

A large, 3D-rendered puzzle graphic occupies the center of the page. It consists of several dark grey puzzle pieces arranged in a larger shape, with one piece missing from the bottom right. The missing piece is a light grey color, creating a strong visual contrast. The puzzle pieces have a metallic texture and cast shadows on the surface below them.

The **AXIS-REIT TEAM**



1. Y Bhg Dato' George Stewart LaBrooy
Chief Executive Officer/Executive Director

2. Leong Kit May
Chief Financial Officer/Executive Director

3. Chan Wai Leo
Head of Origination and Investments

4. Jackie Law
Head of Real Estate

5. Stephanie Ping
Head of Business Development
and Investor Relations

6. Selina Khor
Property Manager

7. Siva Shankar
General Manager of Facilities Management



8. Nikki Ng
Head of Credit Control

9. Tan Kee Hong
Finance Manager

10. James Gorgey
Building Technical Services and Project
Manager

11. Pauline Tan
Head of Legal and Compliance

12. Stacy Cheng
Assistant Accountant

13. Rebecca Leong
External Company Secretary from
Archer Corporate Services Sdn Bhd

**Y Bhg Dato' George Stewart LaBrooy**

Chief Executive Officer/ Executive Director

Dato' Stewart LaBrooy is responsible for the overall management and operations of Axis-REIT. He works closely with the Executive Committee and the Board of Directors to formulate the strategic direction for the Fund. Together with the members of his management team, he works to ensure that all business activities are in alignment with the Fund's strategic goals.

Dato' Stewart has been a spokesperson for the Malaysian REIT Industry since listing and has been an invited speaker at several prominent international, regional and local property and REIT conferences.

He is an active member of APREA ("Asian Public Real Estate Association") where he serves as Vice President on the Executive Board and is the Chairman of the Malaysian REIT Managers Association (MRMA).

Leong Kit May

Chief Financial Officer/ Executive Director

Leong Kit May joined Axis REIT Managers Berhad, being the Manager of Axis Real Estate Investment Trust ("Axis-REIT") 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.

On 15 November 2011, in recognition of her contribution to the Company, she was appointed as an Executive Director to the Board.

She graduated with a Bachelor of Business (Accountancy) from RMIT 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 of the Fund and the Company. She has also been designated the Risk Management Officer in charge of risk management in the company. Kit May has also been an invited speaker in the area of Islamic finance and capital management.

Prior to joining 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.

Chan Wai Leo

Head of Origination and Investments

Chan Wai Leo currently heads the development of pipeline assets for the group. Previously, he was the Head of Business Development and Investor Relations. In his capacity as Head of Business Development, he was in charge of acquisition origination (which involved identification, structuring, negotiating and closing of transactions) and capital raising for the Fund. Together with Kit May, he has executed various successful equity raisings for the Fund. In addition, his investor relations role required him to keep an open channel of communication with all stakeholders and the investment community ensuring that they are kept well informed on the developments of the Fund.

Prior to joining the Manager, he was the Senior Finance Manager of Axis Development Sdn Bhd, the private equity arm of the Promoters (of Axis REIT) which were principally involved in property investments and the holding company of the Manager. He is a Fellow Member of The Chartered Association of Certified Accountants, UK and a member of the Malaysian Institute of Accountants. In 2006, he was with Citibank Malaysia as Assistant Vice President, Financial Control. Prior to that, he was with the Pacific Star Group, a Singapore-based real estate investment company as the Group Accountant. He was responsible for all aspects of the finance functions of the Group which includes management reporting, cashflow management and budgeting. Leo started his career with Arthur Andersen, Assurance Division handling statutory audits and profit forecasts. Subsequently, he was with the Transaction Advisory Division where he was involved in the execution of financial advisory assignments which include valuations, corporate debt restructuring and privatization concept papers.

**Jackie Law****Head of Real Estate**

Ms Jackie Law was promoted as the Head of Real Estate of the Manager on 1st December 2012. Prior to this appointment she was the Head of Leasing and Property Management. She is responsible for overseeing asset management, leasing, marketing activities and the implementation of organic growth strategies to enhance the performance of Axis REIT's portfolio.

Ms Law has extensive real estate experience in various aspects of real estate management and operations spanning across marketing, lease management, project management and facilities management. In 2012, she headed the project to computerize the property management functions and reporting to a new platform. She has worked in Axis Group since 1995.

Ms Law holds a Master of Science in Facilities Management from Heriot-Watt University, United Kingdom and Certificate in Real Estate Investment and Finance from APREA.

Stephanie Ping**Head of Business Development and Investor Relations**

Stephanie Ping was appointed Head of Business Development and Investor Relations on 18 April 2011. Her roles include asset acquisition, investor relations and working with the Manager's CFO, Ms. Leong Kit May, on capital raising initiatives for the Fund. On the asset acquisition side, Stephanie covers the identification and evaluation of opportunities, deal negotiations and the closing of transactions. Her role in investor relations includes liaising with current and potential investors, fund managers and equity analysts to enable an open communication with the investing community.

Stephanie graduated *summa cum laude* from Stanford University with a Bachelor of Arts in Economics and a minor in Mathematics. She went on to enroll in the Stanford University School of Engineering and received her Master of Science in Management Science and Engineering. Upon graduation, she was elected to be a Phi Beta Kappa member. She later joined United Airlines, Inc., as a Senior Executive Business Analyst in Chicago before moving on to be a Product Manager at Enova Financial, where she managed the launch of technology-based credit and lending products.

Stephanie has also worked at SEVEN Inc., a Silicon Valley technology company specializing in smart phone application development. Prior to that, she spent a summer interning at JP Morgan Chase's Tokyo office in their Equities Research department. After living in San Francisco and Chicago for many years, she returned to Malaysia to live and work in the exciting region of South East Asia. Stephanie is an avid traveller and has travelled to 54 cities in 16 countries.

Selina Khor**Property Manager**

Selina Khor Siew Suan is a member of the Board of Valuers and the registered owner of Axis Property Services, the appointed Property Manager of Axis-REIT since 1 January 2007. Selina is a graduate from the Royal Melbourne Institute of Technology where she obtained an Associate Diploma in Valuation. She served at Rahim & Co for a period of 23 years where she was an Executive Director.

She is responsible for the management of all the properties in Axis-REIT which includes the building and maintenance management as well as the fit out projects and enhancements. She works closely with the Head of Real Estate on the tenant leasing and care and with the CEO on matters on valuation regarding existing and new properties.

**Siva Shankar****General Manager of Facilities Management**

Siva Shankar was promoted from Head of Facilities Management to General Manager of AXIS Facilities Management Sdn Bhd on 1st January 2013.

He is responsible to lead the Facilities Management division to manage a range of facilities under the AXIS-REIT portfolio across the country by providing strategic, tactical and operational support activities that will ensure the division operates at optimum efficiency and effectiveness.

Siva has 17 years of working experience in real estate professional services in Malaysia and abroad. Prior joining AXIS-REIT, he has worked for Jones Lang Wootton and Brunei Investment Arm (BIA), amongst others. His experience covers all aspect of property and facilities management, project management and property consultancy.

Nikki Ng**Head of Credit Control**

Nikki Ng was appointed as the Accountant effective on 15 September 2008. She was promoted to be the Head of Credit Control of Axis REIT Managers Berhad on 1 June 2012 where her responsibilities involve overseeing the accounting department, which includes the management reporting as well as budgeting processes. She also oversees the credit control procedures and develops and implement enhancement. She works closely with the Chief Financial Officer in dealing with matters related to corporate finance and regulatory compliance.

Before assuming her current role in Axis REIT Managers Berhad, she was the Finance Manager of Paxelent Corporation Berhad where she has been involved in the dealings of financial management as well as corporate planning since 2004. She was also attached to IGB Corporation Berhad where she has served for 6 years before moving forward to her next level of career in Paxelent Corporation Berhad.

Nikki holds a Bachelor of Accountancy (Hons) degree from the Oxford Brookes University, United Kingdom.

Tan Kee Hong**Finance Manager**

Tan Kee Hong joined Axis REIT Managers Berhad as an Accountant on 16 May 2011 and was appointed as the Finance Manager effective 1 January 2013. His responsibilities includes preparation of the monthly and statutory financial statements as well as working closely with the Chief Financial Officer on matters related to corporate finance and regulatory compliance.

Prior to his employment with Axis REIT Managers Berhad, he was with Ernst & Young where he was with the Assurance Division.

He graduated from University of Melbourne with a Bachelor of Commerce majoring in Accounting & Finance and is a member of Malaysian Institute of Accountants and Certified Practicing Accountants of Australia.

James Gorgey**Building Technical Services and Project Manager**

James Gorgey joined Axis Facilities Management Sdn Bhd on September 2009 as Facilities Engineer, overseeing all operational aspects of the asset. Subsequently, on February 2010, he was designated as Building Technical Services and Projects Manager, taking under his belt all enhancement and refurbishment projects from façade to M&E upgrade.

His completed projects include Quattro West, Menara Axis Penthouse, Crystal Plaza makeover, Fonterra HQ built to suit, Infinite Centre and ongoing Wisma Bintang. He was also involved with management of new acquisition engineering due diligence.

**Pauline Tan****Head of Legal and Compliance**

Pauline Tan is the Head of Legal and Compliance of Axis REIT Managers Berhad. Her roles include key areas relating to compliance of the Fund, corporate governance and risk management.

She holds a Bachelor of Laws (Honours) degree from University of Wolverhampton, United Kingdom and a Certificate in Legal Practice from the Legal Profession Qualifying Board, Malaysia.

She was called to the Malaysian Bar and admitted as an Advocate and Solicitor of the High Court of Malaya. She has practised as an Advocate and Solicitor with extensive experience in commercial, corporate, litigation, conveyancing and banking.

Prior to joining Axis REIT Managers Berhad, she headed the legal and compliance division of Pavilion REIT Management Sdn Bhd for Pavilion REIT. Preceding that, she was the Vice President of OSK Trustees Berhad where she was instrumental in the listing of Sunway REIT and was entrusted with the responsibility for the daily operations of corporate trustee services for Axis REIT, UOA REIT and Sunway REIT after she held the position of Group Legal Affairs Manager in a Multinational Group of Companies involving in retailing, hotels, food & confectionery, financial services, stockbroking, properties and travel and tourism. She has also previously served in the airline industry.

Stacy Cheng**Assistant Accountant**

Stacy Cheng was appointed as Assistant Accountant effective on 1 November 2012. Her responsibilities include review of the requisition of capital expenditure, dealing with the matters related to property expenses and approval of the payment. She works closely with Chief Financial Officer on matter related to property performance analysis.

Prior to her employment with Axis REIT Managers Berhad, she was attached to ServTouch- Wywy (Malaysia) Sdn Bhd and Tenaga Setia Resources Sdn Bhd (subsidiary of Aapico Hitech Public Company Limited) served for 6 years.

She graduated from Raffles Education Group, Olympia College with a Advanced Diploma in Accounting (IFA), and she is a member of The Associate Certified Chartered Accountant (ACCA).

Rebecca Leong**External Company Secretary from Archer Corporate Services Sdn Bhd**

Ms. Rebecca Leong is the External Company Secretary of Axis REIT Managers Berhad appointed on 20 April 2006. She handles the corporate secretarial works of Axis REIT Managers Berhad and advises the Board and the senior management on compliance issues applicable to the Manager as well as Axis-REIT.

She is an Associate Member of The Malaysian Institute of Chartered Secretaries and Administrators.



The Facilities Management TEAM



HQ	Selina Khor, Siva Shankar, Loh Yen Fern, Loh Wai Yan, Lucy Yeong, Kathy Lim
Zone 1	Chandra Seharan, V. Kamalahasan, Ting Ping Kui, Baljit Singh, Ong Fook Boon, Steven Dass, Megat Khairunizam, Mohd Yusof, Juine Raskah, Abdul Latif Ab.Ham, Chan Chooi Onn, Edi Suwito Karyono, Wong Khong Kee
Zone 2	Siva Kumar, Idris Jais, Azhari Mohamed, Suhimi Razak, Chow Sing Tuck
Zone 3	Ishak Abu Bakar, Parmasivam



Zone 4 Armee Zabidi, Lee Seng Tze, Ahmad Kamal Zainudin

Zone 5 Rajisperan, Boo Voon Choy

Zone 6 Loh Yen Fern

Zone 7 Mohd Azmi Yaacob, Mohd Azwan

Zone 8 Suhaimi Mat Isa



1. Selina Khor
Property Manager

2. Jackie Law
Head of Real Estate

3. Siva Shankar
General Manager of Facilities Management

4. James Gorgey
Building Technical Services and Project Manager

5. Khoo Zhe Lun
Portfolio Executive

6. Alvin Diraviam Bonjour
Facilities & Project Services Executive

7. Tan Seong Seng
Site Superintendent

To the Unitholders of AXIS REAL ESTATE INVESTMENT TRUST ("AXIS- REIT")

We have acted as the Shariah Adviser of **Axis-REIT** effective from 11 December 2008. Our responsibility is to ensure that the procedures and processes employed by **Axis REIT Managers Berhad** and that the provisions of the revised Deed dated 3 April 2009 are in accordance with Shariah principles.

In our opinion, **Axis REIT Managers Berhad** has managed and administered **Axis-REIT** in accordance with Shariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Shariah matters for the financial year ended 31 December 2012.

In addition, we also confirm that the investment portfolio of **Axis-REIT** is Shariah-compliant, which comprises:

1. Rental income from properties which complied with the Guidelines for Islamic Real Estate Investment Trust; and
2. Cash placements and liquid assets, which are placed in Shariah-compliant investments and/or instruments.

For **IBFIM**

MOHD NASIR ISMAIL

Shariah Adviser/Designated Person Responsible for Shariah Advisory

Kuala Lumpur

IBFIM (763075-W)

3rd Floor, Dataran Kewangan Darul Takaful, Jalan Sultan Sulaiman, 50000 Kuala Lumpur, MALAYSIA
Tel: +603 2031 1010 Fax: +603 2078 5250 E-mail: info@ibfim.com Website: www.ibfim.com



The Investment Property **PORTFOLIO** as at 31 December 2012



1. **MENARA AXIS**
No. 2, Jalan 51A/223
46100 Petaling Jaya
Selangor.
2. **CRYSTAL PLAZA**
No. 4, Jalan 51A/223
46100 Petaling Jaya
Selangor.
3. **AXIS BUSINESS PARK**
No. 10, Jalan Bersatu 13/4,
46200 Petaling Jaya
Selangor.

4. **INFINITE CENTRE**
Lot 1, Jalan 13/6
46200 Petaling Jaya
Selangor.
5. **AXIS PLAZA**
Lot 5, Jalan Penyair U1/44, Off Jalan
Glenmarie, Temasya Industrial Park,
Batu Tiga, 40150 Shah Alam
Selangor.
6. **WISMA KEMAJUAN**
No. 2, Jalan 19/1B
46300 Petaling Jaya
Selangor.

7. **AXIS BUSINESS CAMPUS**
(formerly known as Wisma Bintang)
Lot 13A & 13B, Jalan 225,
Section 51A, 46100 Petaling Jaya
Selangor.
8. **AXIS SHAH ALAM DC1**
Lot 2-22, 2-24, 2-26, 2-28,
Jalan SU 6A, Taman Perindustrian
Subang (Lion Industrial Park),
Section 22, 40300 Shah Alam
Selangor.



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9. **GIANT HYPERMARKET**

Jalan Lencongan Barat
08000 Sungei Petani
Kedah.

10. **FCI SENAI**

PLO 205, Jalan Cyber 14
Senai IV Industrial Area
81400 Johor.

11. **FONTERRA HQ**

(formerly known as Nestle Office
& Warehouse)
No.23, Jalan Delima 1/1
Subang Hi-Tech Industrial Park,
Batu Tiga, 40000 Shah Alam
Selangor.

12. **QUATTRO WEST**

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

13. **STRATEQ DATA CENTRE**

(formerly known as Strateq HQ)
No. 12 Jalan Bersatu 13/4,
Section 13, 46200 Petaling Jaya
Selangor.

14. **BMW CENTRE PTP**

Lot D21, Jalan Tanjung A/3
Port of Tanjung Pelepas
81560 Johor.

15. **NIRO WAREHOUSE**

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

16. **DELFI WAREHOUSE**

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

The Investment Property PORTFOLIO as at 31 December 2012



- | | | |
|---|---|---|
| <p>17. AXIS VISTA
No. 11, Jalan 219
Section 51A, 46100 Petaling Jaya
Selangor.</p> <p>18. AXIS STEEL CENTRE
Lot 19, Lebuhraya Hishamuddin 1,
Kawasan 20, Selat Klang Utara,
42000 Pelabuhan Klang</p> <p>19. BUKIT RAJA DISTRIBUTION CENTRE
No. 43 & 44, Lengkok Keluli 1,
Kawasan Perindustrian,
Bukit Raja Selatan, Sek 7,
40000 Shah Alam, Selangor</p> | <p>20. SEBERANG PRAI LOGISTIC WAREHOUSE 1
Plot 24, Tingkat Perusahaan 6
Kawasan Perusahaan Prai Phase 4
Seberang Prai Tengah,
Penang</p> <p>21. SEBERANG PRAI LOGISTIC WAREHOUSE 2
Plot 23, Tingkat Perusahaan 6
Kawasan Perusahaan Prai Phase 4
Seberang Prai Tengah,
Penang</p> <p>22. TESCO BUKIT INDAH HYPERMARKET
No. 1, Jalan Bukit Indah,
81200 Johor</p> | <p>23. AXIS PDI CENTRE
Lot 7316, Off Jalan Klang/Banting,
Locality of Sijangkang,
42500 Telok Panglima Garang,
Selangor</p> <p>24. AXIS TECHNOLOGY CENTRE
No. 13, Jalan 225, Section 51A,
46100 Petaling Jaya,
Selangor</p> |
|---|---|---|



25. D8 LOGISTICS WAREHOUSE

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

26. AXIS EUREKA

3539, Jalan Teknokrat 7
63000 Cyberjaya, Selangor

27. BAYAN LEPAS DISTRIBUTION CENTRE

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

28. SEBERANG PRAI LOGISTIC WAREHOUSE 3

Plot 74, Lorong Perusahaan Utama 4,
Bukit Tengah Industrial Park
14000 Bukit Mertajam,
Penang

29. EMERSON INDUSTRIAL FACILITY NILAI

Lot 13111 & Lot 13112, Mukim Labu,
Kawasan Perindustrian Nilai, Nilai,
Negeri Sembilan

30. WISMA ACADEMY PARCEL

No 4A, Jalan 19/1,
46300 Petaling Jaya,
Selangor

31. THE ANNEX

No 4, Jalan 19/1,
46300 Petaling Jaya,
Selangor



Property Name	Acquisition Date	Purchase Price (RM'000)	Total Investment Outlay including enhancement as of 31-12-12 (RM'000)	Book Value based on latest valuation (RM'000)	Net Lettable Area (sq ft)
1 Menara Axis	03/08/2005	71,400	78,088	108,000	182,859
2 Crystal Plaza	03/08/2005	56,400	63,638	103,100	205,103
3 Axis Business Park	03/08/2005	84,600	86,953	109,000	341,467
4 Infinite Centre	03/08/2005	25,450	29,513	38,000	143,681
5 Axis Plaza	03/08/2005	22,500	22,627	31,000	117,450
6 Wisma Kemajuan	16/12/2005	29,000	34,825	55,330	199,008
7 Axis Business Campus (formerly known as Wisma Bintang)	30/06/2006	32,500	34,174	48,009	172,967
8 Axis Shah Alam DC1	01/08/2007	18,500	19,613	21,500	110,406
9 Giant Hypermarket	07/09/2007	38,000	38,776	39,600	138,000
10 FCI Senai	15/11/2007	12,300	12,614	15,000	136,619
11 Fonterra HQ (formerly known as Nestle Office & Warehouse)	16/11/2007	7,200	10,747	13,500	36,310
12 Quattro West	30/11/2007	39,800	50,011	53,000	104,196
13 Strateq Data Centre (formerly known as Strateq HQ)	25/01/2008	37,000	42,219	52,000	104,903
14 BMW Centre PTP	30/04/2008	27,000	27,700	29,000	161,474
15 Niro Warehouse	30/04/2008	14,500	15,197	16,200	167,193



Address	Gross Revenue for the period ended 31-12-12 (RM'000)	Occupancy Rate as at 31-12-12	Major Tenants
No. 2, Jalan 51A/223, 46100 Petaling Jaya, Selangor.	11,041	100%	Fujifilm (M) Sdn Bhd American International Assurance Berhad Sportathlon (M) Sdn Bhd Philips Malaysia Sdn Bhd DHL Asia Pacific Shared Services Sdn Bhd
No. 4, Jalan 51A/223, 46100 Petaling Jaya, Selangor.	10,353	100%	Tenaga Nasional Bhd Scope International (M) Sdn Bhd DHL Asia Pacific Shared Services Sdn Bhd Asiaworks Malaysia Sdn Bhd
No. 10, Jalan Bersatu 13/4, 46200 Petaling Jaya, Selangor.	11,240	100%	Fuji Xerox Asia Pacific Pte Ltd Invida (Singapore) Pte Ltd Hitachi eBworx Sdn Bhd Honeywell Engineering Sdn Bhd Johnson & Johnson Sdn Bhd
Lot 1, Jalan 13/6, 46200 Petaling Jaya, Selangor.	3,662	95.56%	UTAR Konica Minolta Business Solutions (M) Sdn Bhd FJ Benjamin (M) Sdn Bhd C Melchers GmbH & Co
Lot 5, Jalan Penyair U1/44, Off Jalan Glenmarie, Temasya Industrial Park, Batu Tiga, 40150 Shah Alam, Selangor.	3,077	89.27%	Ricoh (Malaysia) Sdn Bhd CSE Automotive Technologies Sdn Bhd Electrolux Commercial Products Sdn Bhd EMS Asia Group Sdn Bhd
No. 2, Jalan 19/1B, 46300 Petaling Jaya, Selangor.	5,617	87.96%	Goucera Marketing Sdn Bhd Hong Leong Marketing Sdn Bhd Fossil Time Malaysia Sdn Bhd Silverlake Infrastructure & Logistics Sdn Bhd
Lot 13A & 13B, Jalan 225, Section 51A 46100 Petaling Jaya, Selangor.	1,924	15.74%	Tenaga Nasional Berhad
Lots 2-22,2-24,2-26,2-28, Jalan SU 6A Taman Perindustrian Subang, (Lion Industrial Park), Section 22, 40300 Shah Alam, Selangor.	1,706	100%	Upeca Aerotech Sdn Bhd
Jalan Lencongan Barat, 08000 Sungai Petani, Kedah.	3,196	100%	GCH Retail (Malaysia) Sdn Bhd
PLO 205, Jalan Cyber 14, Senai IV Industrial Area, 81400 Johor.	1,456	100%	FCI Connectors Malaysia Sdn Bhd
No. 23, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, Batu Tiga, 40000 Shah Alam, Selangor.	938	84.96%	Fonterra Brands (M) Sdn Bhd
No. 4 Lorong Persiaran Barat, 46100 Petaling Jaya, Selangor.	4,978	100%	Mangosteen Beverages (M) Sdn Bhd Kenanga Investment Bank Bhd Vads Business Process Sdn Bhd
No. 12 Jalan Bersatu 13/4, Section 13, 46200 Petaling Jaya, Selangor.	4,439	100%	Strateq Data Centre Sdn Bhd (formerly known as Kompakar CRC Sdn Bhd)
Lot D21, Jalan Tanjung A/3, Port of Tanjung Pelepas, 81560 Johor.	3,416	100%	BMW Asia Technology Centre Sdn Bhd
PLO 419-421, Jalan Emas 2, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	1,677	100%	Niro Ceramic (M) Sdn Bhd



Property Name	Acquisition Date	Purchase Price (RM'000)	Total Investment Outlay including enhancement as of 31-12-12 (RM'000)	Book Value based on latest valuation (RM'000)	Net Lettable Area (sq ft)
16 Delfi Warehouse	04/08/2008	12,500	12,754	14,000	130,743
17 Axis Vista	09/12/2008	32,000	33,249	36,000	118,017
18 Axis Steel Centre	20/10/2009	65,000	65,957	75,375	366,839
19 Bukit Raja Distribution Centre	14/12/2009	71,750	72,782	90,000	456,435
20 Seberang Prai Logistic Warehouse 1	05/03/2010	17,390	17,695	19,600	106,092
21 Seberang Prai Logistic Warehouse 2	05/03/2010	6,860	7,285	7,700	41,893
22 Tesco Bukit Indah	01/10/2010	75,600	76,773	87,000	233,579
23 Axis PDI Centre	15/10/2010	85,000	86,221	92,000	58,009
24 Axis Technology Centre	15/11/2010	49,000	49,737	52,000	170,730
25 D8 Logistics Warehouse	01/03/2011	30,000	30,521	31,600	171,000
26 Axis Eureka	18/04/2011	51,250	52,632	53,700	116,883
27 Bayan Lepas Distribution Centre	17/01/2012	48,500	49,598	49,500	205,151
28 Seberang Prai Logistic Warehouse 3	15/02/2012	59,000	61,017	63,000	395,225
29 Emerson Industrial Facility Nilai	30/08/2012	26,500	27,011	27,805	291,642
30 Wisma Academy Parcel	01/10/2012	73,000	74,269	73,000	234,326
31 The Annex	01/10/2012	12,000	12,289	15,000	45,400



Address	Gross Revenue for the period ended 31-12-12 (RM'000)	Occupancy Rate as at 31-12-12	Major Tenants
PLO 563, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	1,306	100%	Delfi Cocoa (Malaysia) Sdn Bhd
No. 11, Jalan 219, Section 51A 46100 Petaling Jaya Selangor.	2,975	100%	Skyhutch Line Sdn Bhd Melco Sales Malaysia Sdn Bhd Samsung Malaysia Electronics (SME) Sdn Bhd
Lot 19, Lebuhr Hishamuddin 1, Kawasan 20, Selat Klang Utara, 42000 Pelabuhan Klang.	7,075	100%	Konsortium Logistik Berhad
No. 43 & 44, Lengkok Keluli 1, Kawasan Perindustrian, Bukit Raja Selatan, Sek 7, 40000 Shah Alam, Selangor.	5,977	100%	LF Logistics (M) Sdn Bhd
Plot 23, Tingkat Perusahaan 6, Kawasan Perusahaan Prai Phase 4, Seberang Prai Tengah, Penang.	1,450	100%	LF Logistics (M) Sdn Bhd
Plot 24, Tingkat Perusahaan 6, Kawasan Perusahaan Prai Phase 4, Seberang Prai Tengah, Penang.	573	100%	LF Logistics (M) Sdn Bhd
No 1, Jalan Bukit Indah, 81200 Johor.	6,166	100%	Tesco Stores (M) Sdn Bhd
Lot 7316, Off Jalan Klang / Banting, Locality of Sijangkang, 42500 Telok Panglima Garang, Selangor.	8,611	100%	Konsortium Logistik Bhd
No 13, Jalan 225, Section 51A, 46100 Petaling Jaya, Selangor.	4,860	98.13%	Packet One Networks (M) Sdn Bhd Fresenius Kabi Malaysia Sdn Bhd Fresenius Medical Care Malaysia Sdn Bhd Sigma Elevator (M) Sdn Bhd
Lot D8, Jalan Tanjung A/4 Port of Tanjung Pelepas Gelang Patah, 81560 Johor.	3,283	100%	Nippon Express (M) Sdn Bhd
3539, Jalan Teknokrat 7 63000 Cyberjaya Selangor.	5,866	91.59%	Scicom (MSC) Berhad Multimedia Development Corporation Sdn Bhd Wolters Kluwer Enterprise Services Partners Sdn Bhd
88A, Lintang Bayan Lepas Industrial Park, Phase IV 11900 Bayan Lepas, Penang.	4,358	100%	DHL Properties (M) Sdn Bhd
Plot 74, Lorong Perusahaan Utama 4, Bukit Tengah Industrial Park 14000 Bukit Mertajam, Penang.	6,960	100%	Schenker Logistics (M) Sdn Bhd
Lot 13111 & Lot 13112, Mukim Labu, Kawasan Perindustrian Nilai, Negeri Sembilan.	898	100%	Emerson Process Management Manufacturing (M) Sdn Bhd K Plastic Industries Sdn Bhd
No 4A, Jalan 19/1, 46300 Petaling Jaya, Selangor.	1,866	100%	Dataprep Holdings Sdn Bhd Ban Leong Technologies Sdn Bhd Tenaga Nasional Berhad Ingram Micro (M) Sdn Bhd
No 4, Jalan 19/1, 46300 Petaling Jaya, Selangor.	225	100%	Allrounder Indoor Soccer Sdn Bhd Chong Tin Sam



CBRE PROPERTY MARKET OVERVIEW



Malaysia real estate investment trusts (M-REITs) have performed well in 2012. Malaysia now ranks fourth (by market cap) in the Asia Pacific region by the Asia Pacific Real Estate Association with 16 REITs with combined market capitalisation of RM24.1 billion as at November 2012 (2005: RM356 million). The average distribution yields for M-REITs have been compressed from 7.1% in 2011 to 6.2% in 2012. Currently, the rate of withholding tax is 10% on distribution by Malaysian REITs to resident and non-resident institutional investors as well as 25% for non-resident corporate.

1.0 Klang Valley

1.1 Market Overview

In 2012, Malaysia's economy continued its steady growth in the order of 5% to 6% a year, a range that it has settled into since the Asian financial crisis of the mid-1990s. GDP reduced to 5.3% in 3Q2012 (2Q2012: 5.6%), and expect to growth 5% and 5.5% in 2013. Growth trend in 4Q is projected to continue very much like 3Q and is expected to be domestically-driven, with the services sector expected to be the biggest contributor to the country's GDP.

The Kuala Lumpur property market reported a total transaction value of RM17.43 billion for 24,978 property units as of 3Q 2012, an increase of 1.69% in terms of value against RM17.14 billion (23,301 units) recorded as of 3Q 2011 whilst Selangor recorded RM75.03 billion in value transactions and 35,097 property units. (Source: JPPH)

1.2 Purpose Built Offices

Office building development in Kuala Lumpur has evolved greatly since the 1960s, when the first buildings were completed. Modern buildings offer more intensive site utilisation, larger floorplates, superior mechanical and electrical specifications, improved security, green features and MSC status. Patterns of development have changed, with more development being undertaken in suburban areas, as securing building sites in the Golden Triangle has become difficult.

Despite the strong supply growth in city-centre areas since 2009, landlords of new buildings have remained steadfast and (for the most part) held rents firm. The oversupply situation in the city-centre will eventually make itself felt; rents at some newer buildings are vulnerable, while rents at older, less highly-specified buildings may also decline as landlords look to fill space or retain tenants. The large amount of supply completing at KL Sentral may also impact upon the city-centre market, as this decentralised location represents a real alternative for city-centre tenants looking for new space.

In 2012, the average transaction price of purpose built office space in Kuala Lumpur increased 9.4% from RM821 per sq ft in 2011 to RM898 per sq ft in 2012.

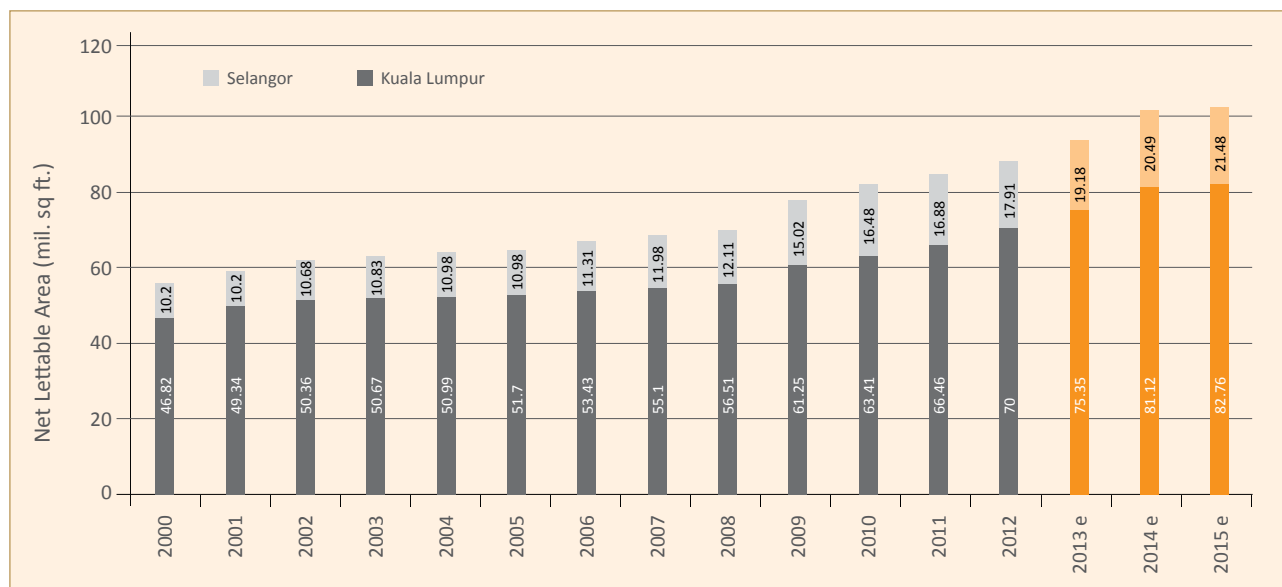
Office development in Kuala Lumpur has been somewhat irregular over the preceeding three decades, and a number of factors have contributed to this. Typically, the market goes through longer periods (5+ years) of oversupply (15%+ vacancy), followed by shorter periods (2-2 years) of undersupply, during which time there is relatively moderate rental growth.

1.2.1 Existing Supply

The cumulative supply of office space in the Klang Valley stood at 87.91 million sq ft as of 2012, up from 83.34 million sq ft in 2011, an increase of 5.48% y-o-y. Completions during the quarter include, the Grade A Integra Tower, which forms part of the Intermark development along with the Doubletree by Hilton Hotel, the recently-refurbished Vista Tower office building and a retail podium. The largest office development in the city which completed in 2012 is 840,000 sq ft net lettable area (NLA) Menara 3 Petronas followed by 777,000 sq ft (NLA) Integra Tower, located along Jalan Tun Razak.

Although take-up in newly-completed buildings remains slow as a whole, a trend of MNCs relocating from older city-centre buildings to newer buildings has contributed to the improved occupancy rates in buildings such as GTower, Hampshire Tower and The Icon.

Cumulative Supply of Purpose Built Office Space in the Klang Valley



Source: CBRE Research

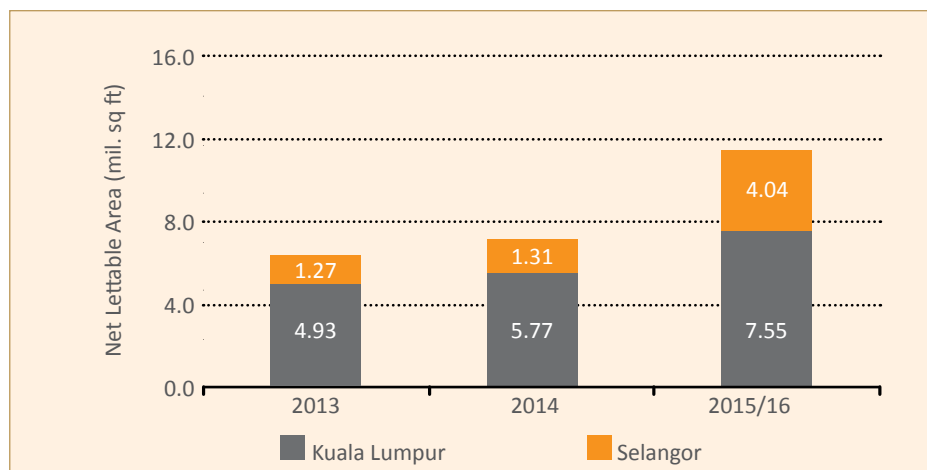
1.2.2 Future Supply

The supply of office space within Kuala Lumpur is set to grow sharply over the coming four years. While the bulk of this stock is to be located in suburban areas, the supply increases projected for the city centre will also impact the market significantly. Of the office space currently under development in the Klang Valley, around 73.4% is to be located within Kuala Lumpur, with the remaining 26.6% in other Klang Valley areas. In total, over 24.87 million sq ft of office space is under development in the Klang Valley.

A factor to keep an eye on is the 2.3 million sq ft of office space due for completion in KL Sentral over the next year, roughly one-third of which has been committed. For many tenants, KL Sentral represents a real alternative to the KLCC area, and any major movements out of the city centre and into KL Sentral could drive up city centre vacancy rates further.

In the meantime, however, completion of three of the four major office buildings in KL Sentral has been delayed, suggesting that tenants would be hard pressed to move in. This should ease some pressure on the overall market, with landlords of existing buildings benefitting from the short-term lease extensions as well. Other upcoming offices in Kuala Lumpur are The Crest, Menara LGB, Menara Tun Razak (Tower 1) and CIMB Headquarters with expected completion in 2013.

Future Supply of Purpose Built Office Space in the Klang Valley



Source: CBRE Research

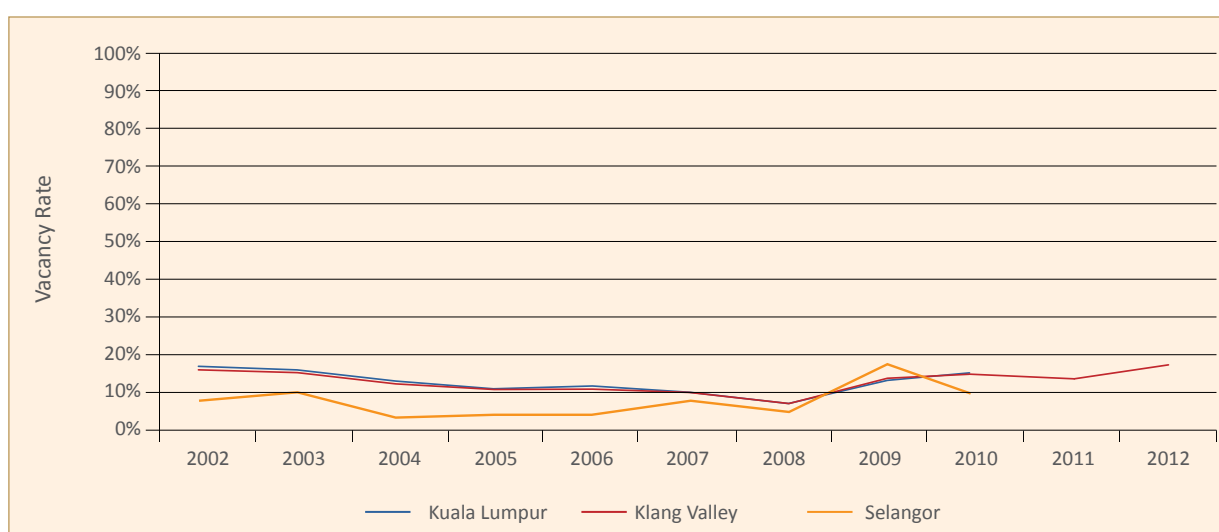


1.2.3 Average Vacancy Rates

Overall vacancy rate for Klang Valley increased slightly during the period from 13.0% to 17.8%. The improvement in the vacancy rate was driven largely by tenant expansion largely to the completion of oil and gas industry (840,000 sq ft Menara 3 Petronas); other contributors include the financial services industry and the IT sector.

Overall vacancy for Selangor itself is 22.7%, compared to just below 13.0% in 2011. Selangor saw completion of a few buildings namely 8trium @ Sri Damansara, Menara Mudajaya, Menara Taragon and V Square @ PJ City Centre in 2012.

Vacancy Rate of High Grade Purpose Built Office Space in Klang Valley



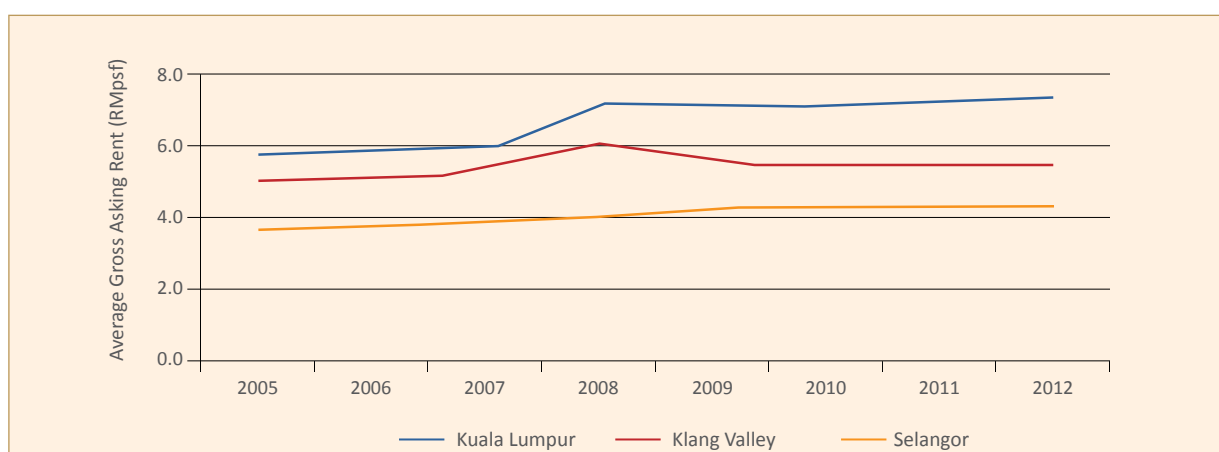
Source: CBRE Research

1.2.4 Average Asking Rental Rates

In 2012, the average gross asking rent in the Kuala Lumpur city centre registered RM7.55 per sq ft (2011: RM7.32 per sq ft) and suburban Selangor areas at RM4.33 per sq ft (2011: 4.30 per sq ft). The rental has marginally increased by 3.1% in Kuala Lumpur city centre and 0.7% for suburban Selangor. This increase has been driven solely by the inclusion of newly completed properties (which open at higher rents) in the basket of properties considered, rather than any increase in rents at existing properties.

The market remains a tenants' market, although landlords of newer buildings, many of which have been completed in the past 12-18 months and suffer from low occupancy, continue to refuse to lower rents below a certain level.

Average Gross Asking Rents for Prime Office Space in Klang Valley



Source: CBRE Research

1.2.5 Major Transactions

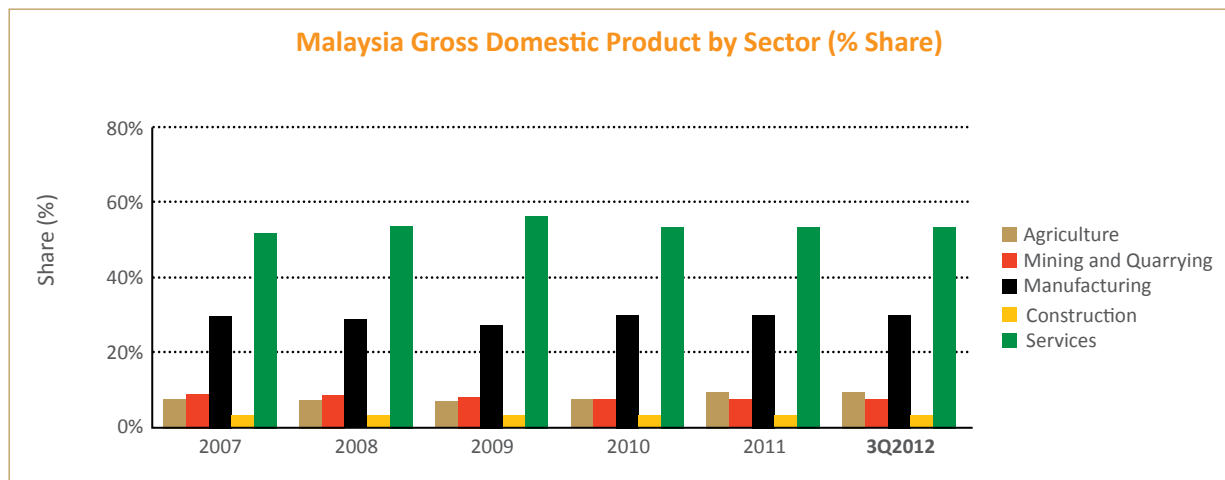
The most significant office transaction during the quarter was the sale of MBSB HQ by PJ Sentral Development Sdn Bhd to MBSB for a total consideration of up to RM239 million. The building is located in PJ Sentral Garden City and its 27- to 30- storey office building comprise a total of 281,455 sq ft of net lettable office space. Other transactions included 3 office buildings in Horizon in Bangsar South for a total consideration of RM369.25 million to a different company for each tower.

Major Transactions of Purpose Built Office Buildings in Klang Valley in 2012

Buildings	Location	NLA (sf)	Consideration	
			RM mil	RM per sf
Kuala Lumpur				
32 Yap Ah Shak	Jalan Yap Ah Shak	42,933	40.03	932
Tower 8, Horizon, Bangsar South	Bangsar South	100,000	93.8	938
Tower 6, Horizon, Bangsar South	Bangsar South	100,000	102.2	1,022
Tower 1, Horizon, Bangsar South	Bangsar South	GFA: 231,000	173.25	750
MBSB HQ (27- to 30-storey office building)	PJ Sentral Garden City	281,455	239.24	850

Source: Annual Reports, Bursa Malaysia, CBRE Research & The Star

1.3 Industrial Property



Source: Department of Statistics

The industrial Production Index (IPI) for October 2012 registered 5.8% y-o-y. The slight growth saw all the major sub-indices, including Manufacturing (+5.8%), Mining (+6.1%) and Electricity (+4.4%). Within the manufacturing segment, the major sub-sectors showing healthy growth are non-metallic mineral products, basic metal and fabricated metal products (20.1%), transport equipment and other manufacturers (14.3%) and petroleum, chemical, rubber and plastic products (7.1%). The mining sector also recorded an increase in output, led by increases in the crude oil index and natural gas index.

According to Department of Statistics, Malaysia's total trade for the first eleven months of the year valued at RM1.204 trillion, increased by 3.9% from the corresponding period in 2011. Exports rose by 1.3% to RM645.46 billion while imports expanded by 7.1% to RM558.34 billion, resulting in a trade surplus of RM87.13 billion.

The transaction activities in Klang Valley industrial market paced up as in 2012, included the sale of a 20.4 acre plot industrial land and factories with an estimated gross area of 450,000 sq ft in Section 23, Shah Alam worth RM97 million. Most major transactions were located in the Petaling district.



1.3.1 Existing Supply

The total existing supply of industrial properties in Kuala Lumpur and Selangor stands at about 5,160 and 34,751 units respectively. The total number of units has increased by 236 units in Selangor. The existing industrial properties are largely terraced factories comprising 73.7% of the combined supply in Kuala Lumpur and Selangor.

1.3.2 Future Supply

The future supply of industrial properties in the Klang Valley is largely in Selangor, with terraced factories making up the bulk. 2,037 units have been approved but have yet to commence construction. Kuala Lumpur, by contrast, has limited future supply with only 70 industrial units currently under construction.

1.3.3 Rental

Supply of Industrial Properties in Klang Valley

State	Type of Property	Existing Supply					Future Supply		
		2007	2008	2009	2010	2011	Q3 2012	Incoming Supply	Planned
Kuala Lumpur	Terraced	2,975	2,975	2,975	2,975	2,989	2,989	35	0
	Semi-Detached	457	457	471	471	487	487	35	0
	Detached	553	553	554	554	554	554	0	0
	Flatted Factory	1,116	1,116	1,116	1,116	1,116	1,116	0	0
	Industrial Complex	14	14	14	14	14	14	0	0
	Total	5,115	5,115	5,130	5,130	5,160	5,160	70	0
Selangor	Terraced	25,599	26,277	26,310	26,310	26,357	26,416	2,090	626
	Semi-Detached	3,227	3,313	3,323	3,399	3,531	3,669	753	653
	Detached	3,956	4,199	4,218	4,236	4,250	4,283	93	728
	Flatted Factory	270	270	270	270	270	271	0	6
	Industrial Complex	101	104	105	106	107	112	3	24
	Total	33,153	34,163	34,226	34,321	34,515	34,751	2,939	2,037

Source: JPPH, Ministry of Finance

1.3.4 Rental

Average rental value, which is derived from a basket of prime industrial properties located in major industrial zones, also remained stable during the period at RM1.36 per sq ft. There is limited availability of prime high quality industrial space in Greater KL, and with strong demand (especially from the local market), rental rates are expected to increase slightly in the medium term.

Asking rents for detached factories / warehouses in prime traditional industrial areas such as Sections 13, 51 and 51A in Petaling Jaya have increased slightly ranging between RM1.70 to RM2.20 per sq ft (2011: RM1.50 to RM2.00 per sq ft).

2.0 Johor

2.1 Market Overview

The transactional activities in Johor property market paced up as of 3Q 2012, with transactions amounting to RM12.73 billion for 37,379 property units against RM9.18 billion for 27,334 property units as at 3Q 2011. This indicates a substantial increase of 36.7% and 38.7% in terms of volume and value of property transactions in Johor.

2012 has been identified as Iskandar Malaysia's tipping point year when it entered into Phase 2 (2011-2015) of the 20 year development period of the Comprehensive Development Plan. In the beginning of Phase 2, Iskandar Malaysia has completed several important milestones. Key road infrastructure projects have been completed as have several catalytic projects that will further spur growth and investment in the important Phase 2.

As at November 2012, total cumulative investment for Iskandar Malaysia for the period of 2006 to November 2012, stood at RM105.14 billion, up 24% from RM84.78 billion recorded in 2011. From the total cumulative committed investments of RM105.14 billion, 64% or RM67.69 billion were domestic investments while the remaining 36% or RM37.45 billion were foreign investments. Among the notable committed investments in 2012 were Tenaga Nasional for better transmission projects in Iskandar Malaysia, Sunway – Khazanah to develop the Wellness Resort City in Medini, Dato' Onn International Specialist Hospital, redevelopment of KOMTAR and Plaza Kotaraya by Johor Corporation, South Key Megamall and Gerbang Nusajaya (Ascendas and UEM Land).

2.2 Purpose Built Offices

Although most office space in Johor Bahru is older, a number of buildings enjoy very high occupancy rates. Existing prime office building in Johor Bahru would be 459,867 sq ft NLA City Square Office Tower (the biggest office building in Johor Bahru), 241,001 sq ft NLA Menara Ansar, and Menara Pelangi. As of 3Q2012, there is a total stock of office space estimated at 5.6 million sq ft in 45 buildings; with 95% of this office supply located in Johor Bahru city centre.

Generally, occupancy rates in Johor Bahru office buildings saw a fluctuating trend in the past 4 years. The average occupancy rates of office buildings in Johor Bahru are nearly 80%. Apart from the office buildings in Johor Bahru, other office buildings which have good occupancy rates include Menara Pelangi, Menara Tabung Haji and Menara MSC Cyberport that have occupancy rates of more than 90%.

Rental rates for purpose built office space in Johor remained stable throughout 2009-2012. In general, prime office space in the city centre is let at a monthly gross rental of between RM2.75-2.90 per sq ft, with other city offices let out at between RM1.60-RM3.20 per sq ft, while those in secondary locations are at RM1.70 per sq ft and below. As with the last quarter, the market is aware of the supply-side risk and expects a large quantum of new office supply to come online over the course of the next few years, mostly in Iskandar Malaysia, which may pressure office rentals to trend downwards.

The Medini Township in Iskandar Malaysia is attracting developers and investors from not only Malaysia and Singapore, but also from other countries such as Japan and China. Mah Sing group Berhad recently announced that it has signed a 99-year lease agreement with Medini Land Sdn Bhd for two parcels of land in Iskandar Malaysia. Located at Medini North in flagship Zone B in Iskandar Malaysia, these integrated developments will include Meridin Exchange Corporate Tower which is scheduled to be completed in 2018.

Other upcoming developments that contain office space is 1Medini, a mixed commercial project by WCT Bhd, comprising 1.7 million sq ft of office space, retail components and apartments will be carried out over the next five years, 18@ Medini by Distinctive Ace Sdn Bhd (to be developed in four phases over the next five years), and Grade A corporate office at Zone A, north of Medini by B&G Capital Resources Berhad.

2.3 Industrial Properties

State	Type of Property	Existing Supply					Future Supply	
		2007	2008	2009	2010	2011	3Q 2012	Incoming Supply Planned
Johor	Terraced	7,466	7,459	7,459	7,469	7,471	7,494	322 707
	Semi-Detached	2,700	2,745	2,779	2,779	2,825	2,847	264 692
	Detached	2,653	2,688	2,712	2,734	2,750	2,833	178 1,357
	Flatted Factory	0	0	0	0	0	0	4 7
	Industrial Complex	468	470	470	470	470	470	11 23
	Total	13,287	13,362	13,420	13,452	13,516	13,644	779 2,786

Source: JPPH, Ministry of Finance



Johor is the second largest supplier of industrial units in the country, ranked after Selangor and followed by Penang and Perak. Johor has a total of 13,644 industrial units, which make up 14.55% of the total in Malaysia. The bulk of existing supply is terraced factories accounting for 54.9% of the Johor industrial stock in 3Q2012. Government data reports non-existence of flatted factories in the Johor State.

The total existing industrial stock in Johor stood at 13,644 units as at the third quarter of 2012. The state recorded 0.9% or 128 additional units of industrial properties in 2011. As of 3Q2012, the total future supply of industrial properties in Johor stood at 3,565 units including the properties under planning. There are currently 28 industrial areas reserved for investors to start their business in Johor. Johor Bahru has the largest reserved area for industrial activities followed by Kluang and Batu Pahat.

As of September 2012, total proposed capital investments in Johor is estimated at about RM4.28 billion (2011: RM6.34 billion), 32.5% decreased from the previous year. A total of 128 projects were approved of which 77.5% (RM3.31 billion) were foreign investments (*Source: MIDA*).

The mega project in Pengerang Johor is expected to turn Pengerang into a boom town for global petroleum investors. The total value of the Pengerang Integrated Petroleum Complex (PIPC) in Johor, which includes Petronas' RM60 billion RAPID is believed to involve a whopping RM170 billion worth of investments in total, once it starts operation in 2016. (*Source: New Straits Times, The Malaysian Insider*).

3.0 Penang

3.1 Market Overview

The Penang property market recorded a total transaction value of RM9.4 billion for 24,204 property units as of 3Q 2012, a slight decrease against RM9.18 billion (27,368 units) recorded in the preceding year. This shows that the Penang property market slowed in the first 3 quarters of 2012, registering a decrease of 11.56% and 2.6% in terms of volume and value of property transactions. (*Source: JPPH*).

The property market in Penang is likely to see sustainable growth of between five and 10% next year, says Real Estate and Housing Developers' Association Malaysia (Rehda) Penang. The market in Penang will be driven by continuous business activities and the flow of foreign investments into the state. The property market in Penang will remain bullish amid rising demand for houses due to the increase in jobs as an impact from foreign investments as well as growing population.

3.2 Purpose Built Offices

The supply of purpose-built office market in Penang is growing faster in Penang Island with 75% of office space located in Penang Island. The total supply of office space in Penang is estimated to be over than 11 million sq ft. Some notable office buildings in Penang include Menara Boustead, Plaza WME, Menara KWSP, Menara IJM Land, Menara Northam and Suntech.

Overall vacancy rate of Penang Island office space showed a slightly improvement in the 3Q2012 up to 80% compare to 74% in 2011. While average gross asking rents for selected office buildings in Penang remain stagnant in the 2012. As with the last quarter, the highest rental is RM5.80 to RM6.00 per sq ft at first floor of Menara IJM Land.

Upcoming developments that contain office space is Mansion One Business Suites located at Jalan Sultan Ahmad Shah (next to the Northam Suites). With total units of 322, the size of floor plate is between 568 to 2,118 sq ft with selling price RM450,000 – RM1.5 million (about RM710-RM800 per sq ft).

3.3 Industrial Properties

State	Type of Property	Existing Supply					Future Supply		
		2007	2008	2009	2010	2011	3Q 2012	Incoming Supply	Planned
Penang	Terraced	4,794	4,794	4,817	4,862	4,862	4,862	0	0
	Semi-Detached	1,109	1,109	1,109	1,109	1,109	1,109	68	24
	Detached	1,279	1,279	1,320	1,333	1,336	1,372	6	120
	Flatted Factory	333	333	333	333	333	333	59	0
	Industrial Complex	42	42	42	42	42	42	0	0
	Total	7,557	7,557	7,621	7,679	7,682	7,718	133	144

Source: JPPH, Ministry of Finance

Penang has the third highest number of industrial units in the country, after Selangor and Johor. The state of Penang has a total of 7,718 industrial units or 8.23% of total industrial properties in Malaysia. In 3Q2012, Penang registered 133 units of new industrial properties, with 68 of the total units is semi-detached factories.

Total proposed capital investments in Penang as of September 2012 fell to RM1.90 billion, from RM6.01 billion in 2011. A total of 81 projects were approved of which 46.1% (RM0.79 billion) were foreign investments. (Source: MIDA).

With the SME Centre up and running, the Penang Development Corporation (PDC) will be focusing on the development of the SME Villages on the mainland. Thus far, PDC has offered industrial land in Penang Science Park SME Village to 18 local SMEs. PDC is currently in the process of offering to a few more SMEs. Two more SME Villages will be set up, i.e. in Batu Kawan Industrial Park and in Bukit Tengah Industrial Park.

The Penang SME Centre was launching on September 2012 with the total of RM40 million comprising 4-storeys and covering a total of 160,000 sq ft. It was awarded the Certified of Compliance and Completion (CCC) on July, 2012. With a total rentable area of 129,000 sq ft the lots can be sub-divided, ranging from 6,000 sq ft to 13,000 sq ft or further sub-divided upon request. Rental rates are subsidized, ranging from RM1.50 per sq ft to RM1.80 per sq ft.

A total of 150 acres have been set aside at Batu Kawan Industrial Park to be developed as a SME Village, where individual lots of industrial land as well as ready-built semi-detached and terrace units will be offered to qualify SMEs. Ready-built semi-detached and terrace units will also be constructed and offered for sale and rent to qualified SMEs at the Bukit Minyak Industrial Park SME Village. (Source: Penang.gov.my).

Submitted on behalf of **CB Richard Ellis (Malaysia) Sdn Bhd**

Christopher Boyd
Executive Chairman
January 2013



Corporate **SOCIAL RESPONSIBILITY**





Corporate Social RESPONSIBILITY

REFURBISHMENT OF THE HQ FOR THE MALAYSIAN ASSOCIATION OF THE BLIND



In reviewing possible recipients for our CSR allocation for 2012, our internal team identified the Malaysian Association of the Blind's headquarters (HQ) in Brickfields as a worthy candidate for our "makeover" projects. This particular project was undertaken to carry out internal and external re-painting works of the Malaysian Association for the Blind's (MAB) main activity block and other related areas such as fencing and staircases. The rationale for this project is to create a well presented HQ for the association because it is easier for NGOs to attract donors with presentable and well-maintained premises. We believe that this will enable the association to successfully continue soliciting further donations for their cause.

The total project cost was RM50,000.00 including labour and materials. The project commenced on 14 June 2012 and is now completed.





AXIS-REIT PARTICIPATED AT THE EDGE-BURSA KUALA LUMPUR RAT RACE FOR CHARITY 2012

Axis-REIT sent in a team to participate in the 2012 The Edge-Bursa Rat Race held on 25 September 2012. The 2012 Rat Race raised a record RM2.2 million for 26 beneficiaries beating the RM1.93 million that was raised in 2011. More than 800 participants ran through the streets of Kuala Lumpur for a good cause and they represented 148 teams from 80 public listed companies.

Our own Ms. Stacy Cheng came in second in the female open category. Overall the Axis-REIT team placed 14th out of a list of 80 companies, many of which were considerably larger than Axis-REIT. This was a much better result from 2011, when we came in at 33rd place out of 55 teams. This was the second time Axis-REIT participated in the Bursa Rat Race. We had so much fun that we intend to continue to do so in the future.

The Fund contributed RM18,000 to support this cause.





Details of the **INCOME DISTRIBUTION REINVESTMENT PLAN**



Details of the Income Distribution REINVESTMENT PLAN

Axis-REIT provides a recurrent and optional reinvestment plan that allows Unitholders of Axis-REIT to reinvest their income distribution in new Units through an Income Distribution Reinvestment Plan (“IDRP”).

During the year, the Fund has applied the IDRP to the second interim income distribution that was declared on 23 July 2012, in which the gross electable portion of 2.20 sen per Unit out of the second interim income distribution of 4.40 sen per Unit (which is taxable in the hands of unitholders) (“Electable Portion”) could be elected to be reinvested in new Units and the remaining portion 2.20 sen per Unit (of which 2.15 sen per unit is taxable and 0.05 sen per unit is non-taxable in the hands of unitholders) would be paid in cash.

The new Units were issued at the issue price of RM2.68 per unit as determined on 23 July 2012 (“Price Fixing Date”). The issue price of RM2.68 per Unit was based on the 5-day volume weighted average market price (“VWAMP”) of the Units up to and including 20 July 2012, being the last trading day prior to the Price-Fixing Date of RM2.8234 per Unit, and after adjusting for a discount of RM0.1434 per Unit which is approximately a 5.08% discount to the 5-day VWAMP of RM2.8234 per unit.

Pursuant to the IDRP, Axis-REIT allotted 2,703,125 new Units on 11 September 2012 and these Units were listed on the Main Market of Bursa Securities on 12 September 2012. The new Units of 2,703,125 represented a successful take up rate of approximately 78.83% of the 3,429,244 total number of new Units that would have been issued pursuant to the IDRP, had all entitled Unitholders of Axis-REIT elected to re-invest their respective Electable Portion in new Units.

The net proceeds from the IDRP of RM 7,211,450 (after deducting estimated expenses for the IDRP) was utilised to refurbish and/or renovate the properties held by OSK Trustees Berhad, the Trustee for Axis-REIT (“Trustee”). The refurbishment and/or the renovation of the properties held by the Trustee is expected to enhance the future income to be generated from the said properties moving forward.

Here are some of the frequently asked questions of the IDRP:

1. How does it work?

Whenever a cash income distribution (either an interim or final income distribution) is announced, the Board may, in its absolute discretion, determine that the IDRP will apply to the whole or a portion of the income distribution (called the Electable Portion) and where applicable, any remaining portion of the income distribution will be paid in cash (called the Remaining Portion).

Each Unitholder has the following options in respect of the Electable Portion:

(i) choose to receive the Electable Portion in cash; or

(ii) choose to reinvest the entire Electable Portion in new Units credited as fully paid-up at an issue price to be determined on a Price-Fixing Date; or

(iii) choose to receive part of the Electable Portion in cash, and to reinvest the remaining part of the Electable Portion in new Units credited as fully paid-up at an issue price to be determined on the Price-Fixing Date in the proportion determined by the Board in its absolute discretion.

2. Will I still have withholding tax deducted?

All gross income distribution with respect to the Electable Portion and the Remaining Portion will still be subject to the usual withholding tax. The net income distribution (net of withholding tax) will either be paid in cash and/or reinvested in new Units at its equivalent amount (as the case may be).

There is no tax advantage to be gained by Unitholders in any of the abovementioned options elected.

3. Will the units I receive be at a discount?

Unitholders will be able to receive new Units at an issue price with an implied discount.

For the purpose of computing the number of new Units to be issued under the IDRP, the issue price of such new Units shall not be more than 10% discount to the 5-day VWAMP of the Units immediately before the Price-Fixing Date.

4. When will I get my Units?

An announcement on the book closure date will be made after the Price-Fixing Date.

Subsequently, copies of the notice of election in relation to the IDRP and information memorandum (not applicable to subsequent IDRP) will be despatched to Unitholders. The Expiry Date will be stated in the Notice of Election.

Within 8 market days from the Expiry Date or such date as may be prescribed by Bursa Securities, Axis-REIT will allot and issue the new Units on the Allotment Date, the Remaining Portion and the Electable Portion (where the Unitholders choose to receive the income distribution in cash), as the case may be, will be paid to the respective Unitholders in the usual manner. An announcement will also be made on the listing of and quotation for the new Units to be issued under the IDRP on the Main Market of Bursa Securities.



Details of the Income Distribution REINVESTMENT PLAN

As the new Units to be issued under the IDRPs are prescribed securities, the new Units will be credited directly into the respective Central Depository System accounts of the Unitholders and shall, upon allotment and issue, rank equally in all respects with the existing Units. However, the new Units will not be entitled to any distributable income, right, benefit, entitlement and/or any other distributions that may be declared before the Allotment Date.

Following is a timeline from the announcement date until the listing of new Units pursuant to the IDRPs.

Description	Timeline
Announcement of Book Closure Date ("BCD") for income distribution for period end (at least 10 market days from the BCD)	T
BCD	T + 10
Despatch of withholding tax confirmation letter	T + 11
Dateline for withholding tax confirmation	T + 16
Despatch of Notice of Election	T + 18
Expiry Date	T + 28
Allotment and Payment	T + 36
Listing of new Units	T + 37

5. The Board's Authority

The Board has full authority to determine if the IDRPs will apply to a particular income distribution. If the Board has decided not to apply the IDRPs to a particular income distribution then the income distribution declared in that quarter concerned will be paid in cash to the Unitholders in the usual manner.

The maximum number of new Units to be issued under the IDRPs will depend on the Board's decision on the size of the Electable Portion, the total number of Units held by the Unitholders who elect to reinvest the Electable Portion in new Units and the issue price which will be determined by the Manager on the Price-Fixing Date.

6. What happens if I elect not to participate?

If Unitholders do not expressly elect in writing to participate in the IDRPs according to the terms and conditions, they will receive their Electable Portion in cash. As such, Unitholders need not take any action if they wish to receive their Electable Portion entirely in cash.

7. The Board's authority to cancel the availability of the IDRPs

Notwithstanding any provision of the IDRPs, if at any time after the Board has determined that the IDRPs shall apply to any income distribution and before the Allotment Date in respect of the Electable Portion, the Board shall consider that by reason of any event or circumstance (whether arising

before or after such determination) or by reason of any matter whatsoever, it is no longer expedient or appropriate to implement the IDRPs in respect of the Electable Portion, the Board may, in its absolute discretion and as it deems fit in the interest of the Fund and without assigning any reason thereof, cancel the application of the IDRPs in relation to the Electable Portion. In such an event, the Electable Portion shall be paid entirely in cash to Unitholders in the usual manner.

8. Who is Eligible to participate?

All Unitholders are eligible to participate in the IDRPs, subject to the restrictions on the Unitholders with registered addresses outside Malaysia as at the relevant book closure date for the income distribution to which the IDRPs applies.

This is also subject to the requirement that such participation by the Unitholder will not result in a breach of any other restriction on such Unitholder's unitholding in Axis-REIT which may be imposed by any statute, law or regulation in force in Malaysia or any other relevant jurisdiction, as the case may be, or prescribed in the deed dated 3 April 2009 (supplemented by a Supplemental Deed dated 15 December 2011) constituting Axis-REIT.

9. What about Odd lots?

A Unitholder who elects to reinvest the Electable Portion in new Units to which his Notice of Election relates, may receive such new Units in odd lots. Unitholders who receive odd lots of new Units and who wish to trade such odd lots on Bursa Securities should do so on the Odd Lot Market, which allows trading of odd lots with a minimum of 1 Unit.

10. Can the IDRPs be terminated?

The IDRPs may be modified, suspended (in whole or in part) or terminated at any time by the Board as the Board deems fit or expedient by giving notice in writing to all Unitholders.

11. Other issues relating to the proposed IDRPs

It should be noted that the grant of the right to participate in the IDRPs, i.e. to elect to reinvest the Electable Portion in new Units, is made to all Unitholders, including the Directors and major shareholder of the Manager, major Unitholders and persons connected to them who hold Units.

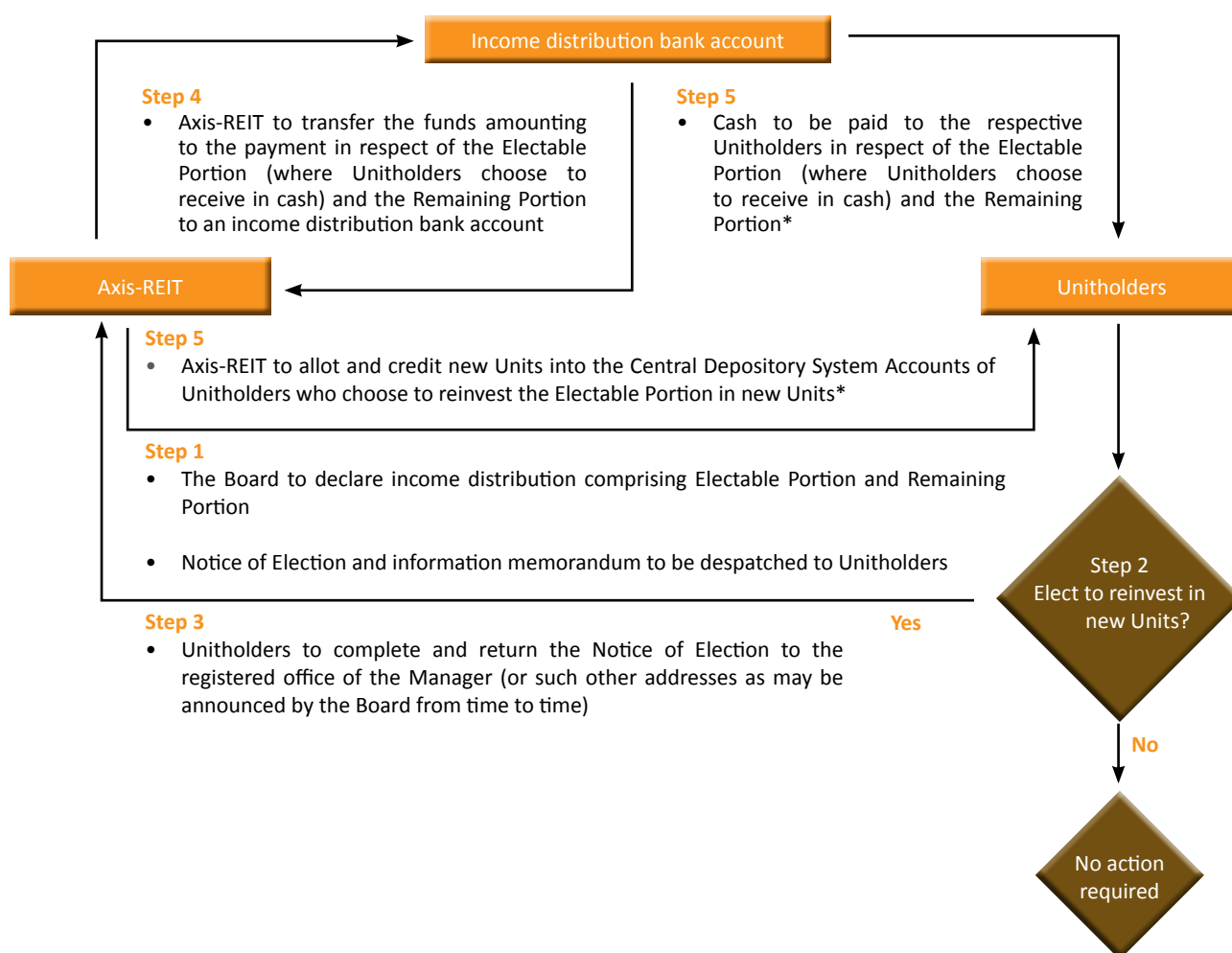
The net proceeds from the IDRPs (after deducting estimated expenses for the IDRPs) will be utilised to refurbish and/or renovate the properties held by the Trustee, and/or for any other purpose that the Manager and the Trustee deem fit and in the best interest of the Unitholders. The refurbishment and/or the renovation of the properties held by the Trustee is expected to enhance the future income to be generated from the said properties moving forward.



A Unitholder's unitholding in Axis-REIT will be diluted if he/she chooses to receive the Electable Portion in cash. The extent of such dilution will depend on the size of the Electable Portion, the total number of Units held by the Unitholders who elect to reinvest the Electable Portion in new Units and the issue price which will be determined by the Manager on the Price-Fixing Date.

The total amount of income distribution to be declared, the size of the Electable Portion and consequently, the maximum number of new Units to be issued under the IDRP would depend on the financial performance and cash flow position of Axis-REIT, and prevailing economic conditions. The size of the Electable Portion will be determined by the Manager in its sole and absolute discretion from time to time.

The process flow chart in relation to any proposed income distribution and the IDRP is set out below:





Corporate **GOVERNANCE**



The Manager recognizes that an effective corporate governance culture is critical to the performance of the Manager and consequently the success of Axis Real Estate Investment Trust ("Axis-REIT" or "the Fund").

As a result, the Manager has adopted a comprehensive corporate governance framework that meets best practice principles. In particular the Manager has to act honestly, with due care and diligence, and in the best interest of the Unitholders of Axis-REIT.

The following sections describe the Manager's main corporate governance practices and policies. They are designed to ensure that applicable securities laws and regulations, the Guidelines on Real Estate Investment Trusts ("REITs") issued by the Securities Commission ("SC") ("SC's Guidelines on REITs") as well as SC's Guidelines on Islamic REITs, the Listing Requirements of Bursa Securities ("Bursa Securities") and the Malaysian Code on Corporate Governance 2012 ["Code"] are complied with, where applicable, and that the Manager's obligations as described in the Deed constituting Axis-REIT ("Deed") are properly and efficiently carried out.

The Manager of Axis-REIT

Axis REIT Managers Berhad is the appointed Manager of Axis-REIT in accordance with the terms of the Deed. The Deed outlines the functions and duties of the Manager as well as the circumstances under which the Manager can be retired.

In view that Axis-REIT is externally managed by the Manager and as such, it has no employees. The Manager appoints experienced and well qualified personnel to handle its day to day operations. All directors and employees of the Manager are remunerated by the Manager and not by the Fund.

The Manager has the general power over the assets of the Fund. The Manager's main responsibility is to manage the assets and liabilities of Axis-REIT for the benefit of the Unitholders.

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

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

- Using its best endeavors to carry on and conduct its business in a proper and efficient manner and conduct all transactions of the Fund in a transparent manner and at arm's length.
- Preparing reports to the Board of Directors, which may contain proposals and forecasts on net income, distribution per unit ("DPU"), capital expenditure, property

valuations, explanations on variances to previous forecasts, written reports on the future potential rental income stream generated by the portfolio of properties owned by Axis-REIT and the underlying assumptions, operational costs and any other assumptions.

- Ensuring compliance with all legislations, tax rulings, rules and guidelines issued by the SC, Bursa Securities, Inland Revenue Board of Malaysia and other relevant authorities, where applicable.
- Attending to all queries from Unitholders and keeping the investing public informed of the performance of Axis-REIT.
- Supervising the Property Manager, which performs the facilities management, lease and marketing management, project management services, and fit-out management services.

Board of Directors

In facilitating the discharge of its responsibilities, the Board has developed a Board Charter, which was approved and adopted by the Board in early 2012, outlining its roles and responsibilities. The Board has made public its Board Charter on its corporate website and will review and update its Board Charter in accordance with the needs of the Manager and any regulations that may have an impact on the discharge of the Board's responsibilities.

The Board has formalised and committed to ethical values through its Code Of Conduct and a summary of its Code Of Conduct is made available on its corporate website.

A Whistleblowing Policy was also adopted for the management of reports and claims filed in relation to suspected or presumed violations of the Code Of Conduct, financial reporting and other malpractice. The Policy reaffirms the Manager's commitment to safeguard those who report in good faith against any form of reprisal.

The Board Charter has also set out expectation on time commitment for its members and protocols for accepting new directorships.

Board Meetings and Procedures

The Board met every quarter in the financial year ended 2012 ("FYE2012"), to discuss and approve the release of the interim and annual financial results, review acquisitions or disposals, the annual budget, capital management proposals, property reports, investor relations reports, performance of the Manager (including its related entities) and Axis-REIT against the previously approved budget and other proposals tabled by the Management.



All meeting dates are determined and fixed annually in advance so that every director is able to schedule their time effectively. Notices of meetings setting out the agendas of the meetings would be issued to all directors not less than seven (7) days in advance by the Company Secretary and the relevant meeting papers would be compiled and distributed to all directors as soon as practicable after the notices of meetings had been issued. In order to keep the investing public aware of the timing for the release of the interim financial results of Axis-REIT, the Manager would make an announcement on the targeted date for such release within two (2) weeks prior to each board meeting.

All members of the Board have access to information in relation to the Manager and Axis-REIT because the Manager had established a panel of financiers and consultants who provide professional advices in the areas of financing, capital markets, legal, property valuation and engineering due diligence, from whom advices can be sought.

The Board is supported by a professionally qualified and competent company secretary whom the Board regularly consults on procedural and regulatory requirements. The Company Secretary attended every board meeting in FYE2012. The Company Secretary also kept the Board abreast on all relevant regulatory updates to applicable laws and requirements which were introduced by the regulators in year 2012.

Chairman and Chief Executive Officer ("CEO")/ Executive Director

The position of Chairman and CEO/Executive Director is held by separate persons in order to maintain an effective segregation of duties. This division of responsibilities is defined in the Board Charter.

The Chairman ensures that members of the Board work together with the Management in a constructive manner to address strategies, business operations, financial performance and risk management issues.

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

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

Board Remuneration

The remuneration of the Directors is paid by the Manager and not from the Fund. Details on the Remuneration Committee which is responsible over the determination of the remuneration policy framework of the Manager's Directors and key senior management is set out below under Remuneration Committee section.

The Board has through its Remuneration Committee established a transparent remuneration policies and procedures. The remuneration of the Board is aligned with the business strategy and long-term objectives of the Manager. The remuneration reflects the Board's responsibilities, expertise and complexity of the Manager's activities.

The Remuneration Committee, upon the proposal from the Executive Committee, recommends to the Board the remuneration package of the Directors and it is the responsibility of the Board as a whole to approve the remuneration package of the Directors.

The remuneration of Executive and Non-Executive Directors for FYE2012 are as follows:

	Salaries and Other Emoluments (RM)	Directors' Fee (RM)	Meeting Attendance Allowance (RM)	Benefits In Kind (RM)	Total (RM)
Executive Directors	1,276,936	204,000	17,250	33,613	1,531,799
Non-Executive Directors	-	344,000	38,250	-	382,250

Range of Remuneration per annum	Executive Directors	Non-Executive Directors
RM50,000 - RM200,000	1	5
RM200,001 - RM400,000	-	-
RM400,001 - RM600,000	1	-
RM600,001 and above	1	-

Board Committees and their Roles

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

- Executive Committee
- Audit Committee
- Remuneration Committee
- Nomination Committee



Executive Committee

The Executive Committee operates under the delegated authority from the Board.

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

- Make recommendations to the Board on all acquisitions, investments and disposals;
- Make recommendations to the Board on any financing offers, capital management proposals and additional banking facilities;
- Report and recommend to the Board any corporate exercise, including the issuance of new Axis-REIT Units;
- Make recommendations to the Board on financial budgets; and
- Forward summary reports on activities undertaken by the Manager and minutes of Executive Committee meetings to all Audit Committee and/or Board members, where applicable.

Audit Committee

The Board has an overall responsibility in ensuring a balanced and understandable assessment of Axis-REIT's positions and prospects are presented to the investing public and the Audit Committee plays an important role in assisting the Board in this area. The Audit Committee ensures financial statements comply with applicable reporting standards. The Audit Committee also assists the Board in the area of risk management and internal controls. The Audit Committee Report which contains the details of activities carried out during the FYE2012 is set out as a separate section of this Annual Report.

Further details on risk management are set out below under "Risk Management" section and details on the internal audit function are contained in the Statement on Risk Management and Internal Control.

The assessment of the External Auditors for re-engagement is an annual affair for the Manager. The Audit Committee had evaluated the External Auditors of Axis-REIT during the FYE2012 in order to determine their suitability for re-appointment and independence. Assessment had been carried out against criteria adopted by the Audit Committee and the Audit Committee had recommended the re-engagement of Messrs KPMG as the External Auditors for Axis-REIT in respect of the FYE2012. In view that the Audit Committee would be evaluating the External Auditors in respect of the financial year ending 2013, the Audit Committee will ensure that a written assurance on their independence is obtained. Recognizing that provision of non-audit services by the External Auditors may impair independence, the Audit Committee had also expanded the functions under its terms of reference to include the review of such non-audit services.

Remuneration Committee

The responsibilities of the Remuneration Committee are:

- To establish and recommend to the Board the policy framework in determining the remuneration of the Executive and Non-Executive Directors of the Board, members of senior management and to review changes to the remuneration policy from time to time, so as to ensure that the Manager attracts and retains individuals of the highest calibre.
- To establish a formal and transparent framework or policy for the individual remuneration packages of Executive Directors and designated executive management, including but not limited to bonuses, incentives and units option (if any).
- Review and recommend to the Board on an annual basis the remuneration packages of Executive Directors and executive management, drawing from outside advice as necessary.

During the year under review, the Remuneration Committee had reviewed the remuneration packages of the Directors and senior management staff and made recommendations to the Board accordingly.

Nomination Committee

The responsibilities of the Nomination Committee are:

- To recommend to the Board, candidates for directorships proposed by the Executive Committee, any Board members, shareholder of the Manager or Unitholders, where applicable;
- To recommend to the Board, any director(s) to fill seats on Board committees.
- To assess the effectiveness of the Board as a whole, Board committees and the contribution of each individual director.
- To determine appropriate training for directors and review the fulfillment of such training, where appropriate.

The Nomination Committee had during the FYE2012 carried out the performance evaluation on the Board, Directors and Board Committees and the results of the evaluation had been properly documented by the Company Secretary of the Manager. The Board had also undertaken an annual assessment of the independence of its three (3) independent directors based on the independence criteria developed by the Nomination Committee in the fourth quarter of 2012. The three (3) independent directors of the Manager had furnished their confirmation in writing on their independence to the Board.

As an essential measure for good governance, the Board in its approach to boardroom diversity, has through its Nomination Committee taken steps to ensure that at least one woman director is sought as part of its recruitment exercise. Since November 2011, our female Director, Ms Leong Kit May has remained in office for FYE2012 and is still holding the position of Chief Financial Officer in the Manager.



Composition of Board and Board Committees

Board of Directors and Meeting Attendance

As of 31 December 2012, the Board comprised of eight (8) members, three (3) of whom are independent directors in compliance with the SC's Guidelines on REITs. The Executive Deputy Chairman has an appointed Alternate Director.

Directors	Designation	Attendance (No. of meetings held : 4)	Remarks
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Independent Non-Executive Chairman	4/4	No Change
Dato' Abas Carl Gunnar Bin Abdullah (Alternate Director: Alex Lee Lao)	Non-Independent Executive Deputy Chairman	3/4	No Change
Stephen Tew Peng Hwee	Non-Independent Non-Executive Director	4/4	No Change
Dato' George Stewart LaBrooy	Chief Executive Officer/ Executive Director	4/4	No Change
Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Independent Non-Executive Director	4/4	No Change
Mohd Sharif Bin Hj Yusof	Senior Independent Non-Executive Director	3/4	No Change
Leong Kit May	Chief Financial Officer/ Executive Director	4/4	No Change
Alvin Dim Lao	Non-Independent Non-Executive Director	4/4	No Change

Executive Committee and Meeting Attendance

Members	Designation	Attendance (No. of meetings held : 6)	Remarks
Dato' Abas Carl Gunnar Bin Abdullah	Chairman	5/6	No Change
Stephen Tew Peng Hwee	Member	6/6	No Change
Dato' George Stewart LaBrooy	Member	6/6	No Change

Audit Committee and Meeting Attendance

Members	Designation	Attendance (No. of meetings held : 4)	Remarks
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Chairman	4/4	No Change
Mohd Sharif Bin Hj Yusof	Member	4/4	No Change
Alvin Dim Lao	Member	4/4	No Change



Remuneration Committee and Meeting Attendance

Members	Designation	Attendance (No. of meetings held : 1)	Remarks
Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Chairman	1/1	No Change
Dato' Abas Carl Gunnar Bin Abdullah	Member	1/1	No Change
Stephen Tew Peng Hwee	Member	1/1	No Change

Nomination Committee and Meeting Attendance

Members	Designation	Attendance (No. of meetings held : 1)	Remarks
Mohd Sharif bin Hj Yusof	Chairman	0/1	Re-designated as Chairman with effect from 16 April 2012 *
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Member	1/1	No Change
Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Member	1/1	Re-designated as member with effect from 16 April 2012

* The re-designation was made given that the Code recommends that the Nomination Committee should be chaired by a Senior Independent Director.

Directors' Training

The Board ensures its members have access to appropriate continuing education programmes to update their knowledge and enhance their skills to sustain their active participation in Board deliberations. The Board had at every board meeting being updated with list of trainings available for selection and details of trainings attended by Directors would also be reported at the meetings and recorded accordingly. An in-house training was also organized for all the Directors on "Malaysian Code on Corporate Governance 2012" in October 2012. The Board perceived that the understanding of the principles and best practices recommended under the new Code is essential towards the attainment of the highest level of good governance.

Ms Leong Kit May and Mr Alvin Dim Lao, Directors who were appointed in end of 2011, had completed their Mandatory Accreditation Programme ("MAP") organized by Bursatra Sdn Bhd on 13 and 14 March 2012 respectively.

All the Directors of the Manager have attended trainings during FYE2012 in compliance with the Listing Requirements of Bursa Securities. Some of the Directors had been invited to participate as speakers and presented talks at conferences and seminars. The details are as follows:

Directors	Training attended and activities participated
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	<ul style="list-style-type: none"> Malaysian Code on Corporate Governance 2012 Case Studies For Boardroom Excellence, Fraud Detection And Prevention – A Necessity, Not A Choice
Dato' Abas Carl Gunnar Bin Abdullah	<ul style="list-style-type: none"> Malaysian Code on Corporate Governance 2012
Stephen Tew Peng Hwee	<ul style="list-style-type: none"> Malaysian Code on Corporate Governance 2012 Malaysian Annual Real Estate Convention 2012
Dato' George Stewart LaBrooy	<ul style="list-style-type: none"> Malaysian Code on Corporate Governance 2012 5th Annual Thomson Reuters Global Property Outlook 2012, London Euromoney 11th Annual Islamic Finance Summit, London APREA Property Leaders Forum, Hong Kong The Turkish Real Estate Summit, Turkey ASLI – 15th National Housing and Property Summit 2012 Securities Commission International Islamic Capital Market Forum – Islamic REITs – "A False Dawn" Bank Negara (Riyadh) Malaysia's Business Offerings and Opportunities

Directors	Training attended and activities participated
Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	<ul style="list-style-type: none"> • Build then Sell Via Islamic Banking – REHDA • Singapore Real Estate Roundtable / Rehda Malaysia • MABC/MITI Dialogue • Invest Malaysia 2012 – By Bursa Malaysia & Maybank • ISIS Roundtable Talk by ISIS • Islamic Real Estate Conference, Hong Kong • Free Trade Agreement Malaysia/Australia Roundtable Dialogue – MABC/Aus High Com • Malaysia Annual Real Estate Conference – ASLI • Affordable Homes Roundtable – Bank Negara • Towards Achieving Sustainable Affordable Homes – MOH • Ease of Doing Business in Malaysia – Prime Minister's Office
Mohd Sharif Bin Hj Yusof	<ul style="list-style-type: none"> • Law Governing Directors In A Nutshell: Malaysia Companies Act 1965 (Act 125)
Alvin Dim Lao	<ul style="list-style-type: none"> • MAP • Malaysian Code on Corporate Governance 2012
Leong Kit May	<ul style="list-style-type: none"> • MAP • Malaysian Code on Corporate Governance 2012 • APREA Property Leader Forum, Hong Kong • ASLI - REITs Conference 2012 • MIPIM Asia, Hong Kong
Alex Lee Lao (alternate director)	<ul style="list-style-type: none"> • Financial Management & Managerial Accounting And Control Seminar

Disclosure and Communication with Unitholders

The Manager has established a strong culture of continuous disclosure and transparent communication with Unitholders and the investing community. The Manager achieves this through timely and full disclosure of all material information relating to Axis-REIT by way of public announcements on the Bursa Securities website and through its own website at www.axis-reit.com.my as well as through analyst briefings and retail roadshows.

The Board has taken steps to promote effective communication and proactive engagements with Unitholders at the Unitholders' meetings to provide a better appreciation of the Manager's objectives, quality of its management and challenges, while also making the Manager aware of the expectations and concerns of the Unitholders.

The Manager had in FYE 2012 convened and held two (2) Unitholders' Meetings. These Unitholders' Meetings had been held to seek the Unitholders' approval for corporate exercises of Axis-REIT. At such Unitholders' Meetings, the Manager had updated all Unitholders present with the performance, activities, progress and prospects of Axis-REIT. The Board had

encouraged Unitholders' participation at the meetings and active engagement had taken place. In tabling the proposals on related party transactions i.e. the proposed acquisition of Wisma Academy and Annex as well as the proposed disposal of Kayangan Depot (in which certain Directors of the Manager were interested), the Board had adopted poll voting and the relevant resolutions were passed via polling. The Board has also demonstrated its commitment to the Unitholders by informing the Unitholders of their rights to demand for poll at the commencement of each Unitholders' Meetings and publishing the Unitholders' voting rights on its corporate website.

The Board has also encouraged the Manager to leverage on information technology for effective dissemination of information by having in place a dedicated section for corporate governance on its corporate website. This section provides information such as the Board Charter, Code of Conduct, Whistleblowing and Unitholders' voting rights. Please go to www.axis-reit.com.my for information.

Further details on communication with Unitholders, analysts and fund managers will be covered under the section on Investor Relations.



Compliance with The Code

The Board considers that Axis-REIT and the Manager are substantially in compliance with the best practices set out in the Code throughout FYE2012. The Board is committed and will continue to enhance compliance with the best practices in corporate governance where applicable.

OTHER OBLIGATIONS OBSERVED BY THE DIRECTORS OF THE MANAGER

Trading in Axis-REIT Units

In general the Manager encourages the directors and employees to hold Axis-REIT Units. However, dealings in Axis-REIT Units will be subject to compliance with Chapter 14 of the Listing Requirements of Bursa Securities.

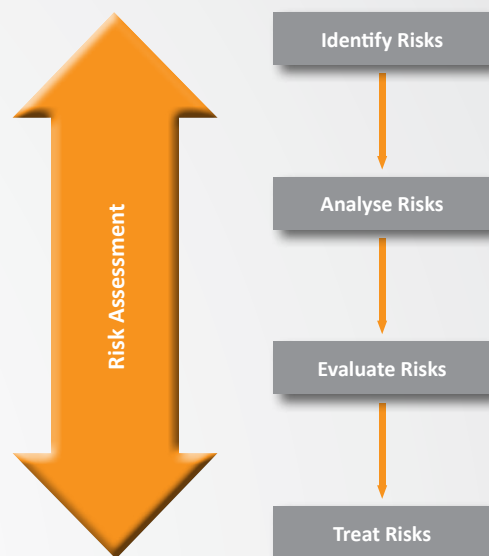
Risk Management

Effective risk management is a fundamental part of the Manager's business strategy in order to ensure there are no adverse disruptions to the income distribution and to mitigate any potential loss which may impact negatively upon all the Unitholders so as to preserve their investments. Risk management has been part of the Manager's day-to-day operations and there is an Operations Manual (reviewed and updated from time to time) which provides an overview of the Manager's responsibilities and guidance in relation to the management of Axis-REIT to ensure consistency of operational procedures and practices within the organization. The commitment to achieve effective risk management is ultimately driven by the Board, which in turn is implemented by the management team and extended to all employees of the Manager.

The Manager had formulated and developed the Risk Management Framework and put in place a Risk Register where key risk profile was established and the management led by the Risk Management Officer, Ms Leong Kit May periodically reviews, monitors and updates the Risk Register for reporting to the Audit Committee.

Approach to Risk Management

The approach to risk management is driven by a systematic process designed to identify potential risks that may affect the entity, and manage those risk to provide reasonable assurance regarding the achievement of Axis-REIT's objective.



The above risk management processes are supported by the:

- Establishment of a risk management reporting structure consisting of heads of departments reporting to the Risk Management Officer and CEO who in turn will compile, validate and report to the Audit Committee;
- Development of Detailed Risk Register for each departmental units with quarterly review; summarized in the Departmental Risk Profile; and
- Reporting of the Corporate Risk Profile to the Audit Committee and the Board.

Dealings with Conflicts of Interest

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

- The Manager will be a dedicated manager of Axis-REIT and will not manage any other real estate investment trust or be involved in any other real property business;

- All Executive Officers will be employed by the Manager;
- Any related party transactions must be duly disclosed by the related parties to the Audit Committee and the Board;
- The Board shall ensure 1/3 of its members are Independent Directors;
- In circumstances where any directors or officers of the Manager may have a direct or indirect interest in any related party transactions they will abstain from deliberation and voting at any Board meeting and will require Trustee's approval prior to entering into any agreement.

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

Under the Deed, the Related Parties of the Manager (as defined in the Deed) are prohibited from voting their Units at, or being part of a quorum for, any meeting of Unitholders convened to approve matter or business in which any of the Related Parties has an interest.

Dealings with Related Party Transactions

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

The Manager will establish procedures that will ensure that such transactions are undertaken in full compliance to the SC's Guidelines on REITs and are carried out on an arm's length basis and under normal commercial terms and in the best interest of the Unitholders. The Manager would have to demonstrate to the Audit Committee that transactions (whether purchase of services or property) would be taken on normal commercial

terms, which may include in the case of the purchase of services the obtaining of quotations from parties unrelated to the Manager, or in the case of purchase of property the obtaining of valuation from an independent valuer.

Related party transactions shall require the Trustee to ensure that such transactions are at arm's length, based on normal commercial terms and not prejudicial to the interest of the Unitholders. Furthermore, the Trustee has the ultimate discretion under the Deed to decide whether or not to enter into a transaction involving a related party of the Manager. If the Trustee is to sign any contract with a related party of the Trustee or the Manager, the Trustee will review the contract documentation to ensure it complies with the requirements and provisions relating to related party transactions contained in the SC's Guidelines on REITs and the Deed.

All related party transactions are subject to regular periodic review by the Audit Committee prior to recommendation to the Board. If a member of the Audit Committee has an interest in a transaction he is to abstain from participating in the review and recommendation process in relation to that transaction.

Other Information

Relationship

There are no family relationships among the Directors of the Manager and/or substantial unitholders of Axis-REIT.

Conflict of Interest

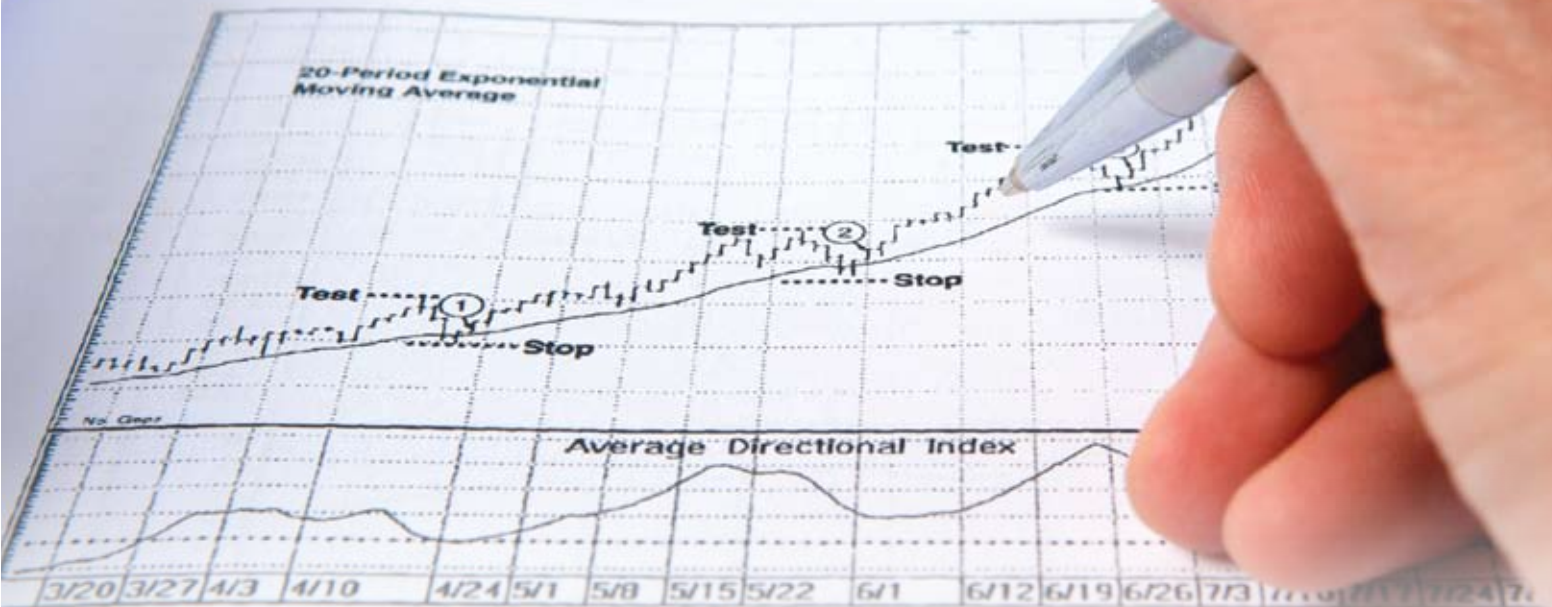
Save as disclosed to the Audit Committee and Board of Directors when such interests had arisen during the FYE2012 and the same being properly recorded and documented, none of the Directors of the Manager has any conflict of interest with Axis-REIT.

Conviction for Offences

None of the Directors has been convicted for any offences other than traffic offences within the past ten (10) years.



Audit Committee Report & **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL**



we are not actually trading a market index, this set-up is still a market analysis. Four entry opportunities were given in one of the last five years. This example was striking in how



Audit Committee REPORT

Recognizing that an audit committee plays a crucial role in the corporate governance process of an organization, the Board of Directors of Axis REIT Managers Berhad, the management company ("Manager") of Axis Real Estate Investment Trust ("Axis-REIT"), had established an Audit Committee on a voluntary basis and this Committee has the delegated oversight responsibilities from the Board in ensuring that the interests of the Unitholders of Axis-REIT are protected.

1. COMPOSITION OF AUDIT COMMITTEE

The Audit Committee comprises of three (3) Non-Executive members, two of whom (including the Chairman) are Independent Non-Executive Directors of the Board.

The composition of the Committee as at 31 December 2012 is:

- a. YAM Tunku Dato' Seri Shahabuddin
Bin Tunku Besar Burhanuddin
- Independent Non-Executive Chairman
- b. Mohd Sharif Bin Hj Yusof
- Independent Non-Executive Director
- c. Alvin Dim Lao
- Non-Independent Non-Executive Director

2. TERMS OF REFERENCE

The Audit Committee has a set of Terms of Reference that guides the discharge of its roles and responsibilities. The details of the Terms of Reference are presented on the next page of this Annual Report.

3. SUMMARY OF ACTIVITIES CARRIED OUT BY THE COMMITTEE DURING THE FINANCIAL YEAR

The primary role of the Audit Committee is to monitor, oversee, review and evaluate the effectiveness and adequacy of the Manager's risk and internal control environment and financial management and reporting. The Audit Committee had during the financial year under review, in the discharge of its duties, carried out the following:

- (i) reviewed the quarterly financial results and the audited financial statements of Axis-REIT to ensure adherence to legal and regulatory reporting requirements before recommending to the Board of Directors for approval;
- (ii) reviewed the internal audit plan and internal audit reports with the Internal Auditors and ensured that action plans recommended are agreed upon and implemented by Management on a timely basis. The detailed activities of the internal audit function is contained in the Statement on Risk Management and Internal Control of this Annual Report;
- (iii) reviewed with External Auditors, their audit planning memorandum, audit approach and reporting requirements prior to the commencement of audit works;

- (iv) discussed with the External Auditors audit issues arising from the final audit conducted on Axis-REIT;
- (v) evaluated the suitability and independence of the External Auditors and recommended to the Board their re-appointment as Auditors of Axis-REIT in respect of the financial year ended 31 December 2012 for onward recommendation to the Trustee of Axis-REIT;
- (vi) ensured that Axis-REIT's appointed External Auditors were duly registered with the Audit Oversight Board of the Securities Commission;
- (vii) reviewed and recommended for Board's approval the Audit Committee Report and Internal Control Statement for inclusion into the Annual Report of Axis-REIT;
- (viii) reviewed the implementation of the income distribution reinvestment plan in conjunction with the 2012 Second Interim Income Distribution of Axis-REIT;
- (ix) met with the External Auditors and Internal Auditors, in the absence of the Management, to discuss problems and reservations (if any) which the External Auditors or Internal Auditors may wish to highlight to the Committee;
- (x) reviewed list of related party transactions ("RPT") involving interests of related parties who are Directors, substantial Unitholders and ultimate major shareholders of the Manager;
- (xi) reviewed, assessed and recommended to the Board the proposed acquisitions of Wisma Academy and The Annex and the proposed disposal of Kayangan Depot and ensured that these RPTs complied with applicable RPT guidelines and requirements issued by the regulators; and
- (xii) evaluated the out-sourced Internal Auditors and recommended to the Board for their re-engagement as the Internal Auditors of Axis-REIT in respect of the year 2012/2013.

4. RELATIONSHIP WITH THE EXTERNAL & INTERNAL AUDITORS

The Board via the Audit Committee maintains a formal and transparent relationship with the External Auditors as well as the Internal Auditors and the Audit Committee has direct and unrestricted access to both the External and Internal Auditors.



TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Constitution

The Board of Directors has constituted and established a committee of the Board to be known as the Audit Committee ("the Committee").

Membership

- The Committee shall be appointed by the Board of Directors from amongst the directors of the Company and shall comprise of at least three (3) members, all of whom must be non-executive directors, with a majority of them being independent.
- At least one (1) member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - (iii) fulfils such other requirements as prescribed or approved by the Exchange.
- No alternate director shall be appointed as a member of the Committee.
- The members of the Committee shall elect a Chairman from among their number who shall be an Independent Non-Executive Director.
- The Company Secretary or such other person(s) authorised by the Board of Directors shall act as the Secretary to the Committee.
- If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall, within three (3) months from the date of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- The term of office and performance of the Committee and each of its members shall be reviewed by the Board of Directors at least once every three (3) years to determine whether such Committee and its members have carried out their duties in accordance with their terms of reference.

Meetings and Minutes

- The Committee shall meet at least four (4) times in a financial year, although additional meetings may be called at any time at the Committee Chairman's discretion.
- The quorum for the meeting of the Committee shall consist of not less than two (2) members, a majority of whom must be independent Directors.
- Other than in circumstances which the Chairman of the Committee considers inappropriate, the Chief Financial Officer and the representatives of the external auditors and internal auditors will normally attend any meeting of the Committee to make known their views on any matter under consideration pertaining to Axis Real Estate Investment Trust ("Axis-REIT"), by the Committee or which in their opinion, should be brought to the attention of the Committee. Other Board members, employees and external professional advisers shall attend any particular meetings upon invitation by the Committee.
- The Committee shall report to the Board and its minutes tabled and noted by the Board of Directors. The books containing the minutes of proceedings of any meeting of the Committee shall be kept by the Company at the registered office or the principal office of the Company, and shall be open for inspection by any member of the Committee and the Board of Directors.
- A circular resolution in writing signed by the members of the Committee who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting of the Committee duly convened. Any such resolution may consist of several documents in like form, each signed by one (1) or more members of the Committee.
- Any member of the Committee may participate in any meeting of the Committee via telephone conferencing, video conferencing or by means of any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

Authority

- The Committee is authorised by the Board to investigate any matter within the Committee's terms of reference. It shall have full and unrestricted access to any information pertaining to Axis-REIT or the Company (if required) and shall have the resources it requires to perform its duties. All employees of the Company are required to comply with the requests made by the Committee.
- The Committee is authorised by the Board to obtain outside legal or external independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, the expenses of which will be borne by the Company and/or Axis-REIT, where applicable.



Audit Committee REPORT

- The Committee shall have direct communication channels with the external auditors and internal auditors.
- The Committee shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and management, whenever deemed necessary, in order to enable the Committee and the external auditors or the internal auditors or both, to discuss problems and reservations and any other matter pertaining to Axis-REIT or the Company (if any), the external auditors or internal auditors may wish to bring up to the attention of the Committee.

Functions and Duties

- The Committee shall, amongst others, discharge the following functions:

(a) Review the following and report the same to the Board of Directors of the Company:

- with the external auditors, the audit plan of Axis-REIT, the nature and scope of work and ascertain that it will meet the needs of the Board, the unitholders and regulatory authorities;
- with the external auditors, their evaluation of the quality and effectiveness of entire accounting system and the adequacy and integrity of the internal control system of Axis-REIT;
- with the external auditors, their audit report;
- the assistance given by management to the external and internal auditors;
- the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- the internal audit programme, processes and results of the internal audit programme, processes, major findings of internal investigation and management's response and whether or not appropriate action is taken on the recommendations of the internal audit function;
- the quarterly results, annual and semi-annual financial statements of Axis-REIT prior to the approval by the Board of Directors, focusing particularly on:
 - i. changes in or implementation of major accounting policies and practices;
 - ii significant and unusual events;
 - iii significant adjustments arising from the audit;

iv compliance with accounting standards, other statutory and legal requirements and the going concern assumption;

v. the accuracy and adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of Axis-REIT;

vi. any related party transactions and conflict of interest situations that may arise within the Company and/or Axis-REIT including any transaction, procedure or course of conduct that raises questions of management integrity;

vii. any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external and internal auditors, particularly any comments and responses in management letters as well as the assistance given by the employees of the Company in order to be satisfied that appropriate action is being taken.

viii. to review the Statement on Risk Management and Internal Control for recommendation to the Board of Directors for approval.

ix. to ensure the internal audit function reports directly to the Committee and the said internal audit function shall have direct access to the Chairman of the Committee on all matters of control and audit pertaining to Axis-REIT or the Company (if necessary).

(b) Recommend for Board's approval, the nomination of a person or persons as external auditors and internal auditors and their proposed audit fees, review or appraise the performance of the external auditors and internal auditors (where necessary), and to discuss issues relating to the resignation or dismissal of external auditors or internal auditors.

(c) Consider and approve the non-audit service(s) to be provided by the external auditor subject to the confirmation from the external auditors, that such non-audit service(s) pose no threat to the independence of the external auditors.

(d) Promptly report to the Exchange on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of the Listing Requirements of the Exchange.

(e) Carry out any other functions that may be mutually agreed upon by the Committee and the Board of Directors which would be beneficial to Axis-REIT and/or the Company and ensure the effective discharge of the Committee's duties and responsibilities.



RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26(B) of The Main Market Listing Requirements

Introduction

The Board of Directors of the Company, being the management company ("Manager") of Axis Real Estate Investment Trust ("Axis-REIT") has voluntarily adopted the best practices in corporate governance by establishing an Audit Committee and setting up an Internal Audit Function, which had been outsourced to an independent professional firm, although it is not compulsory for Axis-REIT, being a real estate investment trust, to comply with such requirements under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This is because the Board is committed to maintaining a sound and effective system of internal control to safeguard the interests of the Unitholders of Axis-REIT, the investments and assets of Axis-REIT as well as the shareholder's interests and assets of the Manager.

The Board has overall responsibility for the reviewing and ensuring the effectiveness, adequacy and integrity of the system of internal control of Axis-REIT and the Manager. Because of the limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate, the risk of failure to achieve corporate objectives. In pursuing these objectives, internal control can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

KEY ELEMENTS OF THE INTERNAL CONTROL SYSTEM ESTABLISHED

Internal Control System, Processes and Risk Management

Operations Manual

The Manager has policies and procedures that are encapsulated in the Operations Manual which provides an overview of the Manager's responsibilities in relation to the management of Axis-REIT. This Operations Manual is a guide to daily activities and operations of Axis-REIT and is subject to periodic reviews and updates. The Management team of the Manager is committed to be guided by the Operations Manual and this ensures consistency of operational procedures and practices within the organisation.

Financial Controls

There is an annual budgeting and target setting process which includes forecasts being formulated for each operating unit with detailed reviews at all levels of operation. The budget will be presented to the Board for review and approval and the Manager will be guided by the approved budget in managing Axis-REIT.

The Manager also has a policy on financial limits and approving authority for its operating and capital expenditure. All major capital expenditure will be first recommended by the Executive Committee and approved by the Board prior to implementation.

Management meetings are conducted regularly to review financial performance, business development, strategic business planning and deliberate on management issues. There are regular meetings between the Executive Committee with Management to discuss and resolve key operational, financial and other key management issues regularly. Significant issues are highlighted and discussed at Board meetings.

In seeking to improve in its processes and to minimize risks, the Manager has also explored a property-cum-accounting system known as the YARDI system. Management had, during the year, carried out a feasibility study on the said system, which had been targeted for live run in year 2013, as well as training for staff in order to ensure smooth implementation of the YARDI system with minimal disruption to the day-to-day running of the operations.

In managing financial risks, Axis-REIT via its special purpose entity, Axis REIT Sukuk Berhad, Axis-REIT had successfully issued RM110 million in nominal value Islamic Medium Term Notes ("Sukuk") pursuant to an Islamic Medium Term Notes Programme of up to RM300 million in nominal value established by Axis-REIT during the financial year ended 31 December 2012 ("FYE2012"). This Sukuk has reduced Axis-REIT exposure to short term financing.



Statement On

RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26(B) of The Main Market Listing Requirements

Risk Management and Risk Register

Risk management has been part of the Management's day-to-day operations and the Manager has in place a Risk Register where a key risk profile was established.

The Risk Register was updated and report of the same was made to the Audit Committee during the last quarter of the financial year. The updates captured all the action plans that the Manager had put in place throughout the financial year in addressing the various risks facing the business, such as:

1. establishment of a Malaysian REIT Managers Association;
2. formulation of asset enhancement strategy aiming at tenant satisfaction;
3. exploration of Multimedia Super Corridor status for certain eligible properties; and
4. streamlined procedures in asset management plan for the property portfolio.

Internal Audit Function and its Activities

Based on an agreed internal audit plan, the outsourced Internal Auditors had assisted the Manager and reported the outcome to the Audit Committee of the Manager the following internal audit work carried out during the FYE2012 of Axis-REIT:

1. internal audit review on Financial Controls and Information Technology General Controls where control measures relating to tenancies were reviewed and improved for better efficiency;
2. internal audit review on Property Management and Maintenance and Lease Procedures where reviews were conducted on the monitoring and updating of information processes managed by the property and accounting departments of the Manager. For effective monitoring and updating processes, the Manager had explored the YARDI system that will facilitate such processes;
3. internal audit review on Asset Acquisition and Disposal Processes and Related Party Transactions ("RPT") where the Audit Committee had put in place a periodic review of lists of RPT for the purpose of monitoring conflict of interest situation; and
4. internal audit review on compliance with Corporate Governance Best Practices and Asian Public Real Estate Association Guidelines and Risk Management Procedures which was an annual review carried out to ensure compliance with best practices by the Manager and Axis-REIT.

The costs incurred by the Manager for the outsourced Internal Audit Function in respect of the FYE2012 amounted to RM60,000.

There were no control deficiencies noted during the financial year under review which had a material impact on Axis-REIT or the Manager's financial performance or operations.



Statement On

DIRECTORS' RESPONSIBILITY

For preparing the Annual Audited Financial Statements

In accordance with Paragraph 15.26(a) of the Listing Requirements of Bursa Securities, the Board of Directors of Axis REIT Managers Berhad, the management company of Axis Real Estate Investment Trust ("Axis-REIT"), is pleased to report that, the financial statements of Axis-REIT for the year ended 31 December 2012, have been drawn up in accordance with the provisions of the Deed of Axis-REIT dated 3 April 2009 supplemented by a supplemental Deed dated 15 December 2011 (collectively referred to as "the Deed"), the Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of Axis-REIT as at 31 December 2012 and of the results of its operations and cash flows for the year then ended. The Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- considered that all relevant approved accounting standards have been followed subject to any material departures being disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis.

The Directors have a general responsibility for taking such steps to safeguard the assets of Axis-REIT, and to detect and prevent fraud as well as other irregularities.



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Statement of FINANCIAL POSITION

As at 31 December 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Assets				
Non-current assets				
Investment properties	4	1,519,519	1,276,180	1,164,382
Equipment	5	521	102	-
		1,520,040	1,276,282	1,164,382
Current assets				
Receivables, deposits and prepayments	6	26,598	14,621	13,633
Current tax asset		154	154	154
Cash and cash equivalents	7	42,616	7,374	16,428
		69,368	22,149	30,215
Asset classified as held for sale		-	-	14,300
Total current assets		69,368	22,149	44,515
Total assets		1,589,408	1,298,431	1,208,897
Financed by:				
Unitholders' funds				
Unitholders' capital	8.1	735,429	728,217	540,281
Reserves	8.3	254,276	215,880	214,949
Total unitholders' funds		989,705	944,097	755,230
Non-current liabilities				
Tenants' deposits	9	26,700	27,033	19,773
Financing	10	208,424	149,103	218,609
		235,124	176,136	238,382
Current liabilities				
Payables and accruals	9	23,718	15,963	17,233
Financing	10	340,861	162,235	198,000
		364,579	178,198	215,233
Liability classified as held for sale		-	-	52
Total current liabilities		364,579	178,198	215,285
Total liabilities		599,703	354,334	453,667
Total unitholders' funds and liabilities		1,589,408	1,298,431	1,208,897
Net asset value ("NAV")		989,705	944,097	755,230
Number of units in circulation ('000 units)		456,517	453,814	375,901
NAV per unit (RM)				
- Before income distribution		2.1679	2.0804	2.0091
- After income distribution		2.1119 [#]	2.0664	1.9566

NAV after reflecting proposed final 2012 income distribution of 5.60 sen per unit for the period 1 October 2012 to 31 December 2012 payable on 28 February 2013.

The notes on pages 118 to 150 are an integral part of these financial statements.



Statement of Profit or Loss and OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012 RM'000	2011 RM'000
Gross revenue			
- realised		132,673	114,311
- unrealised (in relation to unbilled lease income receivable)		3,568	3,415
	11	136,241	117,726
Property operating expenses	12	(20,125)	(17,359)
Net property income		116,116	100,367
Profit income		293	421
Net gain/(loss) on disposal of investment properties		1,012	(258)
Change in fair value of investment properties			
- as per valuation	4	24,064	16,013
- unbilled lease income receivable	4	(3,568)	(3,415)
Net (loss)/gain on financial liabilities measured at amortised cost		(598)	154
Net investment income		137,319	113,282
Manager's fees	1(b)	9,606	7,707
Trustee's fees	1(c)	495	377
Auditor's fees			
- audit		106	93
- other services		5	9
Tax agent's fees		21	15
Bad debts (recovered)/written off		(97)	3
Impairment losses of trade receivables		188	69
Depreciation		55	2
Administrative expenses		1,206	890
Islamic financing cost		22,254	22,890
Valuation fees		364	228
Total expenses		34,203	32,283
Net income before tax		103,116	80,999
Income tax benefit	13	-	52
Net income for the year attributable to unitholders		103,116	81,051
Other comprehensive income, net of tax			
Cash flow hedge		746	(994)
Total comprehensive income for the year attributable to unitholders		103,862	80,057

The notes on pages 118 to 150 are an integral part of these financial statements.



Net income for the year is made up as follows:

Realised	
Unrealised	
- Unrealised rental income (in relation to unbilled lease income receivable)	
- Change in fair value of investment properties	
- as per valuation	
- unbilled lease income receivable	
- Gain on financial liabilities measured at amortised cost	
- Provision for deferred tax liabilities	

Note	2012 RM'000	2011 RM'000
	79,650	64,832
	3,568	3,415
4	24,064	16,013
4	(3,568)	(3,415)
	(598)	154
	-	52
	23,466	16,219
	103,116	81,051
14	22.68	21.26
	24.79	23.28
	24.79	23.28
	59,112	59,392
	25,565	6,353
15	84,677	65,745
15	13.00	15.80
15	5.60	1.40
15	13.00	15.80
15	5.60	1.40

Earnings per unit (sen)

Earnings per unit (before manager's fee)

- Gross (sen)
- Net (sen)

Net income distribution

Interim income distribution of 13.00 sen per unit paid on
30 May 2012, 11 September 2012 and 29 November 2012
(2011: 15.80 sen per unit paid on 31 May 2011,
26 August 2011, 9 December 2011 and 22 December 2011)

Proposed final income distribution of 5.60sen per unit
payable on 28 February 2013 (2011: 1.40 sen per unit
payable on 29 February 2012)

Distribution per Unit

- Gross (sen)	- interim
	- final
- Net (sen) *	- interim
	- final

* Withholding tax will be deducted for distributions made to the following categories of unitholders:

	Withholding tax rate		
	2013	2012	2011
Resident corporate	Nil^	Nil^	Nil^
Resident non-corporate	10%	10%	10%
Non-resident individual	10%	10%	10%
Non-resident corporate	25%	25%	25%
Non-resident institutional	10%	10%	10%

^ to tax at prevailing rate

The notes on pages 118 to 150 are an integral part of these financial statements.



Statement of

CHANGES IN NET ASSET VALUE

For the year ended 31 December 2012

	Total unitholders' capital RM'000	Distributable Realised income RM'000	← Non-distributable → Unrealised income RM'000	Hedging reserves RM'000	Total unitholders' funds RM'000
At 1 January 2011	540,281	19,766	195,841	(658)	755,230
Net income for the year	-	64,832	16,219	-	81,051
Cash flow hedge	-	-	-	(994)	(994)
Realisation of unrealised income	-	1,043	(1,043)	-	-
Total comprehensive income/ (loss) for the year	-	65,875	15,176	(994)	80,057
<i>Contributions by and distributions to unitholders</i>					
Placement of units	190,477	-	-	-	190,477
Issuing expenses	(2,541)	-	-	-	(2,541)
Distribution to unitholders	-	(79,126)	-	-	(79,126)
Total transactions with unitholders	187,936	(79,126)	-	-	108,810
At 31 December 2011	728,217	6,515	211,017	(1,652)	944,097
Note 8					
At 1 January 2012	728,217	6,515	211,017	(1,652)	944,097
Net income for the year	-	79,650	23,466	-	103,116
Cash flow hedge	-	-	-	746	746
Realisation of unrealised income	-	4,918	(4,918)	-	-
Total comprehensive income for the year	-	84,568	18,548	746	103,862
<i>Contributions by and distributions to unitholders</i>					
Placement of units	7,244	-	-	-	7,244
Issuing expenses	(32)	-	-	-	(32)
Distribution to unitholders	-	(65,466)	-	-	(65,466)
Total transactions with unitholders	7,212	(65,466)	-	-	(58,254)
At 31 December 2012	735,429	25,617	229,565	(906)	989,705

Note 8

The notes on pages 118 to 150 are an integral part of these financial statements.



Statement of CASH FLOWS

For the year ended 31 December 2012

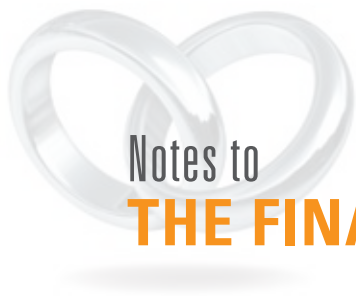
	Note	2012 RM'000	2011 RM'000
Cash flows from operating activities			
Net income before taxation		103,116	80,999
<i>Adjustments for:</i>			
Islamic financing cost		22,254	22,890
Profit income		(293)	(421)
Change in fair value of investment properties (net of unbilled lease income receivable)		(24,064)	(16,013)
Depreciation of equipment	5	55	2
Net loss/(gain) on financial liabilities measured at amortised cost		598	(154)
Net (gain)/loss on disposal of investment property		(1,012)	258
Fixed assets written off		91	-
Operating income before changes in working capital		100,745	87,561
Receivables, deposits and prepayments		9,263	(988)
Payables and accruals		8,501	(2,264)
Tenants' deposits		(931)	7,414
Net cash from operating activities		117,578	91,723
Cash flows from investing activities			
Profit income received		293	421
Acquisition of investment properties		(223,152)	(82,571)
Acquisition of equipment		(565)	(104)
Enhancement of investment properties		(18,123)	(13,214)
Net proceeds from disposal of investment property		1,772	14,042
Net cash used in investing activities		(239,775)	(81,426)
Cash flows from financing activities			
Islamic financing cost paid		(22,254)	(22,890)
Proceeds from/(Payment of) financing		237,608	(105,271)
Proceeds from hire purchase		339	-
Income distribution paid to unitholders		(65,466)	(72,840)
Proceeds from issue of units		7,244	184,191
Issuing expenses		(32)	(2,541)
Net cash generated from/(used in) financing activities		157,439	(19,351)
Net increase/(decrease) in cash and cash equivalents		35,242	(9,054)
Cash and cash equivalents at 1 January		7,074	16,128
Cash and cash equivalents at 31 December	(i)	42,316	7,074

(i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	2012 RM'000	2011 RM'000
Cash and bank balances	7	4,372	4,062
Islamic deposits placed with licensed banks	7	38,244	3,312
		42,616	7,374
Less: Islamic deposit placed with a licensed bank - pledged		(300)	(300)
		42,316	7,074

The notes on pages 118 to 150 are an integral part of these financial statements.



THE FINANCIAL STATEMENTS

1. General

Axis Real Estate Investment Trust ("Axis-REIT") is a Malaysia-domiciled real estate investment trust constituted pursuant to the Deed dated 3 April 2009 supplemented by a supplemental Deed dated 15 December 2011 (collectively referred to as "the Deed") between Axis REIT Managers Berhad ("the Manager") and OSK Trustees Berhad ("the Trustee"). The Deed is regulated by the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts, Securities Commission's Guidelines for Islamic Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings. Axis-REIT will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of Clause 26 of the Deed. The addresses of the registered office of the Manager and principal place of business of Axis-REIT are as follows:

Registered office

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

Principal place of business

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

The financial statements as at and for the financial year ended 31 December 2012 comprise the financial statements of Axis-REIT and its special purpose entity ("SPE"), Axis REIT Sukuk Berhad, a company incorporated in Malaysia, of which the principal activity is to raise finance on behalf of Axis-REIT for the refinancing of its existing credit facilities.

Axis-REIT is principally engaged in investing in a diverse portfolio of properties with the primary objective of achieving an attractive level of return from rental income and long-term capital growth. There has been no significant change in the nature of this activity during the year.

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

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

(a) Property management fees

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

(b) Manager's fees

Pursuant to the Deed, the Manager is entitled to receive a fee of up to a maximum of 1.00% (2011: 1.00%) per annum of the Net Asset Value of Axis-REIT, calculated on a monthly accrual basis and payable monthly in arrears. The Manager's fees for the year ended 31 December 2012 of RM9,606,059 (2011: RM7,706,733) is 1.00% (2011: 1.00%) of the monthly net asset value.

The Manager is also entitled to receive an acquisition fee or a disposal fee of 1.00% or 0.50% of the purchase price or the disposal price, respectively, of any investment property purchased or disposed directly or indirectly by Axis-REIT which is payable after the completion of the acquisition or the disposal. The acquisition fees for the year ended 31 December 2012 of RM2,190,000 (2011: RM861,250) is 1.00% (2011: 1.00%) of the purchase price. The acquisition fees are included in the acquisition cost of the investment properties acquired (Note 4).

The disposal fee for the year ended 31 December 2012 of RM118,000 (2011: RM76,850) is 0.50% of the disposal price.

(c) Trustee's fees

Pursuant to the Deed, the Trustee is entitled to receive a fee of 0.05% (2011: 0.05%) per annum of the Net Asset Value of Axis-REIT calculated on a monthly accrual basis and payable monthly in arrears. The trustee's fees for the year ended 31 December 2012 is RM494,879 (2011: RM376,851).

The financial statements were approved by the Board of Directors of the Manager on 18 February 2013.



2. Basis of preparation

(a) Statement of compliance

The financial statements of Axis-REIT have been prepared in accordance with the provisions of the Deed, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Securities Commission's Guidelines for Islamic Real Estate Investment Trusts, applicable securities laws, Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and generally accepted accounting principles in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by Axis-REIT:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to MFRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits (2011)*
- MFRS 127, *Separate Financial Statements (2011)*
- MFRS 128, *Investments in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures*

Axis-REIT plans to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning on 1 January 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2012 and 1 January 2013, except for MFRSs/IC Interpretations which are not applicable to Axis-REIT.
- from the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014.
- from the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.



THE FINANCIAL STATEMENTS

2. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the functional currency of Axis-REIT. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than disclosed in the Note 4 - valuation of investment properties.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and in preparing the opening MFRS statements of financial position of Axis-REIT at 1 January 2011, unless otherwise stated.

(a) Basis of consolidation

(i) Special purpose entity

Axis-REIT has established a special purpose entity ("SPE") for the purpose of raising financing on behalf of Axis-REIT for the refinancing of its existing credit facilities. An SPE is consolidated as if it is a subsidiary, if, based on an evaluation of the substance of its relationship with Axis-REIT and the SPE's risks and rewards, Axis-REIT concludes that it controls the SPE. The SPE controlled by Axis-REIT was established under terms that impose strict limitations on the decision-making powers of the SPE's management which result in Axis-REIT receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks incident to the SPE's activities and retaining the majority of the residual or ownership risks related to the SPE or its assets.

(b) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, Axis-REIT becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.



3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Axis-REIT categorises financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including Shariah-compliant derivatives which are the only type of derivative Axis-REIT can invest in (except for a Shariah-compliant derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Shariah-compliant derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Financing and receivables

Financing and receivables category comprises financing instruments that are not quoted in an active market.

Financial assets categorised as financing and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3(h)(i))

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are Shariah-compliant derivatives (except for a Shariah-compliant derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Shariah-compliant derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

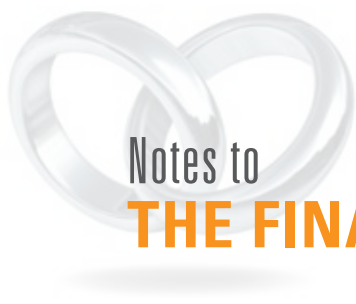
Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Hedge accounting

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.



3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Hedge accounting (continued)

Cash flow hedge (continued)

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Investment properties

(i) Investment properties carried at fair value

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

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values Axis-REIT's investment property portfolio every year.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness;
- the allocation of maintenance and insurance responsibilities between Axis-REIT and the lessee; and
- the remaining economic life of the property.



3. Significant accounting policies (continued)

(c) Investment properties (continued)

(ii) Determination of fair value

When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and, where appropriate, counter-notices have been served validly and within the appropriate time.

Significant assumptions in arriving at the fair value of investment properties are disclosed in Note 4.

(d) Equipment

(i) Recognition and measurement

Items of equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

The gain or loss on disposal of an item of equipment is determined by comparing the proceeds from disposal with the carrying amount of equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to Axis-REIT, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred.

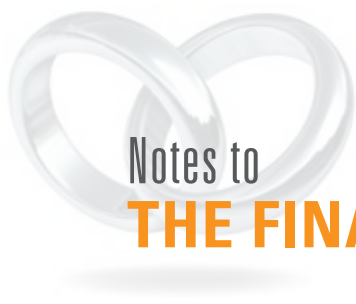
(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the term of their estimated useful lives at the following principal annual rates:

- Office equipment 10%
- Car park machine 10%
- Motor vehicle 20%

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.



Notes to THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

(e) Leases

Leases in terms of which Axis-REIT assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leases where Axis-REIT does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on Axis-REIT's statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment properties.

(f) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

Immediately before classification as held for sale, the assets are remeasured in accordance with Axis-REIT's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell.

(g) Cash and cash equivalents

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

(h) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective exists, then the financial assets' recoverable amount is estimated.

An impairment loss in respect of financing and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

(ii) Other assets

The carrying amounts of other assets (except for investment property that is measured at fair value and non-current assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.



3. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Other assets (continued)

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

(i) Financing

Financing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Effective interest method is an accounting method in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*, to account for financial instruments that falls under the accounting standard. It does not in any way suggest that Axis-REIT will invest in conventional financial instruments.

(j) Provisions

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

(k) Revenue

(i) Rental income

Rental income consists of income from the letting of investment properties including lots and car parks, and other associated income.

Rental income from investment properties is recognised in profit or loss on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

(ii) Profit income

Profit income is recognised as it accrues using the effective interest method in profit or loss.

(l) Expenses

(i) Property expenses

Property expenses consist of property management fees, quit rents and assessment, and other property outgoings in relation to investment properties where such expenses are the responsibility of Axis-REIT.

Property management fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(a).

(ii) Manager's fees

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

(iii) Trustee's fees

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



Notes to THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3(c), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

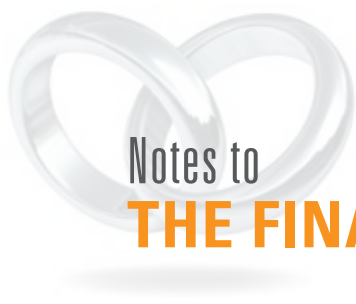
4. Investment properties

	2012 RM'000	2011 RM'000	
At 1 January	1,276,180	1,164,382	
Acquisitions	223,152	82,571	
Disposal	(22,000)	-	
Enhancements	18,123	13,214	
Change in fair value	24,064	16,013	
At 31 December	1,519,519	1,276,180	
	31.12.2012	31.12.2011	1.1.2011
Included in the above are:			
Land and buildings at fair value	1,519,519	1,276,180	1,164,382



4. Investment properties (continued)

Description of property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Location	Existing use	Occupancy rates as at 31.12.2012 %	Fair value as at 31.12.2012 RM'000	Initial acquisition cost as at 31.12.2012 RM'000	Percentage of fair value to Net Asset Value as at 31.12.2012 %
Menara Axis * #	Leasehold	99	53	Petaling Jaya	Commercial	100.0	108,000	71,440	10.9
Crystal Plaza ** #	Leasehold	99	47	Petaling Jaya	Commercial	100.0	103,100	56,400	10.4
Axis Business Park *** #	Leasehold	99	48	Petaling Jaya	Office & Warehouse	100.0	109,000	84,600	11.0
Infinite Centre *** #	Leasehold	99	53	Petaling Jaya	Office & Warehouse	95.6	38,000	25,450	3.8
Axis Plaza *** #	Freehold	-	-	Shah Alam	Office & Warehouse	89.3	31,000	22,500	3.1
Wisma Kemajuan ^ #	Leasehold	99	53	Petaling Jaya	Office & Warehouse	88.0	55,330	29,192	5.6
Axis Business Campus (formerly known as Wisma Bintang) * #	Leasehold	99	55/59	Petaling Jaya	Office & Workshop	15.7	48,009	32,681	4.9
Axis Shah Alam DC 1 ^^^ #	Freehold	-	-	Shah Alam	Factory/Warehouse	100.0	21,500	18,783	2.2
Giant Hypermarket ^^ #	Freehold	-	-	Sungai Petani	Warehouse	100.0	39,600	38,678	4.0
FCI Senai ***** #	Leasehold	60	55	Senai, Johor	Office & Factory	100.0	15,000	12,538	1.5
Fonterra HQ (formerly known as Nestle Office & Warehouse) ^^^ #	Freehold	-	-	Shah Alam	Office & Warehouse	84.96	13,500	7,352	1.4
Quattro West *	Leasehold	99	60	Petaling Jaya	Office	100.0	53,000	40,376	5.4
Strateg Data Centre (formerly known as Strateg HQ) *** #	Leasehold	99	56	Petaling Jaya	Office & Warehouse	100.0	52,000	37,549	5.3
BMW Centre PTP ***** #	Leasehold	60	43	Tanjung Pelepas	Office & Warehouse	100.0	29,000	27,470	2.9
Niro Warehouse ^^^ #	Leasehold	60	39	Pasir Gudang	Office & Warehouse	100.0	16,200	14,811	1.6
Delfi Warehouse ^^^ #	Leasehold	60	55	Pasir Gudang	Office & Warehouse	100.0	14,000	12,743	1.4
Axis Vista *** ##	Leasehold	99	54	Petaling Jaya	Office & Warehouse	100.0	36,000	32,481	3.6
Axis Steel Centre ** ##	Leasehold	99	90	Klang	Office & Warehouse	100.0	75,375	65,882	7.6
Bukit Raja Distribution Centre ^^^ ##	Freehold	-	-	Klang	Office & Warehouse	100.0	90,000	72,636	9.1
Seberang Prai Logistic Warehouse 1 ^^^ #	Leasehold	60	41	Seberang Prai	Office & Warehouse	100.0	19,600	17,695	2.0
Seberang Prai Logistic Warehouse 2 ^^^ #	Leasehold	60	41	Seberang Prai	Office & Warehouse	100.0	7,700	6,981	0.8
Tesco Bukit Indah ***** ##	Freehold	-	-	Johor Bahru	Warehouse	100.0	87,000	76,750	8.8
Axis PDI Centre *	Leasehold	99	79	Kuala Langat	Office & Warehouse	100.0	92,000	86,146	9.3
Axis Technology Centre *	Leasehold	99	55	Petaling Jaya	Office & Warehouse	98.1	52,000	49,697	5.3
D8 Logistic Warehouse ^^^ #	Leasehold	60	43	Johor Bahru	Warehouse	100.0	31,600	30,521	3.2
Axis Eureka ^^^ #	Freehold	-	-	Cyberjaya	Office	91.6	53,700	52,050	5.4
Bayan Lepas Distribution Centre *** #	Leasehold	60	50	Bayan Lepas	Office & Warehouse	100.0	49,500	49,471	5.0
Seberang Prai Logistic Warehouse 3 ***	Leasehold	60	40/56	Seberang Prai	Office & Warehouse	100.0	63,000	60,139	6.4
Emerson Industrial Facility Nilai *^ #	Leasehold	99	83	Nilai	Office & Warehouse	100.0	27,805	27,011	2.8
Wisma Academy Parcel*	Leasehold	99	50	Petaling Jaya	Office & Warehouse	100.0	73,000	74,242	7.4
The Annex*	Leasehold	99	50	Petaling Jaya	Showroom & Warehouse	100.0	15,000	12,289	1.5
Investment properties							1,519,519	1,246,554	



Notes to THE FINANCIAL STATEMENTS

4. Investment properties (continued)

- * Menara Axis, Quattro West, Axis Business Campus (formerly known as Wisma Bintang), Axis PDI Centre, Axis Technology Centre, Wisma Academy Parcel and The Annex were valued on 28 November 2012, 28 November 2012, 4 May 2012, 7 December 2012, 28 November 2012, 27 April 2012 and 27 April 2012 respectively, by PA International Property Consultant (KL) Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the cost and investment methods of valuation.
- ** Crystal Plaza and Axis Steel Centre were valued on 6 December 2012 and 30 March 2012 by Rahim & Co Chartered Surveyors Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the cost and investment methods of valuation.
- *** Axis Business Park, Infinite Centre, Axis Plaza, Strateq Data Centre (formerly known as Strateq HQ), Axis Vista, Bayan Lepas Distribution Centre and Seberang Prai Logistic Warehouse 3 were valued on 30 November 2012, 30 November 2012, 24 July 2012, 30 November 2012, 30 November 2012, 18 July 2012 and 19 July 2012 respectively, by CB Richard Ellis (Malaysia) Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.
- **** FCI Senai, BMW Centre PTP and Tesco Bukit Indah were valued on 5 December 2012, 5 December 2012 and 5 December 2012 respectively, by CB Richard Ellis (Johor) Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.
- ^ Wisma Kemajuan was valued on 1 December 2012 by First Pacific Valuers Property Consultants Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the cost and investment methods of valuation.
- ^^ Giant Hypermarket was valued on 10 December 2012 by Cheston International (KL) Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the cost and investment methods of valuation.
- ^^^ Axis Shah Alam DC 1, Fonterra HQ (formerly known as Nestle Office & Warehouse), Niro Warehouse, Delfi Warehouse, Bukit Raja Distribution Centre, Seberang Prai Logistic Warehouse 1, Seberang Prai Logistic Warehouse 2, D8 Logistic Warehouse and Axis Eureka were valued on 20 July 2012, 23 July 2012, 24 July 2012, 24 July 2012, 6 December 2012, 4 December 2012, 7 December 2012, 30 November 2012 and 7 December 2012 by CH Williams Talhar & Wong Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.
- *^ Emerson Industrial Facility Nilai was valued on 9 January 2012 by KGV International Property Consultants (M) Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the cost and investment methods of valuation.
- # These properties are charged to financial institutions for banking facilities granted to Axis-REIT (Note 10).
- ## These properties are charged to the Sukukholders for an Islamic Medium Term Notes ("Sukuk") of RM110.0 million in nominal value pursuant to an Islamic Medium Term Notes Programme ("Sukuk Programme") of up to RM300.0 million in nominal value



4. Investment properties (continued)

The comparison method considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. In general, the property being valued is compared with sales of similar properties that have been transacted in the open market. Listing and offering may also be considered. Valuation under this method may be significantly affected by the timing and the characteristics (such as location, accessibility, design, size and condition) of the property transactions used for comparison.

The cost method considers the summation of the value components of the land and cost of building. The value components of land are estimated based on location, plot size, accessibility and other relevant factors. The cost of building is determined based on current estimates of size, reproduction cost less depreciation or replacement cost less depreciation, obsolescence and existing physical condition of the building. The reproduction or replacement cost of building is derived from estimates of current market prices for materials, labour and present construction techniques. Valuation under this method may be significantly affected by the location of the property and the market prices for materials and labour.

The investment method considers income and expenses data relating to the property being valued and estimates value through a capitalisation process. The annual rental income presently received or expected to command over a period of time relating to the lease of the property is estimated to obtain the net annual rental value. This net annual income is then appropriately adjusted with a discounting rate to present value and then capitalised by an appropriate capitalisation rate to adjust the income into the present capital value of the property. Valuation under this method may be significantly affected by the yield, occupancy rate, discount factor and capitalisation rate used. The yield applied to the net annual rentals to determine fair value of the property ranges from 6.5% to 8.5% (31.12.2011: 6.5% to 8.5%; 1.1.2011: 6.8% to 9.0%) per annum.

The valuers have considered the results of the above methods in their valuation and applied professional judgment in the determination of the fair value of these investment properties.

Included in the acquisition cost of investment properties are RM2,321,400 (31.12.2011: RM861,250; 1.1.2011: RM2,338,500) which relates to acquisition fees paid to the Manager (Note 1(b)).

The following are recognised in profit or loss in respect of investment properties:

	Note	2012 RM'000	2011 RM'000
Gross revenue (from investment properties)			
- realised	11	132,673	114,311
- unrealised (in relation to unbilled lease income receivable)	11	3,568	3,415
Direct operating expenses	12	20,125	17,359

Notes to THE FINANCIAL STATEMENTS

4. Investment properties (continued)

Description of property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Location	Existing use	Occupancy rates as at 31.12.2011 %	Fair value as at 31.12.2011 RM'000	Initial acquisition cost as at 31.12.2011 RM'000	Percentage of fair value to Net Asset Value as at 31.12.2011 %
Menara Axis * #	Leasehold	99	54	Petaling Jaya	Commercial	100.0	106,000	71,440	11.2
Crystal Plaza ** #	Leasehold	99	48	Petaling Jaya	Commercial	100.0	101,000	56,400	10.7
Axis Business Park *** #	Leasehold	99	49	Petaling Jaya	Office & Warehouse	98.8	108,000	84,600	11.4
Infinite Centre *** #	Leasehold	99	54	Petaling Jaya	Office & Warehouse	97.7	37,000	25,450	3.9
Axis Plaza *** #	Freehold	-	-	Shah Alam	Office & Warehouse	89.3	31,000	22,500	3.3
Wisma Kemajuan ^ #	Leasehold	99	54	Petaling Jaya	Office & Warehouse	78.9	54,200	29,192	5.7
Kayangan Depot ^ #	Leasehold	99	75	Shah Alam	Office & Warehouse	69.4	22,000	16,224	2.3
Wisma Bintang ^ #	Leasehold	99	56/60	Petaling Jaya	Office & Workshop	100.0	47,100	32,681	5.0
Axis Shah Alam DC 1 ^^^ #	Freehold	-	-	Shah Alam	Factory/Warehouse	100.0	20,200	18,783	2.1
Giant Hypermarket ^^ #	Freehold	-	-	Sungei Petani	Warehouse	100.0	39,200	38,678	4.2
FCI Senai ***	Leasehold	60	56	Senai, Johor	Office & Factory	100.0	14,000	12,538	1.5
Nestle Office & Warehouse ^^^ #	Freehold	-	-	Shah Alam	Office & Warehouse	100.0	9,000	7,352	1.0
Quattro West (formerly known as Nestle House)*	Leasehold	99	61	Petaling Jaya	Office	89.5	52,000	40,376	5.5
Strateq HQ (formerly known as Kompakar CRC HQ) *** #	Leasehold	99	57	Petaling Jaya	Office & Warehouse	100.0	41,000	37,549	4.3
BMW Centre PTP ***	Leasehold	60	44	Tanjung Pelepas	Office & Warehouse	100.0	28,500	27,470	3.0
Niro Warehouse ^^^ #	Leasehold	60	40	Pasir Gudang	Office & Warehouse	100.0	16,000	14,811	1.7
Delfi Warehouse ^^^ #	Leasehold	60	56	Pasir Gudang	Office & Warehouse	100.0	13,900	12,743	1.5
Axis Vista ***	Leasehold	99	55	Petaling Jaya	Office & Warehouse	100.0	35,800	32,481	3.8
Axis Steel Centre *	Leasehold	99	91	Klang	Office & Warehouse	100.0	75,000	65,882	7.9
Bukit Raja Distribution Centre ^^^ #	Freehold	-	-	Klang	Office & Warehouse	100.0	84,300	72,636	8.9
Seberang Prai Logistic Warehouse 1 ^^^	Leasehold	60	42	Seberang Prai	Office & Warehouse	100.0	18,990	17,695	2.0
Seberang Prai Logistic Warehouse 2 ^^^	Leasehold	60	42	Seberang Prai	Office & Warehouse	100.0	7,490	6,981	0.8
Tesco Bukit Indah ***	Freehold	-	-	Johor Bahru	Warehouse	100.0	86,000	76,750	9.1
Axis PDI Centre *	Leasehold	99	80	Kuala Langat	Office & Warehouse	100.0	92,000	86,146	9.7
Axis Technology Centre *	Leasehold	99	56	Petaling Jaya	Office & Warehouse	100.0	52,000	49,697	5.5
D8 Logistic Warehouse ^^^	Leasehold	60	44	Johor Bahru	Warehouse	100.0	31,300	30,521	3.3
Axis Eureka ^^^	Freehold	-	-	Cyberjaya	Office	99.4	53,200	52,050	5.6
Investment properties							1,276,180	1,039,626	



4. Investment properties (continued)

- * Menara Axis, Quattro West (formerly known as Nestle House), Axis Steel Centre, Axis PDI Centre and Axis Technology Centre were valued on 6 December 2011, 5 December 2011, 1 July 2011, 7 December 2011 and 7 December 2011 respectively, by PA International Property Consultant (KL) Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.
- ** Crystal Plaza was valued on 5 December 2011 by Rahim & Co Chartered Surveyors Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison and investment methods of valuation.
- *** Axis Business Park, Infinite Centre, Axis Plaza, FCI Senai, Strateq HQ (formerly known as Kompakar CRC HQ), BMW Centre PTP, Axis Vista and Tesco Bukit Indah were valued on 5 December 2011, 2 December 2011, 2 August 2011, 5 December 2011, 5 December 2011, 5 December 2011, 1 July 2011 and 6 December 2011 respectively, by CB Richard Ellis (Malaysia) Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.
- ^ Wisma Kemajuan and Kayangan Depot and Wisma Bintang were valued on 8 December 2011, 21 November 2011 and 8 December 2011 respectively, by First Pacific Valuers Property Consultants Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the cost, comparison and investment methods of valuation.
- ^^ Giant Hypermarket was valued on 11 December 2011 by Cheston International (KL) Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the cost and investment methods of valuation.
- ^^^ Axis Shah Alam DC 1, Nestle Office & Warehouse, Niro Warehouse, Delfi Warehouse, Bukit Raja Distribution Centre, Seberang Prai Logistic Warehouse 1, Seberang Prai Logistic Warehouse 2, D8 Logistic Warehouse and Axis Eureka were valued on 8 April 2011, 10 August 2011, 7 December 2011, 18 October 2011, 8 December 2011, 7 December 2011, 7 December 2011, 7 December 2011 and 8 December 2011 by CH Williams Talhar & Wong Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.
- # These properties are charged to financial institutions for banking facilities granted to Axis-REIT (Note 10).

Notes to THE FINANCIAL STATEMENTS

4. Investment properties (continued)

Description of property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Location	Existing use	Occupancy rates as at 1.1.2011 %	Fair value as at 1.1.2011 RM'000	Initial acquisition cost as at 1.1.2011 RM'000	Percentage of fair value to Net Asset Value as at 1.1.2011 %
Menara Axis * ##	Leasehold	99	55	Petaling Jaya	Commercial	100.0	96,012	71,440	12.7
Crystal Plaza ** ##	Leasehold	99	49	Petaling Jaya	Commercial	100.0	96,036	56,400	12.7
Axis Business Park *** ##	Leasehold	99	50	Petaling Jaya	Office & Warehouse	95.1	107,005	84,600	14.2
Infinite Centre *** ##	Leasehold	99	55	Petaling Jaya	Office & Warehouse	93.4	36,000	25,450	4.8
Axis Plaza *** ##	Freehold	-	-	Shah Alam	Office & Warehouse	76.7	31,000	22,500	4.1
Wisma Kemajuan * ##	Leasehold	99	55	Petaling Jaya	Office & Warehouse	82.2	53,630	29,192	7.1
Axis North Port LC 1 *	Leasehold	99	95	Klang	Warehouse	100.0	14,300	10,373	1.9
Kayangan Depot * ##	Leasehold	99	76	Shah Alam	Office & Warehouse	60.5	20,000	16,224	2.7
Wisma Bintang ^ ##	Leasehold	99	57/61	Petaling Jaya	Office & Workshop	100.0	47,000	32,681	6.2
Axis Shah Alam DC 1 ^^ ##	Freehold	-	-	Shah Alam	Factory/Warehouse	100.0	19,081	18,783	2.5
Giant Hypermarket ^^ ##	Freehold	-	-	Sungei Petani	Warehouse	100.0	39,000	38,678	5.2
FCI Senai ***	Leasehold	60	57	Senai, Johor	Office & Factory	100.0	14,000	12,538	1.9
Nestle Office & Warehouse ^^^ ##	Freehold	-	-	Shah Alam	Office & Warehouse	100.0	8,200	7,352	1.1
Quattro West (formerly known as Nestle House)*	Leasehold	99	62	Petaling Jaya	Office	72.6	53,138	40,376	7.0
Strateq HQ (formerly known as Kompakar CRC HQ) *** ##	Leasehold	99	58	Petaling Jaya	Office & Warehouse	100.0	40,000	37,549	5.3
BMW Centre PTP ***	Leasehold	60	45	Tanjung Pelepas	Office & Warehouse	100.0	28,500	27,470	3.8
Niro Warehouse ^^^ ##	Leasehold	60	41	Pasir Gudang	Office & Warehouse	100.0	15,600	14,811	2.1
Delfi Warehouse ^^^ ##	Leasehold	60	57	Pasir Gudang	Office & Warehouse	100.0	13,500	12,743	1.8
Axis Vista #	Leasehold	99	56	Petaling Jaya	Office & Warehouse	100.0	35,600	32,481	4.7
Axis Steel Centre *	Leasehold	99	92	Klang	Office & Warehouse	100.0	75,000	65,882	9.9
Bukit Raja Distribution Centre ^^^ ##	Freehold	-	-	Klang	Office & Warehouse	100.0	80,600	72,636	10.7
Seberang Prai Logistic Warehouse 1 ^^^	Leasehold	60	43	Seberang Prai	Office & Warehouse	100.0	18,990	17,695	2.5
Seberang Prai Logistic Warehouse 2 ^^^	Leasehold	60	43	Seberang Prai	Office & Warehouse	100.0	7,490	6,981	1.0
Tesco Bukit Indah ***	Freehold	-	-	Johor Bahru	Warehouse	100.0	85,000	76,750	11.3
Axis PDI Centre *	Leasehold	99	81	Kuala Langat	Office & Warehouse	100.0	92,000	86,146	12.2
Axis Technology Centre *	Leasehold	99	57	Petaling Jaya	Office & Warehouse	100.0	52,000	49,697	6.9
							1,178,682	967,428	
							(14,300)	(10,373)	
							1,164,382	957,055	

Property classified as held for sale
Investment properties



4. Investment properties (continued)

- * Menara Axis, Wisma Kemajuan, Axis Northport LC 1, Kayangan Depot, Quattro West (formerly known as Nestle House), Axis Steel Centre, Axis PDI Centre and Axis Technology Centre were valued on 4 August 2010, 15 December 2010, 20 December 2010, 15 December 2010, 27 May 2010, 16 December 2010, 3 May 2010 and 4 May 2010 respectively, by PA International Property Consultant (KL) Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.
- ** Crystal Plaza was valued on 10 August 2010 by Rahim & Co Chartered Surveyors Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison and investment methods of valuation.
- *** Axis Business Park, Infinite Centre, Axis Plaza, FCI Senai, Strateq HQ (formerly known as Kompakar CRC HQ), BMW Centre PTP and Tesco Bukit Indah were valued on 5 August 2010, 5 August 2010, 5 August 2010, 5 July 2010, 17 September 2010, 7 June 2010 and 29 July 2010 respectively, by CB Richard Ellis (Malaysia) Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.
- ^ Wisma Bintang was valued on 22 December 2010, by First Pacific Valuers Property Consultants Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison and investment methods of valuation.
- ^^ Axis Shah Alam DC 1 and Giant Hypermarket were valued on 18 March 2010 and 4 June 2010 by Cheston International (KL) Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the cost and investment methods of valuation.
- ^^^ Nestle Office & Warehouse, Niro Warehouse, Delfi Warehouse, Bukit Raja Distribution Centre, Seberang Prai Logistic Warehouse 1 and Seberang Prai Logistic Warehouse 2 were valued on 29 May 2010, 3 December 2010, 20 October 2010, 8 June 2010, 8 June 2010 and 8 June 2010 by CH Williams Talhar & Wong Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.
- # Axis Vista was valued on 16 December 2010 by Raine & Horne International Zaki + Partners Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.
- ## These properties are charged to financial institutions for banking facilities granted to Axis-REIT (Note 10).

5. Equipment

	Office equipment RM'000	Motor vehicle RM'000	Car park machine RM'000	Total RM'000
Cost				
At 1 January 2011	-	-	-	-
Additions	11	93	-	104
At 31 December 2011/ 1 January 2012	11	93	-	104
Additions	1	-	564	565
Written off	-	(93)	-	(93)
At 31 December 2012	12	-	564	576
Accumulated depreciation				
At 1 January 2011	-	-	-	-
Charge for the year	-	2	-	2
At 31 December 2011/ 1 January 2012	-	2	-	2
Charge for the year	1	-	54	55
Written off	-	(2)	-	(2)
At 31 December 2012	1	-	54	55
Carrying amount				
At 31 December 2012	11	-	510	521
At 31 December 2011	11	91	-	102



Notes to THE FINANCIAL STATEMENTS

6. Receivables, Deposits And Prepayments

Trade

Trade receivables

Non-trade

Other receivables

Prepayments and deposits

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Trade receivables	2,902	5,417	3,427
Other receivables	21,963	877	608
Prepayments and deposits	1,733	8,327	9,598
	23,696	9,204	10,206
	26,598	14,621	13,633

7. Cash and cash equivalents

Cash and bank balances

Islamic deposits placed with licensed banks

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Cash and bank balances	4,372	4,062	4,143
Islamic deposits placed with licensed banks	38,244	3,312	12,285
	42,616	7,374	16,428

Included in Islamic deposits placed with licensed banks is an amount of RM300,000 (31.12.2011: RM300,000; 1.1.2011: RM300,000) which is pledged for banking facilities granted to Axis-REIT (Note 10).

8. Total unitholders' funds

8.1 Unitholders' capital

Authorised:

At 1 January

Increased during the year

At 31 December

Issued and fully paid up:

At 1 January

Issued for cash

Issued under Income Distribution Reinvestment Plan ("IDRP")

At 31 December

At 1 January

Issue of new units:

2,703,125 units @ RM2.68 per unit

(2011: 75,180,200 units @ RM2.45 per unit

and 2,732,896 units @ RM2.30 per unit)

Issuing expenses (Note 16)

At 31 December

	2012 Number of units '000	2011 Number of units '000
Authorised:		
At 1 January	453,814	375,901
Increased during the year	2,703	77,913
At 31 December	456,517	453,814
Issued and fully paid up:		
At 1 January	453,814	375,901
Issued for cash	-	75,180
Issued under Income Distribution Reinvestment Plan ("IDRP")	2,703	2,733
At 31 December	456,517	453,814
	2012 RM'000	2011 RM'000
At 1 January	728,217	540,281
Issue of new units:		
2,703,125 units @ RM2.68 per unit	7,244	190,477
(2011: 75,180,200 units @ RM2.45 per unit		
and 2,732,896 units @ RM2.30 per unit)		
Issuing expenses (Note 16)	(32)	(2,541)
At 31 December	735,429	728,217

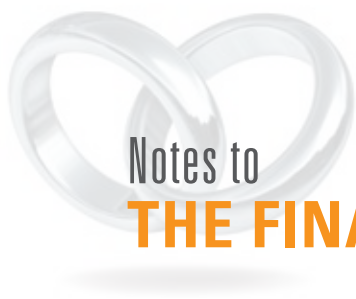


8. Total unitholders' funds (continued)

8.2 Unitholdings of substantial unitholders, directors and their related parties

As at 31 December 2012, the Manager did not hold any units in Axis-REIT. However, the directors of the Manager and their related parties held units in Axis-REIT, details of which are as follows:

	2012		2011	
	Number of units '000	Market value RM'000	Number of units '000	Market value RM'000
Axis-REIT's substantial unitholders' direct unitholdings in Axis-REIT:				
Tew Peng Hwee @ Teoh Peng Hwee	27,201	85,139	27,120	71,054
Alex Lee Lao #	24,428	76,460	24,016	62,922
The Manager's directors' direct unitholdings in Axis-REIT:				
Dato' Abas Carl Gunnar bin Abdullah	15,701	49,114	16,571	43,416
YAM Tunku Dato' Seri Shahabuddin	10	31	10	26
Bin Tunku Besar Burhanuddin	10	31	10	26
Tew Peng Hwee @ Teoh Peng Hwee	27,201	85,139	27,120	71,054
Dato' George Stewart LaBrooy	187	585	96	252
Alex Lee Lao #	24,428	76,460	24,016	62,922
Leong Kit May	20	63	20	52
The Manager's directors' indirect unitholdings in Axis-REIT:				
Dato' Abas Carl Gunnar bin Abdullah*	4,901	15,340	5,622	14,730
Tew Peng Hwee @ Teoh Peng Hwee	-	-	757	1,980
Alex Lee Lao**	1,422	4,451	2,168	5,680
Direct unitholdings of companies that are controlled, jointly controlled or significantly influenced by the Manager's directors ¹ :				
Crystal Properties Sdn. Bhd. (in Members' Voluntary Liquidation)	-	-	252	660
Baiduri Kemas Sdn. Bhd. (in Members' Voluntary Liquidation)	-	-	252	660
Prestigious Landmarks Sdn. Bhd. (in Members' Voluntary Liquidation)	-	-	252	660
Direct unitholdings of close family of the Manager's directors:				
Datin Kuyas Emiloglu (also known as Ka Ya-Shih)	4,901	15,340	4,865	12,746
Leon Lee Lao	1,016	3,180	1,008	2,641
Yin-Yong Lee Lao	406	1,271	403	1,056
Tan Siew Geok	340	1,064	338	886
Tunku Samira Amelia binti Tunku Shahabuddin	407	1,274	-	-
John Lee Lao	300	939	-	-
Dean Lee Lao	600	1,878	-	-



Notes to THE FINANCIAL STATEMENTS

8. Total unitholders' funds (continued)

8.2 Unitholdings of substantial unitholders, directors and their related parties (continued)

Notes:

¹ These companies were previously controlled, jointly controlled or significantly influenced by Dato' Abas Carl Gunnar bin Abdullah, Tew Peng Hwee @ Teoh Peng Hwee and Alex Lee Lao who are the Manager's directors.

Alex Lee Lao is an alternate director to Dato' Abas Carl Gunnar Bin Abdullah.

* Deemed interested in the direct unitholdings of his spouse, Datin Kuyas Emiloglu (also known as Ka Ya-Shih).

** Deemed interested in the direct unitholdings of his brothers, Yin-Yong Lee Lao and Leon Lee Lao.

The market value of the units was determined by multiplying the number of units with the market price of RM3.13 (2011: RM2.62) as at 31 December 2012.

8.3 Reserves

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Undistributed income	255,182	217,532	215,607
Hedging reserve	(906)	(1,652)	(658)
	254,276	215,880	214,949

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

8.4 Breakdown of realised and unrealised net income or losses

The breakdown of the undistributed income of Axis-REIT as at 31 December 2012, into realised and unrealised net income, pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Total undistributed income of Axis-REIT			
- realised	25,617	6,515	19,766
- unrealised	229,565	211,017	195,841
Total undistributed income	255,182	217,532	215,607

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2011.

The unrealised income relates to the cumulative fair value adjustment to investment properties (Note 4), net gain on financial liabilities measured at amortised cost and unbilled lease income receivable. This is offset against deferred tax liability recognised for potential real property gains tax on the fair value gain on the property held for sale.



9. Payables and accruals

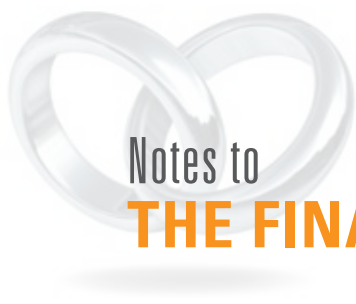
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-Current			
Non-trade			
Tenants' deposits - payable after 12 months	26,700	27,033	19,773
Current			
Trade			
Trade payables	1,878	1,526	1,183
Non-trade			
Tenants' deposits - payable within 12 months	12,659	7,544	9,978
Other payables and accrued expenses	8,275	5,241	5,414
Derivatives designated as hedging instrument	906	1,652	658
	23,718	15,963	17,233
	50,418	42,996	37,006

Included in other payables and accrued expenses are amounts due to the Manager and the Property Manager of RM919,000 (31.12.2011: RM865,000; 1.1.2011: RM672,000) and RM434,000 (31.12.2011: RM331,000; 1.1.2011: RM147,000) respectively, which are unsecured, interest-free, and payable monthly in arrears.

10. Financing

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-current				
Secured term financing		100,000	150,000	220,400
Islamic Medium Term Note	10.1	110,000	-	-
Transaction costs				
- Secured term financing		(434)	(897)	(1,791)
- Islamic Medium Term Notes	10.1	(1,220)	-	-
Finance lease liability	10.2	78	-	-
		208,424	149,103	218,609
Current				
Secured term financing		50,000	70,400	-
Transaction costs		-	(165)	-
Secured revolving credit		290,600	92,000	198,000
Finance lease liability	10.2	261	-	-
		340,861	162,235	198,000
		548,285	311,338	416,609

The financing is secured over investment properties as disclosed in Note 4.



THE FINANCIAL STATEMENTS

10. Financing (continued)

10.1 Islamic Medium Term Notes

On 13 July 2012, Axis-REIT, via its SPE, Axis REIT Sukuk Berhad, issued RM110.0 million in nominal value 10-year Islamic Medium Term Notes ("Sukuk") pursuant to an Islamic Medium Term Notes Programme ("Sukuk Programme") of up to RM300.0 million in nominal value.

The tenure of the Sukuk Programme is fifteen (15) years from the date of the first Sukuk issuance on 13 July 2012. The Sukuk of RM110.0 million was issued to re-finance Axis-REIT's existing financing facilities. The Sukuk which comprise of four tranches have obtained long-term ratings of AAA, AA1, AA2 and AA3 respectively by RAM Rating Services Behad ("RAM"). The expected maturity date is 10 years from the issuance date and the legal maturity date is 12 years from the issuance date.

The transaction costs relating to the Sukuk of RM110.0 million amounted to RM1.277 million and amortised and charged to profit or loss over expected tenure of the Sukuk issued of 10 years.

The first Sukuk issue is secured inter-alia by the following:

1. A first ranking third party legal charge over the following properties of the Axis-REIT:
 - (i) H.S.(D) 77831, Lot Plot 19, Bandar Sultan Sulaiman, Daerah Klang, State of Selangor together with all building(s) erected or to be erected on all or any part thereof and all fixtures affixed or to be affixed on all or any part thereof ("Axis Steel Centre Land");
 - (ii) H.S.(D) 159847, Lot PT 11, Bandar Petaling Jaya, Daerah Petaling, State of Selangor together with all building(s) erected or to be erected on all or any part thereof and all fixtures affixed or to be affixed on all or any part thereof ("Axis Vista Land");
 - (iii) GRN 59001, Lot 26028 and H.S.(D) 99548, PT 48025, both in the Mukim Kapar, Daerah Klang, State of Selangor, together with all building(s) erected or to be erected on all or any part thereof and all fixtures affixed or to be affixed on all or any part thereof ("Bukit Raja Distribution Centre Land"); and
 - (iv) GRN 427597, Lot 138207, Mukim Pulai, Daerah Johor Bahru, State of Johor together with all building(s) erected or to be erected on all or any part thereof and all fixtures affixed or to be affixed on all or any part thereof ("Tesco Bukit Indah Land").
2. Other securities as advised by the legal counsel of CIMB Investment Bank Berhad ("the Lead Manager") and mutually agreed between Axis-REIT, Axis REIT Sukuk Berhad and the Lead Manager.

10.2 Finance lease liability

Finance lease liability is subject to effective profit at 3.5% (2011: nil) per annum.

Finance lease liability is payable as follows:

	Payments RM'000	Profit RM'000	Principal RM'000
Less than one year	99	21	78
Between one and five years	299	38	261
	398	59	339



11. Gross revenue

	Note	2012 RM'000	2011 RM'000
Rental income from investment properties			
- realised		126,394	107,237
- unrealised (in relation to unbilled lease income receivable)	4	3,568	3,415
Car park income		4,284	4,139
Other income		1,995	2,935
		136,241	117,726

12. Property operating expenses

	2012 RM'000	2011 RM'000
Assessment	3,258	2,696
Service contracts and maintenance	5,284	4,104
Property management fees	2,826	2,429
Property management reimbursements	2,045	1,276
Utilities	4,347	4,865
Others	2,365	1,989
	20,125	17,359

13. Income tax expense

	2012 RM'000	2011 RM'000
Reconciliation of tax expense		
Net income before taxation	103,116	80,999
Income tax using Malaysian tax rate of 25%	25,779	20,250
Non-deductible expenses	227	628
Effect of fair value adjustment of investment properties not subject to tax	(6,016)	(4,003)
Effect of income exempted from tax	(19,990)	(16,927)
	-	(52)

Pursuant to the amendment of Section 61A of the Income Tax Act, 1967 under the Finance Act 2006 which was gazetted on 31 December 2006, where in the basis period for a year of assessment, 90% or more of the total income of the trust is distributed to its unitholders, the total income of the trust for that year of assessment shall be exempt from tax.

14. Earnings per unit

The calculation of earnings per unit is based on the net income for the year of RM103,116,000 (2011: RM81,051,000) and on the weighted average number of units in circulation during the year of 454,633,896 (2011: 381,200,076).



Notes to THE FINANCIAL STATEMENTS

15. Distribution to unitholders

Distribution to unitholders is from the following sources:

Net realised rental income

- current year
- prior year (already subject to tax)

Realisation of unrealised income

Gain/(Loss) on disposal

Profit income

Less: Total expenses

Add: Adjustments to earnings available for distribution:-

- depreciation
- impairment losses of trade receivables

Less: Undistributed income

Gross distribution per unit (sen)

Net distribution per unit (sen)

	2012 RM'000	2011 RM'000
Net realised rental income		
- current year	112,548	96,952
- prior year (already subject to tax)	161	31
Realisation of unrealised income	4,918	1,043
Gain/(Loss) on disposal	1,012	(258)
Profit income	293	421
	118,932	98,189
Less: Total expenses	(34,203)	(32,283)
	84,729	65,906
Add: Adjustments to earnings available for distribution:-		
- depreciation	55	-
- impairment losses of trade receivables	188	-
	84,972	65,906
Less: Undistributed income	(295)	(161)
	84,677	65,745
Gross distribution per unit (sen)	18.60	17.20
Net distribution per unit (sen)	18.60	17.20

16. Issuing expenses

Professional fees

Miscellaneous expenses

Total (Note 8)

	2012 RM'000	2011 RM'000
Professional fees	23	2,411
Miscellaneous expenses	9	130
Total (Note 8)	32	2,541

17. Portfolio turnover ratio

Portfolio turnover ratio ("PTR") (times)

	2012	2011
Portfolio turnover ratio ("PTR") (times)	0.04	0.04

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

Since the basis of calculating PTR can vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of Axis-REIT's PTR against other real estate investment trusts.



18. Management expense ratio

	2012	2011
Management expense ratio ("MER") (%)	1.12	1.16

The calculation of the MER is based on the total fees of Axis-REIT incurred, including Manager's fees, Trustee's fees, audit fees, tax agent's fees and administrative expenses, to the average net asset value during the year calculated on a quarterly basis. Comparison of the MER of Axis-REIT with other real estate investment trusts which uses different basis of calculation may not be an accurate comparison.

19. Financial instruments

19.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

	Carrying amounts RM'000	Financing and receivables RM'000
Financial assets		
31 December 2012		
Receivables, deposits and prepayments	26,077	26,077
Cash and cash equivalents	42,616	42,616
	68,693	68,693
31 December 2011		
Receivables, deposits and prepayments	14,093	14,093
Cash and cash equivalents	7,374	7,374
	21,467	21,467
1 January 2011		
Receivables, deposits and prepayments	4,035	4,035
Cash and cash equivalents	16,428	16,428
	20,463	20,463



Notes to THE FINANCIAL STATEMENTS

19. Financial instruments (continued)

19.1 Categories of financial instruments (continued)

Financial liabilities

31 December 2012

Payables and accruals
Tenants' deposits
Financing
Finance lease liability

Carrying amounts RM'000	Financial liabilities measured at amortised cost RM'000	Derivatives designated as hedging instruments RM'000
11,059	10,153	906
39,359	39,359	-
548,946	548,946	-
339	339	-
599,703	598,797	906

31 December 2011

Payables and accruals
Tenants' deposits
Financing

8,419	6,767	1,652
34,577	34,577	-
311,338	311,338	-
354,334	352,682	1,652

1 January 2011

Payables and accruals
Tenants' deposits
Financing

7,255	6,597	658
29,751	29,751	-
416,609	416,609	-
453,615	452,957	658

19.2 Net gains and losses arising from financial instruments

Net (losses)/gains on:

Financing and receivables
Financial liabilities measured at amortised cost

2012 RM'000	2011 RM'000
(188)	(69)
(598)	154
(786)	85

19.3 Financial risks management

Axis-REIT has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk



19. Financial instruments (continued)

19.4 Credit risk

Credit risk is the risk of a financial loss to Axis-REIT if the tenants or counterparty to a financial instrument fails to meet its contractual obligations. This represents Axis-REIT's maximum exposure to credit risk. Axis-REIT performs ongoing credit evaluation of its tenants and generally does not require collateral other than tenants' deposits.

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amount of trade receivables in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. Axis-REIT uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period amounts to RM3,625,000 (31.12.2011: RM5,952,000; 1.1.2011: RM3,893,000) and are secured by tenants' deposits.

Impairment

Axis-REIT maintains an ageing analysis in respect of trader receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
31 December 2012			
Past due 1-30 days	900	-	900
Past due 31-60 days	511	-	511
Past due 61-90 days	170	(62)	108
Past due more than 91 days	2,044	(661)	1,383
	3,625	(723)	2,902
31 December 2011			
Past due 1-30 days	2,894	(26)	2,868
Past due 31-60 days	720	(29)	691
Past due 61-90 days	225	(22)	203
Past due more than 91 days	2,113	(458)	1,655
	5,952	(535)	5,417
1 January 2011			
Past due 1-30 days	1,194	(128)	1,066
Past due 31-60 days	552	(83)	469
Past due 61-90 days	379	(13)	366
Past due more than 91 days	1,768	(242)	1,526
	3,893	(466)	3,427



Notes to THE FINANCIAL STATEMENTS

19. Financial instruments (continued)

19.4 Credit risk (continued)

Impairment (continued)

The movements in the allowance for impairment losses of trade receivables during the year were:

	2012 RM'000	2011 RM'000
At 1 January	535	466
Impairment loss recognised	188	69
At 31 December	723	535

Trade receivables that are individually determined to be impaired relates to tenants who are in significant financial difficulties and have defaulted in payments after taking into consideration the security deposits received from the tenants. For the purpose of quantifying individual impairment, Axis-REIT utilises the security deposits received to first off-set against the longest outstanding receivables. The allowance account in respect of receivables is used to record impairment losses. Unless Axis-REIT is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

19.5 Liquidity risk

Liquidity risk is the risk that Axis-REIT will not able to meet its financial obligations as they fall due. Axis-REIT's exposure to liquidity risk arises principally from its financing.

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

Maturity analysis

The table below summarises the maturity profile of Axis-REIT's financial liabilities as at the end of the reporting period based on undiscounted contractual payments.

	Carrying amounts RM'000	Contractual profit rate %	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Financial liabilities							
31 December 2012							
Payables and accruals	11,059	-	11,059	-	-	-	-
Tenants' deposits	39,360	4.05	45,891	12,659	10,856	8,431	13,945
Term financing							
- 3 years	50,000	4.85	50,864	50,864	-	-	-
- 5 years	99,566	5.63	110,853	5,716	105,137	-	-
Revolving credit	290,600	3.96 - 4.35	291,300	291,300	-	-	-
Finance lease liability	339	3.50	399	99	99	201	-
Islamic Medium Term Notes	108,780	4.61	160,710	5,071	5,071	15,213	135,355
31 December 2011							
Payables and accruals	8,419	-	8,419	8,419	-	-	-
Tenants' deposits	34,577	4.40	48,818	7,544	19,033	22,241	-
Term financing							
- 3 years	119,458	4.60	125,402	74,538	50,864	-	-
- 5 years	99,880	5.61	116,322	5,631	5,631	105,060	-
Revolving credit	92,000	4.30 - 4.59	95,822	95,822	-	-	-



19. Financial instruments (continued)

19.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amounts RM'000	Contractual profit rate %	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
1 January 2011							
Payables and accruals	7,255	-	7,255	7,255	-	-	-
Tenants' deposits	29,751	-	43,410	9,978	10,017	23,415	-
Term financing							
- 3 years	119,672	4.62	130,935	5,533	74,538	50,864	-
- 5 years	98,937	5.64	121,954	5,631	5,631	110,692	-
Revolving credit	198,000	2.86 - 4.57	198,666	198,666	-	-	-

19.6 Market risk

Market risk is the risk that changes in market prices such as interest rates will affect Axis-REIT's financial position or cash flows.

Interest rate risk

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

Interest rate is a general economic indicator that will have an impact on the management of Axis-REIT regardless of whether it is a Shariah-based Fund or otherwise. It does not in any way suggest that Axis-REIT will invest in conventional financial instruments.

Risk management objectives, policies and processes for managing the risk

Axis-REIT has entered into a profit rate swap with a notional contract amount of RM100,000,000 (31.12.2011: RM135,200,000; 1.1.2011: RM135,200,000) in order to achieve an approximate mix of fix and floating rate exposure that is deemed acceptable for Axis-REIT.

Exposure to interest rate risk

The interest rate profile of Axis-REIT's significant profit-bearing financial instruments, based on carrying amounts at the end of the reporting period was:

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Financial asset			
<i>Floating rate instrument</i>			
Islamic deposits with licensed banks	38,244	3,312	12,285
Financial liabilities			
<i>Fixed rate instruments</i>			
Term financing	53,629	84,729	84,408
Finance lease liability	339	-	-
Islamic medium term notes	108,780	-	-
	162,748	84,729	84,408
<i>Floating rate instruments</i>			
Revolving credit	290,600	92,000	198,000
Term financing	95,937	134,609	134,201
	386,537	226,609	332,201



Notes to THE FINANCIAL STATEMENTS

19. Financial instruments (continued)

19.6 Market risk (continued)

Interest rate risk (continued)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis

Axis-REIT does not account for any fixed rate financial liabilities at fair value through profit or loss, and Axis-REIT does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in profit rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/ (decreased) unitholders' funds and post-tax profit or loss by the amounts shown below.

	Unitholders' funds		Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
2012				
Floating rate instruments	-	-	(2,612)	2,612
Profit rate swap	750	(750)	-	-
2011				
Floating rate instruments	-	-	(1,675)	1,675
Profit rate swap	1,014	(1,014)	-	-

19.7 Cash flow hedge

Axis-REIT has entered into a profit rate swap to hedge the cash flow risk in relation to the floating profit rate of the secured Islamic financing of RM100,000,000 (31.12.2011: RM135,200,000; 1.1.2011: RM135,200,000). The profit rate swap has the same nominal value of RM100,000,000 (31.12.2011: RM135,200,000; 1.1.2011: RM135,200,000). The profit income is settled every three months, consistent with the profit payment schedule of the financing and full payment of the principal portion at the end of the tenure.

The following table indicates the periods in which the cash flows associated with the profit rate swap are expected to occur and affect profit or loss:

	Carrying amounts RM'000	Expected cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000
2012				
Profit rate swap	906	906	428	478
2011				
Profit rate swap	1,652	1,652	487	1,165

During the financial year, a gain of RM746,000 (2011: a loss of RM994,000) was recognised in other comprehensive income.



19. Financial instruments (continued)

19.8 Fair values of financial instruments

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

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31.12.2012		31.12.2011		1.1.2011	
	Carrying amounts RM'000	Fair value RM'000	Carrying amounts RM'000	Fair value RM'000	Carrying amounts RM'000	Fair value RM'000
Tenants' deposits	39,360	39,360	34,577	34,577	29,751	29,751
Financing	548,946	545,237	311,338	312,946	416,609	416,609
Finance lease liability	339	399	-	-	-	-
Derivatives designated as hedge instruments	906	906	1,652	1,652	658	658

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Derivatives designated as hedge instruments

The fair value of profit rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market rates for a similar instrument at the measurement date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and cash flows, discounted at the market profit rate at the end of the reporting period.

Profit rates used to determine fair value

The profit rates used to discount estimated cash flows, where applicable, are as follows:

	31.12.2012	31.12.2011	1.1.2011
Financing	4.05%	4.40%	4.50%
Tenants' deposits	4.05%	4.40%	4.50%



Notes to THE FINANCIAL STATEMENTS

19. Financial instruments (continued)

19.9 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2012				
Financial liabilities				
Opening balance	-	1,652	-	1,652
Other comprehensive income	-	(746)	-	(746)
As at 31 December 2012	-	906	-	906
31 December 2011				
Financial liabilities				
Opening balance	-	658	-	658
Other comprehensive income	-	994	-	994
As at 31 December 2011	-	1,652	-	1,652
1 January 2011				
Financial liabilities				
Opening balance	-	726	-	726
Other comprehensive income	-	(68)	-	(68)
As at 1 January 2011	-	658	-	658

20. Capital management

Axis-REIT's objectives when managing capital is to maintain a strong capital base and safeguard Axis-REIT's ability to continue as a going concern, so as to maintain unitholder, creditor and market confidence and to sustain future development of the business. The directors of the Manager monitor and maintain an optimal gearing ratio that complies with regulatory requirements.

During 2012, Axis-REIT's strategy is to maintain a maximum gearing threshold of 35%, which is below the optimal gearing threshold allowed by the Securities Commission's Guidelines on Real Estate Investment Trusts of 50%.

The gearing as at 31 December 2012 and 31 December 2011 and 1 January 2011 were as follows:

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Total financing	10	549,285	311,338	416,609
Total assets		1,589,408	1,298,431	1,208,897
Gearing (%)		34.56	23.98	34.46

There were no changes in Axis-REIT's approach to capital management during the financial year.



21. Operating leases

Leases as lessor

Axis-REIT leases out its investment properties (Note 4) under operating leases. The future minimum lease receivables under non-cancellable leases are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Less than one year	118,186	101,448	83,183
Between one and five years	202,277	218,881	215,669
More than five years	331,482	169,154	289,184
	651,945	489,483	588,036

22. Operating segments

Segment information is presented based on the information reviewed by Axis-REIT's Chief Operating Decision Makers ("CODM") for performance assessment and resource allocation. For the purpose of the assessment of segment performance, Axis-REIT's CODMs have focused on its investment properties. This forms the basis of identifying the operating segments of Axis-REIT under MFRS 8, *Operating Segments*.

As the investment properties are similar in terms of economic characteristics and nature of services, the CODMs are of the view that Axis-REIT only has one reportable segment – leasing of investment properties.

Accordingly, no operating segment information has been prepared as Axis-REIT only has one reportable segment.

No geographical segment information has been prepared as all the investment properties of Axis-REIT are located in Malaysia.

23. Capital commitments

Capital expenditure commitments

Investment properties

Contracted but not provided for and payable:

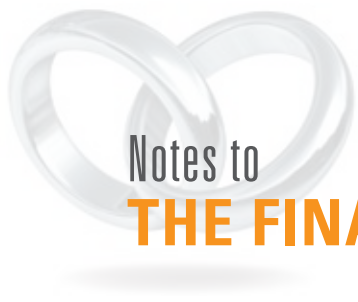
- Within one year

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
	23,920	101,470	73,125

24. Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to Axis-REIT if Axis-REIT has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where Axis-REIT and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Axis-REIT either directly or indirectly. The key management personnel include all the directors of Axis-REIT Managers Berhad and OSK Trustees Berhad, and certain members of senior management of Axis-REIT Managers Berhad and OSK Trustees Berhad.



Notes to THE FINANCIAL STATEMENTS

24. Significant related party transactions (continued)

	Transaction value		Balance outstanding	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Acquisition cost of investment properties payable to a related party of the Directors of the Manager	85,000	-	-	-
Disposal proceeds of investment properties receivable to a related party of the Directors of the Manager	23,600	-	-	-

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

Statement by **THE MANAGER**



In the opinion of the Directors of the Manager, the financial statements set out on pages 113 to 150 are drawn up in accordance with the provisions of the Deed dated 3 April 2009, the supplemental Deed dated 15 December 2011, the Securities Commission's Guidelines on Real Estate Investment Trusts, Securities Commission's Guidelines for Islamic Real Estate Investment Trusts, applicable securities laws and Malaysian Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of Axis Real Estate Investment Trust at 31 December 2012 and of its financial performance and cash flows for the year ended on that date.

In the opinion of the Directors of the Manager, the information set out in the Statement of changes in net asset value and Note 8.4 to the financial statement has been compiled in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.


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

Stephen Tew Peng Hwee

Dato' George Stewart LaBrooy

Kuala Lumpur,

Date: 18 February 2013



Statutory DECLARATION

I, **Leong Kit May**, the Director of Axis REIT Managers Berhad primarily responsible for the financial management of Axis Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 113 to 150, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur on 18 February 2013.

Leong Kit May

Before me:

Zulkifla Mohd Dahlim (W541)
Commissioner For Oaths



To The Unitholders Of Axis Real Estate Investment Trust (Established In Malaysia)

We have acted as Trustee of Axis Real Estate Investment Trust ("Axis-REIT") for the financial year ended 31 December 2012. In our opinion and to the best of our knowledge, Axis REIT Managers Berhad ("the Manager") has managed Axis-REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the revised Deed dated 3 April 2009, the Supplemental Deed dated 15 December 2011, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Securities Commission's Guidelines for Islamic Real Estate Investment Trusts, applicable securities laws and other applicable laws during the financial year then ended.

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

We also confirm that the income distributions declared and paid during the financial year ended 31 December 2012 are in line with and are reflective of the objectives of Axis-REIT. Four distributions have been declared for the financial year ended 31 December 2012 as follows:

- 1) 1st interim income distribution of 4.30 sen per unit paid on 30 May 2012;
- 2) 2nd interim income distribution of 4.40 sen per unit paid on 11 September 2012;
- 3) 3rd interim income distribution of 4.30 sen per unit paid on 29 November 2012; and
- 4) Final income distribution of 5.60 sen per unit payable on 28 February 2013.

For and on behalf of the Trustee,
OSK Trustees Berhad

Woo Lai Mei
Director

Kuala Lumpur,

Date: 18 February 2013



Independent **AUDITORS' REPORT** To The Unitholders Of Axis Real Estate Investment Trust (Established In Malaysia)

Report on the Financial Statements

We have audited the financial statements of Axis Real Estate Investment Trust ("Axis-REIT"), which comprise the statement of financial position as at 31 December 2012, and the statements of profit or loss and other comprehensive income, changes in net asset value and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 113 to 150.

Directors of Axis REIT Manager Berhad's Responsibility for the Financial Statements

The Directors of Axis REIT Manager Berhad are responsible for the preparation and fair presentation of these financial statements in accordance with Malaysian Financial Reporting Standards in Malaysia and International Financial Reporting Standards and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of Axis-REIT as of 31 December 2012 and of its financial performance and cash flows for the year then ended.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information on the breakdown of realised and unrealised income included in the Statement of changes in net asset value and Note 8.4 to the financial statements has been compiled by Axis-REIT as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not a required part of the financial statements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the Unitholders of Axis-REIT and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

Firm Number: AF 0758
Chartered Accountants

Petaling Jaya,
Date: 18 February 2013

Abdullah Abu Samah

Chartered Accountant
Approval Number: 2013/06/12(J)

ANALYSIS OF UNITHOLDINGS AS AT 31 DECEMBER 2012

Size of Holdings	Number of Unitholders	%	Number of Units Held	%
1 - 99	178	6.25	1,985	0.00
100 - 1,000	624	21.89	423,557	0.09
1,001 - 10,000	1,305	45.79	5,927,233	1.30
10,001 - 100,000	539	18.91	16,640,277	3.65
100,001 - 22,825,861 *	199	6.98	281,646,620	61.69
22,825,861 and above **	5	0.18	151,877,549	33.27
Total	2,850	100.00	456,517,221	100.00

* less than 5% of total issued units

** 5% and above of total issued unit

TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2012 AS LISTED IN THE RECORD OF DEPOSITORS

No	Unitholders	@ 31 Dec 2012	% of Total Issued Units
1	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	49,095,377	10.75
2	Tew Peng Hwee @ Teoh Peng Hwee	27,199,485	5.96
3	Amanahraya Trustees Berhad Skim Amanah Saham Bumiputera	26,123,230	5.72
4	Kumpulan Wang Persaraan (Diperbadankan)	25,266,161	5.53
5	Alex Lee Lao	24,193,296	5.30
6	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN For American International Assurance Berhad	20,521,622	4.50
7	Amanahraya Trustees Berhad As 1Malaysia	15,610,960	3.42
8	Amanahraya Trustees Berhad Amanah Saham Didik	14,782,955	3.24
9	Amanahraya Trustees Berhad Amanah Saham Wawasan 2020	12,415,867	2.72
10	Amanahraya Trustees Berhad Public Smallcap Fund	12,377,206	2.71
11	Valuecap Sdn Bhd	11,316,045	2.48
12	Abas Carl Gunnar Bin Abdullah	11,145,452	2.44
13	Amanahraya Trustees Berhad Amanah Saham Malaysia	9,451,461	2.07
14	Lim Kian Thiam	9,358,954	2.05
15	Permodalan Nasional berhad	7,893,183	1.73
16	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	7,315,506	1.60
17	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad For Public Ittikal Fund	7,104,251	1.56



Unitholders' STATISTICS

TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2012 AS LISTED IN THE REGISTER OF UNITHOLDERS (CONTINUED)

No	Unitholders	@ 31 Dec 2012	% of Total Issued Units
18	Cartabon Nominees (Tempatan) Sdn Bhd Exempt AN For Eastspring Investments Berhad	6,584,326	1.44
19	HSBC Nominees (Asing) Sdn Bhd BNYM SA/NV For Liechtensteinische Landesbank Aktiengesellschaft	6,193,574	1.36
20	Uni.Asia General Insurance Berhad	5,500,000	1.20
21	Citigroup Nominees (Tempatan) Sdn Bhd ING Insurance Berhad (INV-IL PAR)	5,414,586	1.19
22	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 2)	5,323,104	1.17
23	Ka, Ya-Shih also known as Myhre, Kuyas	4,900,799	1.07
24	Kurnia Insurans (Malaysia) Berhad	4,527,391	0.99
25	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account - AMBank (M) Berhad for Abas Carl Gunnar Bin Abdullah	4,487,974	0.98
26	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (DR)	3,497,673	0.77
27	HSBC Nominees (Asing) Sdn Bhd Exempt AN For The Bank Of New York Mellon (Mellon Acct)	3,456,600	0.76
28	Citigroup Nominees (Tempatan) Sdn Bhd MCIS Zurich Insurance Berhad (Life PAR FD)	2,997,800	0.66
29	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	2,995,132	0.66
30	AMSEC Nominees (Tempatan) Sdn Bhd Amtrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)	2,775,820	0.61
Total Units		349,825,790	



Frequently Asked QUESTIONS (FAQs)

1. How often does Axis-REIT makes an income distribution?

Since 1 January 2009, Axis-REIT has changed its current income distribution policy from semi annual payment to quarterly payment payable within 1-month from the book closure date. In the event of IDRP in conjunction with income distribution, the income distribution will be paid no later than 5 market days after 1-month from book closure date. However, in certain circumstances such as the issuance of new Units by Axis-REIT during the year, it may be necessary to make a special income distribution at different periods in order to attribute income distribution to existing Unitholders to avoid any income dilution from the enlarged Unitholders' capital.

2. How is this income distribution paid?

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

3. Are there different types of Income Distribution?

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

- (a) Current year's realized income before taxation;
- (b) Current year's tax exempt income, if any;
- (c) Portion of "Accumulated Retained Earnings" that have been taxed;
- (d) Portion of "Accumulated Retained Earnings" that consist of tax exempt income.

4. What is the tax treatment of Unitholders?

Pursuant to the amended Section 109D (2) of the Income Tax Act, 1967 under the Finance Act 2009 which was gazetted on 8 January 2009, the following withholding tax rates would be applicable on distribution of income, which is tax exempt at Axis-REIT's level:

Withholding tax will be deducted for distributions made to the following categories of unitholders:

Type of Unitholder	Withholding tax rate		
	2013	2012	2011
Resident corporate	Nil [^]	Nil [^]	Nil [^]
Resident non-corporate	10%	10%	10%
Non-resident individual	10%	10%	10%
Non-resident corporate	25%	25%	25%
Non-resident institutional	10%	10%	10%

[^] Resident corporate unitholder will enjoy tax transparency but will be subject to the prevailing corporate tax rate.

5. How do I calculate my distribution?

For the financial year ended 31 December 2012, the total distribution was 18.60 sen per unit of which 1.68 sen derived from utilization of capital allowances, tax exempt profit income and distribution on net gain on disposal of property, which is not subject to tax.

Type of Unitholder	Assumption: 10,000 Axis-REIT units	
	Gross distribution	Net distribution to unitholders after deduction of withholding tax
Resident corporate	1,860.00	1,860.00
Resident individual/institutional	1,860.00	1,690.80
Foreign corporate	1,860.00	1,437.00
Foreign institution	1,860.00	1,690.80
Foreign individual	1,860.00	1,690.80

* Resident corporate unitholders will enjoy tax transparency but will be subject to the prevailing corporate tax rate.

6. What is my net distribution yield for 2012?

For the financial year ended 31 December 2012, the total distribution was 18.60 sen per unit.

Type of Unitholder	Net Distribution based on IPO price of RM1.25	Net distribution based on closing price of RM3.13 on 31 December 2012
Resident corporate	14.88%	5.94%
Resident individual/institutional	13.52%	5.40%
Foreign corporate	11.50%	4.59%
Foreign institution	13.52%	5.40%
Foreign individual	13.52%	5.40%

7. Where can I view the Trust Deed of Axis-REIT?

The Deed is available for inspection at the principal place of business of the Manager and at the principal place of business of the Trustee, OSK Trustee Berhad.



Frequently Asked QUESTIONS (FAQs)

8. What are the total numbers of Axis-REIT units currently in issue?

A total of 456,517,221 Units are in circulation.

9. How can new Units be issued?

The Manager may from time to time recommend an increase in the number of Units by way of a rights or bonus issue to existing Unitholders in proportion to their holding of Units, or by way of placement to any person, as consideration issue for subscription or such other methods as may be governed by the SC's Guidelines on REITs. The issue of Units are to finance acquisitions for Axis-REIT or to balance the debt-equity matrix of the Fund.

The prior approval of the SC and the Trustee are required for any increase in the size of the REIT through the creation of further Units. The prior approval of the Unitholders will also be required for the creation of further Units where stipulated in the Deed or under the applicable laws and requirements.

10. What are my rights as a Unitholder?

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

11. How can the Trust Deed be amended?

Save where an amendment to the Deed has been approved by a resolution of not less than 2/3 of the Unitholders at a meeting of Unitholders duly convened and held in accordance with the Deed, no amendment may be made to the provisions of the Deed unless the Trustee and the Manager certify, in its opinion, that such amendment does not materially prejudice the interests of Unitholders and does not operate to release to any material extent the Trustee or the Manager from any responsibility to the Unitholders.

12. Under what circumstances can a meeting of Unitholders be called?

Under the applicable law and requirements and the provisions of the Deed, Axis-REIT will not hold any meetings for Unitholders unless the Trustee or the Manager convenes a meeting or unless not less than 50 Unitholders or 1/10th in number of Unitholders (whichever is lesser) request a meeting to be convened.

Any decision to be made by resolution of Unitholder shall be made by ordinary resolution, unless a special resolution or a majority resolution is required by the applicable laws and requirements and/or the Deed. At least 14 days' notice of every meeting (other than a meeting convened to pass a special resolution, which requires at least 21 days' notice) shall be given to the Unitholders in the manner provided in the Deed. The quorum at a meeting shall be as follows:

- (a) where an ordinary or majority resolution is to be proposed, at least five persons holding or representing by proxy and carrying the right to vote at the meeting; and
- (b) where a special resolution is to be proposed, at least five persons holding or representing by proxy at least 25% of all the Units and carrying the right to vote at the meeting.

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

- (a) it is required by the Deed or by law that the question be decided by a majority which is to be measured by a percentage of the votes of those present;
- (b) it is demanded by the Chairman;
- (c) it is demanded by the Trustee or the Management Company; or
- (d) it is demanded by the Unitholders present (or represented by proxy) holding between them not less than 1/10 of the total number of Units issued.

13. Can the manager vote at Unitholders' meetings?

No. However related parties (as defined in the Deed) to the Manager may vote provided that they have no interest in the outcome of the voting.

14. Why was Axis-REIT reclassified into an Islamic REIT?

- (a) To widen its investor base to include local Shariah-compliant Funds and also to develop investors interest from Shariah-compliant foreign funds.
- (b) To expedite its asset growth with new strategic partners.
- (c) To become the 1st Office Industrial REIT globally to comply with Islamic REIT Guidelines.



15. What are the Securities Commission's Guidelines for Islamic REITs?

The salient compliance requirements are:-

- i. Non-Permissible rental activities must not exceed the 20% benchmark based on the total turnover or area occupied;
- ii. Not permitted to own real estate in which all the tenants operate non-permissible businesses even if the percentage based on turnover/floor area is less than the 20% benchmark;
- iii. All forms of investments, deposits and financing must comply with the Shariah principles;
- iv. Must use the Takaful schemes to insure its real estate.
- v. Not to accept any new tenants whose activities are fully non-permissible.

16. Is an Islamic REIT permitted to own (purchase) real estate in which the tenant(s) operates mixed activities that are permissible and non-permissible according to the Shariah?

An Islamic REIT is permitted to own (purchase) real estate in which its tenants operate mixed activities that are permissible and non-permissible, according to the Shariah.

However, the Islamic REIT fund manager must perform some additional compliance assessments before acquiring real estate that has tenants who operates mixed activities.

17. What are the additional compliance assessments?

An Islamic REIT must obtain the total rental from non-permissible activities from the property that it wants to acquire, and subsequently compare the total rental from non-permissible activities to the total turnover of the Islamic REIT (latest financial year). This is to obtain the percentage of rental from non-permissible activities. The percentage amount will be referred to the 20% benchmark as determined by the Shariah Advisory Council (SAC) of the Securities Commission for the criteria on rental revenue from non-permissible activities. In the event that the percentage exceeds the benchmark, the Shariah Adviser shall advise the Islamic REIT fund manager not to invest in the said real estate.

For example, if the total rental from non-permissible activities is RM 210,000 and the total turnover of the

Islamic REIT for that financial year is RM 1,000,000, then the percentage of rental from non-permissible activities is 21%, which exceeds the 20% benchmark that has been determined by the SAC. In this situation, the Shariah Adviser shall advise the Islamic REIT fund manager not to invest in the said real estate.

18. What are non-permissible activities?

Rental activities that are classified as non-permissible as decided by the SAC are:

- (a) financial services based on riba (interest);
- (b) gambling/gaming;
- (c) manufacture or sale of non-halal products or related products;
- (d) conventional insurance;
- (e) entertainment activities that are non-permissible according to the Shariah;
- (f) manufacture or sale of tobacco-based products or related products;
- (g) stockbroking or share trading in Shariah non-compliant securities; and
- (h) hotels and resorts.

Apart from the activities listed above, the Shariah Adviser can apply *ijtihad** for other activities that may be deemed non-permissible to be included as a criterion in assessing the rental income for the Islamic REIT.

* *ijtihad is the process of reasoning by Islamic jurists to obtain legal rulings from sources of Shariah.*

19. Can an Islamic REIT own real estate in which all the tenants operate non-permissible activities?

No. An Islamic REIT is not permitted to own real estate, in which all the tenants operate non-permissible activities, for example a casino building in which all the tenants are operating non-permissible activities, even if the percentage of rental from that building to the total turnover of the Islamic REIT is still below the benchmark of 20%.



Frequently Asked QUESTIONS (FAQs)

20. What if an Islamic REIT owns real estate that is vacant and plans to rent it out to new tenants? Is it bound by the application of the 20% benchmark as mentioned in the answer for question 2 above?

For a new tenants that plans to rent the real estate of the Islamic REIT, the decision made by the Shariah Adviser does not need to be based on the 20% benchmark because the rental contribution from non-permissible activities is still unknown. Therefore, in this case the Shariah Adviser shall advise the Islamic REIT fund manager not to accept a new tenant(s) that operates activities that are fully non-permissible like a gambling operator.

21. What is the method of calculating the portion of rental of non-permissible activities from the total rental payment paid by a tenant(s) operating mixed activities. For example, say the Islamic REIT receives a rental of RM 3,000 a month from a supermarket. The supermarket sells halal goods and alcoholic beverages. The question is, how do you determine the rental that is considered as non-permissible from the total rental that is paid by the supermarket (RM 3,000)?

The calculation for the rental of non-permissible activities from tenants operating mixed activities can be based on the ratio of area occupied for non-permissible activities to the total area occupied. The percentage will be used as the basis for determining the ratio of rental of non-permissible activities to total rental paid by the tenants.

For example, in a supermarket, if the total area rented out is 1,000 square feet and the area allocated for the sale of alcoholic beverages is 100 square feet, then the ratio of area used for the sale of alcoholic beverages is 10%. Therefore, the rental from non-permissible activities (sale of alcoholic beverages) is 10% of the total rental paid by the supermarket, that is RM 300 a month (10% x RM 3,000).

In addition, for activities that do not involve the usage of space, such as service-based activities, the calculation method will be based on the *ijtihad* of the Shariah Adviser of the Islamic REIT. An example of a service-based activity is packaging that involves packaging of goods that are non-permissible.

22. Is an Islamic REIT required to use instruments that comply with the Shariah principles for purpose of investment, deposit and financing?

Yes. An Islamic REIT must ensure that all forms of investment, deposit and financing instruments comply with the Shariah principles.

23. Is an Islamic REIT required to use insurance schemes that comply with the Shariah principles?

Yes. An Islamic REIT must use Takaful schemes to insure its real estate. If Takaful schemes are unable to provide the insurance coverage, then the Islamic REIT is permitted to use conventional insurance schemes.

24. Is an Islamic REIT permitted to participate in the forward sales or purchases of currency for risk management?

Yes. An Islamic REIT is permitted to participate in forward sales or purchases of currency, and is encouraged to deal with Islamic financial institutions. If the Islamic REIT deals with Islamic financial institutions, then it will be bound by the concept of *wa'ad*** (only one party is obligated to fulfil his promise/responsibility). The party that is bound is the party that initiates the promise. However, if the Islamic REIT deals with conventional financial institutions, it is permitted to participate in the conventional forward sales or purchases of currency.

** *wa'ad* means promise

25. Would the Islamic REIT guidelines supercede the Guidelines on Real Estate Investment Trusts issued in January 2005?

No. The Guidelines on Islamic REIT essentially provide Syariah guidance on the investment and business activities of Islamic REIT and complement the SC's Guidelines on Real Estate Investment Trusts. The issuance of Islamic REIT must therefore comply with both guidelines.

AUM	:	Asset Under Management
Axis-REIT / the Trust / the Fund	:	Axis Real Estate Investment Trust
Bursa Securities / the Exchange	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
Deed	:	The Deed dated 3 April 2009 and the Supplemental Deed dated 15 December 2011 signed between the Trustee and the Manager constituting Axis-REIT
DPU	:	Distribution per Unit
GAV	:	Gross Asset Value
Gearing	:	Financing to Total Assets
Gross Revenue	:	Gross rental income and other income earned from the properties including license fees, car park income, utilities and miscellaneous income
IDRP	:	Income Distribution Reinvestment Plan
Islamic REIT	:	REIT that complies with SC's Guidelines on Islamic REITs
MER	:	Management Expense Ratio
Manager	:	Axis REIT Managers Berhad (Company No. 649450-W), being the Manager of Axis-REIT
NAV	:	Net Asset Value
NTA	:	Net Tangible Assets
Net Lettable Area	:	Consists of the total gross floor area less the common areas, such as corridors, amenities area and management offices of the building
OMV	:	Open Market Value
PTR	:	Portfolio Turnover Ratio
Property Manager	:	Axis Property Services
REIT(s)	:	Real Estate Investment Trust(s)
RM and sen	:	Ringgit Malaysia and sen, respectively
SC	:	Securities Commission
SCA	:	Securities Commission Act, 1993
SC's Guidelines on REITs	:	Guidelines on Real Estate Investment Trusts issued by the SC on 21 August 2008 (updated 28 December 2012), as amended from time to time
SC's Guidelines on Islamic REITs	:	Guidelines on Islamic Real Estate Investment Trusts issued by the SC on 21 Nov 2005
Sq. ft.	:	Square feet
Sqm	:	Square metres
Trustee	:	OSK Trustees Berhad (Company No. 573019-U) being the Trustee of Axis-REIT
Unit(s)	:	Undivided interest(s) in Axis-REIT as constituted by the Deed
Unitholder(s)	:	Holder(s) of the Units
VWAMP	:	Volume weighted average market price



Corporate DIRECTORY

MANAGER

Axis REIT Managers Berhad

MANAGER'S PRINCIPAL PLACE OF BUSINESS

Penthouse, Menara Axis
No. 2, Jalan 51A/223,
46100 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7958 4882
Fax : 03-7957 6881

MANAGER'S

REGISTERED OFFICE :

Suite 11.1A Level 11
Menara Weld
76 Jalan Raja Chulan
50200 Kuala Lumpur
Tel : 03-2031 1988
Fax : 03-2031 9788

BOARD OF DIRECTORS OF THE MANAGER

YAM Tunku Dato' Seri Shahabuddin
Independent Non-Executive Chairman

Y Bhg Dato' George Stewart LaBrooy
Chief Executive Officer /
Executive Director

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

Stephen Tew Peng Hwee
Non-Independent Non-Executive Director

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

Mohd Sharif Bin Haji Yusof
Independent Non-Executive Director

Leong Kit May
Chief Financial Officer/
Executive Director

Alvin Dim Lao
Non-Independent Non-Executive Director

Alex Lee Lao
Alternate to Y Bhg Dato' Abas Carl Gunnar
bin Abdullah

AUDIT COMMITTEE :

YAM Tunku Dato' Seri Shahabuddin
(Chairman)
Mohd Sharif bin Haji Yusof
Alvin Dim Lao

EXECUTIVE COMMITTEE :

Y Bhg Dato' Abas Carl Gunnar
Bin Abdullah (Chairman)
Y Bhg Dato' George Stewart LaBrooy
Stephen Tew Peng Hwee

REMUNERATION COMMITTEE :

Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato'
Mohamed Mansor (Chairman)
Stephen Tew Peng Hwee
Y Bhg Dato' Abas Carl Gunnar
Bin Abdullah

NOMINATION COMMITTEE:

Mohd Sharif Bin Haji Yusof (Chairman)
YAM Tunku Dato' Seri Shahabuddin
Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato'
Mohamed Mansor

COMPANY SECRETARY OF THE MANAGER :

Yeoh Chong Keat
(Membership number: MIA2736)
Rebecca Leong Siew Kwan
(Membership Number: MAICSA 7045547)

SHARIAH ADVISOR:

IBFIM
3rd Floor, Dataran Kewangan
Darul Takaful
Jalan Sultan Sulaiman
50000 Kuala Lumpur
Tel : 03-2031 1010
Fax : 03-2078 5250

PROPERTY MANAGER :

Axis Property Services
Suite 6.04, Wisma Academy
No. 4A, Jalan 19/1
46300 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7958 5928
Fax : 03-7958 3882

TRUSTEE :

OSK Trustees Berhad
6th Floor Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Tel : 03-2333 8333
Fax : 03-2175 3288
Email : OSK_Trustees@osk.com.my
Website : www.osktrustees.com.my

PRINCIPAL BANKERS OF THE FUND :

Maybank Islamic Banking Berhad
37th Floor Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur

CIMB Islamic Bank Berhad
UL Bangunan Amanah Raya
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur

HSBC Amanah Bank Malaysia Berhad
Level 15, HSBC Building
2, Leboh Ampang
50100 Kuala Lumpur

Public Islamic Bank Berhad
27th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur

Standard Chartered Saadiq Berhad
Level 11, Menara Standard Chartered
30 Jalan Sultan Ismail
50250 Kuala Lumpur

AUDITORS :

KPMG
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya

INTERNAL AUDITOR :

Baker Tilly Monteiro Heng
Governance Sdn Bhd
Level 10, MH Tower,
Avenue 5, Bangsar South City
59200 Kuala Lumpur

TAX AGENT :

KPMG Tax Services Sdn Bhd
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya

REGISTRAR :

Symphony Share Registrars Sdn Bhd
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Tel : 03-7841 8000
Fax : 03-7841 8008
Email : ssrs@symphony.com.my
Website : www.symphony.com.my

BURSA SECURITIES NAME AND STOCK CODE :

AXREIT 5106

CALENDAR 2013

JANUARY

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

FEBRUARY

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28		

MARCH

S	M	T	W	T	F	S
31					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

APRIL

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

MAY

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

JUNE

S	M	T	W	T	F	S
30						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

JULY

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

AUGUST

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

SEPTEMBER

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

OCTOBER

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

NOVEMBER

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

DECEMBER

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

PROPOSED CALENDAR OF FINANCIAL EVENTS 2013

January 2013

- Announcement of Unaudited Results for FY 12
- Announcement of the 4Q12 Final Income Distribution

February 2013

- Book Closure date to determine the entitlement to 4Q12 Final Income Distribution
- Payment of the 4Q12 Final Income Distribution
- Release of the 2012 Annual Report

April 2013

- Announcement of Unaudited Results for 1Q13
- Announcement of the 1Q13 Interim Income Distribution
- Annual General Meeting

May 2013

- Book closure date to determine the entitlement to 1Q13 Interim Income Distribution

June 2013

- Payment of 1Q13 Interim Income Distribution

July 2013

- Announcement of the Unaudited Results for 2Q13
- Announcement of the 2Q13 Interim Income Distribution

August 2013

- Book Closure date to determine the entitlement to 2Q13 Interim Income Distribution
- Payment of 2Q13 Interim Income Distribution

October 2013

- Announcement of the Unaudited Results for 3Q13
- Announcement of the 3Q13 Interim Income Distribution

November 2013

- Book Closure date to determine the entitlement to 3Q13 Interim Income Distribution

December 2013

- Payment of 3Q13 Interim Income Distribution

January 2014

- Announcement of the Unaudited Results for FY13
- Announcement of the 4Q13 Final Income Distribution



AXIS REIT MANAGERS BERHAD

(Company Number 649450-W)

(Incorporated in Malaysia under the Companies Act, 1965)

Penthouse, Menara Axis

No. 2 Jln 51A/223

46100 Petaling Jaya

Selangor Darul Ehsan

Malaysia.

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