



UNLOCKING VALUE

Annual
Report
2013

Malaysia's 1st Islamic Office/Industrial REIT



UNLOCKING VALUE

Axis Business Campus

Valuation:

Pre-refurbishment **RM47** million

Post-refurbishment **RM68** million







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This annual report for the year ended 31 December 2013 has been prepared by Axis REIT Managers Berhad (649450-W) as the Manager of Axis-REIT. Whilst every care has been taken in relation to the accuracy, no warranty is given or implied. The information provided is not investment advice and recipients should consider obtaining independent advice before making any decision that relies on this information. All currencies are expressed in Ringgit Malaysia unless otherwise stated. This Annual Report is dated in February 2014.

About AXIS-REIT

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

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

Having started with a modest portfolio of 5 properties, the Fund now boasts 31 properties, leading the industry in terms of its portfolio growth. Over the last 3 years, it has disposed 2 of its properties and committed on its 3rd disposal on 26 December 2013, enabling it to return capital gains to Unitholders.

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

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

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

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

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

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

Axis-REIT is the first Islamic Office / Industrial REIT listed globally. It has grown from a portfolio of 5 assets to 31 assets in 8 years, increasing its Asset Under Management (AUM) from RM300 million to RM1.62 billion. It is one of the 8 Malaysian REITs with a market capitalisation greater than RM1 billion.

MISSION

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

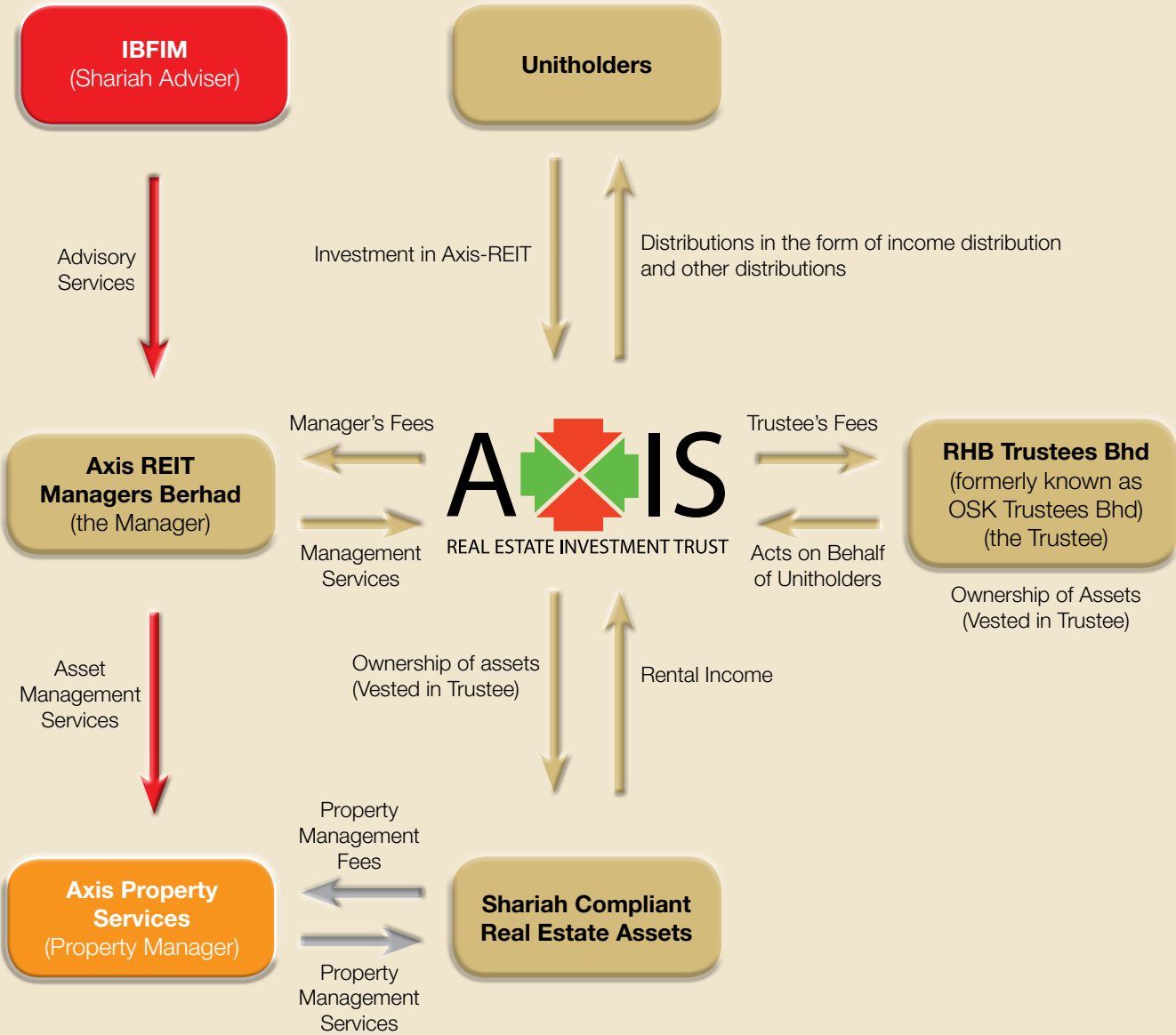
VISION

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

Salient Features **OF AXIS-REIT**

Fund Category	Real Estate Investment Trust
Fund Type	Income and Growth
Mission of the Fund	To provide consistent distributions to Unitholders through growing the property portfolio, displaying the highest level of corporate governance, excellent capital and risk management, and preserving capital values.
Vision of the Fund	To successfully benchmark Axis-REIT against the world's most successful REITs in terms of total return to Unitholders and be the REIT of choice for Shariah and non-Shariah Investors.
Approved Fund Size	461,239,089 Units
Market Capitalisation	RM1,351,431,000
Assets Under Management	RM1,616,523,000
Authorized Investments	At least 50% of the Fund's total asset value must be invested in real estate and/or single purpose companies at all times.
Initial Public Offering Retail Price	RM1.25 per Unit
Financial Year End	31 December
Distribution Policy	<p>Quarterly income distribution.</p> <p>1st to 3rd quarter – at least 95% of the current year-to-date distributable income and</p> <p>4th quarter – at least 99% of the current year-to-date distributable income</p>
Financing Limitations	Up to 50% of the total assets value of the Fund.
Revaluation Policy	The investment properties shall be revalued at least once every year by registered independent valuers.
Minimum Initial Investment	Minimum of 100 Units
Quotation	Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities")
Bursa Securities Stock Number	AXREIT 5106

Axis-REIT STRUCTURE



Axis-REIT **HIGHLIGHTS**

18.50 sen

Income Distribution per Unit

RM2.23

Net Asset Value (NAV) Per Unit

31.38%

Premium to NAV
(as at 31 Dec 2013)

RM1,616,523,000

Total Assets as at 31 Dec 2013

9.07%

Average net prop yield

Liquidity up by **94%** to

104 million

Units traded

Winner of the 2013 APREA Best Practices Award

Emerging Market Category

RM27,206,000

Valuation surplus for the year

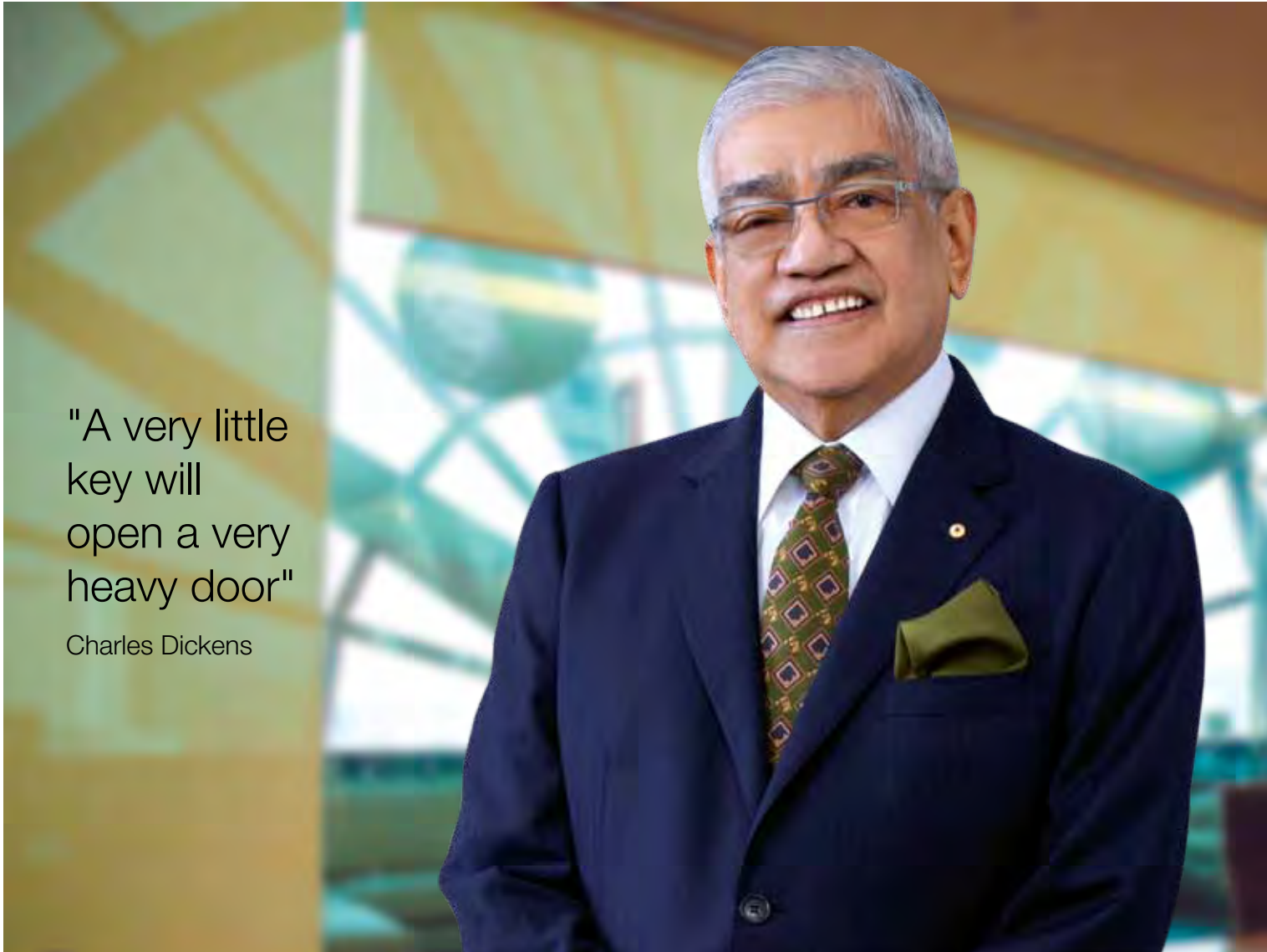
3.99 years

Weighted Average Lease Expiry
(by rental revenue)

AXREIT counter included into the
Thomson Reuters, Global Property, APREA,

(TR/GPR/APREA) Composite Index

Chairman's **MESSAGE**



"A very little
key will
open a very
heavy door"

Charles Dickens

Dear Unitholders,

On behalf of the Board, I am pleased to present Axis-REIT's ninth annual report for the financial year ended 31 December 2013.

Unlocking Value

The theme for this annual report is about 'Unlocking Value.' In a market that had inflated prices beyond what we were prepared to pay, the Board decided to defer our acquisition programme for the year and, instead, focused on enhancing our existing buildings and approved the disposal of one of our older assets to 'unlock value' for our Unitholders. The cover reveals the work undertaken to transform Wisma Bintang into a vibrant modern business campus for new tenants. The transformation is well documented in this report.

Thomas Edison said that "The value of an idea is in the using of it" and I must congratulate the Manager for having the vision to bring the value of its portfolio to new heights.

Despite the difficult conditions experienced in 2013 I am pleased to report that yet again Axis-REIT continued to post a stellar set of results for the year.

Overview

The global economy improved as 2013 closed on the back of an improving US economy, a receding recession in Europe, a stimulus-driven Japanese economy and with China's economy stabilizing. Positive signs of growth from the world's developed economies translated into a world trade that expanded at a faster rate of 2.7% in the third quarter (3Q) of 2013 compared with 1.8% in the first half (1H) of 2012. As US, Europe, Japan and China collectively account for 53% of world GDP, 49% of world trade and 40% of ASEAN's total exports, the improvement in their economies will continue to drive global demand and with it the economies of the likes of Malaysia, Singapore, Indonesia and the Philippines. All these ASEAN countries reported rebounding exports in the 3Q and 4Q 2013, giving their economies a much needed boost. Stock markets saw remarkable rises as optimism returned with many of them registering all-time highs as the year closed.

The first half of 2013 saw the Malaysian REITs (MREITs) having their best performance with the successful listing of Malaysia's first stapled REIT, KLCCP, in May. This was accompanied by a buying frenzy of MREITs supported by yield-seeking/ risk-averse investors accumulating MREIT stocks pre-General Election as they turned defensive and shunned political risk. Prices of MREIT stocks hit all-time highs as yields compressed to levels never seen before in the industry.

However, things changed when the US Federal Reserve System hinted on 22 May 2013 that Quantitative Easing (QE) could taper. The 10-year Malaysian government securities (MGS) surged to 4.0% (+98 basis points, or bps) and this led to a sell-down of MREITs. The continued weakness of the 10-year MGS has caused MREITs to fall out of favour with the fund managers - who felt that the spreads between MGS and MREITs should go all the way to 300 bps and provide gross yields around 7% - and could lead to further weakness in the MREIT space in 1H 2014. Axis-REIT was not spared and despite improving its performance for the 9th year in a row we saw our Unit price fall and for the first time reported a contraction of 0.5% in our annual total return to investors.

This year, all eyes are on the Fed and their tapering programme commencing in 2014, its effects on our bond market as well as movements in our Overnight Policy Rate, or OPR. The market view is that MREITs will recover in the 2H 2014 once the effects of the Fed's tapering programme is digested by the markets and bond yields stabilize.

As Malaysia moves into 2014, its GDP growth is projected to rise to 5%, backed by fiscal consolidation and reforms and a resurgence in exports underpinning its current account surplus which was contracting mid-2013, causing much concern. In addition, the strong pipeline of major infrastructure and investment projects under the Economic Transformation Programme (ETP) and Petronas's planned capital expenditure, or capex, will underpin the growth targets. However, we need to be wary of inflation which has been projected to rise to 3.5% and could trigger an increase in our OPR.

Despite the volatility during 2013, I am pleased to report that yet again Axis-REIT posted a great set of results for the year.

In the year under review, for the first time in our history, we did not enter the acquisition market, focusing instead on enhancing our portfolio to transform our older assets into modern buildings with much better prospects for better returns.

We also took the opportunity to dispose of Axis Plaza, one of the original assets in our initial public offering (IPO), which had matured to a point the Manger could not add any further value and rental growth was limited. The sale will provide our Unitholders with a special tax-free income distribution of 2.37 sen per Unit to be paid in the 2Q 2014. It was unfortunate that the sale could not have been concluded in 2013 as it could have provided Unitholders with a bumper dividend of 20.87 sen for 2013. The sale is part of our continuing strategy in recognizing the fact that our Unitholders are actually owners of the real property contained in the portfolio and should enjoy the profits from a sale - just as if it were their own property.

Another bonus was the fact that the Fund once again added value to our Unitholders through the recorded fair value gain for its portfolio of investment properties, amounting to RM27.2 million, which demonstrated the potential strength of the assets that the Fund has invested in.

Axis-REIT's fund size has increased from 456,517,221 units to 461,239,089 units as a result of the issuance and listing of 4,721,868 new Units under the Income Distribution Reinvestment Plan (IDRP) in 2013. Two rounds of IDRP were offered and the subscription rate was very encouraging, averaging 85%. So far we have had four IDRP offerings since the programme started in 2011.

Chairman's **MESSAGE**

With renewed interest in the industrial hubs in Johor and Penang by multinational and Singaporean companies looking to relocate their operations out of Singapore and China, we see a great opportunity to add to our existing portfolio when these properties are built. The Manager has indicated that it will commence our acquisitions for 2014 as market cooling measures have resulted in prices of assets returning to more realistic levels.

As a result, we are also optimistic that in view of the current satisfactory performance of Axis-REIT's existing investment portfolio, together with its strategy of proactive capital management, asset-enhancement of its existing properties, tenant management, as well as its pursuit of quality acquisitions, the Fund will be able to maintain its current performance for the coming year.

Launch of our second Sukuk

In 2013, Axis-REIT launched its second Sukuk issuance. On 15 August 2013 we announced that the Fund had successfully issued RM155 million in nominal value Sukuk via its special purpose entity Axis REIT Sukuk Berhad, a company incorporated by Axis-REIT to facilitate the establishment of a Sukuk programme of RM300 million in nominal value. The blended annual financing rate for the 5-year and 7-year Sukuk was 4.13% p.a. and 4.18% p.a., respectively.

With this we have moved 60% of our debt into fixed profit rates. 40% remains floating.

Distributions to Unitholders

The Board of Directors of the Manager is pleased to announce that for the year under review, RM84,903,000 from income has been paid or is payable as follows:

- i) 1st Interim Income Distribution of 4.50 sen per unit paid on 13 June 2013.
- ii) 2nd Interim Income Distribution of 4.60 sen per unit paid on 30 August 2013.
- iii) 3rd Interim Income Distribution of 4.70 sen per unit paid on 13 December 2013.
- iv) Final Income Distribution of 4.70 sen per unit payable on 28 February 2014.

This translates to an annual Distribution Per Unit of 18.50 sen.

Unitholders attended the Annual General Meeting

The Fund held its first Annual General Meeting on 30 April 2013.

The AGM's agenda was to receive Audited Financial Statements for FY2012 and to approve the renewal of IDRPs authority. These were duly approved.

The AGM was followed by a Unitholders' meeting where the Manager sought Unitholder approval for the additional issuance of up to 90,762,819 new Units and the corresponding increase in fund size; and to allot and issue up to 2 million new Units for payment of management fee to the Manager and the corresponding increase in fund size.

I am pleased to report that all the approvals sought were passed by the Unitholders.

Corporate governance takes centre stage

Corporate governance continues to be a focus

The Board continues to focus on improving our corporate governance and education. Baker Tilly Monteiro Heng Governance Sdn Bhd, the internal auditor of the Manager, conducted training on 'The Proposed Amendments to the Companies Bill' for all the Managers' directors and senior management on 21 October 2013.

I am also pleased to report that in 2013, Axis-REIT won the Asia Pacific Real Estate Association's (APREA) Best Practices Award in the Emerging Markets category and also received the following five merit awards:

- Emerging Markets – Market Disclosure Category
- Emerging Markets – Accounting and Financial Reporting Category
- Emerging Markets – Portfolio Performance Reporting Category
- Emerging Markets – Corporate Governance Category
- Country Award – Best Submission from Malaysia

This is the fourth year running that Axis-REIT has been recognized by APREA for its high level of corporate governance and compliance to best practices. Our involvement with APREA continues to bring Axis-REIT and the Manager unprecedented benefits from regional exposure.

Malaysian REIT Managers Association (MRMA)

On the regulatory front, the Manager continues to show leadership in the MREIT sector since initiating the formation of MRMA in 2010.

I am pleased to report that our CEO, Dato' Stewart LaBrooy, was elected to lead the association for a further year at the association's AGM in December 2013. The association goes from strength to strength with 16 members, of whom 15 are MREIT managers.

Corporate Social Responsibility (CSR)

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

In 2013, the Fund donated RM18,000 towards BURSA Malaysia's KL Rat Race 2013. It also rebuilt the damaged west wing of the Selangor and Federal Territories Association for Mentally Handicapped (SAMH) special school at Jalan Langat Klang at a cost of RM93,900. Our CSR programme will continue to focus on sustainable projects which bring long-term benefits to its recipients.

In appreciation

The success of Axis-REIT is due to the efforts of many parties.

May I first thank my fellow Board members for their continued advice and contributions throughout the year.

My appreciation also extends to the Management who have done a remarkable job of delivering consistent results year-on-year and especially for the 2013 results which are exceptional, given the very difficult market conditions. Their hard work and dedication have resulted in Axis-REIT being recognized as one of the top performing REITs in Malaysia today.

In closing, I would like to thank our tenants (or, as we refer to them, our customers) and our business partners for their support over the past years. I would also like to thank members of the media for their coverage of the Fund and the REIT sector in general.

Last, but not least, I wish to thank all our Unitholders, for continuing to have trust and confidence in us.

We promise that we will continue to work hard in the coming years to reap even more success.

**YAM Tunku Dato' Seri Shahabuddin
Bin Tunku Besar Burhanuddin**

Chairman
21 February 2014

Board of **DIRECTORS**



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

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



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



4. Stephen Tew Peng Hwee
Non-Independent Non-Executive Director



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



6. Alvin Dim Lao
Non-Independent Non-Executive Director



7. Mohd Sharif Bin Hj Yusof
Independent Non-Executive Director



8. Leong Kit May
Chief Financial Officer/Executive Director

Directors' **PROFILE**

YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin

Independent Non-Executive Chairman

YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin, age 78, a Malaysian, was appointed as an Independent Non-Executive Director to the Board of Axis REIT Managers Berhad on 10 August 2007. On 18 September 2007, he was appointed Chairman of the Board of Directors, and on 23 October 2007, Chairman of the Audit Committee. He is also a member of the Nomination Committee. Tunku Shahabuddin has a vast and illustrious career in the local administrative and business arena with various roles in multinational companies.

Upon graduating from Queen's University Belfast as a Bachelor of Science (Economics), Tunku Shahabuddin began his career as an economist with Esso (M) Ltd.

He later moved into the finance industry as manager of a finance company within the Malayan Banking Group. Tunku Shahabuddin then started his own businesses, which spanned involvement in the manufacturing, production, trading, construction, finance services and information technology sectors, among others. He currently serves as the Executive Chairman of Strateq Sdn Bhd (formerly known as Kompakar Inc Berhad) and Strateq Systems Sdn Bhd (formerly known as Kompakar eSystems Sdn Bhd) and also sits on the Board of Iris Corporation Berhad.

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

Among the many awards bestowed on Tunku Shahabuddin is the Darjah Kerabat Terengganu Yang Amat Mulia Darjah Yang Pertama (D.K.) (Terengganu), and the Darjah Seri Paduka Tuanku Ja'afar Yang Amat Terpuji (S.P.T.J.) (Negeri Sembilan). Tunku Shahabuddin was the recipient of the Austrade International Award 2000, an Australian Export Award for outstanding contributions to Australia's international trading performance by a foreign individual based outside of Australia. In 2002, he was also appointed as an Honorary Officer (AO) in the General Division of the Order of Australia Award for his service to Australian-Malaysian Relations by the Governor-General of the Commonwealth of Australia.

Y Bhg Dato' Abas Carl Gunnar Bin Abdullah

Non-Independent Executive Deputy Chairman

Y Bhg Dato' Abas Carl Gunnar Abdullah, age 54, is a Norwegian and has been a Non-Independent Non-Executive Director of Axis REIT Managers Berhad since 15 March 2005. On 18 September 2007, he was redesignated as Non-Independent Executive Deputy Chairman.

He graduated with a Diploma in Chemistry from the University of Gothenburg, Sweden, in 1980 and a Diploma in Marketing from the University of Oslo, Norway, in 1981. From 1985 to 1993, he was the Managing Director of Jotun Powder Coatings (M) Sdn Bhd.

In 1989 he embarked on a build and lease project with the multinational APV Hills & Mills. In 1992, he teamed up with Stephen Tew Peng Hwee and other investors to build Crystal Plaza. This was followed with the building of Axis Business Park, Axis Plaza and Menara Axis, all of which formed the core portfolio of Axis-REIT upon listing.

He currently serves as a member of the Executive and the Remuneration Committees of the Board of the Manager. He is also a director of a number of private companies which are involved in property development and property investment and has been the director of Axis Development Sdn Bhd (ADSB) since 1999.

Y Bhg Dato' George Stewart LaBrooy

Chief Executive Officer/Executive Director

Y Bhg Dato' George Stewart LaBrooy, age 62, a Malaysian, has been the Director of Axis REIT Managers Berhad since 25 October 2004, and was appointed by the Board of Directors of the Manager as Executive Director on 22 March 2005. On 18 September 2007, he was redesignated as Chief Operating Officer/Executive Director. On 5 August 2008, he was redesignated as Chief Executive Officer/Executive Director.

He graduated with a Bachelor of Engineering (Hons) and a Post Graduate Diploma in Business Studies from the University of Sheffield in 1973 and 1974, respectively. He is a member of the Institute of Engineers, Malaysia.

He has served in top management positions in the Malaysian industrial sector for over 20 years before joining Axis Equities Sdn Bhd (a major shareholder of Axis Development Sdn Bhd) in 1995. During this period he managed two of the Group's build and lease projects and set up the property management division in ADSB. He also headed the asset and lease management for the real estate owned by the Group.

In November 2003, he spearheaded a project to identify suitable properties owned by common shareholders of ADSB to be injected into Malaysia's first REIT. This was successfully concluded on 3 August 2005 when Axis-REIT was listed on the Main Board of Bursa Securities. In addition to his duties as CEO, he oversees the acquisition strategy of Axis-REIT, the investor relations, and public relations and is a member of the Executive Committee.

He is a Board member of the Asia Pacific Real Estate Association (APREA), an organization that represents and promotes the real estate asset class in the Asia Pacific region. It is the industry body for the suppliers and users of capital in the real estate sector. He is also Chairman of the Malaysian REIT Managers Association (MRMA), an organization he helped set up in 2010 to give the Malaysian REIT Managers a single voice in engaging with the Regulators and Ministry of Finance in proposing changes to the industry to promote its growth.

On 11 December 2012, he was conferred the Darjah Kebesaran Dato' – Sultan Sharafuddin Idris Shah (D.S.I.S), which carries the title Dato' by Duli Yang Maha Mulia Sultan Selangor in conjunction with His Royal Highness's 67th birthday. He is a prominent speaker on the subject of conventional and Islamic REITs in the region, having been invited to deliver papers in Singapore, Hong Kong, Istanbul, New York, London, Saudi Arabia, Philippines and Malaysia. He is also invited by various local publications and newspapers to contribute articles on the subject of REITs and industrial development.

Dato' Stewart LaBrooy is a director of a number of private companies involved in property advisory, property development and property investment.

Stephen Tew Peng Hwee

Non-Independent Non-Executive Director

Stephen Tew Peng Hwee, age 52 and a Malaysian, is a Non-Independent Non-Executive Director of Axis REIT Managers Berhad. He was appointed to the Board on 25 October 2004.

Stephen graduated with a Diploma from the Institute of Marketing, United Kingdom, in 1982, following which he started his career as a real estate agent and today owns the real estate agency Hectares & Stratas. He is the past president of the Malaysian Institute of Estate Agents and served as a member on the Board of Valuers, Appraisers and Estate Agents from 1998 till 2004.

Together with other investors, he has, over the past 20 years, purpose-built many buildings for investment income which have housed multinationals. In 1992, he teamed up with Dato' Abas Carl Gunnar Bin Abdullah and other investors to build Crystal Plaza. This was followed with the building of Axis Business Park, Axis Plaza and Menara Axis, all of which formed the core portfolio of Axis-REIT upon listing. Stephen currently serves as a member of the Executive Committee and the Remuneration Committee of the Board. He is also a director in a number of private, investment-holding companies.

Directors' **PROFILE**

Y Bhg Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor

Independent Non-Executive Director

Y Bhg Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor, age 45, a Malaysian, has been an Independent Non-Executive Director of Axis REIT Managers Berhad since 20 November 2006. He is also the Chairman of the Remuneration Committee and a member of the Nomination Committee.

Better known as Datuk Seri FD Iskandar, he is the Group Managing Director/ CEO of Glomac Berhad, a main board property company listed on Bursa Malaysia since June 2000.

Datuk Seri FD Iskandar attended the Malay College Kuala Kangsar, obtained a law degree from the University of Queensland, Australia, and went on to obtain his Masters in Business Administration.

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

Apart from sitting on the boards of several private limited companies, Datuk Seri FD Iskandar is also the Deputy Chairman of Media Prima Berhad, the largest incorporated media company in South-East Asia which includes all 4 private TV stations in Malaysia, radio stations, print media, news media, an outdoor advertising agency and many more. He is a Director of New Straits Times Press Berhad, the publisher of 3 main newspapers and a string of magazines. The New Straits Times newspaper is one of the most established in Asia and has been published for more than 160 years. Datuk Seri FD Iskandar is a Board Member of Axis REIT Managers Berhad, the first REIT company to be listed on Bursa Malaysia. Recently, he was appointed as a Director of Telekom Malaysia Berhad, Malaysia's broadband champion and leading integrated information and communications group.

He is currently the Deputy President of the Real Estate & Housing Developers' Association (REHDA) Malaysia and immediate past chairman of the REHDA Selangor Branch. He is now the Deputy Chairman of the Malaysian Australian Business Council (MABC), Chairman of the Selangor branch of the Gagasan Badan Ekonomi Melayu (GABEM), a body that promotes entrepreneurship among Malays in the country. He is the co-chair of the Special Taskforce to Facilitate Business Group (PEMUDAH) on Legal & Services and is also a Member of PEMUDAH Selangor Group. He was one of the founding directors of MPI, a partnership between Government and the private sector that was established to promote property investments and ownership to foreigners all around the world.

With more than 20 years of experience and involvement in the property development industry, his vast experience and expertise has made him a very well-known and respected figure among his peers locally as well as internationally. He is frequently invited as a guest speaker in forums, seminars and conventions to offer his insights and views and to share his wealth of experience, and over the years has given talks both locally and internationally on the property market in Malaysia. He was awarded the Malaysian Business Award in the Property Sector in 2012 and another award in 2013 from the Asean Business Council for Property Excellence. In mid-2013 he was also given the Entrepreneurship Award – Property & Real Estate by Asia Pacific Entrepreneurship, Malaysia.

Alvin Dim Lao

Non-Independent Non-Executive Director

Alvin Dim Lao, age 42, a Filipino national, was appointed as a Non-Independent Non-Executive Director to the Board and a member of the Audit Committee of Axis REIT Managers Berhad on 30 December 2011.

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

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

He is a director of several private companies in Manila.

Mohd Sharif Bin Hj Yusof

Independent Non-Executive Director

Mohd Sharif Bin Hj Yusof, age 74, a Malaysian, was appointed as an Independent Non-Executive Director to the Board of Axis REIT Managers Berhad on 10 August 2007. He is a member of the Audit Committee and Chairman of the Nomination Committee of Axis REIT Managers Berhad. He is also the Senior Independent Director.

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

He currently serves on the boards of the following public companies: Ireka Corporation Bhd, Atlan Holdings Berhad and AYS Ventures Berhad.

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

Leong Kit May

Chief Financial Officer/Executive Director

Leong Kit May, 37, a Malaysian, was appointed to the Board of Directors of the Manager as Executive Director on 15 November 2011.

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

Kit May graduated with a Bachelor of Business (Accountancy) from RMIT University in Australia and is a member of Malaysian Institute of Accountants and Certified Practising Accountants of Australia.

She heads the Finance, Legal & Compliance, and Human Resource functions in the Company, which is the Manager of Axis Real Estate Investment Trust, responsible for areas in treasury, equity and capital management, financial reporting and compliance of the Fund and the Company, and human resource management. With her vast exposure in Islamic Finance and capital management, Kit May has been an invited speaker in related seminars and conferences.

In 2012, Kit May led the setting up of Axis-REIT's first Islamic Medium Term Notes ("Sukuk") issuance programme of RM300.0 million where 2 tranches of Sukuk of RM110.0 million and RM155.0 million in nominal value were successfully launched in 2012 and 2013 which carry maturity tenure of 5,7 and 10 years.

Prior to joining Axis REIT Managers Berhad, she was with the UOA Group of companies from 2001 to 2006, where she specialized in the property sector spanning from property development, construction and investment. In 2005, she was instrumental in the listing of UOA REIT. Preceding that she was with Ernst & Young where she gained her audit and accounting exposure.





Manager's **REPORT**

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Letter from the **CEO**

"Only buy something that you'd be perfectly happy to hold if the market shut down for 10 years"

Warren Buffet



Dear Unitholders,

I have always been a big fan of Warren Buffet and his approach to value investing. He holds the principle of creating shareholder value as his core strategy in his approach to investing. The quote above is one of my favourites and ties well with the theme of this year's annual report – Unlocking Value – as we in Axis-REIT have always done what is right for our investors regardless of what direction the market takes.

Let me explain.

At the start of 2013 I had said that we would be looking at acquiring RM444 million worth of assets during the year. I must apologize that that did not materialize last year and it was not for want of trying. In the first half of 2013, Malaysian REITs (MREITs) had what must be one of their best performances to date. The market saw all the MREITs share prices hit new highs with the Axis-REIT unit price touching a high of RM4.02 on 21 May 2013. With the surge in the share prices in MREITs the yields they offered to investors fell to new lows, with some REITs offering yields even below 5%.

This yield compression led to the sellers we were negotiating to purchase assets from, to raise their asking prices. They were expecting that we would be happy to settle with the low yields that we were trading at which happened to be well below our internal targets.

Rather than risk the integrity of our portfolio and put our returns at risk, we decided to focus instead on controlling costs, capital management, negotiating better rent reversions and focusing on our asset enhancement initiatives (AEIs). So instead of buying new assets, we decided to concentrate on updating our portfolio until prices returned to normality which would be a signal us to return to the acquisition market.

Our core AEI project in 2013 was the turnaround of Wisma Bintang or Axis Business Campus (ABC) as it has since been rebranded. We spent time redesigning this 30-year-old asset and turning it into a contemporary modern design with the features that our clients were looking for. A picture of the transformation of this asset is featured in the inside front cover together with more details in the property report.

Our time has been well spent as ABC is now back on the market after a 1-year refurbishment and looks spectacular! We are optimistic that we will see rents 3 times what was being paid by the previous tenants.

In 2013, we also started planning work on Axis Business Park Block C with a task to refurbish this 15-year-old asset into a modern building with the latest features. Building work is planned to start in the first quarter (1Q) of 2014. Our third project under consideration is the proposed enhancement of the Wisma Academy Parcel and The Annex into a new building, purpose-built for clients wanting a specialist building to cater for their business requirements.

The other area I wish to discuss was the performance of our Unit price in 2013. 2013 was a very volatile year for the unit prices of all MREIT's. We saw our price rise from 3.13 sen at the start of the year to a high of 4.02 sen in May 2013, where our units were trading at a premium of 70% to our net asset value. The high liquidity of the market coupled with investors seeking yields saw the price of our units chased up to these record highs.

When the Federal Reserve announced the tapering of the third Quantitative Easing Program it signaled a flight of capital away from the Asian Markets and REITs were not spared the poor sentiment as investors took profit and exited the markets. All the gains in Axis-REIT's Unit price made for the year were lost as we ended the year below where we started.

We are now trading at the more traditional yield of 6.5%. However it has given us a new base to consolidate our operations at and to look into a new placement in 2014 with a view to growing our portfolio in a market that, thankfully, has adjusted to the more traditional yields that we are demanding for our acquisitions.

Despite a quiet year on the acquisition front, the Management team took the opportunity to focus on several areas that have enabled the Fund to improve its performance once again. Let me share with you some of the highlights of 2013.

Highlights for 2013

Financial performance

- Gross revenue grew 6% year-on-year (YoY) to RM141 million from RM133 million.
- Net Property Income (NPI) grew 7% YoY to RM121 million from RM113 million.
- DPU on core portfolio grew 7% YoY to 18.50 sen from 17.30 sen.
- Recognition of net revaluation gain of RM27.2 million. Axis-REIT's total assets stood at RM1.6 billion as at 31 December 2013.
- NAV per unit increased from RM2.17 to RM2.23.
- Gearing declined from 34.55% to 32.66% as at 31 December 2013.
- The stock was trading at a premium of 31.38% as of 31 December 2013.
- Unitholders' funds crossed the RM1 billion mark for the first time.

Manager's **REPORT**

Proactive capital management

- Axis-REIT's sources of funding were further diversified and the debt maturity profile lengthened through the issuance of a RM155 million 5 & 7-year Sukuk on 15 August 2013 at a fixed blended rate of 4.13% p.a. and 4.18% p.a. respectively.
- RAM Rating Services Berhad maintained our first Sukuk rating at AAA.
- Completed 2 very successful Income Distribution Reinvestment Plans (IDRPs) for Unitholders to convert their income distributions into Units with an average 85% take-up rate. It raised RM15.6 million.

Disciplined value-adding enhancements

- Completed the enhancement of Wisma Bintang at a cost of RM23 million. Obtained building approval for an additional 60,000 sq ft block on the property.
- Commenced planning for a major upgrade of Axis Business Park Block C where work will commence in February 2014.
- In the process of completing designs for the Wisma Academy Annex for submission to the local authorities.

Proactive portfolio management

- Strategic review of portfolio resulting in the signing of Sale and Purchase Agreement for the disposal of Axis Plaza in December 2013 for RM34 million and making a gain of approximately RM11 million which will translate to a special tax-free income distribution of 2.37 sen per Unit to be paid out in the 2Q 2014.
- Achieved positive rental reversion of 8% over preceding contracted rental rates in FY2013.
- Portfolio occupancy of 94.87% as at 31 December 2013. This was with Wisma Bintang being unoccupied for refurbishment for the year.
- Completed the implementation of a new cloud-based property and accounting software, Yardi Voyager, for the daily operations of the Fund. The system is Goods Service Tax (GST) compliant.

Accolades and compliance

- Axis-REIT was the winner of the Asia Pacific Real Estate Association's Best Practices Award in the Emerging Markets Category for the fourth year running.
- The Manager received its Fund Managers licence for the Securities Commission in compliance with the latest rules under the Capital Markets and Services Act (CMSA).

The coming year will have its challenges – we as a nation are faced with rising costs from increases in electricity, transport and essential items as subsidies are removed. The introduction of GST in 2015, the new Personal Data Protection Act (PDPA) that is currently in effect have placed an additional layer of compliance on our operations but I am glad to report that we are all well prepared to meet these challenges and remain committed to delivering on all our commitments for the coming year.

On behalf of the Manager I am pleased to submit our report and audited financial statements to the Unitholders of Axis Real Estate Investment Trust (Axis-REIT) for the year ended 31 December 2013.

Sincerely

Dato' George Stewart LaBrooy

Chief Executive Officer/ Executive Director

About Axis-REIT

Axis-REIT is a real estate investment trust constituted by the Deed and principally regulated by Securities Laws (as defined in section 2(1) of the Securities Commission Act), the SC's guidelines on REITs, the listing requirements of Bursa Securities, the rules of the repository and taxation laws and rulings (collectively Applicable Laws and Requirements).

The Deed was entered into on 15 June 2005 between Axis REIT Managers, as the Manager of Axis-REIT, and OSK Trustees Berhad (now known as RHB Trustees Berhad), as the Trustee of Axis-REIT, and the Deed was registered and lodged with the SC on 16 June 2005. Following the successful reclassification of Axis-REIT into an Islamic REIT on 11 December 2008, the Manager and the Trustee entered into an amended and restated Deed dated 3 April 2009, which was modified and streamlined to comply with the SC's guidelines on Islamic REITs. The Deed was subsequently supplemented by a Supplemental Deed dated 15 December 2011. On 28 November 2013, the Manager and the Trustee entered into a Third Principal Deed to consolidate all the previous amendments as well as to incorporate the latest provisions in the SC's Guidelines on REITs (updated on 28 December 2012) as well as the listing requirements of Bursa Malaysia Securities Berhad, as updated on 15 November 2013.

The duration of Axis-REIT shall be the earlier of the occurrence of any circumstance as stated in the Deed or 999 years from the establishment of Axis-REIT.

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

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

Our competitive advantage

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

Our strength lies with our Management Team who work on the principle of:

**OWN
+
MANAGE
+
MAINTAIN
+
ENHANCE**

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

Our focus is on revenue management where we manage our vacancies and rental rates; expense management where we manage building efficiency, energy footprint and third party suppliers; facilities management where we manage the maintenance and site staff of the buildings in our portfolio; tenant care where we manage tenant retention and satisfaction; and lastly project management where we manage all the enhancement projects in the portfolio. This focus has enabled us to increase the Fund's return from our organic growth.

This growth in the portfolio further enhances the income distribution to Unitholders and provides renewed buildings in the property portfolio. The performance for 2013 clearly demonstrates this commitment of the Manager to continue to deliver a superior performance for the Fund.

Stability

Axis-REIT is the largest Office/Industrial REIT listed on Bursa Securities with 5,464,124 sq ft of space under management spread over 31 properties and 5 asset classes. Our assets remain well located, our tenants are of high quality and are well diversified in terms of origin and businesses. The portfolio has a Weighted Average Lease Expiry (WALE) of 3.99 years (based on revenue), underscoring the low risk of the Fund. We remain a market leader in our sector and have maintained its growth platform for the benefit of all Unitholders.

Manager's **REPORT**

These were achieved because of the Manager's six core principles of management:

- Prudent capital and risk management;
- Yield accretive asset purchases;
- Excellent investor and media relations;
- High level of corporate governance;
- Proactive asset and tenant management; and
- Development of human capital.

As Malaysia's only Islamic Office/Industrial REIT, we have a very diverse base of investors, most of whom are local institutional and Shariah-compliant funds. Our low foreign participation lends itself to a much more stable and less volatile price performance.

Market leadership

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

- Continued and increasing annual income distributions and strong total returns to Unitholders;
- The formation of the Malaysian REIT Managers Association (MRMA), which it initiated, and today boasts 16 members, of which 15 are MREITs managers. Axis-REIT's CEO, Dato' Stewart LaBrooy, was elected Chairman for a third year running;
- Maintaining a very comprehensive and up-to-date website;
- Being the only MREIT to have successfully introduced the innovative Income Distribution Reinvestment Plan (IDRP) for Unitholders' benefit.
- Displaying leadership in corporate governance in winning the Asia Pacific Real Estate Association (APREA) Best Practices Award for the fourth year running;
- Serving on the Executive Board of APREA and participating in their committees and regional events.

Our strategic direction

Axis-REIT celebrated its 8th anniversary on 3 August 2013. Since its formation, we have successfully grown its size and profitability. In order to have a clear direction, we continue to keep the Fund guided by an articulate strategy plan. We feel it absolutely essential that we have to be aware that, given current volatility in the capital markets, we need to be vigilant and be able to anticipate and respond quickly to changes in our markets.

The Management team met in July 2013 year for a 1-day session to review the plan we had formulated in 2012 and make adjustments to accommodate our 5-year goal.

Our Vision and Mission statement remains unchanged:

Mission

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

Vision

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

This is how we will achieve this:

Define our sector focus

- The focus will be on properties that house Shariah-compliant business;
- Preference for logistics facilities with long leases from grade A tenants;
- The primary location focus will continue to be Petaling Jaya and Klang Valley, Johor and Penang;
- Examining the possible conversion of our commercial assets to become Multimedia Super Corridor (MSC)-compliant buildings where applicable;
- Looking at the redevelopment potential of our assets in Petaling Jaya;
- Enhancing our buildings to include a Green agenda as a way of attracting premiums.

Create new deal flows

- Establishment of the Origination Department to drive new private equity projects to provide the REIT with a pipeline of properties;
- Continuing work with the SC through the MRMA to enable MREITs to undertake development projects – this is under consideration;
- Retail warehousing;
- Commercial properties with long leaseback terms;
- Focussing on the Iskandar Region in Johor, Batu Kawan In Penang and fringe Klang Valley as the new growth industrial corridors.

Refreshing the portfolio by having a disposal strategy for mature or underperforming assets

Apart from continuing to grow the fund and the property portfolio, the Manager believes that Unitholders should benefit from capital gains from the portfolio from time to time. As the Fund's portfolio grows larger, the Fund has the flexibility to review the portfolio and dispose those properties that have matured in their capability for organic growth, or are consistently underperforming. One criteria for disposal is that these assets must have achieved a significant capital gain. While the gain on disposal is distributed back to Unitholders, the investment cost recovered can be redeployed in new properties with higher growth potential.

The capital gains are distributed to Unitholders as an added bonus, greatly enhancing their returns and ensuring a refreshed portfolio that is consistently out-performing the markets.

Capital management

- Continuing with a new Sukuk Programme in 2014 to further reduce the percentage of short-term financing in our debt profile;
- Continuing to maintain an optimum mix of long- and short-term financing funding;
- Targeting an average cost of funds at 4.5% p.a.;
- Continuing to use the model of raising equity to pare down financing and leveraging up for future acquisitions;
- Gearing will be maintained at 35%;
- Stress testing the cash flow in an environment of rising interest rates;
- Monitoring the capital markets – keeping close contact with our financiers;
- Eliminating bad debt through efficient collection of rentals.

Raise capital and grow the Fund

- For Related Party Transactions (RPT), examining the possibility of exchanging assets for Units in lieu of payment to maintain their equity in the Fund at levels that provide comfort to investors that there is an alignment of interest;
- Requesting faster rights issues programmes for MREITs taking a cue from Singapore;
- Leveraging on our Islamic credentials to attract foreign Islamic capital.

Corporate governance

- Working with our internal auditors to continuously benchmark our management practices against the revised Corporate Code of Governance and the APREA Best Practices Handbook;

- Being transparent in all our dealings with our stakeholders;
- Continuously educating the Board to ensure that they have the requisite skill sets in a rapidly evolving and sophisticated capital market.

Risk management

- Focussing on addressing the issues raised in the Risk Register and ensuring that action is taken to resolve all issues to minimize risk.

Excellence in lease and facilities management

- Filling vacancies will be a core priority for the Manager;
- Focussing on retention of tenants is critical to our success;
- Continuing to reposition our properties through timely upgrades and redesign to qualify for stronger rents and higher valuations;
- Embracing new IT technologies to enhance service delivery and cost control;
- Developing human capital which will be a cornerstone of our success;
- Embracing sustainability programmes in our buildings in order to reduce our carbon footprint.

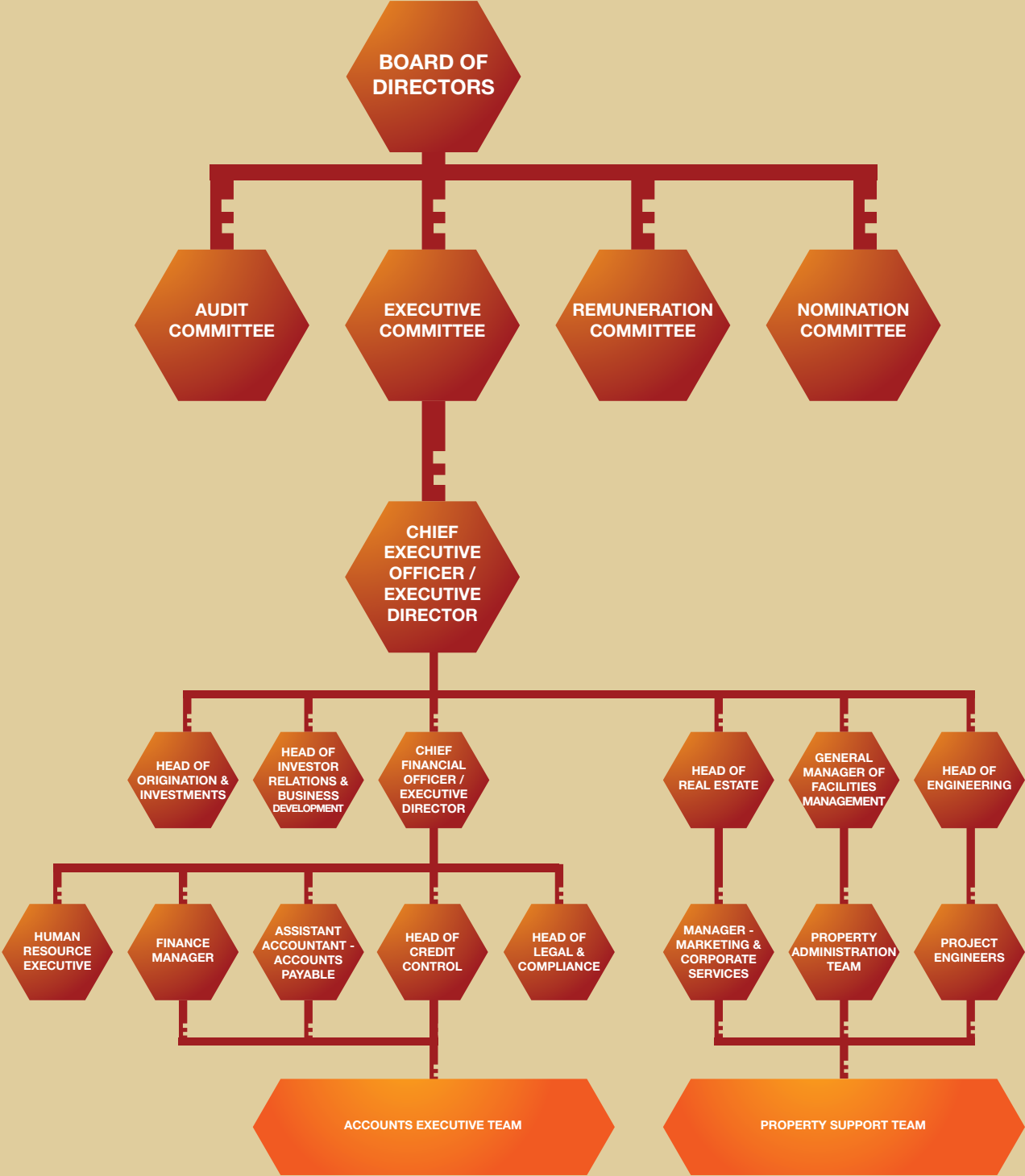
Development of human capital

- Investing heavily in the training of the Manager's workforce at all levels – it is recognized that developing workforce skills is important;
- Ensuring effective recruitment so that the Manager has the necessary resources to continue to perform;
- Looking to attract the best and brightest when recruiting for new positions;
- Productivity of all members of staff is a key metric that we benchmark our performance as a Manager.

Sustainability

- Implementing a strategy for sustainability in all building projects;
- Adopting the recommendations contained in the APREA sustainability handbook;
- Focussing on reduction of the carbon footprint in all our assets through energy conservation initiatives.

Axis REIT Managers Berhad's **COMPANY STRUCTURE**



The Axis-REIT **TEAM PROFILES**



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 the Vice-President on the Executive Board of the Asian Public Real Estate Association (APREA) and is the Chairman of the Malaysian REIT Managers Association (MRMA).



Leong Kit May
Chief Financial Officer/ Executive Director

Leong Kit May, heads the finance, legal and compliance, and human resource functions of Axis Real Estate Investment Trust, responsible for areas in treasury, equity and capital management, financial reporting and compliance. With her vast exposure in Islamic Finance and capital management, Kit May has been an invited speaker in related seminars and conferences.

In 2012, Kit May led the setting up of Axis-REIT's first Islamic Medium Term Notes (Sukuk) issuance programme of RM300 million where 2 tranches of Sukuk of RM110 million and RM155 million in nominal value, which carry maturity tenure of 5,7 and 10 years, were successfully launched in 2012 and 2013.

Prior to joining Axis REIT Managers Berhad, she was with the UOA Group of companies from 2001 to 2006, where she specialized in the property sector spanning from property development, construction and investment. In 2005, she was instrumental in the listing of UOA REIT. Preceding that she was with Ernst & Young where she gained her audit and accounting exposure.

The Axis-REIT **TEAM PROFILES**



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. 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. As head of investor relations, he kept an open channel of communication with all stakeholders and the investment community ensuring that they are kept well informed on the developments in 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 Association of Chartered Certified Accountants (ACCA), 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, cash flow 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

Jackie Law is the Head of Real Estate of Axis REIT Managers Berhad. She is responsible for Axis-REIT portfolio's asset management strategies and operations which include leasing, marketing, evaluating potential acquisitions, as well as recommending and analyzing potential asset enhancement initiatives for the portfolio.

In addition, she oversees the property management aspects in the delivery of tenant care and services and has the responsibility to maximize tenant retention, loyalty and satisfaction.

Jackie has extensive experience in various aspects of real estate management and operations spanning marketing, lease management, project management and facilities management. She has served in several administrative roles in the Axis Group since 1994. She holds a Master of Science in Facilities Management from Heriot-Watt University, United Kingdom, and a Certificate in Real Estate Investment and Finance from APREA.



Stephanie Ping

Head of Investor Relations and Business Development

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 Chief Finance Officer, 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 open communications 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 enrol in the Stanford University School of Engineering and received her Master of Science in Management Science and Engineering. Upon graduation, she was elected a Phi Beta Kappa member. She later joined United Airlines, Inc., as a Senior Executive Business Analyst in Chicago before becoming 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.



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. 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 tenant leasing and care, and with the CEO on valuation matters regarding existing and new properties.

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 23 years where she was an Executive Director.

The Axis-REIT **TEAM PROFILES**



Siva Shankar

General Manager of Facilities Management

Siva Shankar is the General Manager of Axis Facilities Management Sdn Bhd.

He is responsible for heading the Facilities Management division which manages a range of Axis-REIT portfolio facilities across the country by providing strategic, tactical and operational support activities that will ensure the division operates at optimum efficiency and effectiveness.

Siva has 18 years of working experience in real estate professional services in Malaysia and abroad. Prior joining Axis-REIT, he worked for Jones Lang Wootton and Brunei Investment Arm (BIA), among others. His experience covers all aspect of property and facilities management, project management and property consultancy.

Siva Shankar holds a Bachelor of Business Administration degree, majoring in Real Estate Management and is also a Certified International Project Manager (CIPM).



Nikki Ng

Head of Credit Control

Nikki Ng was appointed as the Accountant on 15 September 2008. She was promoted as 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 credit control procedures, and develops and implement enhancement. She works closely with the Chief Financial Officer in matters related to corporate finance, regulatory compliance and also the treasury functions to manage the liquidity of the Fund.

Before joining Axis REIT Managers Berhad, she was the Finance Manager of Paxelent Corporation Berhad where, from 2004, she was involved in financial management and corporate planning. Previous to that, she was with IGB Corporation Berhad where she has served for 6 years.

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



Francesca Chong

Finance Manager

Francesca joined Axis REIT Managers Berhad as Finance Manager in November 2013. Her responsibilities include the preparation of monthly and statutory financial statements, and she works closely with the Chief Financial Officer on matters related to corporate finance and regulatory compliance.

After her graduation from Kolej Tunku Abdul Rahman, she worked with BDO Binder for almost 6 years, where she gained experience in auditing. She then joined Kumpulan Jetson Berhad and Pelikan International Corporation Berhad as Group Accountant responsible for group and statutory reporting and compliance. While at Pelikan International Corporation Berhad, she was seconded to the German office for about 2 years where she was involved in projects such as transfer pricing, inventories and sales analysis and group reporting.

She holds a Master of Business Administration in Financial Studies from University of Nottingham in Malaysia and is a Fellow member of the Association of Chartered Certified Accountants (ACCA), United Kingdom.



Abdul Aziz Abdul Rasheed

Head of Engineering

Abdul Aziz joined Axis Facilities Management Sdn. Bhd. in May 2013 as Facilities Maintenance and Special Projects Manager. His responsibilities include undertaking asset enhancement initiatives for all properties under the Axis REIT portfolio. This includes refurbishments, major repairs, façade enhancements, energy efficiency management and modernization of equipment. In addition, he is responsible for technical due diligence on potential asset acquisitions.

He has over 14 years' experience in project management, overseas and in Malaysia. Before joining Axis REIT, Abdul Aziz was in the broadcast and communications industry, followed by work in satellite engineering and aviation. He has wide experience in first point of sales, contract management, project execution, vendor management, conflict resolution, tender preparation and business development activities.

Abdul Aziz received his first degree in electrical and electronic engineering from the University of Hertfordshire, UK. He also holds an MBA from the Imperial Business School, London.

The Axis-REIT **TEAM PROFILES**



Pauline Tan

Head of Legal and Compliance

Pauline Tan is the Head of Legal and Compliance of Axis REIT Managers Berhad. She is also the Risk Management Officer. 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 the University of Wolverhampton, United Kingdom, and a Certificate in Legal Practice from the Legal Profession Qualifying Board, Malaysia.

Pauline was called to the Malaysian Bar and admitted as an Advocate and Solicitor of the High Court of Malaya and subsequently gained extensive legal experience in commercial, corporate, litigation, conveyancing and banking areas.

Prior to joining Axis REIT Managers Berhad, Pauline headed the legal and compliance division of Pavilion REIT Management Sdn Bhd for Pavilion REIT. Before that, she was the Vice-President of OSK Trustees Berhad, where she was instrumental in the listing of Sunway REIT and was responsible for the daily operations of corporate trustee services for Axis REIT, UOA REIT and Sunway REIT. She has also been group legal affairs manager in a multinational group of companies involved in retailing, hotels, food and confectionery, financial services, stockbroking, properties and travel and tourism, and has worked in the airline industry.



Stacy Cheng

Assistant Accountant

Stacy was appointed Assistant Accountant on 1 November 2012. Her responsibilities include overseeing the accounts payable procedures and working closely with the Finance Manager on preparation of financial statements and property performance analysis.

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

She is a graduate of Raffles Education Group, Olympia College, with an Advanced Diploma in Accounting (Institute of Financial Accountants) and she is a member of The Association of Chartered Certified Accountants (ACCA).



Lalitha Anandarajah

Manager, Marketing & Corporate Services

Lalitha Anandarajah joined Axis REIT Managers Berhad in May 2013 as the Manager - Marketing and Corporate Services. Her role includes leasing the available spaces within the portfolio, managing tenant relationships and covering all aspects of marketing for Axis-REIT.

Prior to joining the Manager, she worked in the investment promotions team at Malaysia Property Incorporated, an agency under the Economic Planning Unit tasked with promoting Malaysia internationally as a real estate investment destination. She began her real estate career with ZerIn Properties, covering research and commercial leasing.

Lalitha graduated from the University of Queensland as a Bachelor of Business Management, majoring in International Business and has a Certificate in Real Estate Investment Finance from the Asia Pacific Real Estate Association (APREA).



Rebecca Leong

External Company Secretary from
Archer Corporate Services Sdn Bhd

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 Finance **TEAM**



left to right : Yvonne Chua, A. Sri Malathi, How Ai Leng, Raymond Kong, Stacy Cheng, Francesca Chong, Leong Kit May, Cheong Souk Chin, Nikki Ng, Tee Mei Pin, Pauline Tan, Wong Huey Ching



Financial **REVIEW**



Leong Kit May

Chief Financial Officer/ Executive Director

In financial year 2013, Axis-REIT once again marked another successful year for its core portfolio performance delivering a DPU of 18.50 sen to Unitholders.

A record performance of the fund's core portfolio of properties

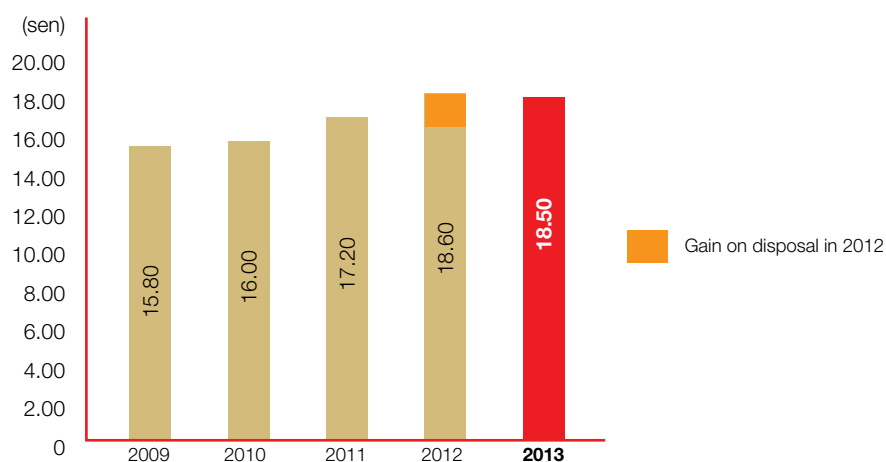
The core portfolio of properties has shown a significant increase in income for 2013 which is shown in its realised income before taxation. The realised net income and DPU on core portfolio performance increased by 7% to RM84,527,000 and 18.50 sen respectively.

	2009 (RM'000)	2010 (RM'000)	2011 (RM'000)	2012 (RM'000)	2013 (RM'000)
Total realised net income before taxation (on core portfolio performance)	42,878	52,598	65,090	78,638	84,527
DPU (on core portfolio performance)	15.80 sen	16.00 sen	17.20 sen	17.30 sen	18.50 sen
(Loss)/Gain from disposal and realization of revaluation gain on disposal	-	-	(258)	1,012	-
Total realised net income taxation	42,878	52,598	64,832	79,650	84,527
DPU for the year	15.80 sen	16.00 sen	17.20 sen	18.60 sen	18.50 sen

In 2012, Axis-REIT had completed the disposal of Kayangan Depot which the Fund had recognised an one-off gain on disposal of RM5,930,000; translated into additional DPU of 1.30 sen to the final 2012 income distribution which, coupled with the DPU on core portfolio performance of 17.30 sen, resulted in a total DPU of 18.60 sen for year 2012.

Since its listing in 2005, Axis-REIT has continued to deliver increased DPU as demonstrated in the chart below:

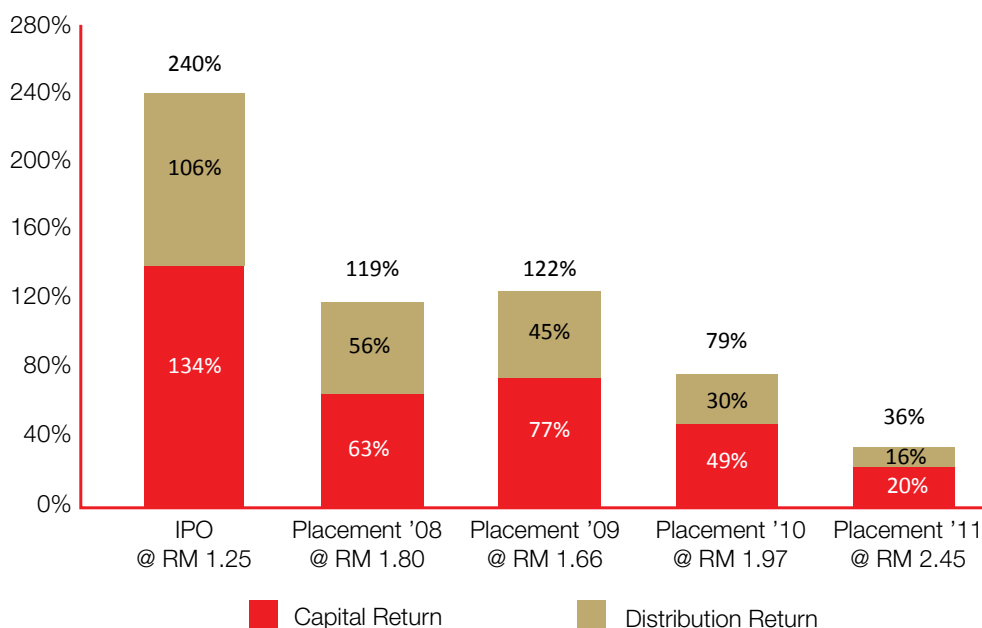
Distribution Since Listing



Good returns on Unitholders' investment

As at 31 December 2013, Axis-REIT's Unit in circulation had grown from 205,901,000 Units at the time of listing in 2005 to 461,239,089 Units. Although the liquidity and size of the Fund has greatly increased, the Manager has taken great care in ensuring this growth in Units is non-dilutive. Results have shown that we have provided Unitholders with steadily increasing income distributions and capital gains over the years. A Unitholder who invested in Axis-REIT's listing in 2005 would have todate realised a total return of 240%.

Similarly, Unitholders who have participated in our subsequent placements have gained as follows:



Issuance of RM155 million Sukuk in 2013

Further to Axis-REIT's successful issuance of the RM110 million (10-years) Sukuk in 2012, the Fund successfully issued a Second Sukuk of RM155 million in nominal value pursuant to the Sukuk programme of up to RM300 million in August 2013. This Second Sukuk Issue of five-year and seven-year tenure has low financing rates of 4.13% p.a. and 4.18% p.a., respectively.

The Second Sukuk Issue consists of the following tranches:

Tranche	Nominal Value (RM million)	Rating*	Expected Maturity (no. of years from issuance date)	Legal Maturity (no. of years from issuance date)
1	70.0	AAA	7 years	9.5 years
2	60.0	AAA	5 years	7.5 years
3	15.0	AA1	5 years	7.5 years
4	5.0	AA2	5 years	7.5 years
5	5.0	AA3	5 years	7.5 years
Total	155.0			

* Long-term ratings assigned by RAM Rating Services Berhad.

The proceeds from the Second Sukuk Issue was largely used to refinance the Fund's existing financing facilities. With this Second Sukuk Issue, Axis-REIT has successfully increased its weighted average debt maturity to 4.2 years matching the Fund's assets portfolio's weighted average lease expiry.

Financial **REVIEW**

2013 IDRП successfully implemented

The application of an income distribution reinvestment plan (IDRP) in conjunction with the first and third interim distribution was successfully carried out in 2013, achieving a subscription rate of 90% and 79%, respectively. A total of 2,423,762 and 2,298,106 IDRП Units were listed on 14 June 2013 and 16 December 2013, respectively.

The IDRП was offered to Unitholders at an attractive price of RM3.40 and RM3.20 per Unit representing a 6.03% and 5.8% discount, respectively to the 5-days volume weighted average market price. Axis-REIT is the only one among the Malaysian REITs to provide the reinvestment option to Unitholders.

Computerization of property management and accounting platforms

The Manager successfully implemented the Yardi Voyager system to integrate its asset management and accounting functions in the first quarter of 2013.

The new software operates on cloud technology and will greatly enhance the efficiency of financial and asset management. The new platform will also enable the Manager to continue to promote its sustainability agenda with minimal need to print material.

Disposal of Axis Plaza

On 26 December 2013, the Trustees signed a Sales and Purchase Agreement for the disposal of Axis Plaza. For more details on the disposal of Axis Plaza, please refer to the Business Development Report.

Upon the disposal of Axis Plaza, the estimated gain on disposal of RM10,940,000 will be distributed to Unitholders in the 2014 income distribution by way of a tax exempt income. This gain translates into an additional DPU of 2.37 sen to the 2014 income distribution. The capital of RM22,662,000 will be redeployed into new future acquisitions.

Computation of the RM10,940,000 gain is as follows :

	Actual gain on disposal available for distribution	
	RM	
Disposal price	34,000,000	
Less : Incidental disposal cost	398,000	
Less : Book value of Axis Plaza prior to disposal	22,662,000	
Net gain on investment properties	<u>10,940,000</u>	
Translated into additional DPU		2.37 sen per Unit

Summary Of Performance

	2009	2010	2011	2012	2013
Total Asset Value (RM'000)	907,745	1,208,897	1,298,431	1,589,408	1,616,523
Total Net Asset Value (RM'000)	565,650	755,230	944,097	989,705	1,028,640
Units in Circulation (Units)	307,081,200	375,901,000	453,814,096	456,517,221	461,239,089
Net Asset Value per Unit (RM)					
- As at 31 December	1.84	2.01	2.08	2.17	2.23
- Lowest NAV during the year	1.74	1.79	1.98	2.09	2.14
- Highest NAV during the year	1.84	2.01	2.08	2.17	2.24
Market Value per Unit (RM) as at 31 December	1.93	2.37	2.62	3.13	2.93
Highest Traded Price for the year (RM)	2.07	2.40	2.63	3.22	4.02
Lowest Traded Price for the year (RM)	1.08	1.92	2.30	2.62	2.93

Summary Of Results

	2009	2010	2011	2012	2013
Total Gross Income (RM'000)	71,598	89,213	114,311	132,673	141,314
Unrealised Rental Income (RM'000)	-	-	3,415	3,568	2,271
Total Property Expenses (RM'000)	(11,661)	(12,961)	(17,359)	(20,125)	(20,812)
Net Rental Income (RM'000)	59,937	76,252	100,367	116,116	122,773
Interest/Profit Income (RM'000)	272	638	421	293	667
Changes in fair value of investment properties (RM'000)	19,098	45,593	16,013	24,064	27,206
Unbilled Lease Income Receivable (RM'000)	-	-	(3,415)	(3,568)	(2,271)
Net gain/(loss) on financial liabilities measured at amortised cost* (RM'000)	-	3,210	154	(598)	(86)
Net gain/(loss) on disposal of investment property*** (RM'000)	-	-	(258)	1,012	-
Fair value change on derivative liability	-	-	-	-	(366)
Total Trust Income (RM'000)	79,307	125,693	113,282	137,319	147,923
Total Non-Property Expenses (RM'000)	(17,331)	(24,292)	(32,283)	(34,203)	(36,642)
Total Net Income before taxation (RM'000)	61,976	101,401	80,999	103,116	111,281
Breakdown of Net Income after taxation:					
- Realised income after taxation (RM'000)	42,878	52,598	64,832	79,650	84,527
- Unrealised Income after taxation (RM'000)	19,098	48,751	16,219	23,466	26,754
Income available for distribution (RM'000)	43,160	52,777	65,906	84,972	84,942
Earnings per Unit (Realised + Unrealised) (sen)	22.81	30.95	21.26	22.68	24.30
Income Distribution (RM'000)	42,981	52,746	65,745	84,677	84,903
Distribution per Unit (DPU) (sen)	15.80	16.00	17.20	18.60	18.50
Distribution yield (based on closing market price) (%)	8.19	6.75	6.56	5.94	6.31
EPU yield (based on closing market price) (%)	11.82	13.06	8.11	7.25	8.29
MER (%)	1.22	1.14	1.16	1.12	1.25
Annual total return** (%)	84.14	35.86	18.66	26.56	-0.5
Average total return (3 years) (%)	31.76	34.34	46.22	27.03	14.91

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

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

*** The disposal of Kayangan Depot in 2012 is a gain of RM1,012,000 before the realisation of revaluation of the fair value gain of RM4,918,000.

Financial **REVIEW**

Increase in total gross income

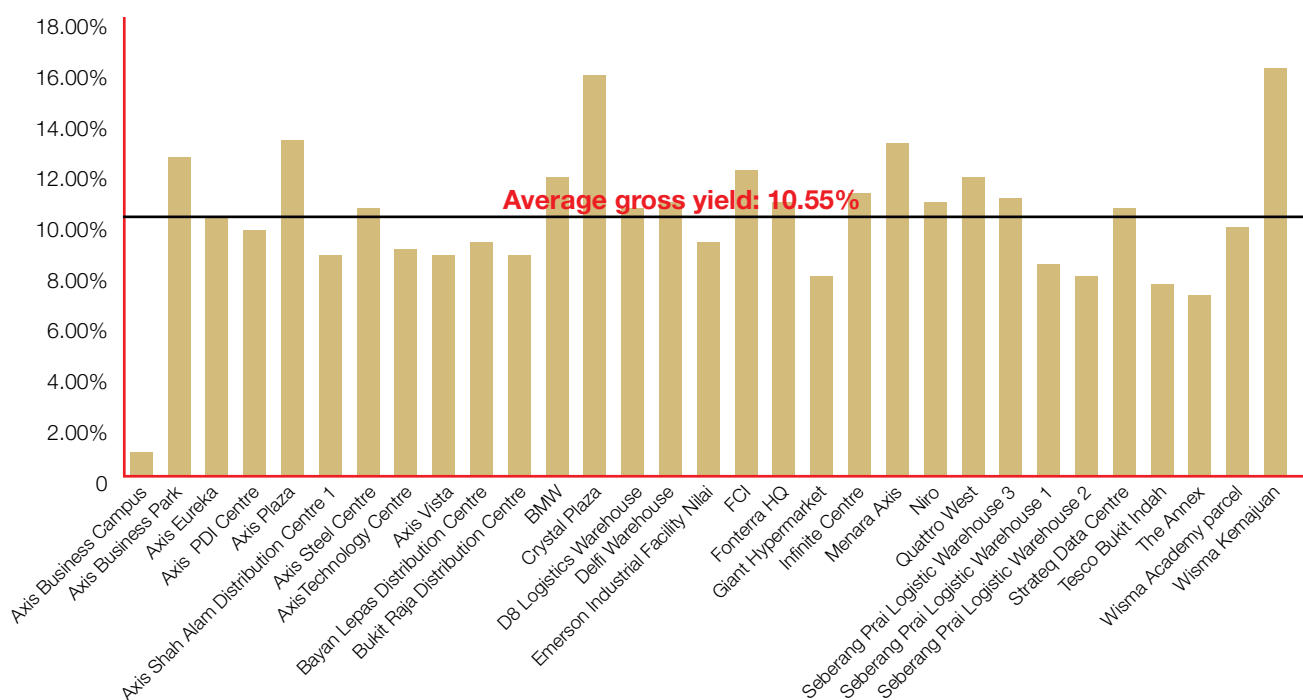
The number of properties during the year remained at 31 and Axis Business Campus was emptied on 1 July 2013 to facilitate its refurbishment into a contemporary modern business campus. Despite 1 property not generating rental for the half year, the Manager has continued to work the Fund's core portfolio in delivering 6.5% increase in gross income from RM132,673,000 in 2012 to RM141,314,000 in 2013.

In 2013, the increase in the total gross income comes mainly from the increase of RM6.6 million in rental income from the 8% rental reversion. Car park income has also increased by RM1.2 million from the revision on car park rates across the portfolio effective 1 August 2013.

The breakdown of total gross income is as follow:

	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Rental income	65,827	82,832	107,237	126,394	133,008
Car park income	2,946	3,272	4,139	4,284	5,572
Other income	2,825	3,109	2,935	1,995	2,734
	71,598	89,213	114,311	132,673	141,314
No. of properties	21	26	27	31	31

The average gross yield on the Fund's portfolio of properties increased to 10.55% in 2013.



Careful management of property expenses

Notwithstanding the 6.5% increase in total gross income for 2013, the property expenses only increased by 3%. The breakdown is as below:

	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Assessment and quit rent	2,240	2,482	3,431	4,095	4,203
Property manager's fee and on-site personnel cost	2,415	2,721	3,705	4,872	5,531
Security	888	1,065	1,525	1,729	1,854
Takaful insurance	493	642	796	934	1,080
Maintenance and others	5,625	6,051	7,902	8,495	8,144
	11,661	12,961	17,359	20,125	20,812

Therefore the efficiency ratio has improved from 15.17% in 2012 to 14.73% in 2013.

On the concern about the potential increase in assessment for 2013, we are pleased to report that the Fund is unaffected as it has received notices of assessment on all its properties for 2014 and the cost remains unchanged.

Increase in total gross income and net rental income

A summary of our gross income, property expenses and net rental income per property for the year 2013 is in the table below (excluding the unrealised rental income/unbilled lease income receivable):

Property Description	Gross Income RM	Property Expenses RM	Net Rental Income RM
Axis Plaza	3,096,809	779,971	2,316,838
Axis Business Park	11,505,932	2,103,327	9,402,605
Crystal Plaza	10,422,029	1,483,716	8,938,313
Menara Axis	11,224,071	2,018,876	9,205,195
Infinite Centre	3,719,150	786,035	2,933,115
Wisma Kemajuan	5,812,307	1,426,043	4,386,264
Axis Business Campus	535,659	265,431	270,228
Axis Shah Alam DC 1	1,722,334	198,087	1,524,247
Giant Hypermarket	3,441,364	293,953	3,147,411
FCI Senai	1,641,324	186,825	1,454,499
Fonterra HQ	1,175,839	112,374	1,063,465
Quattro West	5,935,784	1,290,645	4,645,139
Strateq Data Centre	4,629,927	329,748	4,300,179
Niro Warehouse	1,677,000	151,466	1,525,534
BMW Centre PTP	3,416,400	274,510	3,141,890
Delfi Warehouse	1,412,024	182,042	1,229,982
Axis Vista	2,992,042	433,749	2,558,293
Axis Steel Centre	7,068,122	605,467	6,462,655
Bukit Raja Distribution Centre	6,603,441	338,892	6,264,549
Seberang Prai Logistic Warehouse 1	1,569,737	94,798	1,474,939
Seberang Prai Logistic Warehouse 2	619,847	35,024	584,823
Tesco Bukit Indah	6,408,498	479,960	5,928,538
Axis PDI Centre	8,612,319	1,050,223	7,562,096
Axis Technology Centre	4,736,247	1,118,148	3,618,099
D8 Logistics Warehouse	3,284,760	222,791	3,061,969
Axis Eureka	5,515,615	1,801,203	3,714,412
Bayan Lepas Distribution Centre	4,641,522	562,300	4,079,222
Seberang Prai Logistic Warehouse 3	6,887,542	629,144	6,258,398
Emerson Industrial Facility Nilai	2,655,914	262,549	2,393,365
Wisma Academy Parcel	7,410,496	1,089,621	6,320,875
The Annex	939,532	205,191	734,341
Total	141,313,587	20,812,109	120,501,478

Net rental income rose by 7% from RM112,548,000 in 2012 to RM120,502,000 in 2013 resulting in an average net yield of 9.07%.

Financial **REVIEW**

Unrealised rental income/unbilled lease income receivable

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

Profit income

In 2013, we registered a profit income of RM667,000 from placement of funds under Islamic REPO.

Changes in the fair value of investment properties

Based on valuations performed by independent registered valuers during the financial year, we are pleased to report that the portfolio registered an increase in the fair value of investment properties.

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

No	Property Description	NBV before Revaluation RM	Market Value* RM	Unrealised gain/(loss) RM
1	Axis Shah Alam DC 1	21,500,000	21,500,000	-
2	D8 Logistics Warehouse	31,600,000	32,000,000	400,000
3	Quattro West	53,173,000	53,600,000	427,000
4	Fonterra HQ	13,618,000	14,000,000	382,000
5	Axis PDI Centre	92,000,000	92,000,000	-
6	Axis Technology Centre	52,002,000	52,000,000	(2,000)
7	Bukit Raja Distribution Centre	90,049,000	90,000,000	(49,000)
8	BMW Centre PTP	29,058,000	29,500,000	442,000
9	Seberang Prai Logistic Warehouse 1	19,600,000	20,000,000	400,000
10	Seberang Prai Logistic Warehouse 2	7,700,000	8,000,000	300,000
11	Giant Hypermarket	39,600,000	40,000,000	400,000
12	Menara Axis	108,123,000	113,000,000	4,877,000
13	Infinite Centre	41,875,000	41,500,000	(375,000)
14	Axis Plaza	31,035,000	32,000,000	965,000
15	FCI Senai	15,000,000	15,900,000	900,000
16	Tesco Bukit Indah	87,000,000	90,000,000	3,000,000
17	Axis Business Park	109,479,000	112,000,000	2,521,000
18	Crystal Plaza	103,580,000	106,000,000	2,420,000
19	Strateq Data Centre	52,087,000	52,400,000	313,000
20	Niro Warehouse	16,213,000	17,000,000	787,000
21	Delfi Warehouse	14,049,000	14,500,000	451,000
22	Axis Eureka	54,172,000	54,500,000	328,000
23	Axis Steel Centre	75,610,000	75,800,000	190,000
24	Axis Vista	36,018,000	36,000,000	(18,000)
25	Bayan Lepas Distribution Centre	49,658,000	49,500,000	(158,000)
26	Emerson Industrial Facility Nilai	27,991,000	29,320,000	1,329,000
27	Seberang Prai Logistic Warehouse 3	63,318,000	63,000,000	(318,000)
28	The Annex	15,000,000	16,000,000	1,000,000
29	Wisma Academy Parcel	73,116,000	77,000,000	3,884,000
30	Wisma Kemajuan	55,828,000	56,890,000	1,062,000
31	Axis Business Campus	66,652,000	68,000,000	1,348,000
Total				27,206,000

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

The following table compares the market value per property on a per square foot (psf) basis against the total investment by the Fund on each property on a psf basis.

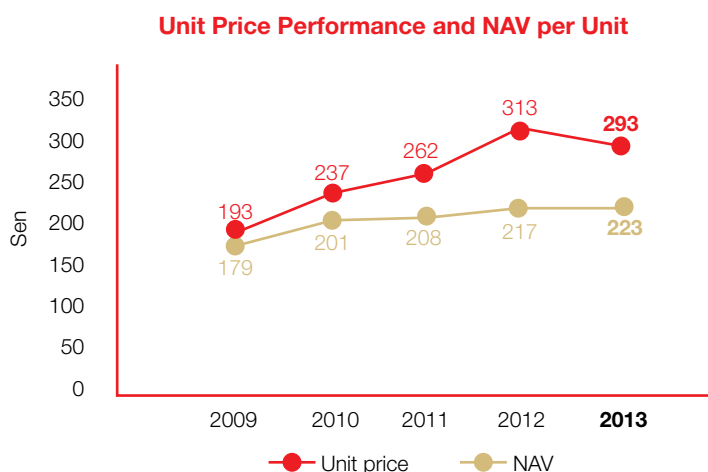
Valuation analysis - market value / market value psf and total investment outlay / total investment outlay psf

Property Description	Market Value RM	Market Value RM/psf	Total Investment Outlay (including enhancements) RM	Total Investment Outlay (including enhancements) RM/psf
Axis Shah Alam DC 1	21,500,000	195	19,627,000	178
D8 Logistics Warehouse	32,000,000	187	30,521,000	178
Quattro West	53,600,000	514	50,222,000	482
Fonterra HQ	14,000,000	386	10,871,000	299
Axis PDI Centre	92,000,000	1,586	86,327,000	1,488
Axis Technology Centre	52,000,000	305	50,131,000	294
Bukit Raja Distribution Centre	90,000,000	197	73,231,000	160
BMW Centre PTP	29,500,000	183	27,942,000	173
Seberang Prai Logistic Warehouse 1	20,000,000	189	17,695,000	167
Seberang Prai Logistic Warehouse 2	8,000,000	191	7,285,000	174
Giant Hypermarket	40,000,000	290	38,826,000	281
Menara Axis	113,000,000	618	78,308,000	428
Infinite Centre	41,500,000	289	33,582,000	234
Axis Plaza	32,000,000	272	22,662,000	193
FCI Senai	15,900,000	116	12,614,000	92
Tesco Bukit Indah	90,000,000	385	76,773,000	329
Axis Business Park	112,000,000	328	87,830,000	257
Crystal Plaza	106,000,000	517	64,281,000	313
Strateq Data Centre	52,400,000	500	42,604,000	406
Niro Warehouse	17,000,000	102	15,210,000	91
Delfi Warehouse	14,500,000	111	12,803,000	98
Axis Eureka	54,500,000	463	53,103,000	451
Axis Steel Centre	75,800,000	207	66,192,000	180
Axis Vista	36,000,000	305	33,267,000	282
Bayan Lepas Distribution Centre	49,500,000	241	49,756,000	243
Emerson Industrial Facility Nilai	29,320,000	101	27,196,000	93
Seberang Prai Logistic Warehouse 3	63,000,000	159	61,335,000	155
The Annex	16,000,000	352	12,289,000	271
Wisma Academy Parcel	77,000,000	329	74,385,000	317
Wisma Kemajuan	56,890,000	286	35,324,000	178
Axis Business Campus	68,000,000	393	52,817,000	305

This increase for 2013 amounted to RM27,206,000, contributing an increase of 6 sen to our NAV per Unit to RM2.23 as of 31 December 2013.

Financial **REVIEW**

Unit price traded at a 31.38% premium to our NAV per Unit on 31 December 2013.



Total non-property expenses

Details of total non-property expenses are as follows:

	2009 (RM'000)	2010 (RM'000)	2011 (RM'000)	2012 (RM'000)	2013 (RM'000)
Administrative and professional fees*	6,061	7,334	9,321	11,858	12,835
Bad debts (recovered)/written off	-	(108)	3	(97)	-
Impairment/(Reversal) losses of trade receivables	54	213	69	188	(30)
Financing/borrowing cost	739	-	-	-	-
Islamic financing cost	10,477	16,853	22,890	22,254	23,837
Total non-property expenses	17,331	24,292	32,283	34,203	36,642

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

Administrative and professional fees

The 8% increase in administrative and professional fees for 2013 is due to the increase in Unitholders' expenses and the Manager's Fee during the year as a result of the increase in the NAV of Axis-REIT. The valuation cost increased in 2013 as 22 properties were subjected to a full comprehensive valuation in 2013 in compliance with Clause 10.03 of the SC's Guidelines on REITs, where each property needs to be subjected to a full comprehensive valuation once every 3 years.

Impairment losses of trade receivables/bad debts recovered

There was no provision of doubtful debt in 2013 and the Fund had reversed RM30,000 of the previous year's doubtful debt. Collection improved in 2013, as total trade receivables were reduced by 63% on 31 December 2013 as compared to 31 December 2012 with overall collection period of 3 days in December 2013.

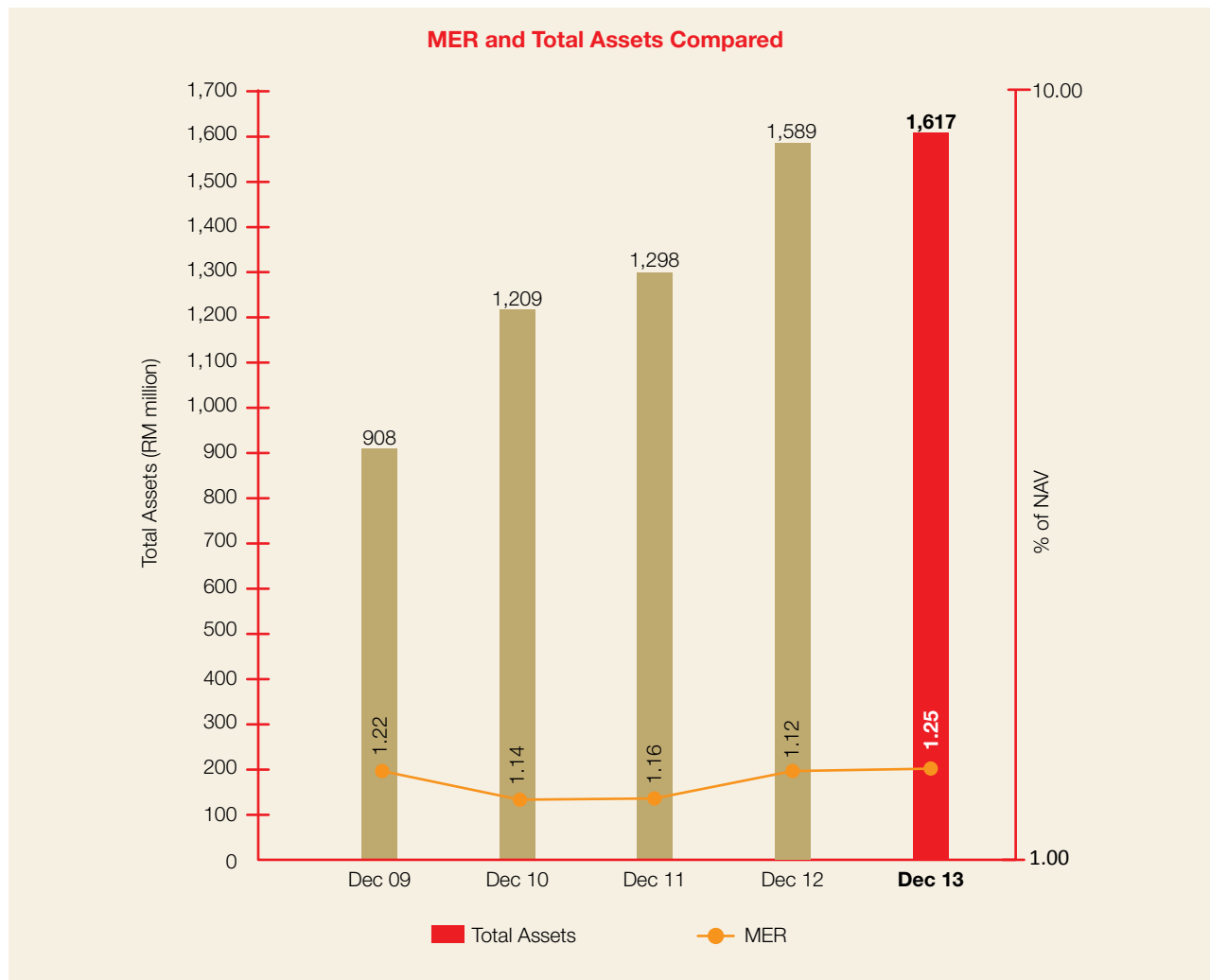
Islamic financing cost

The increase in Islamic financing cost is due to higher financing facility of the Fund in 2013; as compared to 2012.

For Period Ended	Average Collection Period (in days)
31 Dec. 2009	16
31 Dec. 2010	14
30 Dec. 2011	17
30 Dec. 2012	8
31 Dec. 2013	3

Management Expense Ratio ("MER")

The MER for 2013 has increased marginally to 1.25% of NAV as compared to 1.12% in year 2012. The chart below shows the movement of MER against the total assets of the Fund since December 2007.



Earnings Per Unit ("EPU")

The EPU (realised) for 2013 decreased slightly to 18.46 sen from 18.60 sen in 2012. This is based on the weighted average of the number of Units in issue.

Distribution Per Unit ("DPU")

The DPU for 2013 of 18.50 sen which is slightly lower from 18.60 sen in 2012. Taking out the DPU of gain on disposal of Kayangan Depot of 1.30 sen in 2012, the DPU would have been 17.30 sen in 2012. Axis-REIT had in year 2008, 2009, 2010, 2011 and 2012 placed out 50,000,000, 51,180,200, 68,819,800 and 77,913,096 new Units, respectively. Notwithstanding the increase in the number of Units over the past years, Axis-REIT has not only been able to prove that the placements done were non-dilutive in nature but has provided Unitholders with better DPU returns as shown in the chart to the right.



Financial **REVIEW**

Capital management

1. Enhancing our capital base

The Manager has always been of the view that an efficient and prudent capital structure is an integral part of a well managed fund.

Axis-REIT maintains a prudent capital management policy in terms of its Gearing level. Although the maximum Gearing level allowable by SC is 50%, the Manager maintains the Gearing of the Fund between a range of 28% to 38%. The Manager will only roll out the new Unit placement exercise when it anticipates that the Gearing of the Fund will exceed 35%.

2. Placement planned for 2014

In July 2012, when the Gearing level of Axis-REIT reached 34%, the Manager announced a proposal for the placement of 90,762,819 new Units (new Placement), which at that time represented 20% of the existing issued fund size of the Fund (pursuant to Clause 14.03 of the SC's Guidelines on REITs). However, in September 2012 with the issuance of the 2,703,125 new IDRPs Units, the issued fund size of the Fund increased to 456,517,221, and the proposed new Placement represented 19.88% of the current fund size. On 14 June 2013 and 16 December 2013, 2,423,762 and 2,298,106 new IDRPs Units were issued respectively. The issued fund size of the Fund increased to 461,239,089.

The approval for the new Placement from the SC was obtained in December 2012, and the Manager obtained Unitholders' approval for its implementation at its Unitholders' Meeting on 30 April 2013. The approval of the Unitholders' enables the Fund to have a window of 12 months from the approval date to roll out the placement. The new Placement may be implemented in tranches and will provide a perfect flexible capital raising platform as the Manager can time the placement to coincide with the target completion date for the new acquisitions of the Fund thereby minimizing the negative carry on the new Units.

Axis-REIT did not enter the acquisition market in 2013 as the seller's asking prices of properties and the yields offered were below our target. The issuance of the new Placement in 2013 was therefore delayed.

The Manager intends to obtain the Unitholders' approval at the 2014 Annual General Meeting for a further 12-months extension to roll out the new Placement. As the approval of the SC for the increase in fund size of the Fund to facilitate the new Placement was up to a maximum of 547,280,040 Units and taking into account the 4,721,868 new IDRPs Units which were issued in 2013, the revised number of Units that the Manager can place out under the new Placement would decrease to 86,040,951 Units.

Based on the market price per Unit of RM2.93 as at 31 December 2013, the new Placement will be able to raise gross proceeds of approximately RM252 million. This will enable the Fund to further acquire investment properties by approximately RM388 million before the Gearing level returns to 35%.

3. Strengthening the alignment of interest between the Manager and the Fund

At the Unitholders' meeting on 30 April 2013, the Manager obtained the approval from the Unitholders to allow the directors of the Manager to participate in the new Placement and to issue 2,000,000 Units for the payment of the management fee to the Manager instead of cash. This is part of our effort to further strengthen the alignment of interest between the Manager and the Fund.

4. Tapping into the Sukuk market

"Axis-REIT has successfully issued an additional RM155 million in nominal value sukuk via its special purpose entity Axis REIT Sukuk Berhad, a company incorporated by Axis-REIT to facilitate the establishment of a RM300 million in nominal value Sukuk programme."

- announcement dated 15 August 2013

In 2012, Axis-REIT set up a Sukuk programme of up to RM300 million in nominal value ("Sukuk Programme") undertaken by Axis REIT Sukuk Berhad; a special purpose entity of Axis-REIT that was established for the Sukuk Programme. As at 31 December 2013, a total of RM265 million in nominal value Sukuk had been issued under the Sukuk Programme. The breakdown is as follows:

	Year of issuance	Amount	Tenure	Blended fixed profit rate p.a.
1st tranche	2012	RM110.0 million	10 years	4.61%
2nd tranche - 7 years	2013	RM70.0 million	7 years	4.18%
2nd tranche - 5 years	2013	RM85.0 million	5 years	4.13%
RM265.0 million				

The Fund will continue with the issuance of Sukuk as part of its efforts to diversify the lending base. The other rationale for the issuance of the Sukuk Programme is as follows:

- Matches cash-flow profile of the secured properties;
- A standby funding facility during the term of the programme period;
- No stamp duty and commitment fee;
- Leverage on wider investor base; and
- Ability to lock in fixed financing rate on longer tenure sukuk i.e. beyond 5 years.

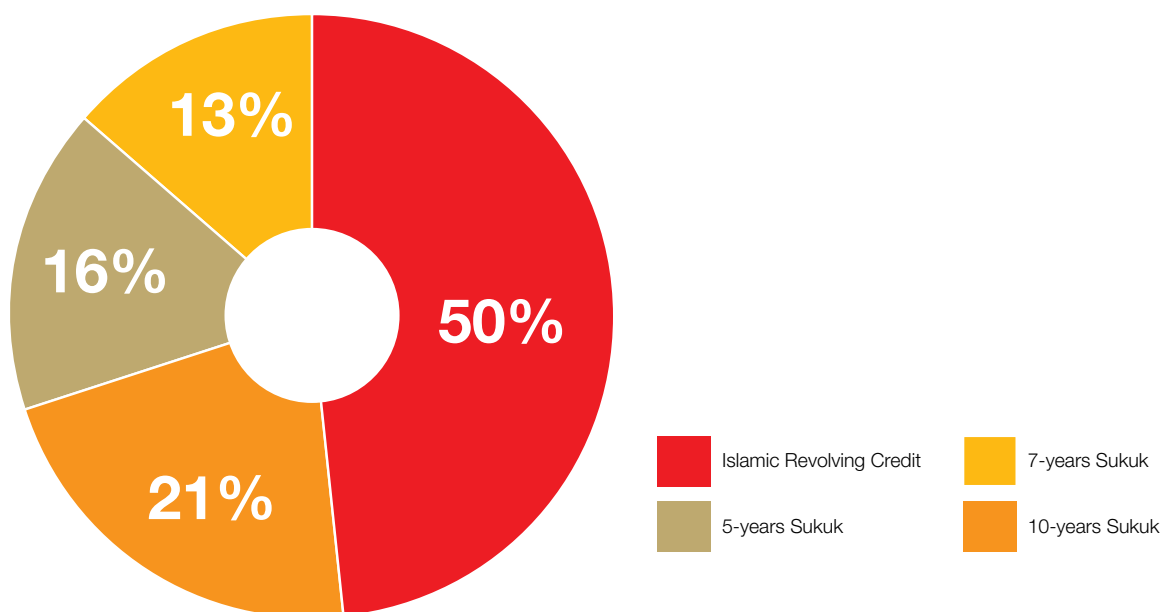
Financing Profile Table

	2009	2010	2011	2012	2013
Total Borrowings/financing (RM'000)	308,932	416,009	311,338	549,285	528,004
Total Assets (RM'000)	907,745	1,208,897	1,298,431	1,589,408	1,616,523
Gearing	34.03%	34.46%	23.98%	34.56%	32.66%
Effective interest/profit rate *	4.11%	4.48%	4.66%	4.58%	4.38%
Percentage of short term borrowings/ financing	47%	48%	52%	62%	50%
Percentage of medium or long term borrowings/financing	53%	52%	48%	38%	50%
Total unencumbered assets	12	11	12	6	5
Percentage of unencumbered assets/total assets	52%	42%	44%	19%	16%
Interest/financing cost cover	4.8	4.1	3.8	4.6	4.5

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

As at 31 December 2013, the Fund has diversified financing facilities which includes Sukuk and Islamic revolving credit facilities. The Islamic revolving facilities are offered by 5 big Islamic local and foreign Islamic financial institutions.

Debt Profile



Financial **REVIEW**

Risk management

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

1. Liquidity risk

The Manager has currently diversified Axis-REIT's financing with five major banks and also the Sukuk market. With this diversity, we have lower concentrations of risk among each of the lending banks and each bank has adequate collateral for the financing they are providing. Furthermore in 2013, Axis-REIT has started to tap the Sukuk market.

2. Interest rate risk

As at 31 December 2013, the Fund had a total financing facility of RM645 million of which RM529 million had been drawn down representing 32.66% of total assets.

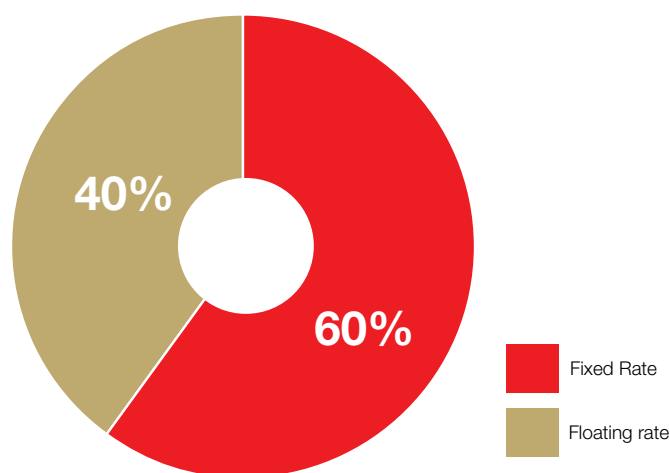
Of this amount, RM265 million is in Sukuk with fixed profit rates. In addition as at 31 December 2013, Axis-REIT had an Islamic profit rate swap of RM50 million in place and therefore the Fund's exposure to floating rate was reduced to 40%.

In January 2014, on the high possibility of an increase in the OPR in mid-2014, Axis-REIT had locked in a further RM50 million floating rate with an Islamic profit rate swap arrangement, thereby reducing the Fund's exposure to floating rate to 31%.

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

Note: the Interest terminology should refer to Profit at the latter part of the report.

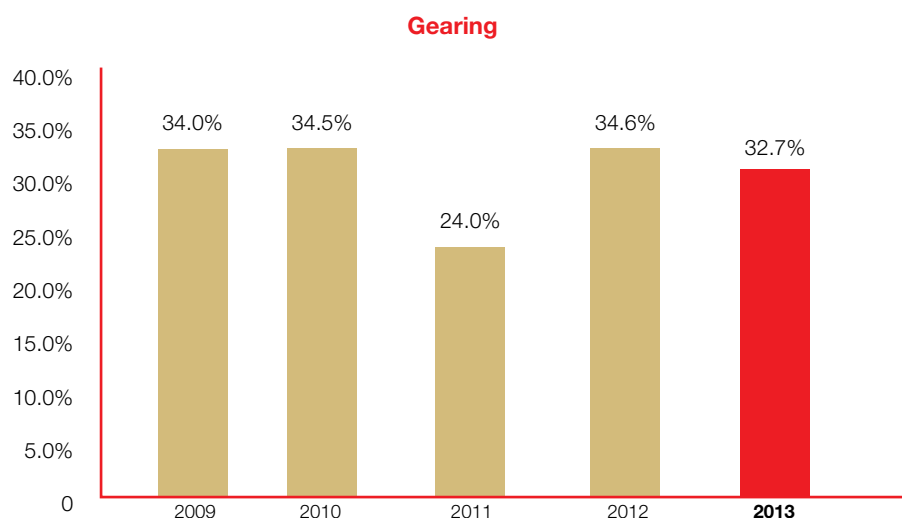
Debt Profile Fixed and Floating Rate as at 31 December 2013



3. Gearing risk

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

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



4. Valuation

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

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

5. Tenant and credit risk

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

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

As of 31 December 2013, Axis-REIT had 31 properties and 130 tenants, many whom are multinationals and local public-listed companies with strong financial credentials.

	2009	2010	2011	2012	2013
Top 10 tenants contribution to gross income	47%	52%	52%	49%	47%

Financial **REVIEW**

Doubtful debt provision/impairment losses of trade receivables

The Manager regularly reviews the credit risk profile of its tenants with the aim of minimising potential credit risk. Regular tenant visits as well as keeping vigilance on tenant's activities also helps early identification of problems.

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

As a result of the rigorous management of account receivables, the Manager has attained a low impairment loss of trade receivables as a percentage of total gross income. There is a reversal of impairment loss of trade receivables and bad debts as of 31 December 2013 amounted to RM30,000. The keen focus on receivables and a well-established internal credit control process has resulted in this low value.

RM'000	2009	2010	2011	2012	2013
Impairment losses of trade receivables					
Impairment losses of trade receivables/Bad debt write off/(write back)	54	105	72	91	(30)
Trade Receivables	3,371	3,893	5,417	2,902	1,072
Total Annual Gross Income	71,598	89,213	114,311	132,673	141,314
Impairment losses of trade receivables/Bad debt write off/(write back) as % of Gross Income	0.08	0.12	0.06	0.06	-

The average collection of the Fund has improved from 8 days to 3 days, and this is reflected by the drop in the trade receivables as of 31 December 2013 as compared to the preceding year.

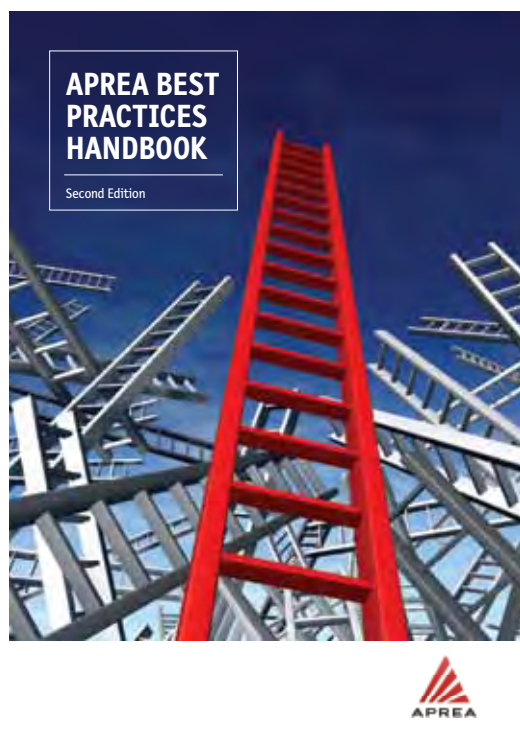
Risk management framework

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

During 2012 and 2013 our Internal Auditors, Baker Tilly Monteiro Heng conducted a review on compliance with the Corporate Governance Code as well as the APREA Best Practices Codes. The reports are made available to the Audit Committee as well as the Board. The Manager has taken steps to deal with the risks identified.

Compliance with **BEST PRACTICES**

As part of the initiative to achieve full compliance with the best practices recommendations by APREA, the Manager has presented some of the Axis-REIT's financial highlights in USD and also adopted the use of the direct method statement of cash flow.



A) A quick snapshot in US Dollars (“USD”)

The presentation of financial highlights in USD allows comparability against other foreign REITs and companies to users of the annual report. The following is an extract from the financial highlights denominated in USD for the financial year ended 31 December 2013.

Key items from Statement of financial position/unitholders' funds ^#

Assets under Management (USD)	491,150,000
Total Net Asset Value (USD)	312,533,000
Number of Investment Properties	31
Units in Circulation	461,239,089
Total Financing (USD)	160,424,000
Total Financing to Total Assets (%)	32.66%
Market Capitalization (USD)	410,607,000
Net Asset Value Per Unit (cents in USD)	0.68
Unit Price as at 31 December 2013 (USD)	0.89

Compliance with **BEST PRACTICES**

Summary of results[^]^{^^}[#]

Gross Realised Income (USD)	42,884,000
Unrealised Income in relation to Unbilled Lease Income Receivable (USD)	689,000
Total Property Expenses (USD)	(6,316,000)
Net Rental Income (USD)	37,257,000
Profit Income (USD)	202,000
Changes in fair value of investment properties (USD)	8,256,000
Unbilled Lease Income Receivable (USD)	(689,000)
Net gain/(loss) on financial liabilities measured at amortised cost* (USD)	(26,000)
Fair value change in derivative liability	(111,000)
Total Income (USD)	44,889,000
Total Non-Property Expenses (USD)	11,119,000
Net Income before tax (USD)	33,770,000
Breakdown of net income after taxation:	
- Realised income after taxation (USD)	25,651,000
- Unrealised income after taxation (USD)	8,119,000
Earnings per Unit (Realised + Unrealised) (cents in USD)	7.37
Distribution per Unit (DPU) (cents in USD)	5.61

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

[^] Translated to USD equivalent based on closing rate of USD/MYR of 3.2913 (Source: www.oanda.com).

^{^^} Translated to USD equivalent based on average rate of USD/MYR for financial year 2013 of 3.2953 (Source: www.oanda.com).

[#] Please note that translations were done purely for comparison purposes and were not required to adhere with the provisions of the Malaysian Financial Reporting Standards.

B) Direct method statement of cash flow

The use of the Direct Method Statement of Cash Flow provides more detailed information on operating cash flows.

Statement of Cash Flows (Direct Method) For The Year Ended 31 December 2013

	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Gross revenue received	143,179	
Tenant deposit received	1,352	
Operating expenses paid	(28,854)	
Tax refunded	154	
Net cash from operating activities		115,831
CASH FLOW FROM INVESTING ACTIVITIES		
Balance proceed from disposal of investment property	21,240	
Deposit on disposal of investment property	3,400	
Profit income received	667	
Enhancement of investment properties	(28,523)	
Acquisition of equipment	(2,038)	
Net cash used in investing activities		(5,254)
CASH FLOW FROM FINANCING ACTIVITIES		
Islamic financing cost paid	(23,837)	
Repayments of financing	(21,505)	
Proceeds from hire purchase	224	
Distribution paid to Unitholder	(88,789)	
Proceed from issue of units	15,594	
Issuing expenses	(57)	
Net cash used in financing activities		(118,370)
Net decrease in cash and cash equivalents		(7,793)
Cash and cash equivalents at beginning of the year		42,316
Cash and cash equivalents at end of the year		34,523

Report on **SHARIAH COMPLIANCE**



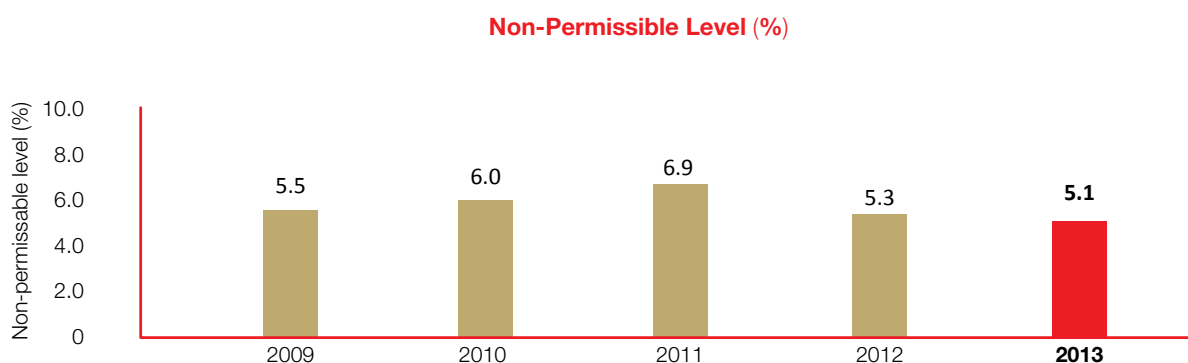
From left to right: Ustaz Ahmad Zakirullah Mohamed Shaarani, Ustaz Budeeman Mana, Haji Razli Ramli and Ustaz Mohd Nasir Ismail

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

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

- Providing expertise and guidance to the Manager in all matters relating to Shariah requirements, including Axis-REIT's structure, investment process, and other operational and administrative matters
- Assessing any new tenant(s) and/or new property to be acquired by Axis-REIT to ensure that all the activities of the new tenant(s) and/or composition/contribution of non-permissible activities stay within the tolerable benchmark set by the Shariah Advisory Council (SAC) of the SC
- Providing certification in the interim (if any) and an annual report on Axis-REIT's ability to stay within the SC's Guidelines on Islamic REITs
- Consulting with the SC's SAC where there is any ambiguity or uncertainty as to an investment, instrument, system, procedure and/(or) process
- Assisting and attending to any ad-hoc meeting called by the Manager, the SC and/or any other relevant authority

The Manager is pleased to report that under the guidance of IBFIM, the level of income from non-permissible activities is kept at a minimal level of 5.1% for 2013.



The Real Estate **TEAM**



left to right: Lucy Yeong, Jackie Law, Dhevendran Thanabalan, Lalitha Anandarajah



"In 2013, the Real Estate team successfully renegotiated 789,795 sq. ft. of space amounting to 14.45% of total net lettable area (NLA) of the portfolio, achieving average positive rental reversions of 8.08% for the year. In addition, we also secured 126,236 sq. ft. of new tenancies."

Jackie Law
Head of Real Estate

Overview

Portfolio Size	: 31 properties
Total Area Under Management (AUM)	: 5,464,124 sq. ft.
Number of Tenants	: 130
Occupancy	: 94.87%
Gross Income	: RM141,314,000
Net Operating Income (NOI)	: RM120,502,000
Average Rental	: Office properties : RM4.30 per sq. ft.
	Office industrial properties: RM2.46 per sq. ft.
	Across the portfolio: RM2.16 per sq. ft.

Axis-REIT has scaled up significantly since listing in 2005 and delivered strong results in the process. We are committed to delivering consistently high returns from our business and have established a series of key performance indicators to monitor our progress and performance.

1. Income growth

The key drivers:

- Income Growth - through yield accretive acquisitions;
- Revenue Management - managing our vacancies, rental rates and collection;
- Occupancy Management - keeping vacancies as low as possible;
- Expense Management - managing building efficiency, energy footprint and service providers;
- Facilities Management - managing our site staff and building maintenance;
- Tenant Care - managing tenant retention and satisfaction.

2. Risk management

We focus on:

- Diversification of our tenant base;
- Managing the Weighted Average Lease Expiry (WALE) period for the portfolio;
- Attracting quality tenants;
- Building compliance;
- Occupational health and safety;
- Sustainability initiatives.

3. Asset Enhancement Initiatives (AEI)

The Manager continues to focus on AEI to enable higher rental rates and enhance the value of the properties.

Real Estate **REPORT**

Portfolio by Value and Date of Acquisition

Name	Acquisition Date	Acquisition Cost (RM'000)	Total Investment Outlay (including enhancements) (RM'000)	Fair Value Adjustments (RM'000)	Book Value (RM'000)	% of Total Portfolio
Axis Plaza	03/08/2005	22,500	22,662	9,338	32,000	2.03
Axis Business Park	03/08/2005	84,600	87,830	24,568	112,398	7.14
Crystal Plaza	03/08/2005	56,400	64,283	41,879	106,162	6.74
Menara Axis	03/08/2005	71,440	78,307	34,790	113,097	7.18
Infinite Centre	03/08/2005	25,450	33,581	8,113	41,694	2.65
Wisma Kemajuan	16/12/2005	29,192	35,324	21,566	56,890	3.61
Axis Business Campus	30/06/2006	32,681	52,817	15,183	68,000	4.32
Axis Shah Alam DC 1	01/08/2007	18,783	19,627	1,887	21,514	1.37
Giant Hypermarket	07/09/2007	38,678	38,825	1,224	40,049	2.54
FCI Senai	15/11/2007	12,538	12,614	3,286	15,900	1.01
Fonterra HQ	16/11/2007	7,352	10,871	3,135	14,006	0.89
Quattro West	30/11/2007	40,376	50,222	3,416	53,638	3.41
Strateq Data Centre	25/01/2008	37,549	42,604	10,094	52,698	3.35
Niro Warehouse	30/04/2008	14,811	15,210	1,790	17,000	1.08
BMW Centre PTP	30/04/2008	27,470	27,942	1,742	29,684	1.88
Delfi Warehouse	04/08/2008	12,743	12,803	1,697	14,500	0.92
Axis Vista	09/12/2008	32,481	33,267	2,733	36,000	2.29
Axis Steel Centre	20/10/2009	65,882	66,192	9,608	75,800	4.81
Bukit Raja Distribution Centre	14/12/2009	72,636	73,231	17,169	90,400	5.74
Seberang Prai Logistic Warehouse 1	05/03/2010	17,695	17,695	2,305	20,000	1.27
Seberang Prai Logistic Warehouse 2	05/03/2010	6,981	7,285	715	8,000	0.51
Tesco Bukit Indah	01/10/2010	76,750	76,773	13,227	90,000	5.71
Axis PDI Centre	15/10/2010	86,146	86,328	5,779	92,107	5.85
Axis Technology Centre	15/11/2010	49,697	50,130	2,261	52,391	3.33
D8 Logistics Warehouse	01/03/2011	30,521	30,521	1,479	32,000	2.03
Axis Eureka	18/04/2011	52,050	53,103	1,397	54,500	3.46
Bayan Lepas Distribution Centre	17/01/2012	49,471	49,756	(256)	49,500	3.14
Seberang Prai Logistic Warehouse 3	15/02/2012	60,139	61,335	1,665	63,000	4.00
Emerson Industrial Facility Nilai	30/08/2012	27,011	27,196	2,124	29,320	1.86
Wisma Academy Parcel	01/10/2012	74,242	74,385	2,615	77,000	4.89
The Annex	01/10/2012	12,289	12,289	3,711	16,000	1.02
TOTAL		1,246,554	1,325,008	250,240	1,575,248	100.00

Details on Land Tenure

Name	Land Tenure	Years Remaining on Leasehold Expiry
Axis Plaza	Freehold	-
Axis Business Park	Leasehold	47
Crystal Plaza	Leasehold	46
Menara Axis	Leasehold	52
Infinite Centre	Leasehold	52
Wisma Kemajuan	Leasehold	52
Axis Business Campus	Leasehold	54/58
Axis Shah Alam DC 1	Freehold	-
Giant Hypermarket	Freehold	-
FCI Senai	Leasehold	54
Fonterra HQ	Freehold	-
Quattro West	Leasehold	59
Strateq Data Centre	Leasehold	55
Niro Warehouse	Leasehold	38
BMW Centre PTP	Leasehold	42
Delfi Warehouse	Leasehold	54
Axis Vista	Leasehold	53
Axis Steel Centre	Leasehold	89
Bukit Raja Distribution Centre	Freehold	-
Seberang Prai Logistic Warehouse 1	Leasehold	40
Seberang Prai Logistic Warehouse 2	Leasehold	40
Tesco Bukit Indah	Freehold	-
Axis PDI Centre	Leasehold	78
Axis Technology Centre	Leasehold	54
D8 Logistics Warehouse	Leasehold	42
Axis Eureka	Freehold	-
Bayan Lepas Distribution Centre	Leasehold	49
Seberang Prai Logistic Warehouse 3	Leasehold	39/55
Emerson Industrial Facility Nilai	Leasehold	82
Wisma Academy Parcel	Leasehold	49
The Annex	Leasehold	49

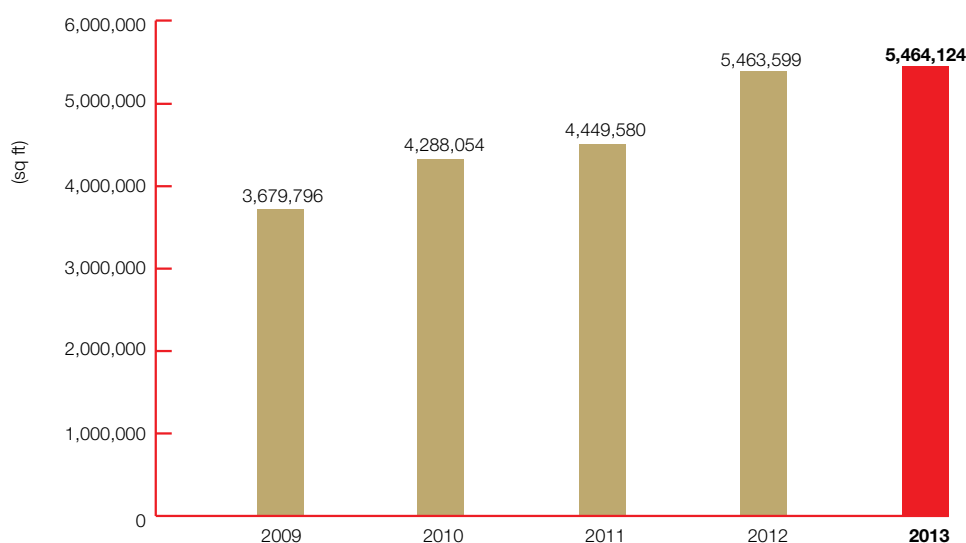
Real Estate **REPORT**

1. Income Growth

a) Acquisitions

In 2013, the manager did not acquire any assets as the assets we were looking to buy were not offering our targeted yields. However, the acquisition landscape has improved in 2014 and we are confident we will return to growing our portfolio.

Asset Under Management (sq ft)



Assets Under Management (AUM) stands at 5,464,124 sq. ft. as at 31 December 2013.

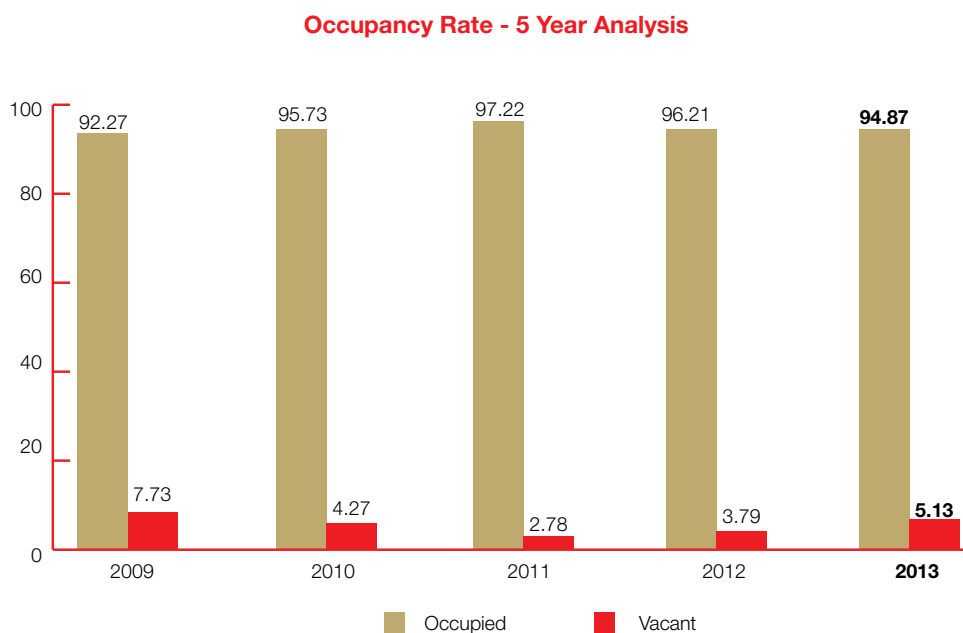
b) Revenue management

In 2013, the Real Estate team successfully renegotiated 789,795 sq. ft. of space amounting to 14.45% of total net lettable area (NLA) of the portfolio, achieving average positive rental reversions of 8.08% for the year. In addition we also secured new tenancies for 126,236 sq. ft. of space in 2013.

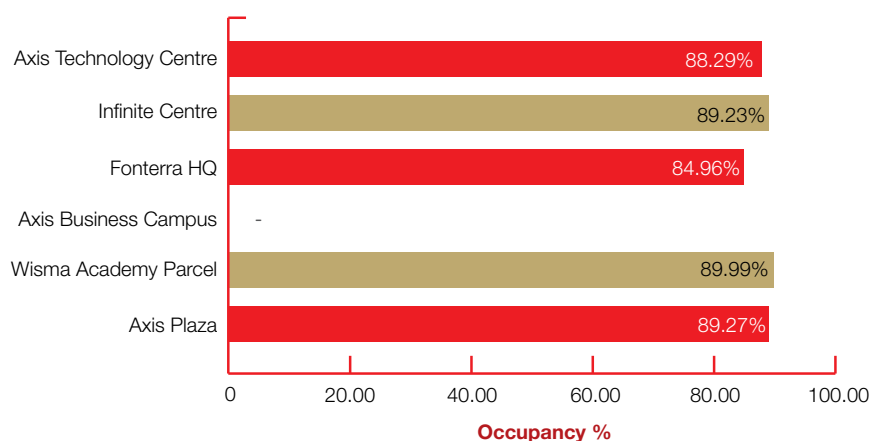
Properties	Space Renegotiated (Sq. Ft.)	% Movement As at 31 Dec 2013
Menara Axis	68,326	+8.78%
Crystal Plaza	120,358	+10.09%
Axis Business Park	86,676	+10.12%
Infinite Centre	87,476	+12.45%
Axis Plaza	104,843	+8.12%
Wisma Kemajuan	80,199	+6.70%
Quattro West	33,300	+13.45%
The Annex	27,400	+0.49%
Axis Technology Centre	54,072	+9.90%
Axis Eureka	14,660	+9.66%
Wisma Academy Parcel	44,318	+5.94%
Axis Vista	40,937	No change
Axis Business Campus	27,230	No change
Tesco Bukit Indah	233,578	+5.00%
Giant Hypermarket	138,000	+9.84%

c) Occupancy management

The Real Estate Team also focusses on customer relations and has a good track record of retaining tenants. Ratios of leases renewed have been consistently high and above industry average. Overall portfolio occupancy rate stood at 94.87% as at 31 December 2013. This rate was slightly lower than 2012 as Axis Business Campus was emptied while undergoing major enhancement work. The project will be completed in 1Q 2014 and the space will be put back on the market.



As at 31 December 2013, only 6 of our 31 properties registered a vacancy rate below 90%. These 6 properties are:



Fonterra HQ is a single tenant property with a long term lease. The 15% vacant space is set aside for the tenants' future expansion plans. The other 5 properties are recording close to a 90% occupancy rate.

Real Estate **REPORT**

d) Tenant care

The Real Estate team, comprising the leasing, facilities management and project management divisions, works together to provide superior customer care services to our tenants. We are proud that because of this, some tenants have been growing together with our portfolio and have stayed with us for many years. Our customer care services include:

- Regular visits
- Monitoring tenant activity
- Quick response to complaints
- Managing tenants expansion and relocation of space within the buildings in the portfolio
- Publication of quarterly "Axis-Link" newsletters to update tenants on Axis-REIT activities

2. Risk management

Our key focus areas in risk management are:

- Diversification of the tenant base;
- Focus on Weighted Average of Lease Expiry (WALE);
- Quality tenants;
- Occupational health, safety and environment;
- Building Code of Compliance.

a) Diversification of tenants, property types, industry sectors & geographical location

The portfolio tenancy type is dominated by office/industrial and logistics warehouse tenants, and the ratios have been maintained at a consistent level in the past 5 years. These tenants are prominent local and multinational companies as well as government linked companies (GLCs) which provide the Fund a stable income with minimal risk of defaulting. In terms of rental income, the largest contributors are from the logistic warehouse industry. The portfolio's top 10 tenants, of whom 4 are logistic tenants contributed 46.9% of the Fund's total revenue in 2013.

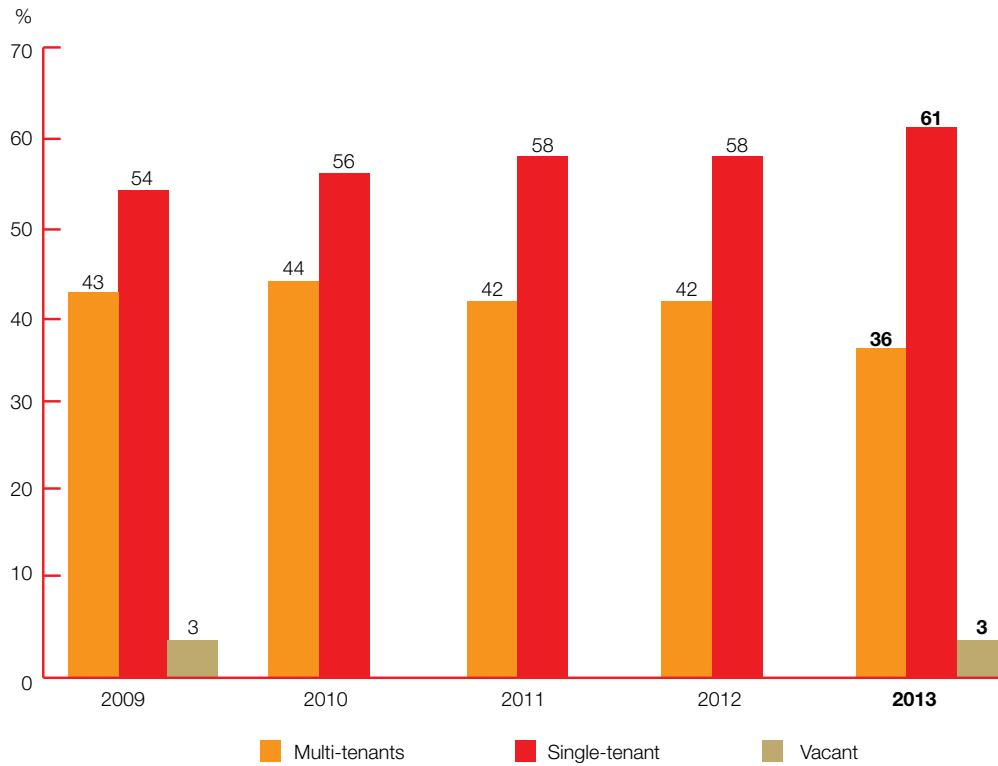
The top 10 rental income contributors by gross rental as at 31 December 2013 are:

1. Konsortium Logistik Bhd
2. LF Logistics Services (M) Sdn Bhd
3. Schenker Logistics (M) Sdn Bhd
4. Tenaga Nasional Berhad
5. Tesco Stores (M) Sdn Bhd
6. Fuji Xerox Asia Pacific Pte Ltd
7. DHL Properties (M) Sdn Bhd
8. Strateq Data Center Sdn Bhd
9. GCH Retail (Malaysia) Sdn Bhd
10. Scope International (M) Sdn Bhd

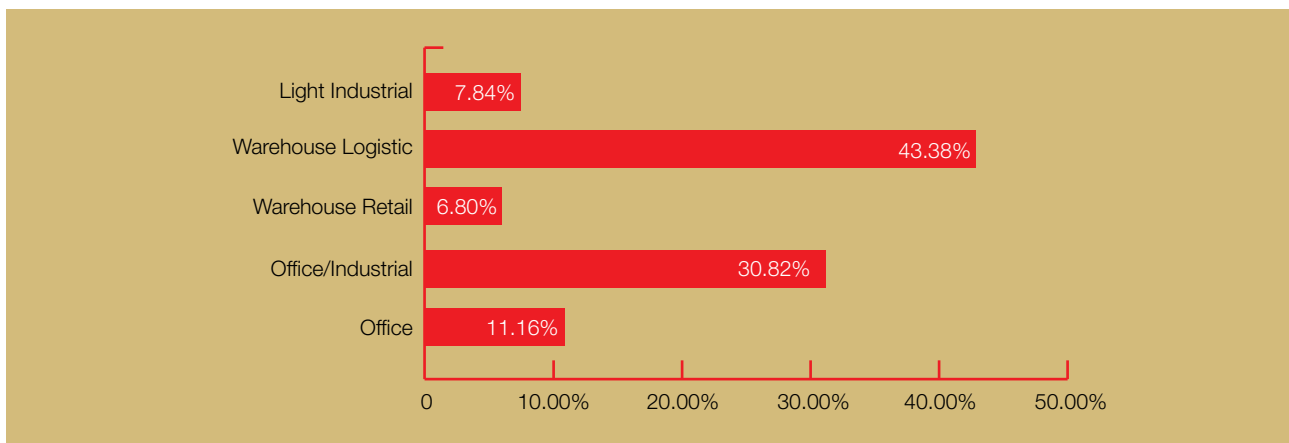
Our portfolio risk is mitigated by maintaining a balanced structure of single-tenanted properties and multi-tenanted properties. The single-tenanted properties provide long-term stable organic rental income growth as these leases have pre-agreed rental increases over the fixed period of the lease. The multi-tenanted properties generally with 3-year leases, provide the Fund with dynamic parity for rental movement in the market, thus achieving positive rental reversions upon renewal. Majority of our multi-tenanted properties are located in the prime location of Petaling Jaya, namely Menara Axis, Crystal Plaza, Quattro West, Axis Business Park, Infinite Centre, Wisma Kemajuan, Wisma Academy Parcel, The Annex, Axis Technology Centre and Axis Vista.

Of the list of top 10 tenants list, 8 are occupying single-tenanted properties. All the single-tenanted properties tend to feature high quality tenants who have signed long-term leases and generally have much lower maintenance costs as a proportion to income.

Diversification by Tenant Types - Multi-Tenants vs Single-Tenant Properties by NLA 5 Year Analysis

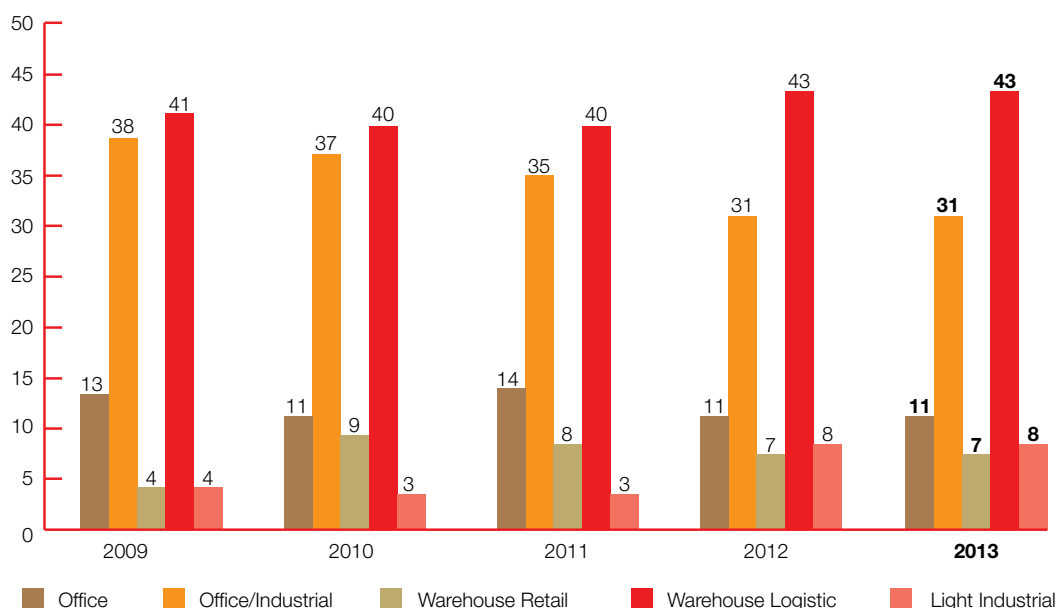


Diversification by Property Type and Net Lettable Area

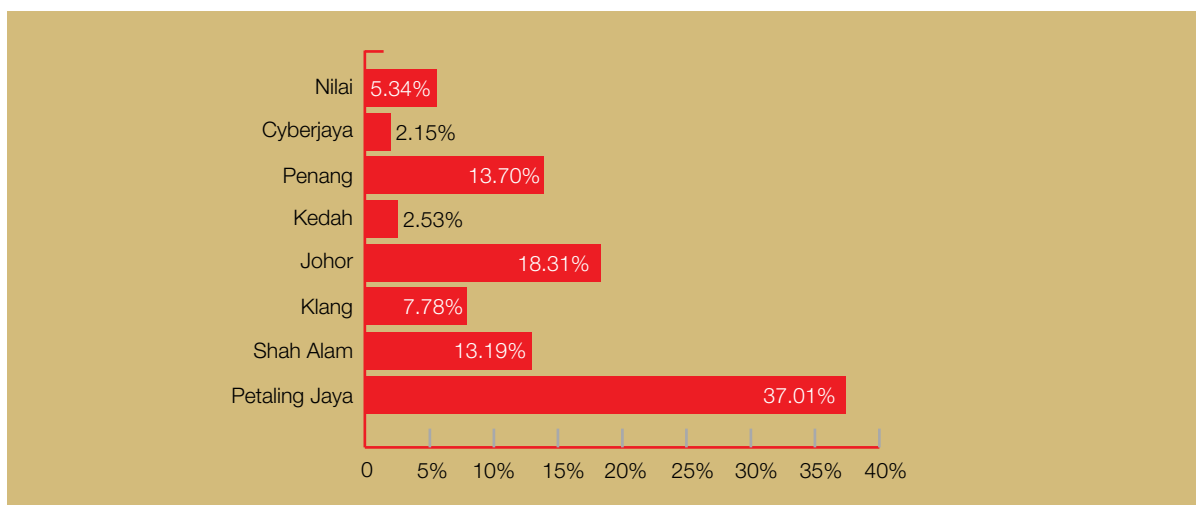


Real Estate **REPORT**

Diversification by Property Type and Net Lettable Area - 5 Year Analysis



Diversification by Geographical Locations and NLA



The Manager regularly reviews the portfolio in order to achieve an optimal level in terms of diversification so that the Fund is not exposed to certain sectors only. This strategy ensures that the Fund enjoys a stable earnings platform to provide our Unitholders with the best possible returns each year.

b) The Weighted Average Lease Expiry (WALE)

The WALE for the portfolio for the last 3 years is:

By Year	Q4 2013	Q4 2012	Q4 2011
By NLA	3.89	4.43	5.64
By Rental	3.99	4.17	5.19

The reduction in the WALE is a result of long leases shortening year on year.

c) Proactive lease management - lease expiry profiles 2014-2016

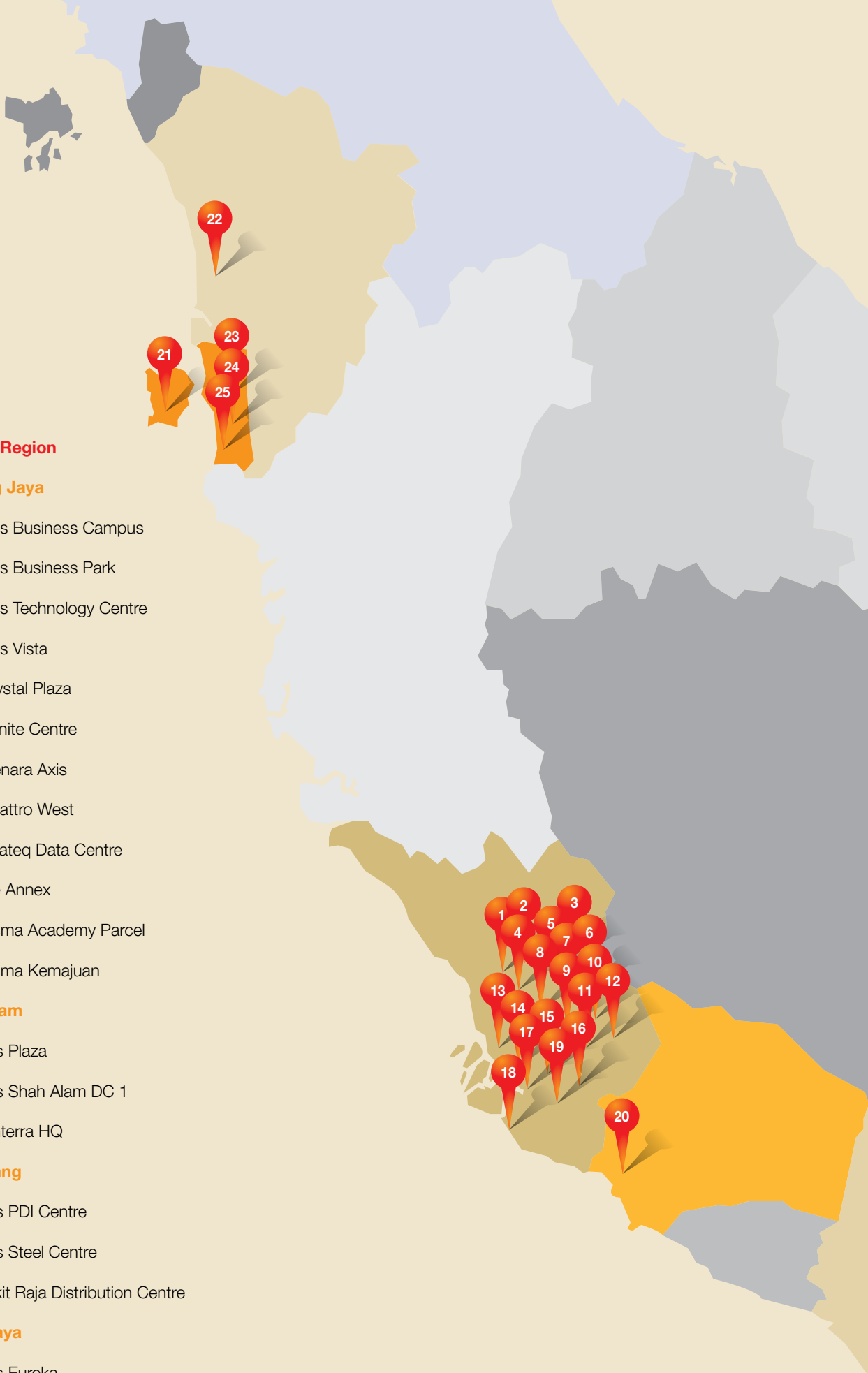
The following table sets out information on the lease expiry profile for the next 3 years. We believe that the percentage of space due for renewal is at a manageable level. In 2014, the percentage will be comparably higher because some single-tenant leases are due for renewal and the Manager has entered into negotiations with the tenants. We are confident we will manage these renewals as these properties are built to suit for tenants' operations.

Property	2014			2015			2016		
	Year Total	% of NLA	% of Rental Income/month	Year Total	% of NLA	% of Rental Income/month	Year Total	% of NLA	% of Rental Income/month
Menara Axis	54,587	1.00	2.23	-	-	0.03	91,514	1.67	3.34
Crystal Plaza	81,339	1.49	2.84	3,407	0.06	0.08	120,358	2.20	4.40
Axis Business Park	284,450	5.21	6.48	15,713	0.29	0.31	41,304	0.76	0.86
Infinite Centre	79,159	1.45	1.50	9,040	0.17	0.18	44,770	0.82	1.04
Axis Plaza	53,730	0.98	0.99	-	-	-	51,113	0.94	1.12
Wisma Kemajuan	9,583	0.18	0.28	66,863	1.22	1.26	108,262	1.98	2.38
Axis Vista	60,400	1.11	0.88	-	-	-	40,937	0.75	0.84
Quattro West	33,911	0.62	1.25	10,991	0.20	0.31	59,294	1.09	2.35
Axis Technology Centre	17,348	0.32	0.45	111,889	2.05	1.82	21,493	0.39	0.43
Axis Eureka	57,727	1.06	2.00	160	0.003	0.01	15,235	0.28	0.60
Wisma Academy Parcel	55,462	1.02	1.27	128,276	2.35	2.32	33,532	0.61	0.82
The Annex	18,000	0.33	0.29	27,400	0.50	0.35	-	-	-
Emerson Industrial Facility Nilai	-	-	-	-	-	-	291,642	5.34	1.92
Axis Steel Centre	366,839	6.71	5.03	-	-	-	-	-	-
Niro Warehouse	167,193	3.06	1.19	-	-	-	-	-	-
Seberang Prai Logistic Warehouse 3	395,225	7.23	4.90	-	-	-	-	-	-
Fonterra HQ	600	0.01	0.01	-	-	-	-	-	-
BMW Centre PTP	161,474	2.96	2.43	-	-	-	-	-	-
Axis PDI Centre	-	-	-	58,009	1.06	6.11	-	-	-
Axis Shah Alam DC1	-	-	-	110,406	2.02	1.23	-	-	-
FCI Senai	-	-	-	136,619	2.50	1.17	-	-	-
Delfi Warehouse	-	-	-	130,743	2.39	1.12	-	-	-
	1,897,027	34.74	34.02	809,516	14.81	16.30	919,454	16.83	20.10

d) Tenant credit worthiness and risk management

To minimize tenant credit risk, a credit evaluation process has been established to assess the credit worthiness of our potential tenants. Our Credit Control team keeps a close track of our rental collections to ensure that collections are within the prescribed time period.

Based on standard industry practice, one month worth of gross rental is usually held as a security deposit for each year's lease. For longer term leases in single tenanted properties, a larger sum is held as a security deposit. dependent on the length of lease, the credit risks of such tenants and commercial negotiations. Security deposits for Axis-REIT's multi tenanted properties are in general 3 months' rental equivalent and single tenanted properties range from 6 months to 12 months of rental equivalent.



Central Region

Petaling Jaya

- 1) Axis Business Campus
- 2) Axis Business Park
- 3) Axis Technology Centre
- 4) Axis Vista
- 5) Crystal Plaza
- 6) Infinite Centre
- 7) Menara Axis
- 8) Quattro West
- 9) Strateq Data Centre
- 10) The Annex
- 11) Wisma Academy Parcel
- 12) Wisma Kemajuan

Shah Alam

- 13) Axis Plaza
- 14) Axis Shah Alam DC 1
- 15) Fonterra HQ

Port Klang

- 16) Axis PDI Centre
- 17) Axis Steel Centre
- 18) Bukit Raja Distribution Centre

Cyberjaya

- 19) Axis Eureka

Nilai

- 20) Emerson Industrial Facility Nilai

Northern Region

- 21) Bayan Lepas Distribution Centre
- 22) Giant Hypermarket
- 23) Seberang Prai Logistic Warehouse 1
- 24) Seberang Prai Logistic Warehouse 2
- 25) Seberang Prai Logistic Warehouse 3

Southern Region

- 26) BMW Centre PTP
- 27) D8 Logistics Warehouse
- 28) Delfi Warehouse
- 29) FCI Senai
- 30) Niro Warehouse
- 31) Tesco Bukit Indah Hypermarket



The Investment Property **PORTFOLIO**

as at 31 December 2013



31
PROPERTIES
5.4 million sq. ft.

1. AXIS BUSINESS CAMPUS

Lot 13A & 13B, Jalan 225,
Section 51A, 46100 Petaling Jaya,
Selangor.

2. AXIS BUSINESS PARK

No. 10, Jalan Bersatu 13/4,
46200 Petaling Jaya,
Selangor.

3. AXIS TECHNOLOGY CENTRE

No. 13, Jalan 225, Section 51A,
46100 Petaling Jaya,
Selangor.

4. AXIS VISTA

No. 11, Jalan 219,
Section 51A,
46100 Petaling Jaya,
Selangor.

5. CRYSTAL PLAZA

No. 4, Jalan 51A/223
46100 Petaling Jaya,
Selangor.

6. INFINITE CENTRE

Lot 1, Jalan 13/6,
46200 Petaling Jaya,
Selangor.

7. MENARA AXIS

No. 2, Jalan 51A/223,
46100 Petaling Jaya,
Selangor.

8. QUATTRO WEST

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



9. STRATEQ DATA CENTRE

No. 12 Jalan Bersatu 13/4,
Section 13, 46200 Petaling Jaya,
Selangor.

10. THE ANNEX

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

11. WISMA ACADEMY PARCEL

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

12. WISMA KEMAJUAN

No. 2, Jalan 19/1B,
46300 Petaling Jaya,
Selangor.

13. AXIS PLAZA

Lot 5, Jalan Penyair U1/44, Off Jalan,
Glenmarie, Temasya Industrial Park,
Batu Tiga, 40150 Shah Alam,
Selangor.

14. 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.

15. FONTERRA HQ

No.23, Jalan Delima 1/1,
Subang Hi-Tech Industrial Park,
Batu Tiga, 40000 Shah Alam,
Selangor.

16. AXIS PDI CENTRE

Lot 7316, Off Jalan Klang/Banting,
Locality of Sijangkang,
42500 Telok Panglima Garang,
Selangor.

The Investment Property **PORTFOLIO**

as at 31 December 2013



17



18



19



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17. AXIS STEEL CENTRE

Lot 19, Lebu Hishamuddin 1,
Kawasan 20, Selat Klang Utara,
42000 Pelabuhan Klang.

18. BUKIT RAJA DISTRIBUTION CENTRE

No. 43 & 44, Lengkok Keluli 1,
Kawasan Perindustrian,
Bukit Raja Selatan, Sek 7,
40000 Shah Alam, Selangor.

19. AXIS EUREKA

3539, Jalan Teknokrat 7,
63000 Cyberjaya, Selangor.

20. EMERSON INDUSTRIAL FACILITY NILAI

Lot 13111 & Lot 13112,
Mukim Labu,
Kawasan Perindustrian Nilai,
71800 Nilai,
Negeri Sembilan.

21. BAYAN LEPAS DISTRIBUTION CENTRE

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

22. GIANT HYPERMARKET

Jalan Lencongan Barat,
08000 Sungai Petani,
Kedah.

23. SEBERANG PRAI LOGISTIC WAREHOUSE 1

Plot 23, Tingkat Perusahaan 6,
Kawasan Perusahaan Prai Phase 4,
13600 Seberang Prai Tengah,
Penang.



24. SEBERANG PRAI LOGISTIC WAREHOUSE 2

Plot 24, Tingkat Perusahaan 6, Kawasan Perusahaan Prai Phase 4, 13600 Seberang Prai Tengah, Penang.

25. SEBERANG PRAI LOGISTIC WAREHOUSE 3

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

26. BMW CENTRE PTP

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

27. D8 LOGISTICS WAREHOUSE

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

28. DELFI WAREHOUSE

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

29. FCI SENAI

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

30. NIRO WAREHOUSE

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

31. TESCO BUKIT INDAH HYPERMARKET

No. 1, Jalan Bukit Indah, 81200 Johor.

Portfolio **DETAILS**

Property Name	Acquisition Date	Purchase Price (RM'000)	Total Investment Outlay including enhancement as of 31-12-13 (RM'000)	Book Value based on latest valuation (RM'000)	Net Lettable Area (sq ft)
1 Menara Axis	03/08/2005	71,400	78,307	113,097	182,859
2 Crystal Plaza	03/08/2005	56,400	64,283	106,162	205,103
3 Axis Business Park	03/08/2005	84,600	87,830	112,398	341,467
4 Infinite Centre	03/08/2005	25,450	33,581	41,694	143,471
5 Axis Plaza	03/08/2005	22,500	22,662	32,000	117,450
6 Wisma Kemajuan	16/12/2005	29,000	35,324	56,890	199,008
7 Axis Business Campus	30/06/2006	32,500	52,817	68,000	172,967
8 Axis Shah Alam DC1	01/08/2007	18,500	19,627	21,514	110,406
9 Giant Hypermarket	07/09/2007	38,000	38,825	40,049	138,000
10 FCI Senai	15/11/2007	12,300	12,614	15,900	136,619
11 Fonterra HQ	16/11/2007	7,200	10,871	14,006	36,310
12 Quattro West	30/11/2007	39,800	50,222	53,638	104,196
13 Strateq Data Centre	25/01/2008	37,000	42,604	52,698	104,903
14 BMW Centre PTP	30/04/2008	27,000	27,942	29,684	161,474
15 Niro Warehouse	30/04/2008	14,500	15,210	17,000	167,193

Address	Gross Revenue for the period ended 31-12-13 (RM'000)	Occupancy Rate as at 31-12-13	Major Tenants
No. 2, Jalan 51A/223, 46100 Petaling Jaya, Selangor.	11,224	96.55%	Fujifilm (M) Sdn Bhd American International Assurance Berhad Sportathlon (M) Sdn Bhd Philips Malaysia Sdn Bhd DHL Asia Pacific Shared Services Sdn Bhd Opensys (M) Berhad
No. 4, Jalan 51A/223, 46100 Petaling Jaya, Selangor.	10,422	100%	Tenaga Nasional Bhd Scope International (M) Sdn Bhd DHL Asia Pacific Shared Services Sdn Bhd Asiaworks Malaysia Sdn Bhd TNB Fuel Services Sdn Bhd
No. 10, Jalan Bersatu 13/4, 46200 Petaling Jaya, Selangor.	11,498	100%	Fuji Xerox Asia Pacific Pte Ltd Hitachi eBworx Sdn Bhd Honeywell Engineering Sdn Bhd Johnson & Johnson Sdn Bhd Eitek Power (Malaysia) Sdn Bhd
Lot 1, Jalan 13/6, 46200 Petaling Jaya, Selangor.	3,719	89.23%	Konica Minolta Business Solutions (M) Sdn Bhd FJ Benjamin (M) Sdn Bhd C Melchers GmbH & Co Wo Kee Hong Electronics Sdn Bhd
Lot 5, Jalan Penyair U1/44, Off Jalan Glenmarie, Temasya Industrial Park, Batu Tiga, 40150 Shah Alam, Selangor.	3,097	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.	5,812	92.81%	Goucera Marketing Sdn Bhd HUME Marketing Sdn Bhd Hawley & Hazel Marketing Sdn Bhd Brightstar Distribution Sdn Bhd Sumisho E-commerce (M) Sdn Bhd
Lot 13A & 13B, Jalan 225, Section 51A 46100 Petaling Jaya, Selangor.	536	0%	
Lots 2-22,2-24,2-26,2-28, Jalan SU 6A Taman Perindustrian Subang, (Lion Industrial Park), Section 22, 40300 Shah Alam, Selangor.	1,722	100%	Upeca Aerotech Sdn Bhd
Jalan Lencongan Barat, 08000 Sungai Petani, Kedah.	3,441	100%	GCH Retail (Malaysia) Sdn Bhd
PLO 205, Jalan Cyber 14, Senai IV Industrial Area, 81400 Johor.	1,641	100%	FCI Connectors Malaysia Sdn Bhd
No. 23, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, Batu Tiga, 40000 Shah Alam, Selangor.	1,176	84.96%	Fonterra Brands (M) Sdn Bhd
No. 4 Lorong Persiaran Barat, 46100 Petaling Jaya, Selangor.	5,936	100%	Zija Products (M) Sdn Bhd Kenanga Investment Bank Bhd VADS Business Process Sdn Bhd TNB Energy Services Sdn Bhd HSS Integrated Sdn Bhd
No. 12 Jalan Bersatu 13/4, Section 13, 46200 Petaling Jaya, Selangor.	4,630	100%	Strateq Data Centre 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

Portfolio DETAILS

Property Name	Acquisition Date	Purchase Price (RM'000)	Total Investment Outlay including enhancement as of 31-12-13 (RM'000)	Book Value based on latest valuation (RM'000)	Net Lettable Area (sq ft)
16 Delfi Warehouse	04/08/2008	12,500	12,803	14,500	130,743
17 Axis Vista	09/12/2008	32,000	33,267	36,000	118,017
18 Axis Steel Centre	20/10/2009	65,000	66,192	75,800	366,839
19 Bukit Raja Distribution Centre	14/12/2009	71,750	73,231	90,400	456,435
20 Seberang Prai Logistic Warehouse 1	05/03/2010	17,390	17,695	20,000	106,092
21 Seberang Prai Logistic Warehouse 2	05/03/2010	6,860	7,285	8,000	41,893
22 Tesco Bukit Indah	01/10/2010	75,600	76,773	90,000	233,579
23 Axis PDI Centre	15/10/2010	85,000	86,328	92,107	58,009
24 Axis Technology Centre	15/11/2010	49,000	50,130	52,391	170,730
25 D8 Logistics Warehouse	01/03/2011	30,000	30,521	32,000	171,000
26 Axis Eureka	18/04/2011	51,250	53,103	54,500	117,618
27 Bayan Lepas Distribution Centre	17/01/2012	48,500	49,756	49,500	205,151
28 Seberang Prai Logistic Warehouse 3	15/02/2012	59,000	61,335	63,000	395,225
29 Emerson Industrial Facility Nilai	30/08/2012	26,500	27,196	29,320	291,642
30 Wisma Academy Parcel	01/10/2012	73,000	74,385	77,000	234,326
31 The Annex	01/10/2012	12,000	12,289	16,000	45,400