

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This annual report for the year ended 31 December 2011 has been prepared by Axis REIT Managers Bhd (649450-W) as the Manager of Axis-REIT. Whilst every care has been taken in relation to the 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 currencies are expressed in Ringgit Malaysia unless otherwise stated. This Annual Report is dated in February 2012.

MISSION

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

VISION

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

ABOUT AXIS-REIT

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

On 11 December 2008 Axis-REIT was reclassified as an Islamic REIT.

Having started with a modest portfolio of 5 properties, the Fund now boasts 27 properties leading the industry in the growth of its portfolio.

Axis-REIT owns a diversified portfolio of properties in the Klang Valley, Penang, Johor and Kedah comprising:

- Commercial Offices
- Office/Industrial Buildings
- Warehouse/Logistics Centres
- Light Industrial Buildings
- Warehouse Retail Facilities

These properties primarily house multinational and local public listed companies many of whom have been tenants of the Axis Group for numerous years. These businesses are involved in the imaging, medical, home appliances, automotive, pharmaceutical, insurance, wellness, electronics, information technology, retail warehousing, fast moving consumer goods, telecommunications and fitness industries.

Axis REIT Managers Berhad is the Manager of Axis-REIT.

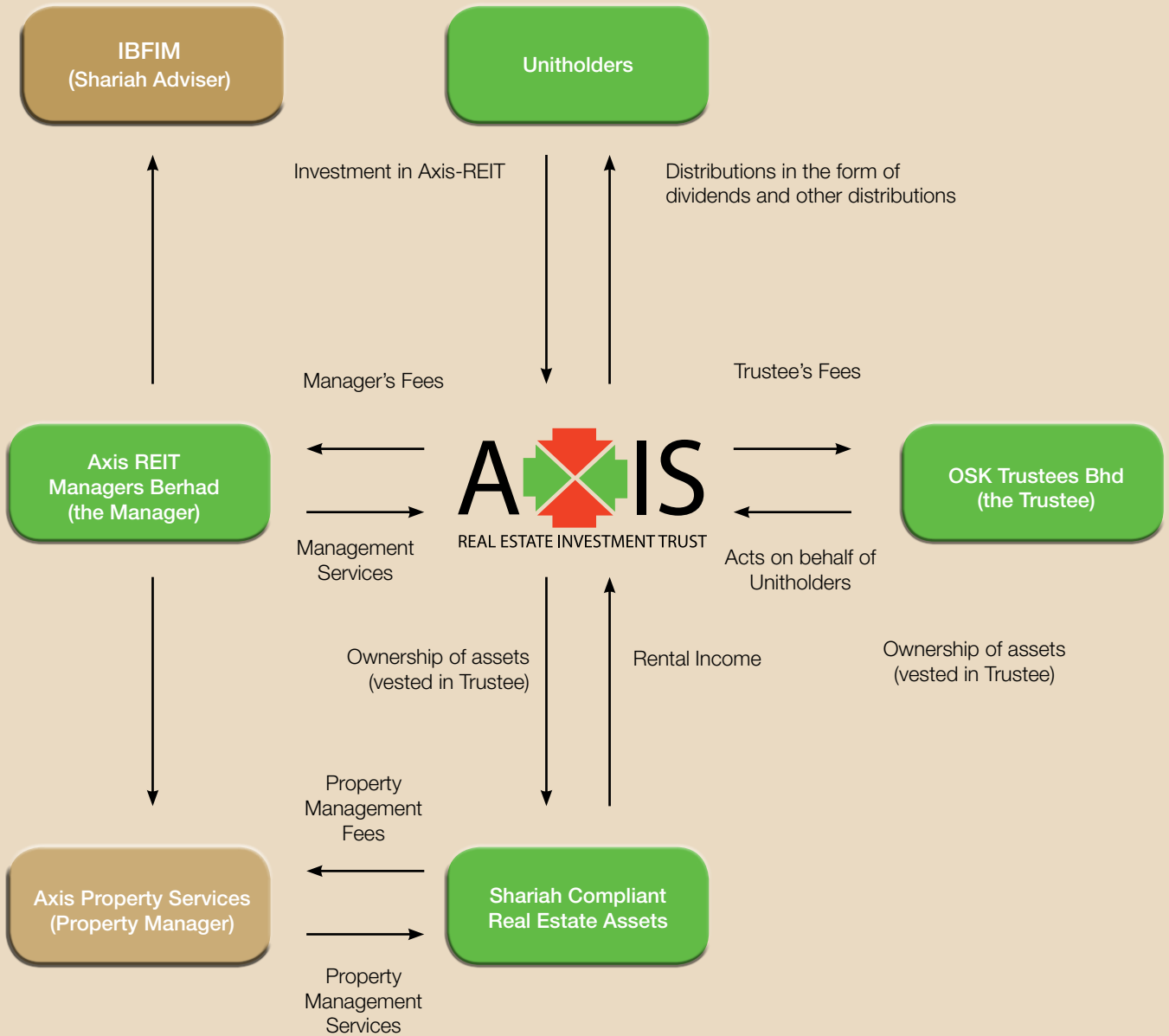
The Manager is committed to deliver long term sustainable distributions and capital stability through its 5 principles of management:

- Prudent capital and risk management;
- Yield accretive asset acquisitions;
- Excellent investor relations;
- Maintaining the highest levels of corporate governance; and
- Proactive asset and tenant management

SALIENT FEATURES OF AXIS-REIT

Fund category	Real Estate Investment Trust
Fund type	Income and Growth
Mission of the Fund	To provide consistent distributions to Unitholders through growing the property portfolio, displaying the highest level of corporate governance, excellent capital and risk management and preserving capital values.
Vision of the Fund	To successfully benchmark Axis-REIT against the world's most successful REITs in total return to Unitholders and be the REIT of choice for Shariah and non-Shariah investors.
Approved Fund size	453,814,096 Units
Market capitalisation	RM 1,188,993,000
Assets under management	RM 1,298,431,000
Authorized investments	At least 50% of the Fund's total asset value must be invested in real estate and/or single purpose companies at all times.
Initial Public Offering retail price	RM 1.25 per Unit
FYE	31 December
Distribution policy	<p>Quarterly income distribution.</p> <p>1st to 3rd quarter – at least 95% of the current year-to-date distributable income</p> <p>and</p> <p>4th quarter – at least 99% of the current year-to-date distributable income.</p>
Financing limitations	Up to 50% of the total asset value of the Fund.
Revaluation policy	The investment properties shall be revalued at least once every year by an independent registered valuer.
Minimum initial investment	Minimum of 100 Units
Quotation	Main Market of Bursa Securities
Bursa Securities Stock Number	AXREIT 5106

AXIS-REIT STRUCTURE



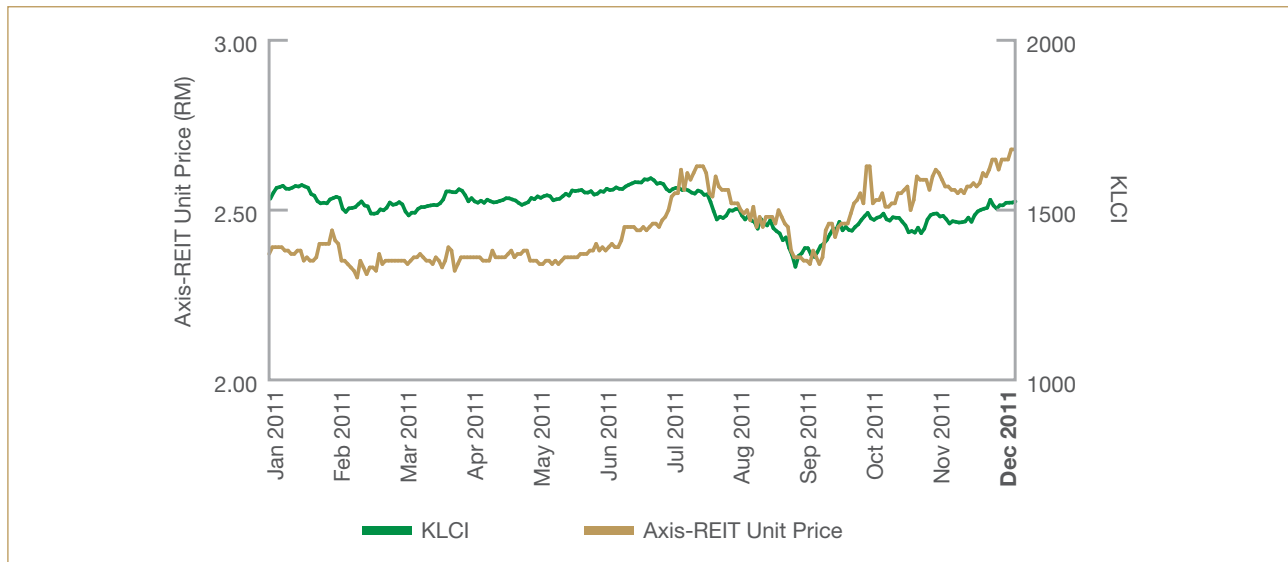
FINANCIAL HIGHLIGHTS

A Quick Snapshot

Total Net Income (RM)	81,051,000
Income Available for Distribution ("Realised") (RM)	65,875,000
Income Distribution* (RM)	65,745,000
Distribution per Unit* ("DPU") (Sen)	17.20
Number of Investment Properties	27
Units in Circulation (Units)	453,814,096
Assets Under Management (RM)	1,298,431,000
Total Financing (RM)	311,338,000
Total Financing to Total Assets	23.98%
Total Unitholder's Fund (RM)	944,097,000
Market Capitalization (RM)	1,188,993,000
Net Asset Value per Unit (RM)	2.08
IPO Retail Unit Price	1.25
Unit Price as at 31 December 2011 (RM)	2.62
Number of Unitholders	2,702
Distribution Policy	<ul style="list-style-type: none"> • 1st to 3rd quarter – at least 95% of the current year-to-date distributable income and • 4th quarter – at least 99% of the current year-to-date distributable income

* Includes the 2011 final income distribution payable on 29 February 2012

Monthly Trading Performance



Trading Statistics for 2011

Closing price 31 December 2011	RM2.62
52 Week Hi (1 August 2011)	RM2.63
52 Week Lo (18 February 2011)	RM2.30
Average Monthly Volume 2011	4,158,642
Highest Monthly Volume March 2011	6,629,000
Lowest Monthly Volume June 2011	1,197,600

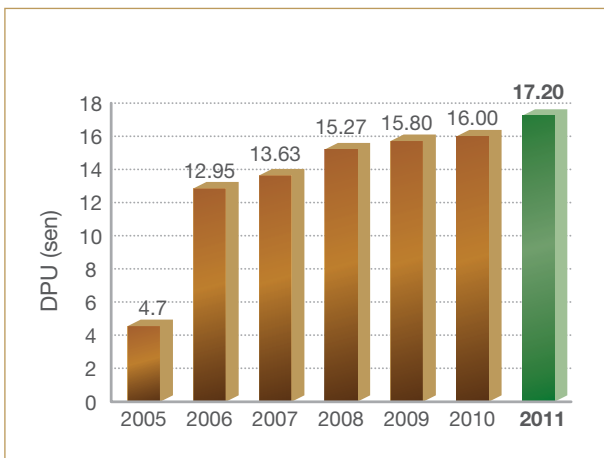
Total Returns (as at 31 December 2011)

Distribution Yield *	6.56%
Total return for 2011 **	18.00%
Average total return (last 3 years)	43.00%
Average total return (last 5 years)	24.00%

* Based on closing market price as at 31 December 2011.

** Based on movement in Unit price (opening and closing price for 2011) and distribution yield per Unit.

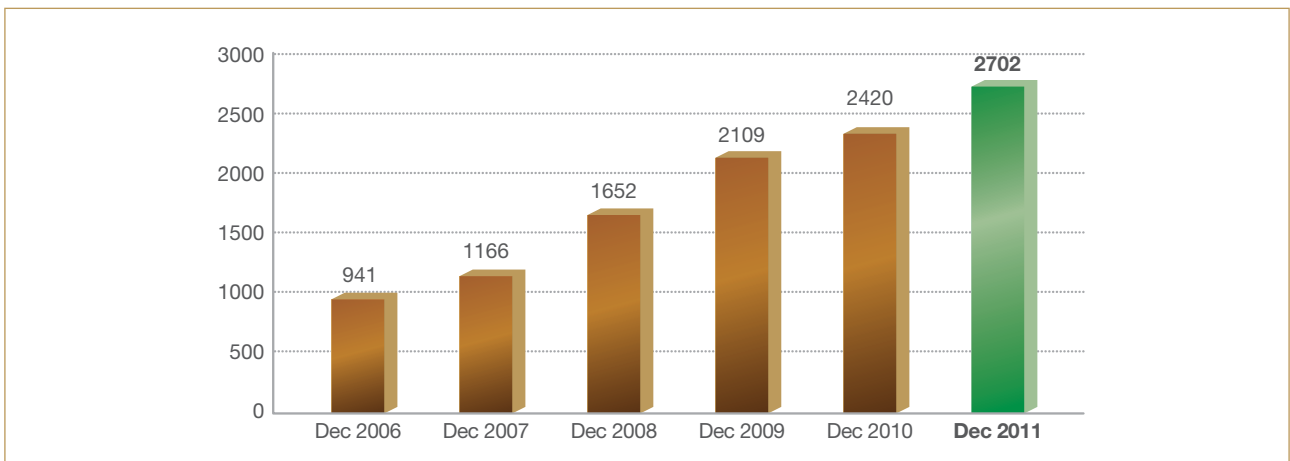
Distribution Since Listing



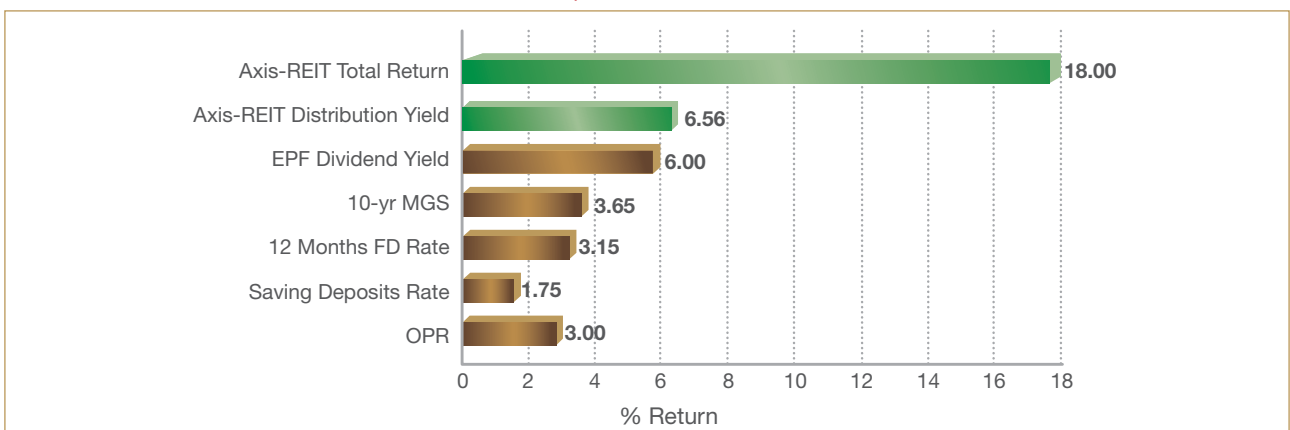
Unit Price Performance vs NAV per Unit



No. of Unitholders



Comparable Returns



BOARD OF DIRECTORS



From left to right:

George Stewart LaBrooy
Chief Executive Officer/Executive Director

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

Dato' Abas Carl Gunnar Bin Abdullah
Non-Independent Executive Deputy Chairman

Y Bhg Dato' Fateh Iskandar
Bin Tan Sri Dato' Mohamed Mansor
Independent Non-Executive Director



From left to right:

Leong Kit May
Chief Financial Officer/Executive Director

Stephen Tew Peng Hwee
Non-Independent Non-Executive Director

Mohd Sharif Bin Hj Yusof
Independent Non-Executive Director

Alvin Dim Lao
Non-Independent Non-Executive Director

BOARD OF DIRECTORS



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

YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin, age 76, a Malaysian, was appointed as an Independent Non-Executive Director to the Board of Axis REIT Managers Berhad on 10 August 2007. On 18 September 2007 he was appointed the Chairman of the Board of Directors and on 23 October 2007 he was appointed as Chairman of the Audit Committee. Effective year 2011, Tunku was appointed as the Chairman of the Nomination Committee. Tunku has a vast and illustrious career in the local administrative and business arena with various roles in multi-national companies.

Upon graduating from the Queens University of Belfast with a Bachelor of Science (Economics), Tunku Shahabuddin began his career as an Economist with Esso (M) Ltd.

He later moved into the finance industry as manager of a finance company within the Malayan Banking Group. Tunku Shahabuddin then started his own business which spanned involvement in the manufacturing, production, trading, construction, finance services and information technology sectors, amongst others. He currently serves as the Executive Chairman of Strateq Sdn Bhd (formerly known as Kompakar Inc

Berhad) and Strateq Systems Sdn Bhd (formerly known as Kompakar E system Sdn Bhd) and also sits on the Board of Iris Corporation Berhad.

Tunku Shahabuddin is Chairman of Berjaya Assets Berhad, Baker Hughes Inteq Sdn Bhd, Jotun (M) Sdn Bhd and DHL Worldwide Express (M) Sdn Bhd. Tunku Shahabuddin was an inaugural member of NISIR (National Institute of Scientific Industrial Research) now known as SIRIM. He is now the immediate Past Chairman/Chairman International Relations of the Selangor Turf Club. He is the Honorary Life Chairman of the Malaysia Australia Business Council after heading the council for 19 years. Tunku Shahabuddin was also the Chairman of the Automobile Association of Malaysia for 23 years, President of the Asia-Pacific Region of the Alliance International de Tourism, Governing Board Member of the Malaysia Canada Business Council and a former Committee Member of MASSA (Malaysia South - South Association). He was appointed as Honorary Council General of Austria in 1972.

Tunku Shahabuddin has received a number of awards including the Darjah Kerabat Terengganu Yang Amat Mulia Darjah Yang Pertama (D.K.), one of the highest honours awarded by the state of Terengganu and the Darjah Seri Paduka Tuanku Ja'afar Yang Amat Terpuji (S.P.T.J.) by the Yang Di-Pertuan Besar Negeri Sembilan. Tunku Shahabuddin was the recipient of the 'Austrade International Award 2000' an Australian Export Award for outstanding contributions to Australia's international trading performance by a foreign individual based outside of Australia. He was also appointed as an Honorary Officer (AO) in the General Division of the 'Order of Australia Award' for his service to Australian-Malaysian Relations by the Governor-General of the Commonwealth of Australia.

Dato' Abas Carl Gunnar Bin Abdullah Non-Independent Executive Deputy Chairman

Dato' Abas Carl Gunnar Abdullah, age 52, is a Norwegian and has been a Non-Independent Non-Executive Director of Axis REIT Managers Berhad since 15 March 2005. On 20 November 2006 he was appointed as the Non-Independent Executive Deputy Chairman.

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 of Jotun Powder Coatings (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 other investors to build Crystal Plaza. This was followed with the building of Axis Business Park, Axis Plaza and Menara Axis, all of which formed the core portfolio of Axis-REIT upon listing. He currently serves as a member of the Executive and the Remuneration Committees of the board of the Manager ("Board"). He is also a director of a number of private companies, which are involved in property development and property investment. He is also the director of Axis Development Sdn Bhd ("ADSB") since 1999.





Stephen Tew Peng Hwee
Non-Independent Non-Executive Director

Stephen Tew Peng Hwee, age 50 and a Malaysian, is a Non-Independent Non-Executive Director of Axis REIT Managers Berhad.

Stephen graduated with a Diploma from the Institute of Marketing (I.M.), United Kingdom in 1982, following which he started his career as a Real Estate Agent and today owns the real estate agency, Hectares & Stratas. He is the Past President of the Malaysian Institute of Estate Agents and served as a board member on the Board of Valuers, Appraisers and Estate Agents from 1998 till 2004.

Together with other investors, he has over the past 19 years, purpose-built for investment income many buildings which have housed multinationals. In 1992 he teamed up with Dato' Abas Carl Gunnar Bin Abdullah and other investors to build Crystal Plaza. This was followed with the building of Axis Business Park, Axis Plaza and Menara Axis, all of which formed the core portfolio of Axis-REIT upon listing. He is also the owner of Stadedec - Malaysia's 1st One Stop Home Decoration Centre located at Segambut, Kuala Lumpur. Stephen currently serves as a member of the Executive Committee and the Remuneration Committee of the Board. He is also a director of a number of private companies, which are investment holding companies.

Alvin Dim Lao
Non-Independent Non-Executive Director

Alvin Dim Lao, age 40, a Filipino National, was appointed as a Non-Independent Non-Executive Director to the Board, and a member of the Audit Committee of Axis REIT Managers Berhad on 30 December 2011.

He graduated with a degree in Information Technology and Statistics from University of Western Australia and holds a Masters in Business Administration from the Sloan School of Management at the Massachusetts Institute of Technology. Prior to being the Chief Financial Officer of D&L Group, he worked for the Singapore National Computer Board and was also subsequently seconded to the Supreme Court.

He currently holds the position of Chief Financial Officer for Chemrez Technologies Inc which is listed on the Philippines Stock Exchange, D&L Industries Inc and LBL Industries Inc. He is in charge of the financing, development and leasing of LBL Industries property portfolio. He also oversees currency hedging, investments, administrative, accounting, legal and human resources. He is also part of the executive committee of all companies in the D&L Group.

He is also a director of several private companies in Manila.



BOARD OF DIRECTORS



Mohd Sharif Bin Hj Yusof
Independent Non-Executive Director

Mohd Sharif Bin Hj Yusof, age 72, a Malaysian, was appointed as an Independent Non-Executive Director to the Board of Axis REIT Managers Berhad on 10 August 2007, and a member of the Audit Committee and Nomination Committee of Axis REIT Managers Berhad.

Mohd Sharif is a Fellow of the Institute of Chartered Accountants in England and Wales and has had a career spanning both the corporate finance and accounting disciplines. He has served the Selangor State Government (1967-1971) as Senior Accountant in Anglo Oriental Sdn Bhd from 1972-1973 and then joined as Corporate Finance Officer in Bumiputera Merchant Bankers Berhad from 1973- 1977. This was followed by a 12 year career as Senior Vice President and Company Secretary of Manulife Insurance Malaysia Berhad (formerly known as British American Life & General Insurance Company Berhad).

He currently serves on the Boards of the following Public Companies; Ireka Corporation Bhd, Amanah Capital Malaysia Berhad (in liquidation) and Atlan Holdings Berhad.

He is also a Director of Setia Raya Sdn Bhd, a family owned company since 1989.

Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor
Independent Non-Executive Director

Y Bhg Dato' Fateh Iskandar B Tan Sri Dato' Mohamed Mansor, age 43, a Malaysian, was appointed as an Independent Non-Executive Director and the Chairman of the Remuneration and Nomination Committees of Axis REIT Managers Berhad since 20 November 2006.

Y Bhg Dato' Fateh Iskandar B Tan Sri Dato' Mohamed Mansor or fondly known as Dato' FD Iskandar is the Group Managing Director / CEO of Glomac Berhad, a main board property company listed on Bursa Securities since June 2000.

Dato' FD Iskandar attended the Malay College Kuala Kangsar (MCKK) and later obtained his law degree from the University of Queensland, Australia and subsequently went on to obtain his Masters in Business Administration.

He practiced law in Australia before coming back to Malaysia to join Kumpulan Perangsang Selangor Berhad (KPS) as its Corporate Manager. He left KPS to join Glomac in 1992 as General Manager for Business Development and climbed the way up the corporate ladder. In February 1997, he was appointed to the Board of Glomac Berhad.

He is currently the Deputy President of the Real Estate & Housing Developer's Association (REHDA) Malaysia and Immediate Past Chairman of REHDA Selangor Branch. He is also a Director of Malaysian Property Incorporated (MPI), a partnership between the government and the private sector which was established to promote property investments and ownership to foreigners all around the world. He is now the Vice Chairman of the Malaysian Australian Business Council (MABC), Chairman of Gagasan Badan Ekonomi Melayu Selangor Branch (GABEM), a body that promotes entrepreneurialship amongst Malays in the country and the Treasurer of Selangor State UMNO. He is the Co-Chair of the Special Taskforce to Facilitate Business Group (PEMUDAH) on Legal & Services and is also a Member of PEMUDAH Selangor Group.

He also sits as a Board Member of Media Prima Berhad, the largest incorporated media company in South East Asia with all 4 private TV stations in Malaysia, radio stations, print media, news media, outdoor advertising agency and many more. He is a Director of New Straits Times Press (Malaysia) Berhad, the publisher of 3 main newspapers with a string of magazines. The New Straits Times is one of the most established newspaper in Asia and have been around for more than 160 years.

With over 20 years of experience and involvement in the property development industry, his vast expertise has made him a very well-known and respected figure among his peers both locally as well as in the international arena. He is frequently invited as a guest speaker in forums, seminars and conventions to offer his insights and views and to share his wealth of experience. He has also given talks both locally and internationally on the property market in Malaysia over the years.





George Stewart LaBrooy
Chief Executive Officer/Executive Director

George Stewart LaBrooy, age 60, a Malaysian, has been the Director of Axis REIT Managers Berhad since 25 October 2004, and was appointed by the Board of Directors of the Manager as Executive Director on 22 March 2005. On 18 September 2007, he was redesignated as Chief Operating Officer/Executive Director. On 5 August 2008 he was redesignated to the position of Chief Executive Officer/Executive Director.

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 ADSB) in 1995. During this period he managed two (2) of the Group’s Build and Lease projects and set up the Property Management division in ADSB and headed the asset and lease management for the real estate owned by the group.

In November 2003, he spearheaded a 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 Securities.

In addition to his duties as CEO, he oversees the acquisition strategy of Axis-REIT, the Investor Relations, and is a Member of the Executive Committee.

He is also a Board member of the Asia Pacific Real Estate Association (“APREA”) and the Chairman of the Malaysian REIT Managers Association (“MRMA”), an organization he spearheaded to give the Malaysian REITs a single voice in engaging with the Regulators and Ministry of Finance in proposing changes to the industry to promote its growth.

He is a prominent speaker on the subject of Conventional and Islamic REITs in the region having been invited to deliver papers in Singapore, Hong Kong, New York, London and Malaysia.

He is a director of a number of private companies involved in property development and property investment.

Leong Kit May
Chief Financial Officer/Executive Director

Leong Kit May, age 35 and a Malaysian, was appointed by the Board of Directors of the Manager as Executive Director on 15 November 2011.

She joined Axis REIT Managers Berhad in 2006 and was promoted to be the Chief Financial Officer of the Company on 5 August 2008. She headed the project to convert Axis-REIT into the first Islamic Office/Industrial REIT in the world.

She graduated with a Bachelor of Business (Accountancy) from Royal Melbourne Institute of Technology Australia and is a member of Malaysian Institute of Accountants and Certified Practising Accountants of Australia. She is responsible for treasury, equity and capital management, financial reporting and compliance. She has also been designated the Compliance and Risk Management Officer in charge of risk management and compliance issues in the company. Kit May has also been an invited speaker in the area of Islamic REITs and capital management.

Prior to joining the Axis REIT Managers Berhad, she was with the UOA Group of companies from year 2001 to 2006, where she was instrumental in the listing of UOA REIT. Preceding that she was with Ernst & Young where she gained her audit and accounting skills.





LETTER FROM THE CHAIRMAN

“Real estate cannot be lost or stolen, nor can it be carried away. Purchased with common sense, paid for in full, and managed with reasonable care, it is about the safest investment in the world.”

-Franklin D. Roosevelt

Dear Unitholders,

On behalf of the Board, I am pleased to present Axis-REIT's seventh annual report for the financial year ended 31 December 2011.

Our theme this year is "As Good as Gold" and I wish to lead on from what Franklin D. Roosevelt quoted above. A Real Estate Investment Trust ("REIT") is a stock that is 100% backed by real estate. We often draw the parallels between gold and land as being the safe haven investments in turbulent times. With the current global uncertainty many investors have decided to shift their investments into REITs underscoring its strength as a defensive stock in times of high inflation and uncertain dividend payouts from the equity markets.

Overview

2011 was a turbulent year for the global capital markets. Marked by the unprecedented volatility in the global stock markets and starting with the horrific destruction caused by tsunami and the earthquake that struck Japan in March, the year was followed by a series of natural disasters never seen before on such a scale - from the widespread flooding in the US, Australia and Thailand, to the typhoons that lashed the Philippines and almost two years of a sovereign debt crisis for the Eurozone peripheral economies have arguably pushed the global economy to a tipping point.

Growth in the advanced economies was crippled by household deleveraging, continued restraint in credit growth, a depressed housing sector, fiscal drags and renewed financial stress. Growth in the US almost stalled in first half of 2011 before regaining some traction in the third quarter. The Eurozone is on the brink of a mild recession in the fourth quarter as the sovereign debt turmoil sank consumer and business confidence.

There is a clear perception that emerging Asia will not completely decouple from the crisis in the developed world. The financial and economic spillovers from the West have dampened the growth of countries which are more exposed to external demand. There is a divergence between economies that are driven by domestic demand and those that are driven by exports. China, India and Indonesia continued to notch up respectable growth rates.

The global economic recovery from the 2008-09 crisis is on a faltering trajectory. The two year old European debt crisis is not seeing an end in sight. The prospects for the policymakers to come out with a credible solution to resolve the debt issue are uncertain. We expect continued uneven global growth in 2012, with the major advanced economies running the risk of a downward spiral. Fiscal austerity in debt-laden economies will dampen short-term growth. Global indicators consistently point to continued weak global

growth. Financial turbulence, including stock price volatility, will weigh down consumer and business confidence. Europe remains a real concern moving into 2012 as the problems are exacerbated by politics and changes in the governments of Italy, Greece and Spain. The policy uncertainties stressed the bond markets which saw the downgrading of the financial status of many European Sovereign yields.

In this volatile environment, we witnessed a flight of capital to dividend stocks with low beta. This has resulted in the stock price of Malaysian REITs ("MREITs") rising to new highs in 2011 with many MREITs providing their unitholders with double digit returns as investors fled the equity markets.

2011 also saw the market capitalization of the MREITs rise above RM 15 billion with much improved liquidity as it outperformed the KLSE in 2011.

In the midst of this global turmoil, I am pleased to report that yet again Axis-REIT posted one of its most successful years ever.

Performance Review

The Fund has posted a number of milestones for the year.

For the year ending 31 December 2011 the Fund has outperformed the KLSE and posted a total return of 18%. The year also closed at a record Unit price of RM 2.62.

In addition the total gross income of the Fund grew from RM 89,213,000 in 2010 to RM 114,311,000 in 2011, an increase of 28%. Income available for distribution increased to RM 65,875,000 in 2011 from RM 52,598,000 in 2010, an increase of 25%. The Fund's financial performance was further enhanced by revaluation gains on investment properties of RM 16,013,000 contributing an increase of 4 sen to our Net Asset Value ("NAV") per Unit to RM 2.08 as of 31 December 2011.

We witnessed the growth of our portfolio from twenty six (26) properties at the beginning of the year to twenty seven (27) as of 31 December 2011. During the year the Manager successfully added two (2) properties but disposed of one (1). Total assets under management rose to RM 1,298,431,000 in 2011 from RM 1,208,897,000 in 2010 an increase of 7.4%. I am pleased to report that occupancy of our portfolio has risen to a record 97.2% as of 31 December 2011 and work is underway to improve occupancy even further for 2012.

LETTER FROM THE CHAIRMAN

With the successful placement of 75,180,200 new Units and the implementation of the Income Distribution Reinvestment Plan ("IDRP") which saw the listing of an additional 2,732,896 Units, the units in circulation increase to 453,814,096 units from 375,901,000 as at 31 December 2011.

With the additional Units and the rising Unit price, the market capitalization of Axis-REIT crossed the Billion Ringgit mark for the first time. As at year end, the Fund's market capitalisation stood at RM 1.19 billion, making it one of the 5 REITs in the "Billion Ringgit Club".

Distributions to Unitholders

The Board of Directors of the Manager is pleased to announce that for the year under review, income available for distribution of RM 65,875,000 which have been paid/payable as follows:

- i) 1st Interim Income Distribution of 4.20 sen per Unit paid on 31 May 2011
- ii) 2nd Interim Income Distribution of 4.50 sen per Unit paid on 26 August 2011
- iii) 3rd Interim Income Distribution of 4.30 sen per Unit paid on 9 December 2011
- iv) 4th Interim Income Distribution of 2.80 sen per Unit paid on 22 December 2011
- v) Final Income Distribution of 1.40 sen per Unit payable on 29 February 2012 with a final retention of RM 130,000 in the reserve.

The Manager had on 22 December 2011 paid out the 4th interim income distribution of 2.80 sen per Unit in conjunction with the 2011 Placement. The Manager has also set aside approximately 99% of undistributed realised income to be distributed as the final income distribution for 2011 amounting to RM 6,353,397 which translates to 1.40 sen payable on 29 February 2012; resulting in the DPU of 4.20 sen declared for the 4th quarter 2011.

This brings the total Distribution Per Unit ("DPU") for 2011 to 17.20 sen up from 16.0 sen in 2010, representing an increase of 7.5%. This is the highest DPU achieved by the Fund since listing and this impressive result was achieved despite an increase of Units in circulation by 20.7% in the last quarter of 2011 and against a backdrop of one of the most volatile years in the equity markets.

Unitholders Met in 2011

On 26 July 2011, a Unitholders meeting was held to seek a general mandate to place out 75,180,200 new Units ("2011 Placement"), to approve the implementation of the IDRP and changes to the Trust Deed.

I am pleased to report that the Unitholders unanimously approved all resolutions.

The Manager successfully listed the 2011 Placement Units on 7 December 2011 and the IDRP Units on the 12 December 2011 resulting in an increase of our Fund size to 453,814,096 units. The 2011 Placement Units were priced at RM 2.45 representing a discount of 3.92% to the five (5)

day Volume Weighted Average Market Price ("VWAMP") up to 18 November 2011 and were 4.45 times oversubscribed. The proceeds from the 2011 Placement was used to pare down borrowings as well as to provide Axis-REIT with sufficient headroom to finance new acquisitions planned in 2012. The Gearing of the Fund as of 31 December is 24% well below the 50% threshold set by the Securities Commission.

Outlook for the Malaysian Economy 2012 – Cautious Optimism

Malaysia's 2011 real GDP growth met the official target of 5.0%-5.5% but the general consensus for 2012 is that growth will be lower at 3.5%-4.0%. This is primarily due to the expectation that global real GDP will slide lower to 3% in 2012 (2011 - 3.3%) as the Eurozone crisis takes its toll on the world economy, continued sub-par growth in the US and slower expansion in China. This will impact Malaysia's external demand because growth in the export of goods and services slows and the growth in imports of goods and services lags.

However the expectation is that domestic demand will sustain its growth at 6% (est. 2011 7.3%) and much of this demand is coming from the increases in the gross fixed capital formation largely on the roll out of investments under the Economic Transformation Program (ETP), particularly in the oil, gas and energy sectors, infrastructure projects (MRT, LRT Extension) and government land developments. It is seen that the slower global growth and a dampened local economy will offset some of these gains.

Things that we have to watch out for in 2012 are the external shocks coming from the economic and policy developments in the Eurozone, rising China-US trade friction, a slowing of the Chinese economy, an escalation of social and political tensions in the Middle East and the expectations of a snap election in Malaysia.

Top of the concerns are the developments in the Eurozone where banks are having to boost their tier-1 capital ratio by 9% by mid 2012 which can lead to a liquidity crunch in the second half of the year. The positive news is that monetary policy has now moved from inflation containment to growth with the ebbing of inflationary concerns. This has led to policies that has maintained record low interest rates and the adding of additional liquidity into the banking system.

The good news is that Asian economies have room and the resources to complement monetary policy with easing fiscal support.

The view is that Bank Negara will maintain the OPR for 2012 at 3% with some research houses predicting a drop in the second half of 2012 if inflation reigns in. In addition the consensus is that Malaysia will out-perform nevertheless and there is a buy call for dividend stocks for 2012 with REITs being highlighted.

Axis-REIT – Outperforming the KLCI in 2011

2011 saw Axis-REIT outperforming the KLCI and been placed in the top 10 picks of stocks on Maybank Investment Bank’s buy list for 2012. Our Unit price has moved from RM 2.37 on 31 December 2010 to RM 2.62 as at 31 December 2011 an increase of 11%, and now trades at a 26 % premium to its NAV.

Corporate Governance Takes Centre Stage

The Board continues to focus on improving our corporate governance and education. This year Baker Tilly Monteiro Heng; the internal auditor of the Manager has conducted training on “Securities Commission’s Corporate Governance Blueprint” to all directors and senior management on 17 October 2011.

We saw the departure of Yin-Yong Lee Lao from the Board after serving it since October 2007. In his place we are pleased to welcome Alvin Dim Lao who joined the Board on 30 December 2011.

The Board also invited Ms Leong Kit May the Chief Financial Officer to join the Board in recognition of her contribution to the Company and as part of the initiative to comply with the SC’s Corporate Governance Blueprint which promotes the presence of women on listed companies’ boards. With this, the Board strength is now 8 with 3 Independent Directors.

I am also pleased to report that Axis-REIT had again won the Asia Pacific Real Estate Association’s (APREA) Best Practices Award for the Emerging Market category and also the following 6 merit awards for 2011- our second year running:

- i) Emerging market - Accounting and financial reporting category
- ii) Emerging market - Portfolio performance reporting category
- iii) Emerging market - Valuation category
- iv) Emerging market - Market disclosure category
- v) Emerging market - Corporate governance category
- vi) Country award - Best submission for Malaysia

Our involvement with APREA has brought Axis-REIT and the Manager huge benefits in exposure to the region. Our CEO Stewart LaBrooy was elected to serve as a board member on the executive committee of the association for a further year.

Malaysian REIT Managers Association (“MRMA”)

On the regulatory front, the Manager has shown leadership in the sector through initiating the formation of MRMA in 2010 and I am pleased to report that our CEO, Stewart LaBrooy, was elected to lead the association for a further year at the association’s AGM held in December.

The Association goes from strength to strength with 15 members of which 13 are MREITs managers.

Corporate Social Responsibility

Axis-REIT continues its Corporate Social Responsibility programme targeting sustainable projects for children of orphanages, schools and homes in Malaysia.

The Fund donated RM 15,000 towards BURSA Malaysia’s KL Rat Race 2011 and purchased a 14-seater van and presented it to Pertubuhan Rumah Amal Cahaya Tengku Ampuan Rahimah (“RACTAR”).

What is unique about this project is that our facilities management team will be undertaking the maintenance of the vehicle for a 5 year period. This commitment will involve all repairs, road tax, insurance and servicing (except fuel) which is in line with our philosophy for continuous maintenance of all our assets.

In Appreciation

The success of Axis-REIT is attributable to the efforts of many parties. May I first thank my fellow Board members for their advice and contributions throughout the year. I would also like to extend a special “Thank You” from all the members of the Board to Yin-Yong Lee Lao for his contribution to Axis-REIT over the past 4 years.

My appreciation also extends to the Management who has done a remarkable job of delivering consistent results year-on-year and for delivering yet again a record year for the Fund. They continue to grow the portfolio of the Fund with excellent acquisitions and have successfully executed the strategies for the Fund assuring the Fund’s continuous growth.

I would like to acknowledge the support of our tenants and business partners over the past year, the members of the media for their coverage and wish to thank you, our Unitholders for your continuing trust and confidence in us.

I am confident we will continue to repeat our success in the coming year.



**YAM Tunku Dato’ Seri Shahabuddin
Bin Tunku Besar Burhanuddin**
Chairman
15 February 2012



**“The best investment
on earth is earth”**

- Louis Glickman

MANAGER'S REPORT

- Financial Review
- Report On Our Shariah Compliance
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Highlights for 2011

The Fund has crossed the RM 1 Billion in both Assets Under Management ("AUM") and market capitalisation.

Financial Performance

- Total gross income grew from RM 89,213,000 in 2010 to RM 114,311,000 in 2011, an increase of 28%.
- Income available for distribution increased to RM 65,875,000 in 2011 from RM 52,598,000 in 2010, an increase of 25%.
- Increase in DPU to 17.20 sen despite an increase of 75,180,200 additional new Units being listed on 7 December 2011 and a further 2,732,896 new Units being listed on the 12 December 2011.
- Revaluation gains on investment properties of RM 16,013,000 in 2011 contributing an increase of 4 sen to our Net Asset Value ("NAV") per Unit to RM 2.08 as of 31 December 2011.
- Successfully implemented the option of IDRP for Unitholders to convert their income distributions into Units.
- Gave a Total Return of 15% over 20 days to Unitholders who subscribed to the IDRP in December 2011.

Portfolio Performance

- Increased occupancy to 97.2% across the portfolio.
- Successfully concluded the purchase of two (2) new properties worth RM 82 million in 2011 and further concluded the purchase of two (2) more logistics warehouses for RM 108 million as of the time of this report.
- Increased the value of investment properties to RM 1,276,180,000 as of 31 December 2011.
- Completed the enhancement of Menara Axis and Crystal Plaza and completed the upgrading of Axis Business Park and Niro Warehouse.

Stock Performance

- Gave a Total Return to Unitholders of 18% for the year 2011.
- Unit price improved from RM 2.37 on 31 December 2010 to RM 2.62 on 31 December 2011, an increase of 11%.
- The Stock trades at a premium of 26% to its NAV.
- Has crossed the RM 1 Billion in both Assets Under Management ("AUM") and market capitalization.

Strengthening Management

- Appointed two (2) key staff to the Manager
 - Julian Candiah as Head of Strategy and Capital Markets; and
 - Rajesh Kumar Tharmalingam as Head of Special Projects.

Capital Management

- On 16 July 2011, a Unitholders meeting was held to seek a general mandate to place out 75,180,200 new Units to raise capital to pare down debt of the Fund and provide head room for future acquisitions, to approve the implementation of the Income Distribution Reinvestment Plan ("IDRP"), and changes to the Trust Deed.
- Successfully raised approximately RM 184,000,000 through the placement of the new Units at a price of RM 2.45 each, a discount of 3.92% to the five (5) days Volume Weighted Average Market Price ("VWAMP").

Corporate Governance

- Won the APREA Best Practices Award for Emerging Markets Category in September 2011 and six sub-categories for the second year running.

MANAGER'S REPORT

The Manager is pleased to submit their report and audited financial statements to Unitholders of Axis Real Estate Investment Trust (Axis-REIT) for the year ended 31 December 2011.

About 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's Guidelines on REITs, the Listing Requirements of Bursa Securities, the Rules of the Depository and taxation laws and rulings (collectively "Applicable Laws and Requirements").

The Deed was entered into on 15 June 2005 between Axis REIT Managers as the Manager of Axis-REIT, and OSK Trustees Berhad, as the Trustee of Axis-REIT, and the Deed was registered and lodged with the SC on 16 June 2005. Following the successful reclassification of Axis-REIT into an Islamic REIT on 11 December 2008, the Manager and the Trustee entered into an amended and restated Deed dated 3 April 2009 which was modified and streamlined to comply with the SC's Guidelines on Islamic REIT.

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

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

Our Competitive Advantage

Since the listing of Axis-REIT on the Bursa Securities on the 3 August 2005, the Manager has provided our Unitholders with consistently rising income distributions and a strong Unit price performance. This momentum has been built on a well defined strategy with a strong focus on innovation and transparency.

Our strength lies in the Management Team that works on the principle of

Own + Manage + Maintain + Enhance

We have taken the route of managing the Fund's assets in-house with a team dedicated to a culture of comprehensive financial and capital management, business development, facilities, leasing, project management and investor relations. Over the past year, we have grown our facilities team and recruited new staff to position us as a world class property manager.

Our focus is on Revenue Management where we manage our vacancies and rental rates, Expense Management where we manage the building efficiency, energy footprint and third party suppliers, Facilities Management where we manage the maintenance and site staff of the buildings in our portfolio, Tenant Care where we manage tenant retention and satisfaction and lastly Project Management where we manage all the enhancement projects in the portfolio. This focus has enabled us to increase the Fund's return from our organic growth.

We have successfully acquired two (2) properties during the year and further concluded the purchase of two (2) more properties that were completed as of the time of this report.

This would further enhance the portfolio of Axis-REIT, enhancing the income distribution to Unitholders as well as providing diversity in the property portfolio. The performance of the year demonstrates the commitment of the Manager to deliver a superior performance of the Fund for the benefit of Unitholders.

Stability

Axis-REIT is the largest Office/Industrial REIT listed on Bursa Securities with 4,449,580 sq ft of space under management spread over 27 properties and five asset classes. Our assets remain well located, of high quality and well diversified in terms of tenants origin and businesses. The portfolio boasts a Weighted Average Lease Expiry ("WALE") of 5.64 years (based on area) underscoring the low risk of the Fund.

We remain a market leader in our sector and have delivered its growth platform for the benefit of all Unitholders.

All these were achieved from the the Manager's five core principles of management:

- Prudent capital and risk management;
- Yield accretive asset purchases;
- Excellent investor relations;
- High level of Corporate Governance; and
- Proactive asset and tenant management.

Being Malaysia's only Islamic Office/Industrial REIT, we have a very diverse base of investors and the majority of our investors are local funds. This low foreign participation also lends itself to a much more stable and less volatile price performance.

Market Leadership

The Manager is proud of its leadership in the following areas:

- Continues to provide unitholders with increasing annual income distributions and strong total returns.
- Initiated the formation of the Malaysian REIT Managers Association ("MRMA") which today boasts 15 members of which 13 are MREITs managers. Axis-REIT's CEO Stewart LaBrooy was elected as Chairman for a second year running.
- Has a very comprehensive and up-to-date website.
- Has successfully introduced the innovative IDRPs for Unitholders benefit - only the third listed entity on the Bursa Securities to do so.
- Displayed leadership in corporate governance in winning the APREA Best Practices Award for the second year running.
- Serves on the Executive Board of APREA and participates in their committees and regional events.

Fund Performance

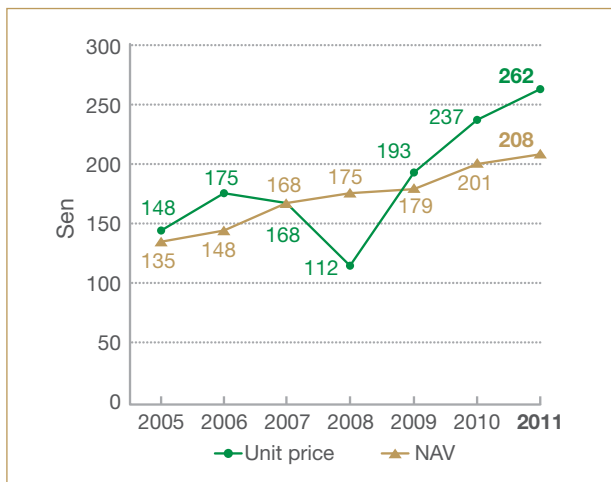
For the year ending 31 December 2011 the Fund has outperformed the KLSE by a wide margin posting a total return of 18% for 2011. The year closed at a record Unit price of RM 2.62.

Gross Income and Distributions increase

The total income of the Fund grew from RM 89,213,000 in 2010 to RM 114,311,000 in 2011, an increase of 28%. This was on the back of a larger asset base and organic growth in the portfolio through positive rental reversion and reducing vacancies.

This has resulted in the income available for distribution rising to RM 65,875,000 in 2011 from RM 52,598,000 in 2010, an increase of 25%. The Fund's financial performance was further enhanced by revaluation gains of RM 16,013,000 contributing an increase of 4 sen to our NAV per Unit to RM 2.08 as of 31 December 2011.

Performance of the Fund



Unitholders Met with the Manager

With the Fund's Gearing rising to 38% during the early part of 2011 resulting from the cash acquisitions of the D8 Logistics Warehouse at the Port of Tanjung Pelepas, Johor and Axis Eureka in Cyberjaya, the Manager held a Unitholders meeting in July 2011 to approve the placement of 75,180,200 new units ("2011 Placement") to raise more capital to reduce our Gearing as well as the implementation of the IDRP.

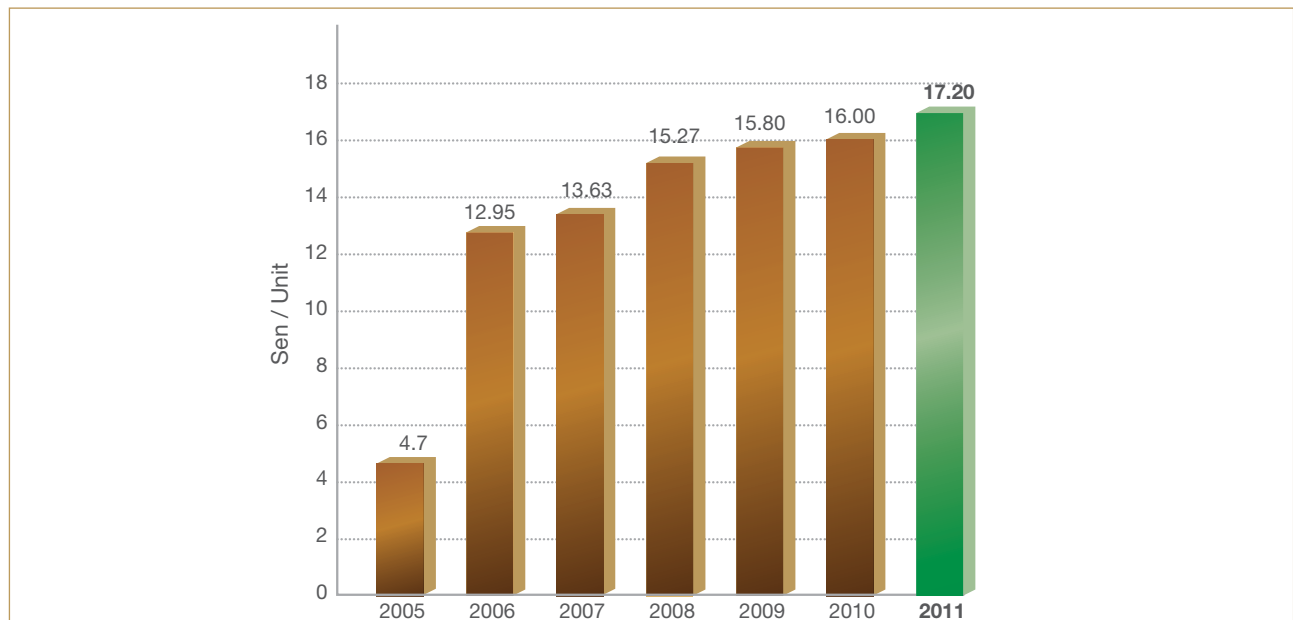
Placement and IDRP successfully implemented

The 2011 Placement exercise and the IDRP were concluded in December with the listing of 75,180,200 new Units on 7 December 2011 and the 2,732,896 IDRP Units being listed on 12 December 2011. The 2011 Placement had successfully raised gross proceeds of approximately RM 184,000,000 – our largest and most successful capital raising ever. The 2011 Placement was well received by investors and were 4.45 times oversubscribed. The 2011 Placement issued at a fine price of RM 2.45 representing a discount of 3.92% discount to the 5 day VWAMP. The Units were placed at a premium of 22.5% to our NAV at the point of issuance, underlining the confidence our investors have in our Fund.

The IDRP was offered to Unitholders at an attractive price of RM 2.30 per Unit and saw a 86% take-up rate. Axis-REIT is one of the 3 public listed counters in Malaysia to provide the reinvestment option to shareholders.

The funds raised from the 2011 Placement were used to pare down financing thereby allowing the Manager to start acquiring new properties which are yield accretive. The Gearing of the Fund moving into the new year now stands at 24%.

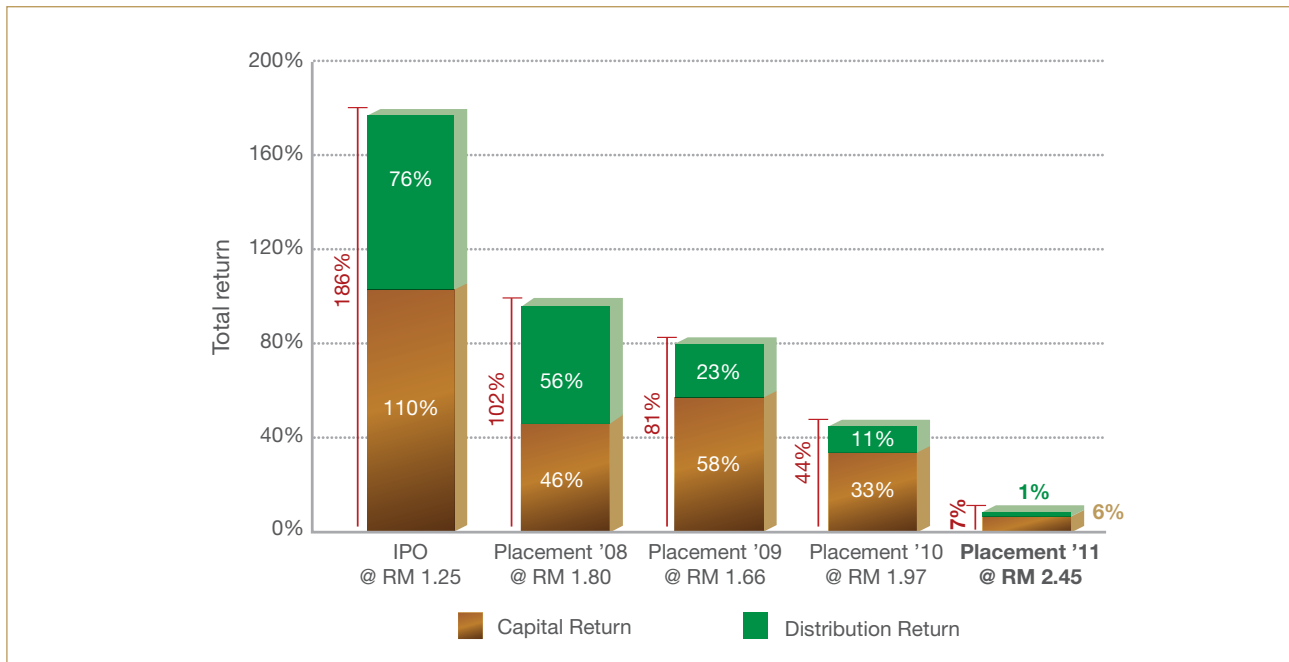
Distribution Per Unit



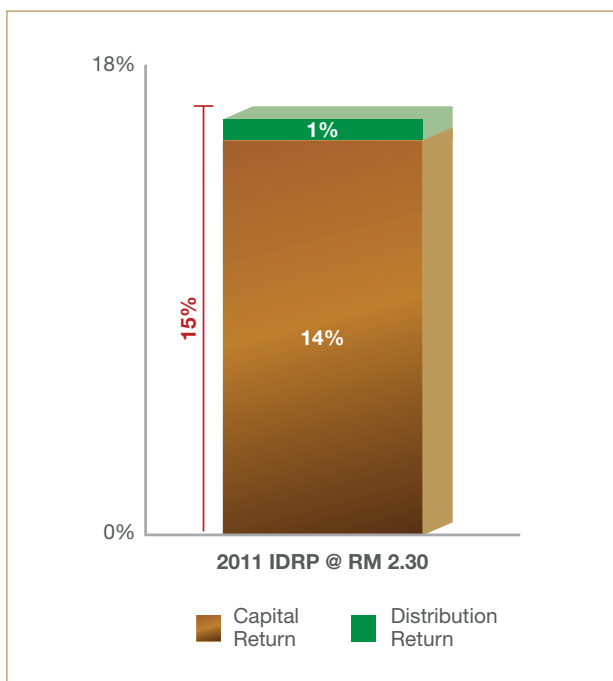
MANAGER'S REPORT

2011 Placements have been non-Dilutive

The Manager has to-date successfully increased the Units in circulation to 453,814,096 from 205,901,000 units at the time of listing in 2005, greatly increasing the liquidity and size of the Fund. This growth in Units has proven to be non-dilutive, but to the contrary, have provided Unitholders with steadily increasing income distributions and capital gains over the years. An investor who invested at Axis-REIT's initial public offering ("IPO") would have to-date realised a total return of 186%. Similarly investors who have participated in our previous placements have gained as follows:



Similarly the unitholders who participated in our IDRPs on 12 December 2011 have enjoyed a 15% return as at 31 December 2011:



The careful capital management has led to the Unit price of Axis-REIT rising to RM 2.62 as of 31 December 2011, an 11% increase over the closing price in December 2010 and recording a 26% premium over the NAV of the Fund.

Reporting Format

We will continue to present our report in the following sections for ease of reading and reference:

- Financial Review
- Report on Our Shariah Compliance
- Business Development Report
- Investor Relations Report
- Property Report
- Our Strategic Direction
- Other Statutory Information

Financial Review

Summary Of Performance

	2011	2010	2009	2008	2007	2006
Total Asset Value (RM'000)	1,298,431	1,208,897	907,745	726,371	581,857	411,781
Total Net Asset Value (RM'000)	944,097	755,230	565,650	467,985	334,652	294,109
Units in Circulation (Units)	453,814,096	375,901,000	307,081,200	255,901,000	205,901,000	205,901,000
Net Asset Value per Unit (RM)						
- As at 31 December	2.08	2.01	1.84	1.83	1.63	1.43
- Lowest NAV during the year	1.98	1.79	1.74	1.63	1.43	1.35
- Highest NAV during the year	2.08	2.01	1.84	1.83	1.63	1.43
Market Value per Unit (RM) as at 31 December	2.62	2.37	1.93	1.12	1.85	1.68
Highest Traded Price for the year (RM)	2.63	2.40	2.07	1.91	2.28	1.83
Lowest Traded Price for the year (RM)	2.30	1.92	1.08	1.00	1.60	1.63

Summary Of Results

	2011	2010	2009	2008	2007	2006
Total Gross Income (RM'000)	114,311	89,213	71,598	63,331	46,819	40,931
Unrealised Rental Income (RM'000)	3,415	-	-	-	-	-
Total Property Expenses (RM'000)	(17,359)	(12,961)	(11,661)	(9,876)	(8,639)	(7,802)
Net Rental Income (RM'000)	100,367	76,252	59,937	53,455	38,180	33,129
Interest/Profit Income (RM'000)	421	638	272	111	8	37
Changes in fair value of investment properties (RM'000)	16,013	45,593	19,098	24,478	40,613	16,517
Unbilled Lease Income Receivable (RM'000)	(3,415)	-	-	-	-	-
Net gain on financial liabilities measured at amortised cost* (RM'000)	154	3,210	-	-	-	-
Net loss on disposal of investment property*** (RM'000)	(258)	-	-	-	-	-
Total Income (RM'000)	113,282	125,693	79,307	78,044	78,801	49,683
Total Non-Property Expenses (RM'000)	(32,283)	(24,292)	(17,331)	(14,595)	(10,197)	(6,501)
Net Income before Tax (RM'000)	80,999	101,401	61,976	63,449	68,607	42,922
Breakdown of Net Income after taxation:						
- Realised income after taxation (RM'000)	64,832	52,598	42,878	38,971	27,994	26,405
- Unrealised Income after taxation (RM'000)	16,219	48,751	19,098	24,478	40,613	16,517
Income available for distribution # (Realised) (sen)	17.28	16.06	15.77	15.46	13.60	12.82
Earnings per Unit (Realised + Unrealised) (sen)	21.26	30.95	22.81	25.18	33.32	20.85
Distribution per Unit (DPU) (sen)	17.20	16.00	15.80	15.27	13.63	12.95
Distribution yield (based on closing market price) (%)	6.56	6.75	8.19	13.63	7.37	7.71
EPU yield (based on closing market price) (%)	8.11	13.06	11.82	22.48	18.01	12.41
MER (%)	1.16	1.14	1.22	1.35	1.38	0.99
Annual total return** (%)	18.66	35.86	84.14	(16.98)	28.13	9.52
Average total return (3 years) (%)	46.22	34.34	31.76	6.89	27.60	Not Applicable

* Unrealised gain on discounted tenants' deposit received in compliance with Financial Reporting Standard FRS 139.

** Based on movement in Unit price and EPU yield.

*** The disposal of Axis Northport LC 1 is a loss of RM 258,000 before the realisation of revaluation of the fair value gain of RM 1,043,000.

Includes the realisation of unrealised income of RM 1,043,000, the disposal has resulted in a net increase of realised income of RM 785,000 which has been distributed to the unitholders as part of the 2nd interim 2011 income distribution.

MANAGER'S REPORT

Increase in Total Gross Income and Net Rental Income

During the year, Axis-REIT has successfully completed the acquisitions of two (2) properties – The D8 Logistics Warehouse at Port of Tanjung Pelepas, Johor and the Axis Eureka at Cyberjaya. This led to an increase in the number of properties during the year from twenty six (26) to twenty eight (28). However the Fund had disposed off Axis North Port LC 1 on 18 April 2011 which has resulted in a net gain of RM 785,000. This gain was distributed to Unitholders as part of the 2nd interim 2011 income distribution. As at 2011 year end, Axis-REIT has a portfolio of twenty seven (27) properties.

Axis-REIT's gross income grew by 28% from RM 89,213,000 in 2010 to RM 114,311,000 in 2011. The other factors which contributed to the increase in gross income is the positive rental reversions and the increase in occupancy rate recorded for the year.

A summary of our gross income, property expenses and net rental income per property for the year 2011 is tabled below (excluding the unrealised rental income/unbilled lease income receivable):

Property Description	Gross Income RM	Property Expenses RM	Net Rental Income RM
Axis Plaza	2,904,451	872,113	2,032,338
Axis Business Park	11,164,712	1,638,452	9,526,260
Crystal Plaza	10,299,157	1,315,197	8,983,960
Menara Axis	10,632,165	1,705,006	8,927,159
Infinite Centre	3,783,930	677,526	3,106,404
Wisma Kemajuan	5,092,452	1,583,883	3,508,569
Axis North Port LC1 #	58,312	80,254	(21,942)
Kayangan Depot	1,721,500	635,547	1,085,953
Wisma Bintang	2,860,000	316,693	2,543,307
Axis Shah Alam DC 1	1,639,529	182,827	1,456,702
Giant Hypermarket	3,196,080	266,385	2,929,695
FCI Senai	1,311,542	144,982	1,166,560
Nestle Office & Warehouse	690,562	92,396	598,166
Quattro West	4,558,947	1,914,670	2,644,277
Strateq HQ (formerly known as Kompakar CRC HQ)	3,631,165	207,668	3,423,497
Niro Warehouse	1,638,000	129,443	1,508,557
BMW Centre PTP	3,416,400	258,616	3,157,784
Delfi Warehouse	1,306,368	154,575	1,151,793
Axis Vista	3,183,130	785,922	2,397,208
Axis Steel Centre	7,055,700	534,860	6,520,840
Bukit Raja Distribution Centre	5,976,837	269,418	5,707,419
Seberang Prai Logistic Warehouse 1	1,450,428	72,031	1,378,397
Seberang Prai Logistic Warehouse 2	572,735	29,420	543,315
Tesco Bukit Indah	6,166,480	422,173	5,744,307
Axis PDI Centre	8,603,590	1,001,540	7,602,050
Axis Technology Centre	4,780,550	909,421	3,871,129
D8 Logistics Warehouse [^]	2,462,400	123,583	2,338,817
Axis Eureka ^{^^}	4,153,649	1,033,569	3,120,080
Total	114,310,771	17,358,170	96,952,601

[^] Acquired on 1 March 2011

^{^^} Acquired on 18 April 2011

Disposed on 18 April 2011

Net Rental Income rose by 27% from RM 76,252,780 in 2010 to RM 96,952,601 in 2011.

Unrealised rental income/unbilled lease income receivable

This is the recognition of unrealised rental income on unbilled lease income receivable. This is pursuant to the requirements of Accounting Standard FRS117, which requires us to recognise income from operating lease on a straight-line basis, including contractual increase in rental rates over the fixed tenure of the agreement.

Profit Income

This year we registered a profit income of RM 421,000 from placement of funds under Islamic REPO. This arose from the net proceeds received from the 2011 Placement in December 2011, prior to redemption of financing due on its maturity date.

Changes in the fair value of investment properties

Based on valuations performed by independent registered valuers during the financial year, we are pleased to report that the portfolio registered an increase in the fair value of investment properties. This increase for 2011 amounted to RM 16,013,000.

Total Non-Property Expenses

Details of total non-property expenses are as follows:

	2011 (RM'000)	2010 (RM'000)	2009 (RM'000)	2008 (RM'000)	2007 (RM'000)	2006 (RM'000)
Administrative and professional fees *	9,319	7,334	6,061	5,817	4,124	3,078
Bad debts written off	3	(108)	-	-	144	119
Impairment/(Reversal) losses of trade receivables	69	213	54	158	(125)	167
Financing/borrowing cost	-	-	739	227	600	65
Islamic financing cost	22,890	16,853	10,477	8,393	5,454	3,072
Total non-property expenses	32,283	24,292	17,331	14,595	10,197	6,501

* Professional fees include Manager's fees, Trustee's fees, valuation fees, auditor's fees and tax fees.

Administrative and professional fees

The 27% increase in administrative and professional fees for year 2011 is due to the increase in Unitholders' expenses and the Manager's Fee during the year as a result of the increase in the NAV of Axis-REIT.

Impairment losses of trade receivables

Impairment losses of trade receivables in the Statement of Comprehensive Income fell to RM 69,000 from RM 213,000 in 2010.

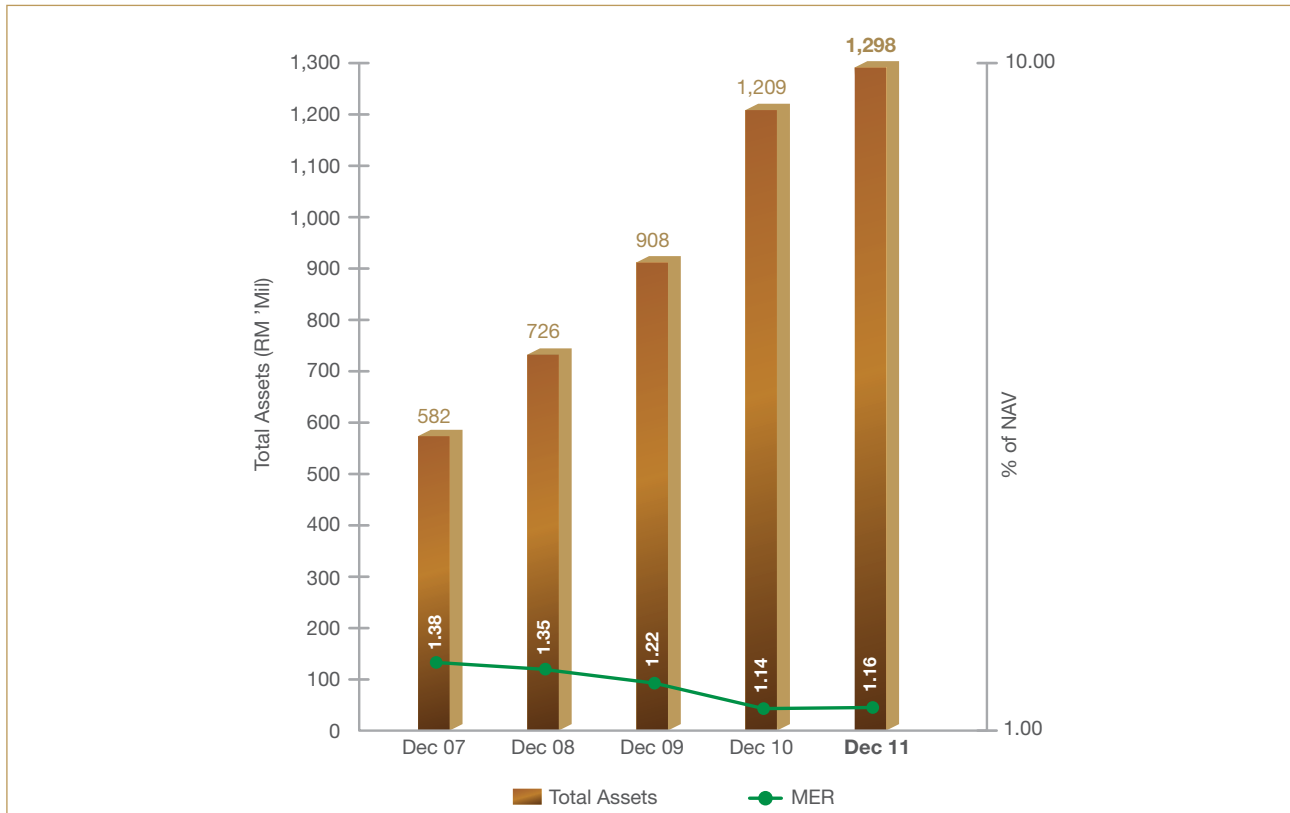
Islamic financing cost

The increase in Islamic financing cost is due to additional financing being utilised to finance the acquisition of D8 Logistics Warehouse and Axis Eureka which were completed on 1 March 2011 and 18 April 2011 resulting in the gearing to hit 38% in the first half 2011.

MANAGER'S REPORT

Management Expense Ratio ("MER")

The MER for 2011 has increased marginally to 1.16% of NAV as compared to 1.14% in year 2010. The chart below shows the movement of MER against the total assets of the Fund since December 2007.



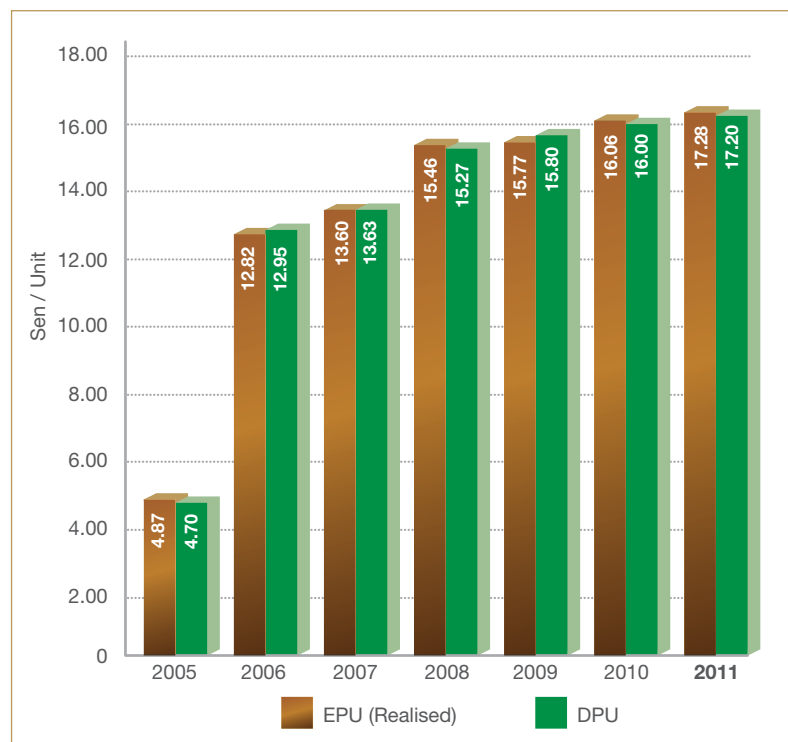
MER and Total Assets Compared

Earnings Per Unit ("EPU")

The EPU (realised) for 2011 increased to 17.28 sen from 16.06 in 2010. This is based on the weighted average of the number of Units in issue and represents a 7.6% increase year on year.

Distribution Per Unit ("DPU")

The DPU for 2011 increased to 17.20 sen from 16.00 sen in 2010. Axis-REIT had in year 2008, 2009, 2010 and 2011 placed out 50,000,000, 51,180,200, 68,819,800 and 77,913,096 new Units respectively. Notwithstanding the increase in the number of Units over the past four years, Axis-REIT has not only been able to prove that the placements done were non-dilutive in nature but has provided Unitholders with better DPU returns as shown in the chart below.



EPU (Realised) and Distribution Per Unit

Capital Management

The Manager has always been of the view that an efficient and prudent capital structure is an intergral part of a well managed fund. For the year 2011, through the careful execution of our capital management strategy, we have managed to successfully raise capital, acquire assets and keep our gearing within our own benchmark of 35%.

Enhancing the Capital Base for year 2011:

1. Raising new capital through the issuance of 75,180,200 new Units through the 2011 Placement

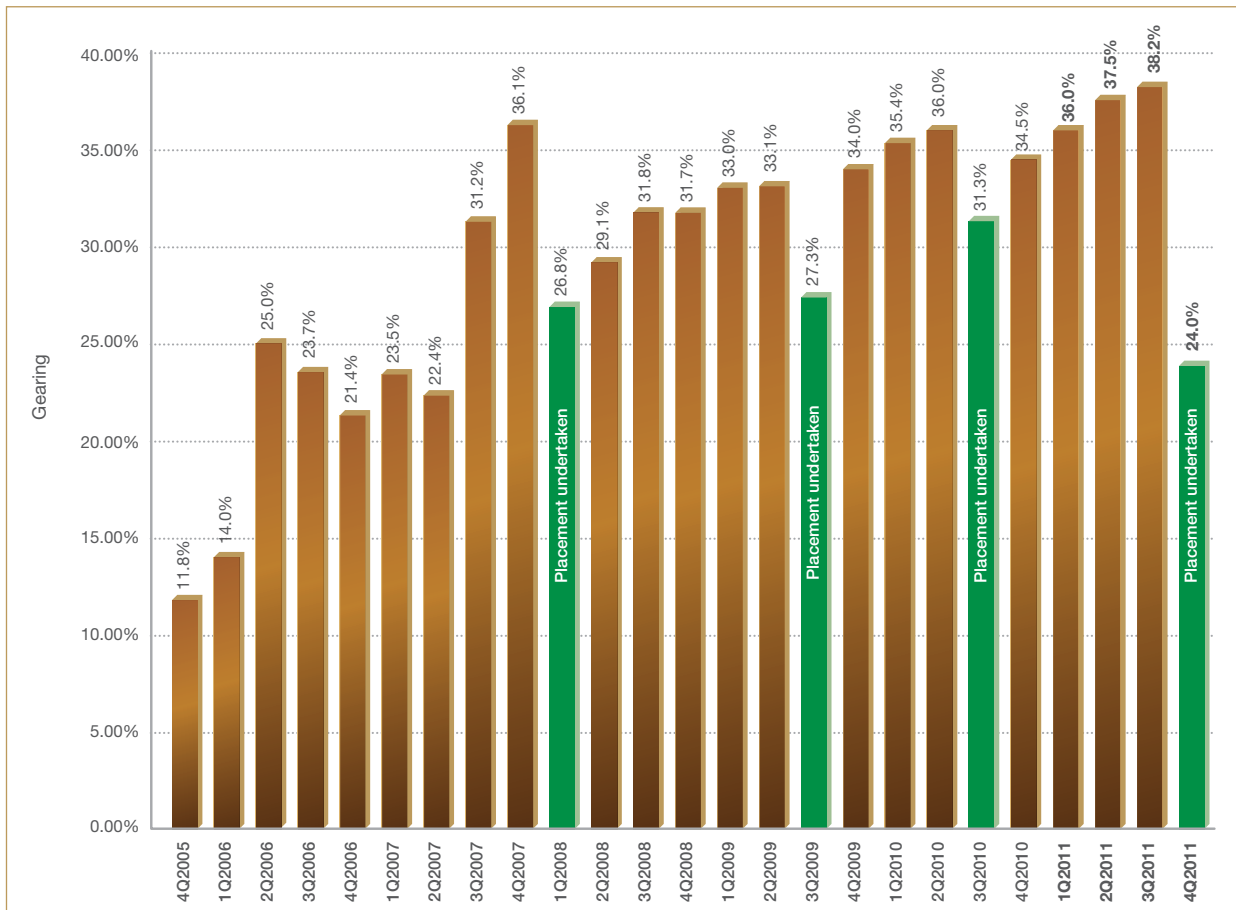
A Unitholders’ Meeting was held on 26 July 2011 the Manager has obtained the approval from the Unitholder’s to allot and issue up to 75,180,200 new Units, representing 20% of the existing approved fund size of Axis-REIT by 31 December 2011 (“2011 Placement”).

The rationale for the 2011 Placement is consistent with our past three placement strategies, which is to roll out the placements when the Gearing is anticipated to exceed 35% due to new acquisitions. The Gearing level at the point of the Unitholders’ Meeting on 26 July 2011 was at 38%.

Axis-REIT had entered into Sale and Purchase Agreement for the purchase of the Seberang Prai Logistic Warehouse 3 and the Bayan Lepas Distribution Centre on 28 September 2011 and 25 October 2011 respectively. With the two (2) acquisitions, the Gearing level of the Fund will be at 43% upon the completion. As such in November 2011, the Manager has implemented the 2011 Placement to reduce Gearing level.

The 2011 Placement had successfully raised approximately RM 184,000,000 gross proceeds– the largest and most successful capital raising ever. The 2011 Placement was well received by investors; achieving an overscription rate of 4.45 times and issued at a price of RM 2.45 representing a discount of 3.92% discount to the 5 day VWAMP. The Units were placed at a premium of 22.5% to our NAV at the point of issuance, underlining the confidence our investors have in our Fund.

The funds raised from the 2011 Placement were used to pare down financing thereby allowing the Manager to start acquiring new which were yield accretive. The Gearing of the Fund moving into the new year now stands at 24%.



MANAGER'S REPORT

2. Continuing to maintain a balance between our Short to Medium-Long Term Debt Profile

The Manager had in 2009, diversified the financing of Axis-REIT both in terms of management of the financing maturity and profit rate. 2009 provided the perfect opportunity for the Fund given the series of aggressive cuts by Bank Negara Malaysia on the Overnight Policy Rate by a total of 150 basis points to a historical low of 2.00% p.a. The Manager had then taken advantage of this low interest rate environment and in 2009 moved approximately 50% of the financing into a RM 170.4 million 3 and 5-year Islamic term financing ("the Term Financing") and retained only 50% of the balance financing in short term revolving credits facilities with the banks.

50% of the Term Financing is on a fixed rate basis whilst the remaining 50% is on a variable rate basis. To hedge against possible fluctuations of the interest rate on the variable portion, Axis-REIT entered into an Islamic Profit Rate Swap for the first time in 2009, thereby taking advantage of the favourable interest rate environment to lock-in fixed rates over the entire tenure of the RM 170.4 million Term Financing.

Since 2009, as part of the Fund's risk management strategy, in addition to ensuring that the Fund's Gearing level is kept at a manageable level and not exceeding the 50% threshold as allowed by SC's Guidelines on REITs, the Manager will also ensure that the Fund's financing is diversified both in terms of maturity and the choice of fixed/ floating profit rates.

In 2010 to 2011, the Fund had again secured a further RM 50.0 million 3-year floating rate Islamic term financing ("RM 50.0 mil Term Financing") and a RM 50.0 million short term revolving credits facilities to acquire the new assets. The Fund had at the point of drawdown of the RM 50.0 million Term Financing converted the profit rate from floating into a fixed profit rate via another profit rate swap arrangement.

Maintaining this restructuring of our debt maturity was an integral part of our strategy for 2011 and successfully manages our profit rate exposure. Details of the historical level of financing and the Islamic financing cost/conventional interest expense is shown below:

Financing Profile Table

	2006	2007	2008	2009	2010	2011
Total Borrowings/financing (RM'000)	88,089	209,816	230,456	308,932	416,009	311,338
Total Assets (RM'000)	411,781	581,857	726,371	907,745	1,208,897	1,298,431
Gearing	21.39%	36.06%	31.73%	34.03%	34.46%	23.98%
Effective interest/profit rate *	4.38%	4.39%	4.28%	4.11%	4.48%	4.66%
Percentage of short term borrowings/ financing	100%	100%	100%	47%	48%	52%
Percentage of medium or long term borrowings/financing	-	-	-	53%	52%	48%
Total unencumbered Assets	7	8	13	12	11	12
Percentage of unencumbered assets/total assets	57%	34%	44%	52%	42%	44%

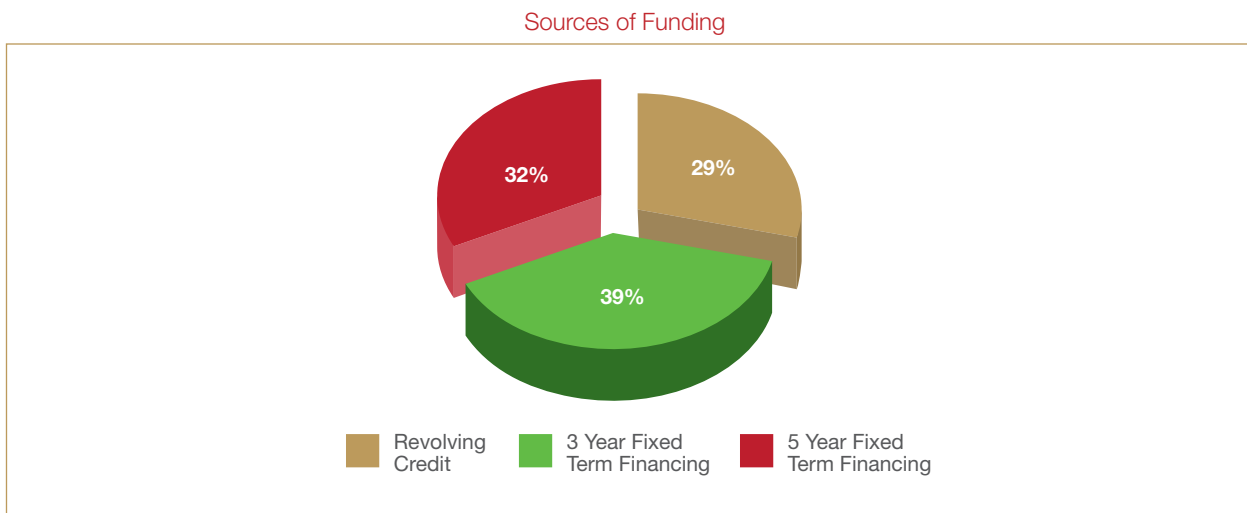
* For comparison purposes, the effective interest/profit rate excludes incidental cost of financing

Diversification of Debt Funding

To further strengthen the Fund’s sources of funding, the Manager is planning to diversify Axis-REIT’s sources of debt funding through the issuance of an Islamic bond (sukuk) in 2012 to meet our refinancing requirement. The sukuk will enable the Fund to tap into a wider pool of debt capital and at the same time enable the Fund to obtain a longer tenure of financing with fixed rate.

Given the current market forecast that Bank Negara Malaysia will maintain the OPR for 2012 at its current 3% rate for the first half of the year, with the possibility of OPR cut in the second half year, this will provide us the perfect opportunity to launch the sukuk and fix its profit rate.

Currently our debt structure comprises short term revolving credit facilities and 3 and 5 year term financing; all with bullet payment at maturity.



3. Income Distribution Reinvestment Plan (“IDRP”)

On 9 February 2011, the Manager announced the proposed IDRP that allows Unitholders to reinvest their income distribution in new Units. The approval to implement the IDRP was subsequently obtained in the Unitholders’ meeting on 26 July 2011.

Following the said approval, the Manager had implemented the IDRP for the first time in conjunction with the payment of the third interim income distribution that was declared on 17 October 2011, in which the gross electable portion of 2.10 sen per Unit (of which 2.00 sen per Unit is taxable and 0.10 sen per Unit is non-taxable in the hands of unitholders) (“Electable Portion”) out of the third interim income distribution of 4.30 sen per Unit can be elected to be reinvested in new Units and the remaining 2.20 sen per Unit (which is taxable in the hands of Unitholders) will be paid in cash.

The new Units were issued at RM 2.30 per Unit based on the 5-day VWAMP of RM 2.44 per Unit, and after adjusting for a discount of RM 0.14 which is approximately 5.7% discount to the 5-day VWAMP.

Pursuant to the IDRP, Axis-REIT allotted 2,732,896 new Units on 9 December 2011 and these Units were listed on the Main Market of Bursa Securities on 12 December 2011. The new Units of 2,732,896 represents a successful take up rate of approximately 86.06%.

The net proceeds from the IDRP of RM 5,971,480 (after deducting estimated expenses for the IDRP) will be used to refurbish and/or renovate the properties of the fund to enhance future income.

MANAGER'S REPORT

Risk Management

The Manager recognises that effective risk management is a fundamental part of its business strategy. It ensures that there are no adverse disruptions to the income distribution and mitigates any potential loss which may impact negatively upon all the Unitholders.

1. Liquidity Risk

The Manager has currently diversified Axis-REIT's financing with 5 major banks. With this diversity, we have lower concentrations of risk amongst each of the lending banks and each bank has adequate collateral to the financing they are providing. In addition, as at 31 December 2011, 48% of the total financing of the Fund are medium/long term i.e. 3 to 5 years tenure.

The Fund currently has 12 out of its 27 properties unencumbered; representing 44% of total assets of the Fund in terms of value; allowing the Fund with more flexibility in capital structure moving forward.

In addition, the Manager is planning a sukuk in 2012 to further strengthen the capital structure.

2. Interest/Profit Rate Risk

As at 31 December 2011, the Fund had a total financing facility of RM 500,400,000 of which RM 311,338,000 had been drawdown representing 23.98% of total assets.

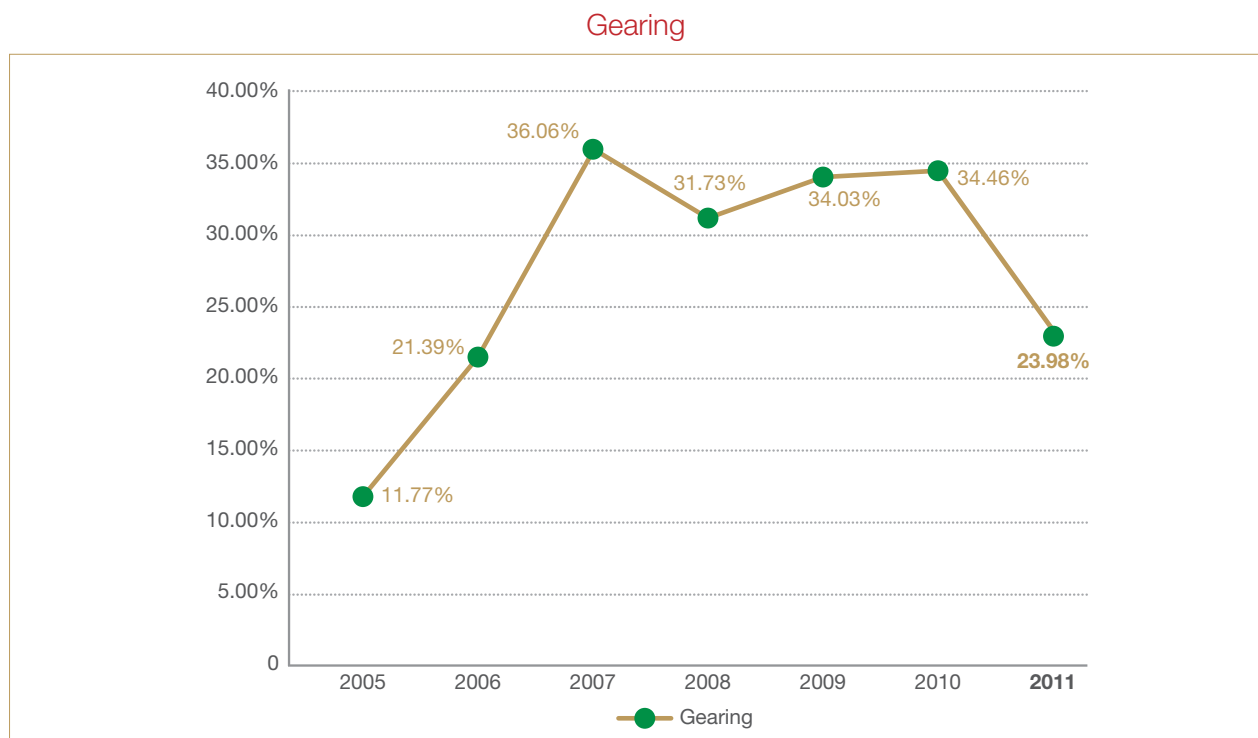
Of this amount, RM 219,338,000 is in 3 and 5 year term financing with profit rates fully hedged. With the possibility of a holding on the current interest rates by Bank Negara the Manager is looking at retiring maturing fixed rate financing with a sukuk in the 1st half 2012, whereby the profit rate on the sukuk is fixed over its tenure.

The Fund paid an effective profit rate of 4.66% p.a. in 2011.

3. Gearing Risk

Having witnessed the global financial crisis and the current crisis in the Eurozone, the Manager will continue to maintain its maximum gearing threshold of 35% as part of its strategy for prudent capital management.

The chart below shows the historical Gearing levels of Axis-REIT since its listing.



4. Valuation Risk

The Manager recognises the importance of fair valuation on all its investment properties. All the properties are revalued at least once annually to ensure that the value carried in the financial statements reflects the current market value and to be in compliance with the FRS 140 accounting standard.

The summary of the changes in the fair value of all the investment properties during the year is as follows:

No	Property	NBV before Revaluation RM	Market Value* RM	Unrealised gain/(loss) RM
1	Axis Plaza	31,095,000	31,000,000	(95,000)
2	Axis Business Park	107,850,000	108,000,000	150,000
3	Crystal Plaza	100,917,000	101,000,000	83,000
4	Menara Axis	98,834,000	106,000,000	7,166,000
5	Infinite Centre	36,233,000	37,000,000	767,000
6	Wisma Kemajuan	54,118,000	54,200,000	82,000
7	Kayangan Depot	20,227,000	22,000,000	1,773,000
8	Wisma Bintang	47,047,000	47,100,000	53,000
9	Axis Shah Alam DC1	19,114,000	20,200,000	1,086,000
10	Giant Hypermarket	39,098,000	39,200,000	102,000
11	FCI Senai	14,014,000	14,000,000	(14,000)
12	Nestle Office & Warehouse	9,069,000	9,000,000	(69,000)
13	Quattro West	53,840,000	52,000,000	(1,840,000)
14	Strateq HQ (formerly known as Kompakar CRC HQ)	41,010,000	41,000,000	(10,000)
15	Niro Warehouse	15,975,000	16,000,000	25,000
16	BMW Centre PTP	28,585,000	28,500,000	(85,000)
17	Delfi Warehouse	13,500,000	13,900,000	400,000
18	Axis Vista	35,783,000	35,800,000	17,000
19	Axis Steel Centre	75,000,000	75,000,000	-
20	Bukit Raja Distribution Centre	80,600,000	84,300,000	3,700,000
21	Seberang Prai Logistic Warehouse 1	18,990,000	18,990,000	-
22	Seberang Prai Logistic Warehouse 2	7,490,000	7,490,000	-
23	Tesco Bukit Indah	85,000,000	86,000,000	1,000,000
24	Axis PDI Centre	92,000,000	92,000,000	-
25	Axis Technology Centre	52,010,000	52,000,000	(10,000)
26	D8 Logistics Warehouse	30,521,000	31,300,000	779,000
27	Axis Eureka	52,247,000	53,200,000	953,000
TOTAL		1,260,167,000	1,276,180,000	16,013,000

* Market value based on valuation conducted by independent registered valuers during the year.

All valuations are conducted by independent registered valuers approved by the SC. Axis-REIT currently has a panel of six (6) registered valuers performing valuations for the Fund. The Manager is also looking into expanding this panel to provide the Fund with a transparent valuation model for the benefit of all Unitholders. It is the Fund's policy to ensure that no valuer may conduct more than two (2) consecutive full comprehensive valuations of any particular property, which is consistent with the SC's Guidelines on REITs.

MANAGER'S REPORT

The chart below summarises the market value, market value per square foot ("psf") and the investment outlay of Axis-REIT on all the properties. It will show what the Fund had paid for the properties and what they are worth today.

	Market Value RM	Market Value RM/psf	Total Investment Outlay (including enhancements) RM/psf
Axis Plaza	31,000,000	264	193
Axis Business Park	108,000,000	316	252
Crystal Plaza	101,000,000	491	299
Menara Axis	106,000,000	580	427
Infinite Centre	37,000,000	253	177
Wisma Kemajuan	54,200,000	270	168
Kayangan Depot	22,000,000	136	104
Wisma Bintang	47,100,000	272	189
Axis Shah Alam DC1	20,200,000	183	178
Giant Hypermarket	39,200,000	284	281
FCI Senai	14,000,000	102	92
Nestle Office & Warehouse	9,000,000	327	298
Quattro West	52,000,000	499	478
Strateq HQ (formerly known as Kompakar CRC HQ)	41,000,000	391	368
Niro Warehouse	16,000,000	96	91
BMW Centre PTP	28,500,000	177	171
Delfi Warehouse	13,900,000	106	98
Axis Vista	35,800,000	303	282
Axis Steel Centre	75,000,000	204	180
Bukit Raja Distribution Centre	84,300,000	185	159
Seberang Prai Logistic Warehouse 1	18,990,000	179	167
Seberang Prai Logistic Warehouse 2	7,490,000	179	167
Tesco Bukit Indah	86,000,000	368	329
Axis PDI Centre	92,000,000	44	41
Axis Technology Centre	52,000,000	305	291
D8 Logistics Warehouse	31,300,000	183	178
Axis Eureka	53,200,000	456	448
	1,276,180,000		

5. Tenant and Credit Risk

We continuously monitor our tenants' performance closely as this is key to the management of our credit risk. We have in place strict procedures in evaluating our tenants' creditworthiness and we do not hesitate to take steps to minimise any lapse in payment performance.

The strength of Axis-REIT's performance lies in the diversity of its portfolio, thereby minimising a concentration of tenant risk to the income streams of the Fund.

As at 31 December 2011, Axis-REIT had 27 properties and 121 tenants, many whom are multinationals and local public listed companies with strong financial credentials.

Our top ten tenants

1. Konsortium Logistik Bhd
2. IDS Logistics Services (M) Sdn Bhd
3. Tesco Stores (M) Sdn Bhd
4. Fuji Xerox Asia Pacific Pte Ltd
5. Tenaga Nasional Bhd
6. Strateq Data Center Sdn Bhd
7. BMW Asia Technology Centre Sdn Bhd
8. Scope International (M) Sdn Bhd
9. GCH Retail (M) Sdn Bhd
10. Cycle & Carriage Bintang Berhad

The top ten tenants account for 52% of the gross income of the Fund in 2011.

	2011	2010	2009	2008	2007	2006
Top ten tenant contribution to gross income	52%	52%	47%	52%	51%	56%

Doubtful Debt Provision/Impairment Losses of Trade Receivables

The Manager regularly reviews the credit risk profile of its tenants with the aim of minimising potential credit risk. Regular tenant visits as well as vigilance on tenant's activities also helped to detect early signs of trouble.

For single-tenanted buildings, resulting typically from a sale and leaseback transaction or a built-to-suit arrangement, a larger sum of security deposits may be obtained depending on the credit-standing of the tenant and commercial negotiation.

As a result of the rigorous management of account receivables, the Manager has attained a low impairment loss of trade receivables as a percentage of total gross income. The impairment loss of trade receivables and bad debts as of 31 December 2011 amounted to RM 72,000, a significant drop as compared to 2010 and represents 0.06% of the annual gross income of the Fund. The keen focus on receivables and a well established internal credit control process has resulted in this low value.

RM'000	2011	2010	2009	2008	2007	2006
Impairment losses of trade receivables						
Impairment losses of trade receivables/ Bad debt write off/(write back)	72	105	54	158	19	286
Trade Receivables	5,417	3,893	3,371	1,858	1,889	991
Total Annual Gross Income	114,311	89,213	71,598	63,331	46,819	40,931
Impairment losses of trade receivables/ Bad debt write off/(write back) as % of Gross Income	0.06	0.12	0.08	0.25	0.04	0.70

Risk Management Framework

The Manager had in 2009, put in place a risk management framework to address all the possible risks facing the operation of the Fund and Manager.

During 2010 and 2011 our Internal Auditors, Baker Tilly Monteiro Heng, has conducted a review on compliance with the Corporate Governance Code as well as the APREA Best Practices Codes. The reports are made available to the Audit Committee as well as the Board. The Manager has taken steps to deal with the risks identified.

On 17 October 2011, the Internal Auditors conducted a training on "Securities Commission's Corporate Governance Blueprint".

MANAGER'S REPORT

A Quick Snapshot in US Dollars ("USD")

In conjunction with the best practices recommendations by APREA, the Manager has decided to present some of its financial highlights in USD to allow comparability against other foreign REITs and companies to the users of the annual report. Following is an extract of the financial highlights denominated in USD for the financial year ended 31 December 2011:-

Key items from Statement of Financial Position/Unitholders' Funds ^#

Assets under Management (USD)	409,600,000
Total Net Asset Value (USD)	297,822,000
Number of Investment Properties	27
Units in Circulation	453,814,096
Total Financing (USD)	98,214,000
Total Financing to Total Assets (%)	23.98
Market Capitalization (USD)	375,304,257
Net Asset Value Per Unit (cents in USD)	0.66
Unit Price as at 31 December 2011 (USD)	0.827

Summary of Results^^#

Total Gross Income (USD)	37,357,000
Unrealised Rental Income (USD)	1,116,000
Total Property Expenses (USD)	(5,673,000)
Net Rental Income (USD)	32,800,000
Profit Income (USD)	138,000
Changes in fair value of investment properties (USD)	5,233,000
Unbilled Lease Income Receivable (USD)	(1,116,000)
Net gain on financial liabilities measured at amortised cost* (USD)	50,000
Net loss on disposal of investment property (USD)	(84,000)
Total Income (USD)	37,021,000
Total Non-Property Expenses (USD)	(10,551,000)
Net Income before tax (USD)	26,470,000
Breakdown of net income after taxation:	
-Realised income after taxation (USD)	21,187,000
-Unrealised income after taxation (USD)	5,300,000
Net income available for distribution (Realised) (cents in USD)	5.65
Earnings per Unit (Realised + Unrealised) (cents in USD)	6.95
Distribution per Unit (DPU) (cents in USD)	5.62

* Unrealised gain on discounted tenants' deposit received in compliance with Financial Reporting Standard FRS 139

^ Translated to USD equivalent based on closing rate of USD/MYR of 3.17 (Source: Bloomberg)

^^ Translated to USD equivalent based on average rate of USD/MYR for financial year 2011 of 3.06 (Source: Bloomberg)

Please be noted that translations were done purely for comparison purposes and not required to adhere with the provisions of the Financial Reporting Standards

Report on our Shariah Compliance



Standing: Encik Razli Ramli
 Sitting from left to right : Ustaz Ahmad Zakirullah Mohamed Shaarani, Ustaz Mohd Nasir Ismail and Ustaz Mohd Bakir Hj Mansor

On 11 December 2008, Axis-REIT became the world's first Islamic Office/ Industrial REIT. In the span of three years since its successful reclassification, we have seen a strong participation by Shariah investors from both institutional and retail sectors.

IBFIM is the appointed Shariah Advisor of the Fund. IBFIM is listed under the SC's list of Registered Eligible Shariah Advisers. Below is the list of IBFIM's scope of services:

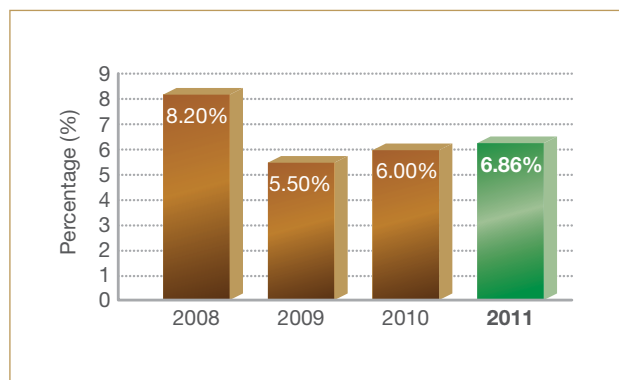
- Providing expertise and guidance to the Manager in all matters relating to Shariah requirements, including Axis-REIT's structure, investment process, and other operational and administrative matters;
- Assessing any new tenant(s) and/or new property to be acquired by Axis-REIT to ensure that all the activities of the new tenant(s) and/or composition/contribution of non-permissible within the tolerable benchmark set by the Shariah Advisory Council ("SAC") of the SC;
- To provide a certification in the interim (if any) and annual report as to whether Axis-REIT has been managed in accordance with the SC's Guidelines on Islamic REITs;
- Consulting with the SC's SAC where there is any ambiguity or uncertainty as to an investment, instrument, system, procedure and/or process; and

- Assisting and attending to any ad-hoc meeting called by the Manager, the SC and/or any other relevant authority.

The Manager is pleased to report that under the guidance of IBFIM, the level of income from non-permissible activities, is kept at a minimal level of 6.86% for 2011.

With the completion of the two new acquisitions as at the date of this report, the Manager is confident that the level of income from non-permissible activities will be lower than 6.3%.

Non-permissible level %



MANAGER'S REPORT

Business Development Report

Acquisitions 2011

The Manager is pleased to report that we have achieved an Asset Under Management ("AUM") of RM 1.3 billion as of 31 December 2011. The Fund now has 27 properties with two more properties contracted to complete in 1Q 2012.

Growth has always been a core strategy of the Manager recognising the fact that for REITs to have the required vibrancy and favourable following by both the retail and institutional investors, liquidity of the stock and size of the portfolio are crucial.

2011 saw Axis-REIT complete the acquisition of 2 assets with a value of RM 82 million and contracting to purchase a further RM 108 million worth of assets in 1Q 2012.

The two acquisitions completed in 2011 was paid for by debt which moved the Gearing of the fund to 38%. This triggered the 2011 Placement and the IDRPs which raised RM 190,477,000 and saw the gearing fall to 24%. This will provide the Fund with the headroom to complete the purchase of the properties slated to complete in 1Q 2012 and have additional debt capability to add further acquisitions in 2012.

Our focus still continues to be :

- Logistics facilities with long leases from grade A tenants
- Multi-tenanted office or office/industrial properties in prime areas with future redevelopment potential
- Retail warehousing
- Commercial properties

The following are the assets acquired in 2011:

Acquisition 1 – D8 Logistics Warehouse in Port of Tanjung Pelepas, Johor

D8 is located within the Port of Tanjung Pelepas (PTP) which was accorded Free Zone status in March 1998. The Malaysian government also appointed PTP as a Free Zone Authority (FZA) on 16 June 1999, to administer both the Commercial Free Zone and the Industrial Free Zone. The administration of the FZA functions within PTP ensures smooth and efficient transactions.

Pelepas Free Zone (PFZ) is situated adjacent to the port and terminal and covers an area of about 1,000 acres. This is segmented into different zones depending on the type of activities carried out. Of this, approximately 400 acres has been designated as Free Commercial Zone (FCZ) reserved for distribution, logistics, and warehousing activities ideal for consolidation, international procurement centres, regional distribution centres, and distribution services. The remaining 600 acres of Free Industrial Zone (FIZ) is reserved for light, medium and heavy manufacturing industries.

D8 Logistics Warehouse is currently 100% leased to Nippon Express (M) Sdn Bhd, one of Japan's major logistics companies.



D8 Logistic Warehouse will be our second property located in the rapidly growing Port of Tanjung Pelepas (PTP) in Johor

Key features of the acquisition are:

Land Area:	6.12 acres (266,587 sq ft)	Lease Term:	10-yr lease with a 3-yr option
Net Lettable Area:	171,000 sq ft	Purchase Price:	RM 30.00 million
Land Tenure:	Leasehold land with 44 yrs sub-lease expiring March 2055	Acquisition Price:	RM 30.52 million
Tenant:	Nippon Express (M) Sdn Bhd	Valuation:	RM 31.30 million
Occupancy:	100%	Gain:	RM 0.78 million
		Net Yield:	9.16%

Acquisition 2 - Axis Eureka in Cyberjaya

On 30 December 2010, Axis-REIT entered into a Sale and Purchase Agreement to acquire the Fund's first property in Cyberjaya.

The subject property is a purpose-built four (4)-storey office building with a lower ground floor and a basement car park. Its lower roof level which currently occupies an auditorium and badminton courts will be converted into an additional 10,600 sq ft of net lettable area.

The property will be renamed Axis Eureka. The Manager has plans to refurbish this property in 2012 to further enhance the property value.



Axis Eureka

Key features of the acquisition are:

Land Area:	2.06 acres (89,760 sq ft)	Tenancy/	
Net Lettable Area:	116,743 sq ft	Lease Term:	ranging from 1 – 6 years
Land Tenure:	Freehold	Purchase Price:	RM 51.25 million
Major Tenants:	Scicom (MSC) Berhad	Acquisition Price:	RM 52.25 million
	Multimedia Development Corporation Sdn Bhd	Valuation:	RM 53.20 million
	Wolters Kluwer Enterprise Services	Gain:	RM 0.95 million
	Partners Sdn Bhd	Net Yield:	8.0%
Occupancy:	99%		

MANAGER'S REPORT

We also concluded the Sale and Purchase Agreements of two logistics centres in Penang and Seberang Prai as of the time of this report. They are:

Bayan Lepas Distribution Centre in Bayan Lepas, Penang

On 25 October 2011, Axis-REIT entered into a Sale and Purchase agreement to acquire the Fund's first property in Bayan Lepas, Penang.

The subject property is a 3-storey office block and a logistics warehouse complex on industrial land measuring

approximately 3.083 hectares purchased from DHL Properties (Malaysia) Sdn Bhd. The property fronts onto the south-eastern side of Lintang Bayan Lepas 9, within Bayan Lepas Industrial Park Phase IV, at a radial distance approximately 3 kilometres due east of the Bayan Lepas town centre and approximately 400 meters from the entrance of the upcoming second Penang bridge. It enjoys direct frontage/access from Lintang Bayan Lepas 9 while its rear boundary lies off of Lebuhraya Tun Dr. Lim Chong Yu. By virtue of its view frontage to the said Lebuhraya, it has excellent exposure and visibility from the highway.



Bayan Lepas Distribution Centre in Bayan Lepas, Penang

Key features of the acquisition are:

Land Area:	7.61 acres (331,709 sq ft)	Lease period:	5-yr lease with a 5-yr option
Gross Built Up:	231,940 sq ft	Purchase Price:	RM 48.5 million
Land Tenure:	Leasehold expiring in Jan 2062	Acquisition Price:	RM 49.5 million
Tenant:	DHL Properties (Malaysia) Sdn Bhd	Valuation:	RM 48.5 million
Occupancy :	100%	Net Yield:	8.0%

Seberang Prai Logistics Warehouse 3 in Seberang Prai

On 28 September 2011, Axis-REIT entered into a Sale and Purchase Agreement with Apex Properties Sdn Bhd to acquire a logistics facility in Seberang Prai, Penang. The subject property is a single storey warehouse with mezzanine floor, 3 storey office building and ancillary buildings such as canteen, guard houses and pump house. The property is strategically located within the Bukit Tengah Industrial Park which lies off the eastern side of the North-South Expressway at a radial distance of approximately 1.5 kilometres due east of the Juru Auto City and 3.5 kilometres due south-west of the Bukit Mertajam town centre. It is located at the intersection of Lorong Perusahaan Utama 4 and Jalan Bukit Tengah. By virtue of its view frontage to Jalan Bukit Tengah, it has excellent exposure to heavy vehicular traffic.

The facility is currently leased to Schenker Logistics (Malaysia) Sdn Bhd ("Schenker"), the Malaysian subsidiary of Global Logistics player DB Schenker. The lease is for a period of 3 years with an option to renew for a further 3 years. Schenker has been the tenant of this property for over 10 years.

Key features of the acquisition are:

Land Area:	13.7 acres (596,800 sq ft)	Tenancy Period:	3+2 years
Gross Built Up:	380,000 sq ft	Purchase Price:	RM 59.0 million
Land Tenure:	Leasehold expiring in 2052 (First Land) and 2068 (Second Land)	Acquisition Price:	RM 60.1 million
Tenant:	Schenker Logistics (Malaysia) Sdn Bhd	Valuation:	RM 62.0 million
Occupancy:	100%	Gain:	RM 1.9 million
		Net Yield:	10.2%



Seberang Prai Logistics Warehouse 3 in Seberang Prai

As part of our ongoing growth strategy, we will continue to seek yield accretive assets for the Trust. We will also continue to focus on the following criteria when we select assets:

- Location
- Yield accretive assets
- Strong tenant covenants and strong lease structures
- Building age and enhancement possibilities
- Valuation
- Capital appreciation potential
- Future redevelopment potential

Sources for future acquisitions will continue to come from the promoters and third party vendors. For future acquisitions from the promoters, we may explore the option of acquisition via issuance of new Units and cash. We take cognisance that any issuance of new Units will be non-dilutive to the existing Unitholders.

First Asset Disposal – Axis North Port LC 1

The Board of Directors of Axis-REIT Managers Berhad announced on 17 January 2011 that Axis-REIT had entered into a Sale and Purchase Agreement in relation to the Proposed Disposal of Axis North Port LC 1. Axis-REIT has proposed to dispose Axis North Port LC1 for a total lump sum cash consideration of RM 14.5 million to Freight Management (M) Sdn Bhd (Co. No. 85740-U).

Salient points of the disposal are as follows:

Disposal Price	= RM 14,500,000
Net gain available for distribution	= RM 785,000

Rationale

In less than 5 years of ownership of the property by Axis-REIT, the Manager believes it has optimized the potential of Axis North Port LC 1 due to a limited upside to future rental growth. Therefore it is an opportune time to sell the property and re-deploy the capital for more yield accretive properties.

The Fund has distributed the net gain of RM 785,000 to Unitholders in the 2nd interim 2011 income distribution by way of tax exempt income distribution. The balance is used to reduce Gearing to provide Axis-REIT with headroom for future acquisitions.

This is part of our strategy to optimize the Fund’s portfolio in order to maximize returns to the Unitholders.

The disposal was completed on 18 April 2011.



Axis North Port LC 1

MANAGER'S REPORT

Investor Relations Report

Unitholders' Meetings

In 2010 the Board unanimously resolved that the Manager will hold one Unitholders meeting every financial year, irrespective of whether there are resolutions to be tabled for approval. This is in line with the best practice held by global REITs where at least one Unitholders' meeting is held every year. Having said that, the Fund has met with their Unitholders every year, except for the first year of listing. Although the Unitholders' meetings were for specific approvals for certain resolutions as part of our good corporate governance, the Manager always takes the opportunity to provide the Unitholders with a comprehensive briefing of the Fund's activities and performance.

On 26 July 2011, a Unitholders' meeting was held to seek a general mandate to place out 75,180,200 new Units. In addition, the meeting was also held to seek a general mandate to approve the implementation of the IDRPs and to approve changes to the Deed.

The Manager is pleased to report that all resolutions were passed unanimously.



Analysts' and Fund Managers' Briefings

The Manager has always maintained a policy of continuous disclosure to our participating funds, fund managers and analysts. We hold regular one-on-one meetings and conference calls with the fund managers, analysts and Unitholders to disseminate information. This bodes well with our corporate culture of having an effective corporate governance framework.

In 2011, we held the following fund managers' and analysts' briefings;

- 17 January 2011
- 26 July 2011

We are also pleased to report that Axis-REIT is covered by the following research houses:

- Maybank Investment Bank
- RHB Research
- Hwang DBS Vickers Research
- Kenanga Research
- ECM Libra Investment Research
- Affin Investment Bank



Media Relations

Axis-REIT continues to attract an excellent year of coverage by the mainstream media. Our press conferences are held immediately prior to the analysts' and fund managers' briefings and are well attended by both the print and multimedia. In addition, the press have run several feature articles on the REIT industry which featured Axis-REIT. This helps in keeping our current and future Unitholders well informed about our Fund and its performance.



Pelabur Axis-REIT boleh labor semula

KUALA LUMPUR 9 Feb. - Axis REIT Managers Bhd (ARMB), pengarah Axis Real Investment Trust (Axis-REIT) memberi pelabur kepada pemegang semula agihan pendafatan mereka di dalam unit baharu yang berjumlah sehingga 75.18 juta unit ARMB dalam...



Axis-REIT to offer reinvestment option

By PREVENNA RAMBIRAN... Axis-REIT Estate Investment Trust Managers Bhd (Axis-REIT) has announced that it will offer a reinvestment option to its unitholders for the first time. The offer is in the form of a cash payment, now only for a contribution of 10% of the unit's net asset value (NAV) of RM1.12.

The cash received from the reinvestment plan will help finance the REIT's borrowing to fund its new units. The company said it expects to raise up to RM1 billion in the next few months.

雅飾房地产 3.65亿购5楼... 雅饰地产集团于2月10日，以3.65亿收购5楼...

雅饰地产集团于2月10日，以3.65亿收购5楼... 雅饰地产集团于2月10日，以3.65亿收购5楼...

Axis-REIT assessing acquisitions worth up to RM365m

A presentation slide titled 'Presentation of 4th Quarter 2010 Unaudited Results' featuring the Axis-REIT logo and a photo of a man speaking at a podium.



Axis-REIT allots RM260m for acquisitions

KUALA LUMPUR: Axis REIT Managers Bhd is on an acquisition spree and has allowed RM260 million to increase its property assets, says its chief executive officer Shewon Lallooy. The company is in talks with the owners of its properties in Penang, Selangor and Johor. The combined value of these properties concerning an office warehouse and five warehouses is over RM450 million.

Website

At Axis-REIT, we take pride in maintaining an excellent relationship with all our stakeholders. We provide constant, timely and transparent communication through various channels, which include the corporate website, www.axis-reit.com.my, announcements, press releases, corporate presentations and annual reports. We have enhanced our corporate website to enable visitors to navigate with ease to extract pertinent information. The website includes an email alert function, whereby visitors are able to sign-up and receive timely alerts on updated information on Axis-REIT.

MANAGER'S REPORT

Investors Outreach Program

Retail Roadshows across Peninsula Malaysia

In 2011 we continued with the Investors Outreach Program which is a series of retail investor education seminars designed to promote and create awareness of REITs as an alternative investment class.

The following seminars were conducted:

1. The MRMA Investor Retail Roadshow was held on the 29 July 2011 at the Hyatt Regency Kota Kinabalu. Approximately 150 attendees were present.
2. Axis-REIT's CEO, Stewart LaBrooy spoke on REITs to a 1,000 strong audience at the Wealth Mastery Conference.

Bursa Securities Investor Education Seminars

Bursa Securities together with several brokerage houses held a series of talks targeted to retail investors interested in knowing more about investing in ETFs, Derivatives and REITs.

CEO, Stewart LaBrooy, presented during 24 September 2011 and 16 June 2011 on "Why Invest in REITs", both with approximately 150 audience in attendance:

We plan to continue with the Investors Outreach Program in 2012 through MRMA and Bursa Securities by targeting major towns/cities in Malaysia.



Conferences and Speaking Engagements

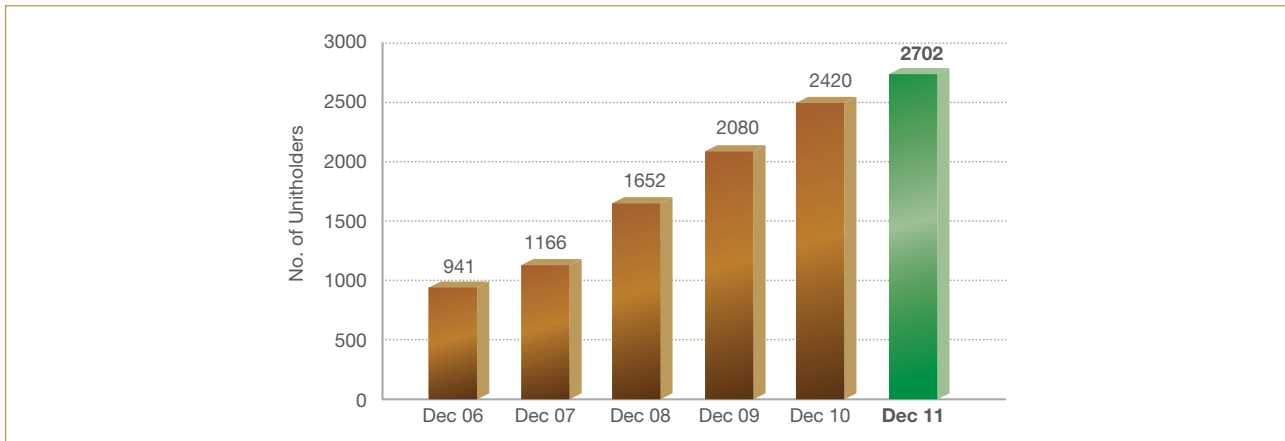
In addition to the above, the Manager actively participated in conferences and speaking engagements throughout 2011. CEO Stewart LaBrooy was invited as a speaker in various conferences and forums on the subject of REITs.

Date	Venue	Topic
18 February	Kuala Lumpur	KPDNKK - Presentation to the Malaysian Warehouse Retail Industry
19 February	Kuala Lumpur	Securities Commission - Why Invest in REITs?
5 April	Kuala Lumpur	REIT sector stands to benefit from the Government ETP
6 April	Penang	PDC - Industrial Property - Is REITing the way to go?
13 April	China	APREA - Property Leaders Forum 2011
11 June	Kuala Lumpur	Bursa Securities - Why Invest in REITs?
20 June	Singapore	Annual REIW Asia - Appraising capital structures and refinancing capabilities for value accretion and acquisition growth
25 June	Kuala Lumpur	Bursa Securities - Why Invest in REITs?
6 August	Kuala Lumpur	Wealth Mastery Academy - Why Invest in REITs?
14 September	Kuala Lumpur	ASLI - How can the property industry contribute towards a high income economy
15 September	Kuala Lumpur	ASLI - Real Estate and Property Investment Roundtable - the Next Big Thing
19 September	Singapore	REAEW Asia - Strengthening portfolio reconstitution and organic growth with timely asset enhancement and acquisitions
17 October	Kuala Lumpur	IFN Asia Forum - Equity and Equity Linked Products : Moving Forward
24 October	Hong Kong	IREW - Assessing risks, returns, financing capabilities and performance of Islamic REITs
30 November	London	IREF Summit

For 2010, Axis-REIT produced its third issue of the Annual Report in Mandarin which was made available via our website. We will continue to maintain the availability of a Mandarin Annual Report on our website, as it is important to have the widest possible reach to the general investing community both in and out of the country.

Increase In The Number Of Unitholders

Number of Unitholders of Axis-REIT



Axis-REIT witnessed an increase in the number of Unitholders for the year ended 2011 by 11.6% to 2,702 as compared to 2010. In addition, we have improved the liquidity of the stock through the December placements. However total transactions in 2011 showed a slight improvement over 2010 with a volume transacted of 51.54 million units as compared to 47.95 million as at end 2010.

The five largest unitholders (non-related party) are as follows:

EPF	56.6 million units or approx. 12.5%
Kumpulan Wang Persaraan	27.7 million units or approx. 6.1%
Skim Amanah Saham Bumiputera	24.7 million units or approx. 5.5%
AIA	20.5 million units or approx. 4.5%
Great Eastern	15.9 million units or approx. 3.5%

Total foreign holdings stand at 12.37%. Of that, related party foreign shareholdings stand at 8.77% and non-related party stand at 3.6% with the promoters current holdings standing at 16.57%.

Unit Price Performance

	2011	2010	2009	2008	2007	2006
Closing Price 31 December	2.62	2.37	1.93	1.12	1.85	1.68
High	2.63	2.40	2.07	1.91	2.28	1.83
Low	2.30	1.92	1.08	1.00	1.60	1.64
NAV	2.08	2.01	1.84	1.83	1.63	1.43
Volume Traded (unit)	50,178,300	47,981,900	48,020,600	29,563,700	42,494,400	50,966,000
Market Capitalisation (RM mil)	1,189	891	593	287	381	346

Source: Bloomberg & Annual Report

Contact Information

To find out more about Axis-REIT please contact:

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Or

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Bursa Securities Investor Relations

E mail: enquiries@bursamalaysia.com
Tel: +603 2034 7000 Fax: +603 2732 0069

Unit Registrar

Symphony Share Registrars Sdn Bhd
Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya, Selangor
Tel : +603-7841 8000 Fax : +603-7841 8008
Email : ssrs@symphony.com.my
Website : www.symphony.com.my

MANAGER'S REPORT



Malaysian REIT Managers Association (MRMA)

The MRMA met on the 12 December 2011 for their second AGM. 13 out of 14 REITs were represented at the meeting and a new Executive Committee was elected.

Present were:

Atrium REIT Managers Sdn Bhd
 AmARA REIT Managers Sdn Bhd
 Axis REIT Managers Berhad
 AmanahRaya REIT Managers Bhd
 Boustead REIT Managers Sdn Bhd
 Damansara REIT Managers Sdn Bhd
 GLM REIT Management Sdn Bhd
 Hektar Asset Management Sdn Bhd
 Sunway City Berhad
 UOA Asset Management Sdn Bhd
 Quill Capital Management Sdn Bhd
 CapitalMalls REIT Management Sdn Bhd
 Pavilion REIT Management Sdn Bhd
 CIMB Islamic Bank Berhad

The Executive Committee was elected for the year 2012 and they were:

Chairman : Stewart LaBrooy - CEO Axis REIT Managers Bhd
 Vice Chairman 1 : Lim Yoon Peng - CEO AmARA REIT Managers Bhd
 Vice Chairman 2 : Adenan Md Yusof - COO AmanahRaya REIT Managers Sdn Bhd
 Treasurer : Zalila Binti Mohd Toon - CFO Hektar Asset Management Sdn Bhd
 Secretary : Dr. James Tee - CEO GLM REIT Managers Sdn Bhd

In addition it is pursuing several new initiatives with the SC on Regulatory Change.

Milestones of the Association

Listing of Sunway REIT, CMMT and Pavilion REIT raises market capitalisation to a record RM15.519 Billion

- The new listings have injected much needed liquidity into the market.
- However most REIT shares are still tightly held and daily trades struggle to match our neighbours.
- New offerings like the Megamall & Gardens REIT will add further liquidity to making our sector very visible to local and international investors.

New Innovative Products are being Introduced by REITs

- Axis-REIT successfully introduced this 3Q the Income Distribution Reinvestment Plan (IDRP) with a take up rate of 86%.
- Axis-REIT is planning the first sukuk to be issued by a MREIT.
- AmFirst REITs announced in August its intention to do a 3 for 5 rights issue.

APREA Chapter launched – More MRMA members join

- With Pavilion REIT Managers joining APREA we now have 5 MREIT Managers involved with APREA. This has enabled the Association to launch a Chapter. APREA assists the MRMA with their regulatory reform.

Malaysian Corporate Governance Index Launched

- Dr Ting from UITM presented his first survey of the MREIT governance index for the benefit of members.

More Members participating in the APREA Best Practices Awards

- Axis-REIT won the APREA award for Best Practices for the second year running placing the Governance of MREITs ahead of many other organizations in emerging markets.

The MRMA encourages more members to take part in the competition which is open to any listed REIT.

Website

- The MRMA is set to launch its new website this coming year.
- The MRMA URL www.mrma.my has been registered.

Investor Education

MRMA Roadshows -The MRMA Roadshows continued in 2011 albeit at a slower pace.

Bursa Securities - We have also been actively participating in the Bursa Investor Education Series held at Bursa Malaysia. We have asked that more MRMA members to participate in these events.

The Business Radio Station (BFM) - MRMA has been featured on BFM increasing the awareness of REITs as an attractive alternate asset class.

Press & TV - There have been a series of articles run on MREITs in the Business sections of the local business papers. In addition MRMA has been featured on TV where Stewart LaBrooy has been invited as Chairman to speak.

Property Report

The Portfolio At A Glance

The Manager adopts a hands-on approach to Revenue Management where we manage our vacancies and rental rates, Expense Management where we manage the building efficiency, energy footprint and service providers, Facilities Management where we manage the maintenance and site staff of the buildings in our portfolio, Tenant Care where we manage retention and satisfaction and lastly Project Management where we manage all the enhancement projects in the portfolio. This focus has enabled us to increase the Fund's return from our organic growth.

All this is managed internally and we believe that this strategy of internal management enhances our ability to deliver excellent returns in terms of superior asset performance. In 2011, we have further strengthened our Facilities Management team with a view of developing a world class platform that will help us grow in the future.

Number of Properties	27
Total Area	4,449,580 sq. ft.
Number of Tenants	121
Occupancy at 31 December 2011	97.22%

Portfolio By Value And Date Of Acquisition

Name	Acquisition Date	Acquisition Cost (RM'000)	Total Investment Outlay (including enhancements) (RM'000)	Fair Value Adjustments (RM'000)	Book Value based on latest Valuation (RM'000)	% of Total Portfolio
Axis Plaza	03/08/2005	22,500	22,597	8,403	31,000	2.43
Axis Business Park	03/08/2005	84,600	85,967	22,033	108,000	8.46
Crystal Plaza	03/08/2005	56,400	61,460	39,541	101,000	7.91
Menara Axis	03/08/2005	71,440	78,068	27,932	106,000	8.31
Infinite Centre	03/08/2005	25,450	25,881	11,120	37,000	2.90
Wisma Kemajuan	16/12/2005	29,192	33,716	20,484	54,200	4.25
Kayangan Depot	30/06/2006	16,224	16,906	5,094	22,000	1.72
Wisma Bintang	30/06/2006	32,681	32,751	14,349	47,100	3.69
Axis Shah Alam DC 1	01/08/2007	18,783	19,613	587	20,200	1.58
Giant Hypermarket	07/09/2007	38,678	38,776	424	39,200	3.07
FCI Senai	15/11/2007	12,538	12,565	1,435	14,000	1.10
Nestle Office & Warehouse	16/11/2007	7,352	8,220	780	9,000	0.71
Quattro West	30/11/2007	40,376	49,842	2,158	52,000	4.07
Strateq HQ (formerly known as Kompakar CRC HQ)	25/01/2008	37,549	38,566	2,433	41,000	3.21
Niro Warehouse	30/04/2008	14,811	15,186	814	16,000	1.25
BMW Centre PTP	30/04/2008	27,470	27,605	895	28,500	2.23
Delfi Warehouse	04/08/2008	12,743	12,754	1,146	13,900	1.09
Axis Vista	09/12/2008	32,481	33,249	2,550	35,800	2.81
Axis Steel Centre	20/10/2009	65,882	65,882	9,118	75,000	5.88
Bukit Raja Distribution Centre	14/12/2009	72,636	72,636	11,664	84,300	6.61
Seberang Prai Logistic Warehouse 1	05/03/2010	17,695	17,695	1,295	18,990	1.49
Seberang Prai Logistic Warehouse 2	05/03/2010	6,981	6,981	509	7,490	0.59
Tesco Bukit Indah	01/10/2010	76,750	76,750	9,250	86,000	6.74
Axis PDI Centre	15/11/2010	86,146	86,146	5,854	92,000	7.21
Axis Technology Centre	15/11/2010	49,697	49,713	2,287	52,000	4.07
D8 Logistics Warehouse	01/03/2011	30,521	30,521	779	31,300	2.45
Axis Eureka	18/04/2011	52,050	52,247	953	53,200	4.17
TOTAL		1,039,626	1,072,293	203,887	1,276,180	100.00

MANAGER'S REPORT

Details on Land Tenure

Name	Land Tenure	Leasehold Expiry (Years)
Axis Plaza	Freehold	-
Axis Business Park	Leasehold	49
Crystal Plaza	Leasehold	48
Menara Axis	Leasehold	54
Infinite Centre	Leasehold	54
Wisma Kemajuan	Leasehold	54
Kayangan Depot	Leasehold	75
Wisma Bintang	Leasehold	56/60
Axis Shah Alam DC 1	Freehold	-
Giant Hypermarket	Freehold	-
FCI Senai	Leasehold	56
Nestle Office & Warehouse	Freehold	-
Quattro West	Leasehold	61
Strateq HQ (formerly known as Kompakar CRC HQ)	Leasehold	57
Niro Warehouse	Leasehold	40
BMW Centre PTP	Leasehold	44
Delfi Warehouse	Leasehold	56
Axis Vista	Leasehold	55
Axis Steel Centre	Leasehold	91
Bukit Raja Distribution Centre	Freehold	-
Seberang Prai Logistic Warehouse 1	Leasehold	42
Seberang Prai Logistic Warehouse 2	Leasehold	42
Tesco Bukit Indah	Freehold	-
Axis PDI Centre	Leasehold	80
Axis Technology Centre	Leasehold	56
D8 Logistics Warehouse	Leasehold	44
Axis Eureka	Freehold	-

Overview

To remain competitive, the Asset Management team has continued to focus on the following three (3) key areas:

1. Income Growth

The key drivers of income growth for the Fund are:

- Income growth through yield accretive acquisitions
- Revenue management - rent reversions
- Occupancy management
- Tenant care - strong tenant relationships and retention
- Facilities management - building maintenance and management of site staff
- Expense management - improving building efficiency and service providers

2. Risk Management

The asset teams approach to risk management is focused on the following key areas:

- Diversification of tenant base
- Focus on Weighted Average Lease Expiry (WALE)/expiry profile
- Quality tenants
- Occupational Health & Safety (OHS)

3. Asset Enhancement

We continue to focus on our plans on assets upgrading and enhancement works to keep them remaining competitive in the market.

However, we are aware that 2012 will be challenging year for the Asset Management team but we are confident that we will manage yet another excellent year.

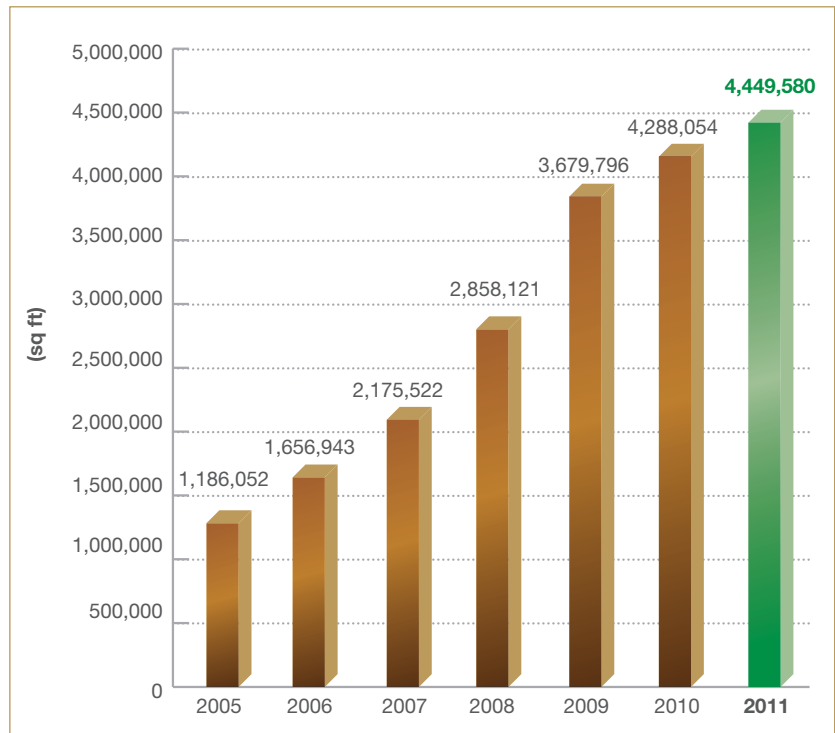
1. Income Growth

a. Acquisitions

In 2011 the property portfolio of the Fund amounted to RM 1.3 billion with 4,449,580 sq ft space under management. This growth in the portfolio size has resulted in a 28% income growth to the Fund.

The Manager will continue to pursue its acquisition strategy moving towards RM 2 billion target.

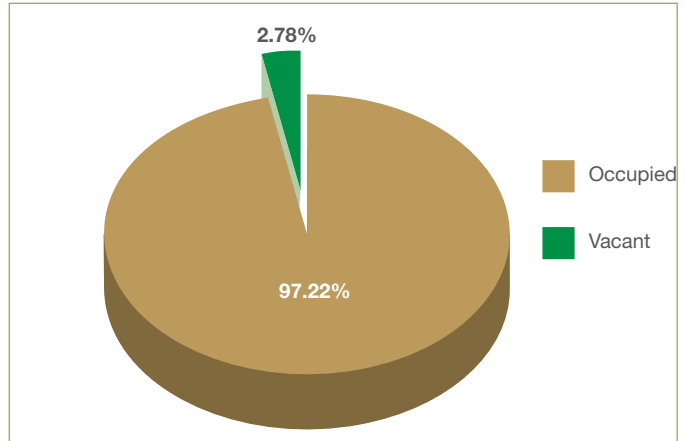
Space Under Management (sq ft)



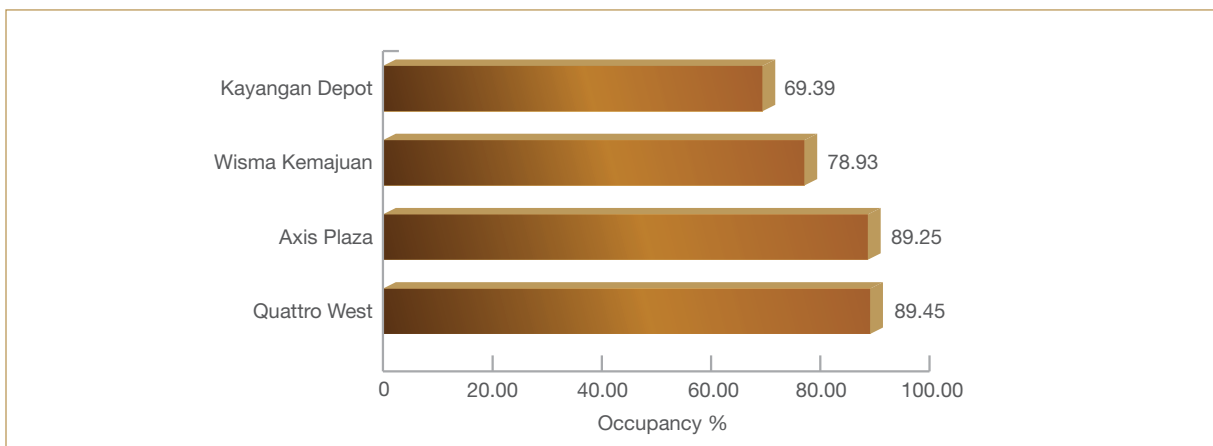
b. Revenue Management

The Leasing Team is responsible for the revenue and occupancy of Axis-REIT portfolio. They focused on tenants retention and improving occupancy. In 2011, we have improved the occupancy to 97.22% compared to 95.73% in 2010.

Occupancy Rate



As at 31 December 2011, only 4 out of 27 properties registered vacancy rate below 90%. These 4 properties are:



MANAGER'S REPORT

c. Positive Rental Reversions

In 2011 the Manager has successfully renegotiated 540,279 sq ft of space representing 12.14% of total NLA of the portfolio.

Properties	Space Negotiated (sq ft)	% Movement
Menara Axis	29,313	+1.32%
Crystal Plaza	9,262	+10.0%
Axis Business Park	256,785	-2.99%
Infinite Centre	38,933	+4.83%
Wisma Kemajuan	28,055	+4.66%
Kayangan Depot	19,465	No Change
Axis Plaza	57,439	No Change
Axis Vista	60,400	+8.0%
Axis Eureka	575	+2.64%
Axis Technology Centre	40,052	+1.09%

The Leasing Team also completed 19 new deals comprising approximately 131,576 sq ft.

d. Tenant Care

A big focus of Leasing Team is tenant relations and we manage this through:

- Regular visits
- Monitoring tenant activity
- Quick response to complaints
- Tenants have a dedicated email where they can send their complaints to. A copy is forwarded automatically to the CEO of the Manager
- Managing the tenants expansion of space within the buildings in the portfolio

Through this we have managed a high degree of tenant retention.

e. Facilities Management - Maintenance of buildings and managing site staff

The success of the Manager lies in the fact that our buildings are well maintained and presented to our tenants. We are constantly looking for ways to add value to the tenant experience and at the same time improving the value of the assets.

Key to this is having a team of dedicated site staff and we are proud of the team we have in place. They are very proactive and work well with our tenants at all levels.

f. Expense Management

The Manager continues to focus on improving the operating efficiency of buildings with a view of reducing the operating costs of the Fund. The Facilities Management Team works constantly to find ways to improve the efficiency of buildings and manage the fixed costs.

We have adopted the following measures to improve operational efficiency:

- Life cycle management of assets
- Careful selection of our panel of vendors and service providers
- Setting KPIs and benchmarking of service providers
- Optimising building operating costs

2. Risk Management

a. Diversifications of Tenants, Property Types, Industry Sectors & Geographical Locations

The current portfolio has a balanced mix of property types, geographical locations, tenant types and industry sectors. The diversification across all sectors provide hedging against exposure to a downturn in any one sector.

As of 31 December 2011 our top ten tenants are:

1. Konsortium Logistik Bhd
2. IDS Logistics Services (M) Sdn Bhd
3. Tesco Stores (M) Sdn Bhd
4. Fuji Xerox Asia Pacific Pte Ltd
5. Tenaga Nasional Bhd
6. Strateq Data Center Sdn Bhd (formerly Kompakar CRC Sdn Bhd)
7. BMW Asia Technology Centre Sdn Bhd
8. Scope International (M) Sdn Bhd
9. GCH Retail (M) Sdn Bhd
10. Cycle & Carriage Bintang Berhad

The top ten tenants account for 52% of the total revenue of the Fund.

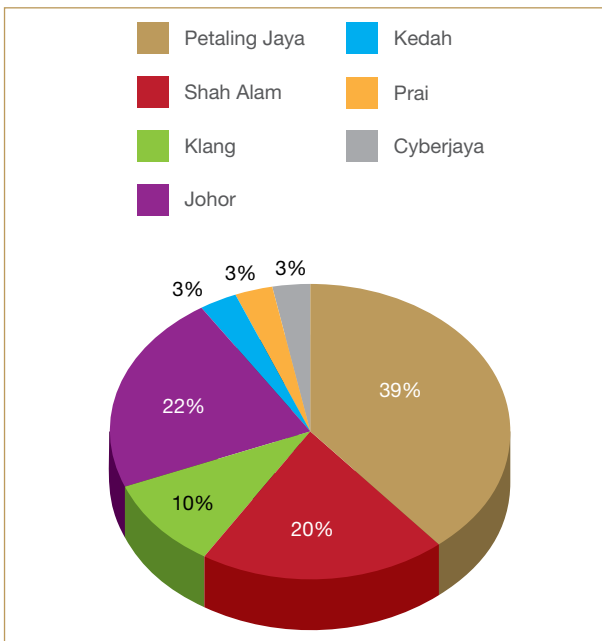
This year we saw 2010's new entrant - Tesco moved to third place in the table.

Our current diverse tenant base includes a good mix of large MNC's, local firms and government GLC's with strong covenants which minimise risk of defaulting.

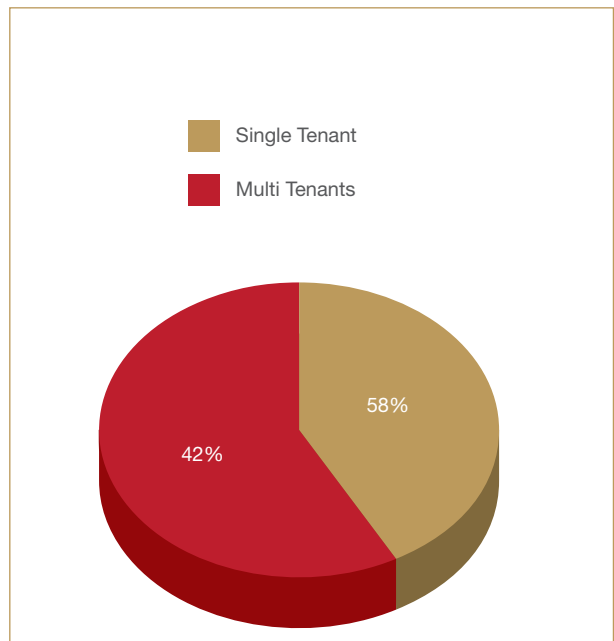
With the event of more large assets with a single tenant entering our portfolio in 2011 we have witnessed an increase in the proportion of single tenant versus multi tenanted buildings in 2011. The single tenanted buildings have increased to 58% of the portfolio as compared to 56% in 2010.

We are constantly reviewing the portfolio in order to achieve an optimal mix as it provides the Fund with a stable earnings platform. The long-term leases have pre-agreed rental increases over the fixed period of the lease which provides the Fund with stable organic income growth, whilst the properties with comparatively shorter term leases permit the Fund to leverage on the prevailing rental market rates to provide positive rent reversions upon renewals. Majority of the short term leases are in multi-tenanted properties which are located in prime locations of Petaling Jaya and Shah Alam, e.g. Menara Axis, Crystal Plaza, Wisma Kemajuan, Infinite Centre, Axis Technology Centre, Quattro West, Axis Plaza and Kayangan Depot.

Diversification by Geographical Locations

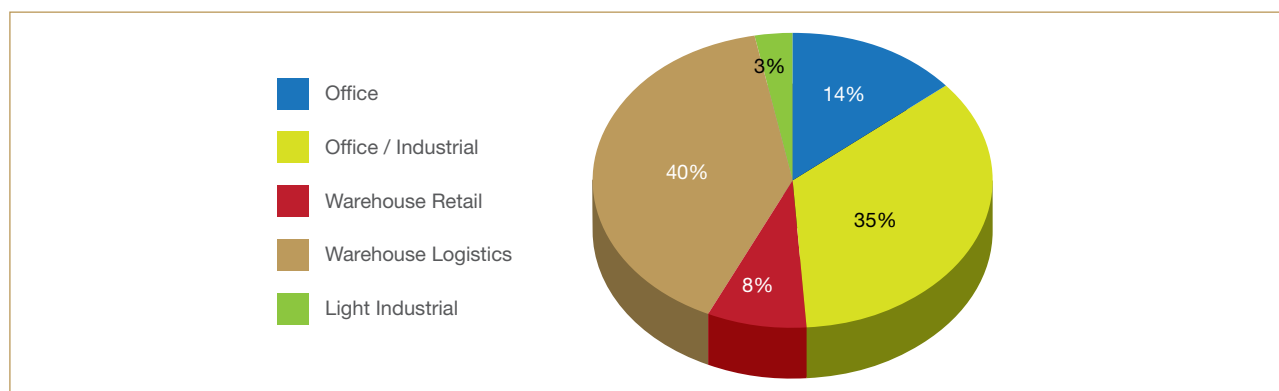


Diversification by Tenant Types



MANAGER'S REPORT

Diversification by Property Types



b. The Weighted Average Lease Expiry (“WALE”)

The Manager is pleased to report that the WALE for the Portfolio as of 31 December 2011 is:

By area = 5.64 years
By income = 5.19 years

c. Improved Marketing and Market Intelligence Reduced Risk

Recognising the growing competition in the leasing market with the influx of new commercial and industrial space coming on-stream, in particular the Klang Valley, the Leasing Team conducted various marketing activities to increase our profile in the market.

Activities include regular advertisements in the local newspapers, conducting direct marketing through

“e-Blast” to a database of agents and organising agents’ briefings in Petaling Jaya, Johor Bahru and Penang to promote our networking capability amongst the real estate agent fraternity.

We keep close track of the movements in the market through physical inspections of new projects, benchmarking rents and gathering market reports through our network of agents in the country.

d. Proactive Management of the Lease - Expiry Profile 2012-2014

An analysis of the lease expiry profile of the portfolio shows that the percentage of leases coming up for renegotiation is 16.98% in 2012, 19.13% in 2013 and 22.41% in 2014. This low figure reduces the risk of the portfolio having vacancy issues over the next 2 years.

Property	Year 2012	% of Rental Income/ month		Year 2013	% of Rental Income/ month		Year 2014	% of Rental Income/ month	
		Year Total	NLA		Year Total	NLA		Year Total	NLA
Menara Axis	-	-	0.04	72,739	1.63	2.98	46,548	1.05	2.03
Crystal Plaza	12,433	0.28	0.51	181,517	4.08	6.88	11,153	0.25	0.47
Axis Business Park	28,996	0.65	0.65	76,857	1.73	2.05	225,196	5.06	6.07
Infinite Centre	36,231	0.81	0.70	67,055	1.51	1.53	33,447	0.75	0.74
Axis Plaza	50,192	1.13	1.07	47,663	1.07	1.20	6,782	0.15	0.10
Wisma Kemajuan	23,676	0.53	0.65	111,298	2.50	2.70	20,154	0.45	0.57
Kayangan Depot	8,889	0.20	0.13	69,961	1.57	0.92	7,768	0.17	0.12
Wisma Bintang	172,967	3.89	2.42	-	-	-	-	-	-
Axis Vista	-	-	-	57,617	1.29	1.57	60,400	1.36	1.04
FCI Senai	136,619	3.07	1.11	-	-	-	-	-	-
Quattro West	16,489	0.37	0.67	59,294	1.33	2.46	17,422	0.39	0.73
Nestle Office and Warehouse	27,554	0.62	0.58	-	-	-	-	-	-
Delfi Warehouse	130,743	2.94	1.10	-	-	-	-	-	-
Axis Technology Centre	78,366	1.76	1.74	92,364	2.08	1.77	-	-	-
Axis Eureka	32,283	0.73	1.45	14,820	0.33	0.64	34,444	0.77	1.33
Axis Steel Centre	-	-	-	-	-	-	366,839	8.24	5.96
Niro Warehouse	-	-	-	-	-	-	167,193	3.76	1.42
TOTAL	755,438	16.98	12.83	851,185	19.13	24.71	997,346	22.41	20.57

3. Asset Enhancement

The asset team is constantly re-evaluating the portfolio in order to improve the performance and enhance the future valuation and revenue stream of our assets. Keeping our assets well maintained with planned upgrades is an important part of Axis-REIT's strategy. Our aim is to regularly conduct strategic assessments of our properties and plan for enhancements. We see this as an essential part of our strategy that will allow us to maintain our performance and achieving long term sustainability.

a. Enhancement Projects Completed in 2011

Menara Axis

A New Penthouse Level Launched

Planning permission was obtained to convert a previously unused area on level 13 comprising 8,039 sq ft, into Grade A office space. This penthouse level office features lofted ceilings, high specification toilet fittings and lobby finishes.

The project has been completed by end of 3Q 2011. The additional floor space is providing the asset with a gross property income of RM 420,000 per annum.



Crystal Plaza

The enhancement of Crystal Plaza was completed in 4Q 2011.

The refurbishment features the following:

- A new drop off area
- Upgraded toilets and lobbies
- Improvements to the M&E systems
- A new F&B outlet at the ground floor

These changes will enable Crystal Plaza to position itself competitively with its peers and result in better tenant retention and rental growth.



MANAGER'S REPORT

Axis Business Park - Lobby and Toilet Enhancements

The project focuses on improving the ambience of the common areas, was completed in 4Q 2011. The enhancement was well received by our tenants who welcomed the new look and feel of the building. Lift lobbies and new toilets were redesigned with a contemporary look and new lightings was installed to brighten up the areas.



Niro Warehouse Upgrading

This project involved a repainting of the facility, improved toilets and road works. The enhancement was completed in December 2011.



b. Projects in Progress for 2011/2012

Nestle Office and Warehouse – Build to-suit Corporate Headquarters for Fonterra

A "build to suit with a leaseback" Corporate Headquarters for Fonterra was negotiated in 2011 on the Nestle Office and Warehouse in Subang Hi-Tech. The existing office cum warehouse will be upgraded to a modern corporate office for Fonterra, with features to meet their corporate image, a space requirement of approximately 30,000 sq ft and ample car parking facilities. The usage of the property will be maximized and will feature a secure long lease term of 10 years and is expected to increase the overall yield and increase the value of the property. The project commenced in 4Q 2011 and is slated for completion 1Q 2012.



Strateq HQ (formerly known as Kompakar CRC HQ) - Power Upgrade

At request of Strateq, Axis-REIT is upgrading the power supply to cater for a dedicated data centre. The scope of works involves the upgrading from a Low Voltage (LV) supply to a dual feed incoming High Tension (HT) supply. Axis-REIT will apply for MSC status for this asset upon completion of the power upgrade. This project is targeted for completion in end 1Q 2012.