



Annual Report 2015

CELEBRATING OUR DECADE

2005

22 March
1st Board Meeting of Axis REIT Managers Berhad

15 June
Axis-REIT was established

3 August
Axis-REIT commenced trading with an initial public offering (IPO) of RM1.25

16 December
Acquisition of Wisma Kemajuan

2006

8 January
Voted 2nd best IPO for the year

22 May
Acquisition of Axis North Port Logistics Centre

30 June
Acquisition of Wisma Bintang (now known as Axis Business Campus)

30 October
1st issuance and placement of 50 mil new units

3 November
1st Unitholders' meeting

2007

1 August
Acquisition of Axis Shah Alam DC1

7 September
Acquisition of Giant Hypermarket



15 November
Acquisition of FCI Senai

16 November
Acquisition of Nestle Office & Warehouse (now known as Fonterra HQ)

30 November
Acquisition of Nestle Warehouse (now known as Quattro West)

2008

25 January
Acquisition of Kompakar CRC HQ (now known as Strateq Data Centre)

30 January
Completed 1st placement exercise

30 April
Acquisition of BMW Centre PTP

30 April
Acquisition of Niro Warehouse

4 August
Acquisition of Delfi Warehouse

9 December
Acquisition of Axis Vista

11 December
Reclassification into an Islamic REIT

2010

5 March
Acquisition of Seberang Prai Logistics Warehouse 1 and 2

6 April
Quattro West won Best Development Award for Malaysia at the Asia Pacific Commercial Property Awards

21 May
Formation of the Malaysian REIT Managers Association (MRMA)

10 September
Won the APREA Best Practices Award

1 October
Acquisition of Tesco Bukit Indah

15 October
Acquisition of Axis PDI Centre

15 November
Acquisition of Axis Technogy Centre

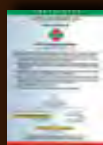
2009

20 October
Acquisition of Axis Steel Centre

14 December
Acquisition of Bukit Raja Distribution Centre



Space under Management (Million)



0.98 sq ft



1.18 sq ft



1.65 sq ft



2.17 sq ft



2.85 sq ft



3.67 sq ft

No of Properties

5

7

9

14

19

21

Unit Price (RM)

1.25

1.73

1.68

1.85

1.12

1.93

IPO

2005

2006

2007

2008

2009

OF SUCCESS 2005 - 2015

2015

10 February
Won Corporate Branding Award for Best Brand in Financial Services - REIT



31 March
Acquisition of Axis Shah Alam DC 2

10 April
Increase the Sukuk Programme from RM300 million to RM3 billion

9 September
Completed the Unit Split exercise

31 December
Retirement of Dato' George Stewart LaBrooy and appointment of Leong Kit May as Chief Executive Officer



2014

25 March
Disposal of Axis Plaza

4 April
Completed the refurbishment of Axis Business Campus

9 May
Axis Business Campus won Asia Pacific Property Award for Best Commercial Renovation / Redevelopment in Malaysia and Asia Pacific

18 December
Acquisition of Axis Shah Alam DC 3

18 December
Acquisition of Axis MRO Hub

30 December
Acquisition of Axis Steel Centre @ SiLC

2013

15 February
Successfully issued 2nd tranche Sukuk of RM155 million

20 February
Completed the refurbishment of Infinite Centre

20 November
Won the APREA Best Practices Award



2012

17 January
Acquisition of Bayan Lepas Distribution Centre

15 February
Acquisition of Seberang Prai Logistics Warehouse 3

24 February
Completed the refurbishment of Nestle office to Fonterra HQ

16 July
Successfully issued 1st tranche Sukuk of RM110 million

30 August
Acquisition of Emerson Industrial Facility Nilai

1 October
Acquisition of Wisma Academy Parcel and The Annex

10 October
Won the APREA Best Practices Award

31 December
Disposal of Kayangan Depot

2011

9 February
Announcement of the Income Distribution Reinvestment Plan (IDRP) proposal

1 March
Acquisition of D8 Logistics Warehouse

18 April
Acquisition of Axis Eureka

18 April
Disposal of Axis North Port Logistics Centre

11 October
Won the APREA Best Practices Award

19 October
Completed of refurbishment of Crystal Plaza



4.28 sq ft

26



4.45 sq ft

27



5.46 sq ft

31



5.46 sq ft

31



6.85 sq ft

33



7.01 sq ft

34

2.37

2.62

3.13

2.93

3.62

1.64

2010

2011

2012

2013

2014

2015

Post Unit Split

Axis-REIT Highlights

Total Assets Under
Management

RM2,141,493,000



Market
Capitalisation

RM1,803,661,000



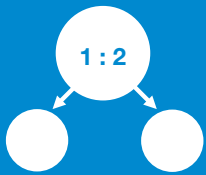
Total Space
Under Management

7,015,242 sq. ft.



Unit Split

exercise completed
on 9 September 2015.



Revaluation Gain for 2015

RM5,791,000



Average Net
Property Yield

8.41%



Total Acquisition
for 2015

RM45,000,000



Weighted Average
Lease Expiry
(by rental revenue)

3.99 years



Positive Rental
Reversion for 2015

8%





About Axis-REIT

Axis Real Estate Investment Trust (Axis-REIT or Fund) is Malaysia's first and largest Islamic-listed business space and industrial real estate investment trust with a diverse portfolio of 34 properties located in the Klang Valley, Johor, Penang, Negeri Sembilan and Kedah.

The Fund was constituted by Deed and principally regulated by Securities Laws (as defined in section 2(1) of the Securities Commission Act), the Securities Commission's Guidelines on REITs, the Listing Requirements of Bursa Securities, the Rules of the Depository and taxation laws and rulings (collectively Applicable Laws and Requirements).

The Deed was entered into on 15 June 2005 between Axis REIT Managers Berhad, as the Manager of Axis-REIT, and RHB Trustees Berhad as the Trustee of Axis-REIT, and was registered with the SC on 16 June 2005.

Following the successful reclassification of Axis-REIT as 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 Securities, 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 office and 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.

Axis REIT Managers Berhad is the Manager of Axis-REIT and is a licensed Islamic Fund Manager to manage a REIT.

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 returns to Unitholders and be the REIT of choice for Shariah and non-Shariah investors.

SIX PRINCIPLES OF MANAGEMENT

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

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This annual report for the year ended 31 December 2015 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 February 2016.

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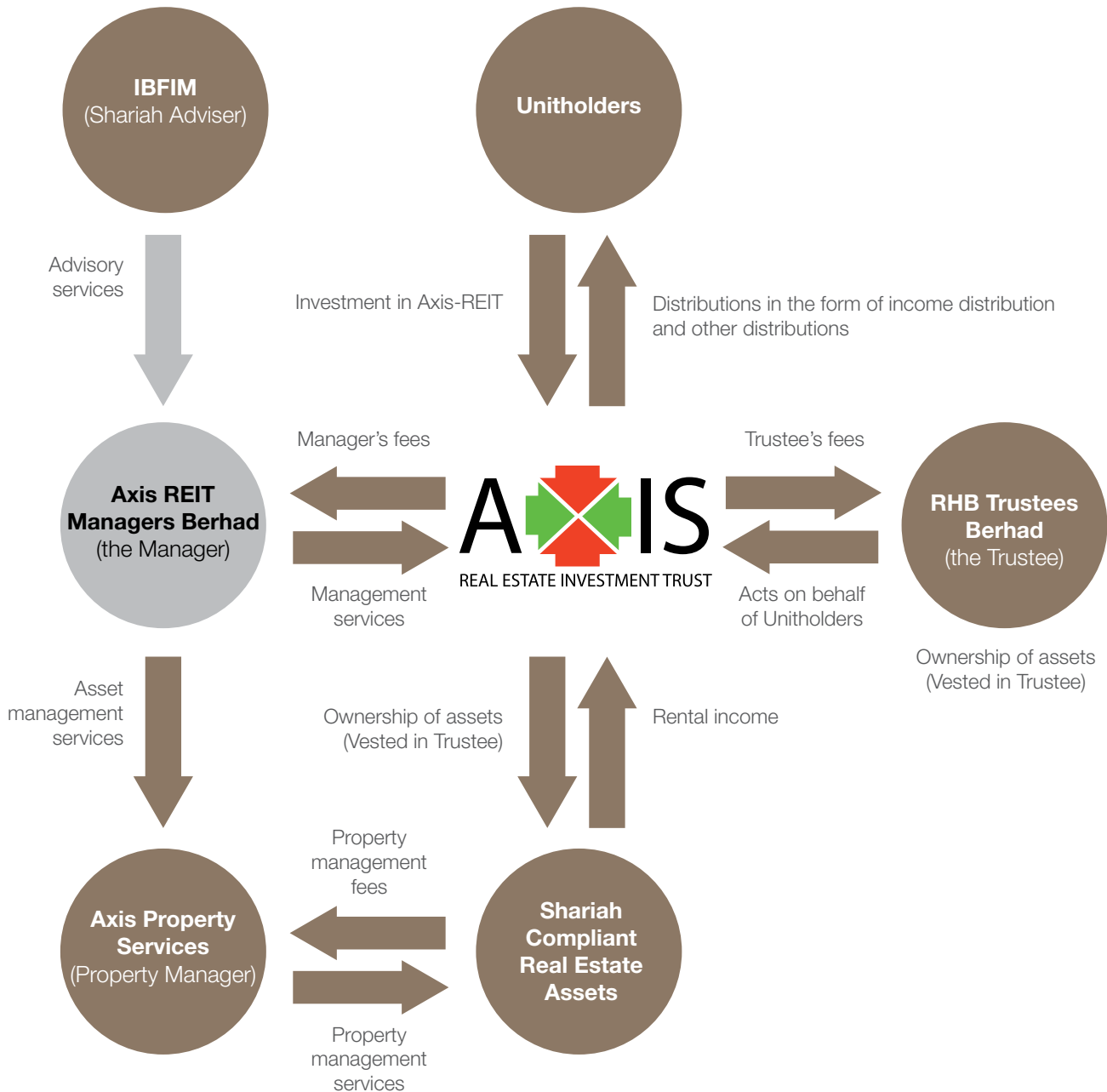
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Salient Features of Axis-REIT

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 returns to Unitholders and be the REIT of choice for Shariah and non-Shariah investors.
Approved Fund Size	1,099,793,068 Units
Market Capitalisation	RM1,803,661,000
Assets Under Management	RM2,141,493,000
Authorised 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 (equivalent to RM0.625 per Unit of the enlarged unit base after adjusting for unit split exercise)
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</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 Securities
Bursa Securities Stock Number	AXREIT 5106

Axis-REIT Structure



Chairman's Message



"A Perfect 10:
Celebrating a Decade
of Success"

Dear Unitholders,

On behalf of the Board, it gives me great pleasure to present to you Axis-REIT's 11th Annual Report for the financial year ended 31 December 2015.

2015 marked the 10th anniversary of Axis-REIT's listing on Bursa Securities. The number 10 on the cover of this year's Annual Report represents the 10 years of solid teamwork by the Board of Directors, management team and employees. This, together with the Manager's six principles of management, has served Axis-REIT well, as together they have been the driving force behind the Fund's success.

Axis-REIT's 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**



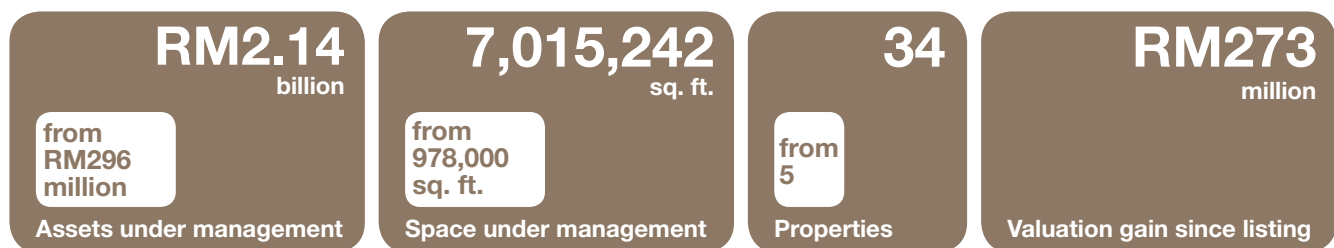
**Development of human
capital**

As Malaysia's pioneer listed REIT, the Fund set out, at its inception, to provide Unitholders with consistent distributions through growing its property portfolio, while maintaining the highest level of corporate governance, excellent capital and risk management and preserving capital values.

At this 10th year milestone, I am pleased to report the Fund's success in meeting its objectives, noting the steady growth in Axis-REIT's net asset value (NAV) and stable annual distributions over the years.

These achievements are underpinned by continued growth in the Fund's asset base, from a modest 5 properties in 2005, to a diverse portfolio of 34 properties as at 31 December 2015. Concurrently, the Fund's Assets Under Management (AUM) have recorded a remarkable seven-fold increase from RM296 million, at the time of listing, to RM2.14 billion as at 31 December 2015, which is testament to the Manager's stellar property selection and acquisition strategy.

AUM Milestones, 2005-2015:



Market Leadership in Innovation

Axis REIT Managers Berhad's culture of creativity, innovation and adaptability has earned Axis-REIT the distinction of being the "first" on many fronts. In addition to being Malaysia's first listed REIT, the world's first Islamic Office Industrial REIT and the country's first REIT to introduce an income distribution reinvestment plan (IDRP), I am pleased to note that in 2015 Axis-REIT became the first Malaysian REIT to implement a Unit Split to add to its many other "firsts" achieved in the past decade.

All these milestones would not have been possible without the dedication and commitment of the management team in ensuring that Axis-REIT remains the market leader among REITs in Malaysia.

1st

- ✓ First REIT to be listed in Malaysia
- ✓ First REIT to be converted into an Islamic REIT
- ✓ First REIT to adopt cloud computing
- ✓ First REIT to introduce an IDRP
- ✓ First REIT to upsize its current Sukuk Programme from RM300 million to RM3 billion.
- ✓ First REIT to implement a Unit Split

- ✓ Winner of Best Practices Awards from the Asia Public Real Estate Association
- ✓ Founding member of the Malaysian REIT Managers Association

Chairman's Message

Forging Ahead

Notwithstanding the challenging macroeconomic environment and market conditions in 2015, Axis-REIT continued to forge ahead, leveraging on a strong balance sheet to seek and capitalise on growth opportunities.

On 31 March 2015, Axis-REIT successfully completed the RM45 million acquisition of Axis Shah Alam DC 2 – its 34th property. Thereafter, on 11 November 2015, Axis-REIT entered into a Sale and Purchase Agreement to acquire the Beyonics iPark Campus – a complex of four industrial warehouses located in Indahpura, Johor. I am pleased to report that the acquisition was completed on 28 January 2016, bringing the Fund's number of properties to 38 at the time of writing – a remarkable achievement from its modest start of just 5 properties in 2005 when the Fund was initially listed.

Distributions, Unitholders' Funds and Net Asset Value

On behalf of the Board of Directors, I am pleased to announce an income distribution of RM92.11 million for the financial year ended 31 December 2015. This translates to a distribution per unit (DPU) of 8.40 sen (based on the enlarged unit base post the unit split exercise), which has been paid or is payable as follows:

- 1st Interim Income Distribution of 4.10 sen per unit (equivalent to 2.05 sen per unit of the enlarged unit base after adjusting for the unit split exercise), paid on 29 May 2015;
- 2nd Interim Income Distribution of 4.30 sen per unit (equivalent to 2.15 sen per unit of the enlarged unit base after adjusting for the unit split exercise), paid on 11 September 2015;
- 3rd Interim Income Distribution of 2.20 sen per unit (based on the enlarged unit base following the unit split exercise) paid on 9 December 2015; and
- Final Income Distribution of 2.00 sen per unit (based on the enlarged unit base following the unit split exercise) to be paid on 29 February 2016.

I am also pleased to report that Unitholders' capital amounted to RM1,052.27 million as at 31 December 2015, up 0.7% from 2014, while the Net Asset Value (NAV) of the Fund rose 2.0% to RM1,352.49 million. Meanwhile, the Fund recorded a RM5.79 million revaluation gain in 2015, which brings cumulative revaluation gains since listing to RM273 million.

Engaging Our Stakeholders

In 2015, Axis-REIT held two meetings with our Unitholders, the first being our Third Annual General Meeting which was held on 30 April 2015 to present Axis-REIT's audited financial statements for the financial year ended 31 December 2014.

This was followed by an Extraordinary General Meeting of Unitholders, held on 21 August 2015, for the purpose of considering the proposals in relation to the Unit Split exercise. I am pleased to report that all the resolutions presented were approved by the Unitholders.

Corporate Citizenship

Beyond our day-to-day operations, Axis REIT Managers Berhad remains committed to investing in society and in environmentally responsible programmes. During the year, the Manager continued to engage in several initiatives aimed at improving the lives of young children and Orang Asli community in the long term.

In addition, the Manager also initiated a sustainability programme across the Fund's property portfolio to conserve energy and reduce our carbon footprint. Early indications show that this is producing remarkable results with double-digit savings in our energy bills.

Further details of these programmes are provided in the Sustainability Report section of this report.

2016: Seeking Silver Linings Amid Economic Headwinds

Looking ahead, Malaysia has seen a cautious start to 2016 amid external macroeconomic headwinds, which include languishing crude oil prices, as well as concerns over rising interest rates in the US and faltering economic growth, particularly in China.

The prolonged rout in crude oil prices has been particularly unfavourable for the country, prompting the government to revise its annual budget projections for the second consecutive year, as it seeks to balance declining oil-related revenues with its fiscal consolidation targets, while supporting economic growth. This year's budget recalibration saw the government presenting a slightly narrower GDP growth projection of 4.0-4.5% for 2016 (from 4.0-5.0% projected in October 2015) as it cut government spending allocations while maintaining the year's fiscal deficit target at 3.1%.

In addition, the budget revision included measures to bolster flagging domestic consumption and alleviate the rising cost of living. These included lowering employees' monthly contributions to the Employees' Provident Fund (EPF) and providing a special personal income tax relief for the lower to middle-income segment.

While the revised budget has been well-received, as evidenced in the positive reaction seen in Malaysian financial markets following its announcement, we do note that the Malaysian economy still faces the challenges of slower growth in 2016. The silver lining to this would be the potential emergence of yield-accretive acquisition prospects amid these headwinds and we will proactively seek, identify and leverage on our strong balance sheet to capitalise on such opportunities as they arise.

As for the Fund's existing property portfolio, we are confident that with its strategic location and diverse, quality tenant base, it will continue to deliver a consistent performance in 2016. These factors, coupled with the Manager's exceptional track record, will reinforce Axis-REIT's appeal as a preferred, defensive investment amid volatile financial markets.

In Appreciation

The success of Axis-REIT is due to the collective efforts of many parties, and I would like to take this opportunity to express my appreciation to them. Firstly, to my fellow Board members, past and present, for their wealth of advice and unrelenting contributions over the last 10 years.

I would also like to thank the management team and employees of Axis REIT Managers Berhad, who have done a remarkable job of delivering consistent results, year after year. These efforts have culminated in Axis-REIT being recognised as one of the top performing REITs in Malaysia and the region today.

On behalf of the Board, I would also like to extend our sincere appreciation to Dato' George Stewart LaBrooy, who retired as Chief Executive Officer (CEO) of Axis REIT Managers Berhad on 31 December 2015, after having founded Axis-REIT, served as a member of the Board since October 2004 and helmed the company as CEO since August 2008.

I am also pleased to congratulate Leong Kit May who succeeds Dato' George Stewart LaBrooy as CEO with effect from 1 January 2016. Kit May joined Axis REIT Managers Berhad in August 2006 and has held various positions through the years, most recently serving as Chief Operating Officer and Finance Director since January 2015. The Board is fully confident that, under her stewardship, the Fund will continue to grow from strength to strength.

As Axis-REIT commemorates its first decade since listing, we also celebrate our partnership with our Unitholders, business partners and tenants. We continuously strive to nurture strong working relationships with our stakeholders and I would like to thank all our tenants, business partners and Unitholders for their continued support, trust and confidence in us over the past 10 years.

Last but not least, I would like to thank members of the media and the investment community for their coverage and support of the Fund and the broader REIT sector.

To the Next Decade of Success

Axis-REIT has come a long way in the last decade and we look forward to replicating this success going forward. I believe the Manager has laid, and continues to lay, the foundation for stable and sustainable growth in the coming years.

Guided by our six core principles of management, and with the continued support of our tenants, business partners and Unitholders, I am confident we will deliver consistent distributions and sustainable growth in the next decade and decades to come.

**YAM Tunku Dato' Seri Shahabuddin
Bin Tunku Besar Burhanuddin**
Chairman
15 February 2016

Board of Directors



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



Leong Kit May
Chief Executive Officer / Finance Director



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



Stephen Tew Peng Hwee
Non-Independent Non-Executive Director



Alvin Dim Lao
Non-Independent Non-Executive Director



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



Mohd Sharif Bin Hj Yusof
Senior Independent Non-Executive Director

Directors' Profile



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

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 International 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 are 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.

YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin, 80, 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 with a Bachelor of Science (Economics), Tunku Shahabuddin began his career as an economist with Esso (M) Ltd.

He later moved into the finance industry as manager of a finance company within the Malayan Banking Group. Tunku Shahabuddin then started his own 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 Group (formerly known as Kompakar Inc. Berhad) and Strateq Systems Sdn. Bhd. (formerly known as Kompakar eSystems Sdn. Bhd.) and is also the Deputy Chairman 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



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

Y Bhg Dato' Abas Carl Gunnar Bin Abdullah, 55, 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 re-designated 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 Remuneration Committees of the Board of the Manager. He is also a shareholder and 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.



Leong Kit May
Chief Executive Officer /
Finance Director

Leong Kit May, 39, a Malaysian, is the Chief Executive Officer / Finance Director of Axis REIT Managers Berhad. Equipped with a Bachelor of Business (Accountancy) from RMIT University in Australia, Kit May joined the work force in the late 1990s with Ernst & Young where she gained her audit and accounting experience. She is a member of Malaysian Institute of Accountants and Certified Practising Accountants of Australia.

In 2001, Kit May joined the UOA Group of companies where she was given the opportunity to specialise in various areas of the property sector including development, construction and investment. In 2005, she got her big break as part of the corporate team and was involved in the successful listing of UOA REIT.

At the age of 30, with several achievements under her belt, Kit May took another leap in her career and joined Axis REIT Managers Berhad in 2006 where she learned the ropes of managing financial and investment portfolios relating to office and industrial “reitable-properties”. In 2008, she was promoted to Chief Financial Officer where she garnered more experience in the management of Axis-REIT. In the same year, Kit May also spearheaded the project of converting Axis-REIT into the world’s first Islamic Office / Industrial REIT. She also anchored the capital management function of the Fund; from that of equity capital raising, treasury, as well as fund raising to Islamic bond issuance (Sukuk). She has been responsible for the five successful equity placements of Axis-REIT.

Recognised for her acute business sense and professionalism, Kit May was given the opportunity to further climb the rungs of the corporate ladder when, in 2011, she was appointed to the Axis-REIT Board of Directors as Executive Director when she was only 35 years old.

In the following years of 2012 and 2013, Kit May led the launch Axis-REIT’s first Islamic Medium Term Notes (Sukuk) issuance programme of RM300.0 million with two tranches of Sukuk of RM110.0 million and RM155.0 million of nominal value. As part of the Board’s succession plan, Kit May was being groomed to be the next Chief Executive Officer of Axis-REIT.

In 2015, Kit May made a decisive move when she accepted the Chief Operating Officer’s role, adding onto her responsibilities as Finance Director where she continued to manage financial matters of both the Company and the Fund.

In late 2014, Kit May upsized the Sukuk issuance programme further by increasing the existing Sukuk programme size from RM300.0 million to RM3.0 billion to allow for future issuances. Approval of the Sukuk programme’s upsizing was obtained at the start of 2015.

With her vast exposure in Islamic Finance and capital management, she has been invited to speak at numerous seminars and conferences in the country. Kit May is also director of Axis REIT Sukuk Berhad.



Stephen Tew Peng Hwee
Non-Independent
Non-Executive Director

Stephen Tew Peng Hwee, 54, 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 (MIEA) and served as a board member of the Board of Valuers, Appraisers and Estate Agents from 1998 until 2004. He was given the prestigious ‘Lifetime Achievement Award’ by MIEA in 2015. Stephen is a regular speaker on subjects such as Achieving Success In The Commercial and Industrial Real Estate Market, Making Money Investing In REITs as well as How To Become A Successful Real Estate Agent.

Together with other investors, he has, over the past 28 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 of Axis REIT Sukuk Berhad.

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 are 47, a Malaysian, has been Independent Non-Executive Director of Axis REIT Managers Berhad since 2006. He is also 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 Malay College Kuala Kangsar (MCKK) and later obtained his law degree from the University of Queensland, Australia, before going on to obtain his Masters in Business Administration.

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

Apart from sitting on several private limited companies, Datuk Seri FD Iskandar is the Chairman of Media Prima Berhad, the largest media company in South East Asia with all four private TV stations in Malaysia, radio stations, print media, news media, outdoor advertising agency and many more. He is also a Director of Telekom

Malaysia Berhad, Malaysia's broadband champion and leading integrated information and communications Group. In October 2014, he was appointed as a Director of VADS Berhad, a joint-venture IT company between Telekom and IBM servicing the iT and telecommunications Industry. He was appointed as a City Advisory Board Member for DBKL in November 2014 by His Majesty the King, a post he still holds to-date.

He is currently the President of the Real Estate & Housing Developer's Association (REHDA) Malaysia and Immediate Past Chairman of REHDA Selangor Branch. He was the former Deputy Chairman of the Malaysian Australian Business Council (MABC) and Chairman of Gagasan Badan Ekonomi Melayu, Selangor Branch (GABEM), a body that promotes entrepreneurship amongst Malays in the country. He is the Co-Chair of the Special Taskforce to Facilitate Business Group (PEMUDAH) on Legal & Services. He was one of the founding Directors of MPI, a partnership between the Government and private sector that was established to promote property investments and ownership to foreigners all around the world.

With more than 25 years of experience and involvement in the property development industry, his vast experience and expertise have made him a very well-known and respected figure among his peers locally as well as in the international arena. He is frequently invited as a guest speaker to forums, seminars and conventions to offer his insights, views and share his wealth of experience. He has also given talks both locally and internationally on the property market in Malaysia over the years.

He received the "Malaysian Business Award in Property 2012" and won another award in 2013 from Asean Business Council for Property Excellence. In mid-2013 he was also accorded the "Entrepreneurship Award – Property & Real Estate" by Asia Pacific Entrepreneurship Malaysia. In April 2014, Datuk Seri FD Iskandar was awarded by The Leaders International the "Global Leadership Awards 2014 – Commercial Property Development". Another winning award was "The Brand Laureate Corporate Leader Brand Icon Award" from the Asia Pacific Brands Foundation. Most recently, he received the "Global Leadership Awards 2015 – Masterclass Developer Of The Year" organised by The Leaders International.



Alvin Dim Lao
Non-Independent
Non-Executive Director

Alvin Dim Lao, 44, 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 an independent director of Xurpas, Inc., which are public-listed companies on the Philippine Stock Exchange. Alvin is also the 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.



Mohd Sharif Bin Hj Yusof
Senior Independent
Non-Executive Director

Mohd Sharif Bin Hj Yusof, 76, 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 became Corporate Finance Officer of 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 public companies such as 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.

Menara Axis



Manager's Report

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Letter from the CEO

Dear Unitholders,

2015 was a busy year for Axis-REIT. As we marked the 10th anniversary of the Fund's listing, we scored another industry first by becoming the first Malaysian REIT to implement a Unit Split exercise. On the acquisition front, we completed the acquisition of one property valued at RM45 million and entered into an agreement to acquire a further four properties valued at RM61 million. We also initiated proceedings to acquire two properties with a combined RM74 million price tag and are assessing five other properties, valued at RM369 million, as potential acquisition targets.

Net property income rose 20% to RM141.93 million, while realised net income grew by 12.6% to RM91.54 million for the financial year ended 31 December 2015. Distribution for the year amounted to 8.40 sen per unit – down 15% from 2014's 9.88 sen (adjusted to reflect the Unit Split for comparison purposes). The lower DPU in 2015 mainly reflects the absence of a distributable gain which in 2014 amounted to 1.18 sen per unit that was realised and distributed that year.

The Fund's AUM and NAV continued to grow, reaching RM2.14 billion, and RM1.35 billion respectively by year-end.

“Axis-REIT continues to deliver a steady financial performance in the midst of a very volatile market, underscoring the defensive nature of the stock in times of uncertainty.”



A Challenging Year

2015 was a challenging year for Malaysia with a wide range of issues weighing on the country's economy and capital markets. These included external challenges such as rising interest rates in the US, falling commodity prices (in particular, crude oil prices) and slowing global economic growth.

Closer to home, concerns over the country's shrinking revenue and current account surplus, issues surrounding 1MDB, stalling corporate earnings growth and the implementation of GST also took a heavy toll on investor sentiment. Foreign investors shed some RM18.2 billion in Malaysian equities in net sell trades from January to November 2015. Meanwhile, the Malaysian ringgit fell to its weakest levels since the Asian Financial Crisis, and the FBMKLCI sank to its lowest levels in over three years on 21 August 2015. Although investor sentiment improved towards year-end, following the government's market stimulus measures (key being a RM20 billion injection into ValueCap) and increasing investment momentum from China, the FBMKLCI still shed 68.74 points or 3.9% from a year earlier, to close the year at 1,692.51.

The subdued macroeconomic backdrop and volatile capital markets also impacted business and consumer sentiment. Consumers pared spending, resulting in a sharp slowdown in domestic consumption growth in the third quarter of 2015. This also prompted businesses, that were considering expanding their premises as well as those planning to relocate, to defer these decisions as they adopted a wait-and-see approach to gauge the extent of the economic slowdown. This was particularly evident in the first half of the year, although the situation notably eased towards year-end, with more commitments being locked in the last quarter of the year.

Portfolio Management

Despite the gloom, the occupancy rate of our portfolio of properties held steady at 91.97% in 2015.

While tenancies for a total of 902,251 sq. ft. of space, representing 12.86% of the portfolio, expired during the year, we achieved a commendable tenant retention rate of 82%. And, while there was some degree of tenant attrition, our leasing team successfully secured new tenancies at higher rates. Overall, these efforts resulted in a positive rental reversion of 8% for 2015.

In the office space segment, Axis-REIT's strategically located properties feature good proximity to public transportation and easy access to amenities. Our properties continue to attract both new tenants and conclude renewals, maintaining their high occupancy rates and competitive rentals. Our office buildings in Petaling Jaya and Cyberjaya, which are in the "affordable rental" category, continue to appeal to companies that are expanding and / or relocating from premises with high rental rates.

Similarly, our industrial portfolio continued to perform very well. The segment has benefited from rising demand for industrial and warehousing space and continues to command good rental yields. We foresee excellent growth prospects for this segment in the coming years and we are working with our existing and potential tenants on their space expansion needs to capitalise on this trend. Towards this end, we are also collaborating with our Promoter to redevelop Axis PDI Centre, which fell vacant in the fourth quarter of 2015, as a mega distribution centre.

All in, we had 563,411 sq. ft. of vacant space as at 31 December 2015, and our leasing team continues to work tirelessly to secure new tenants. By filling these vacancies, we expect to add as much as 2.03 sen (based on the enlarged unit size after the Unit Split) to our annual DPU.

Unit Split

Axis-REIT achieved another industry milestone in 2015 when it became the first Malaysian REIT to successfully complete a "Unit Split" exercise. The exercise involved the subdivision of every one existing unit of Axis-REIT into two units, doubling the approved fund size from 547,758,040 units to 1,095,516,080 subdivided units. Thereafter, on 10 December 2015, Axis-REIT's fund size was further increased to 1,099,793,068 units with the successful issuance and listing of 4,276,988 new units issued pursuant to the IDRP that was applicable to the 2015 third interim income distribution.

The Unit Split exercise, which was aimed at enhancing Axis-REIT's liquidity and affordability, thereby improving its accessibility to a wider group of investors, was a great success: We are pleased to note that the number of Unitholders rose by 10% within three months of its implementation as the unit price became more affordable to investors.

Letter from the CEO

Proactive Asset and Tenant Management

Proactive asset and tenant management is one of our core principles of management. We place tremendous emphasis on this in our daily operations and, in this respect, we believe our competitive advantage lies in our excellent in-house leasing, marketing, facilities management and engineering teams that ensure our properties and tenants are attended to swiftly and efficiently.

We also continuously undertake Asset Enhancement Initiatives (AEI's) to ensure our space offering - are highly competitive and contemporary. In 2015, these included refurbishing Menara Axis which included featured upgrading of the lobby façade, lifts and selected amenities. Work is currently on-going and is slated for completion in 2016. In the coming year, we commence the planned enhancement of the Axis PDI Centre and have drawn up plans for upgrades at several other properties.

We strongly believe that, in addition to their strategic locations, these asset enhancement initiatives are the key differentiating factors that underpin their strong appeal and resilient demand.

GST Implementation

In preparation for the nationwide implementation of GST, we engaged PricewaterhouseCoopers Taxation Services Sdn Bhd in late 2014 to work with the management team in assessing the impact of GST on the Fund.

GST, which replaced the Service Tax with effect from 1 April 2015, is a multi-stage consumption tax that is levied on almost all goods and services (with the exception of several exempted essential items) throughout the supply chain. In contrast, the previous Service Tax was a single stage, federal consumption tax, levied on the consumption of selected taxable services.

However, even though GST generally has a far wider coverage compared to the previous Service Tax, under GST, the tax element does not accumulate along the supply chain. This is because GST paid on business inputs is claimable. Thus, businesses are allowed to claim input tax credit on GST paid for goods and service inputs. For Axis-REIT, this GST input tax claim has resulted in estimated savings of over RM1.0 million to the Fund, even though GST is levied at the same rate of 6% as Service Tax.

Succession Planning and Leadership Transition

2015 was also a year of transition in the leadership of the Fund, with Dato' George Stewart LaBrooy retiring as CEO and handing over the reins to me.

Succession planning is crucial in ensuring the continuous success of an organisation, and under Dato' George Stewart LaBrooy's watch, a succession plan was put in place by the Board of Directors in 2014. These plans were communicated early to the market and our stakeholders, with the Board announcing his retirement and my appointment as his successor on 13 October 2015.

I am very privileged to have worked alongside him for the last nine years. His visionary leadership has been truly inspiring, and I am sure I speak on behalf of the Board and the management team in expressing my appreciation and gratitude for his guidance and mentorship over the years.

As your new CEO, I will continue to grow the Fund and provide our Unitholders with sterling returns in the years to come and at the same time upholding Axis-REIT's values, innovation and vision.





The “A Team”

In addition to building one of the best performing REITs and growing the Fund’s asset size from RM296 million to over RM2 billion in 10 years, Dato’ George Stewart LaBrooy also leaves the invaluable legacy of having built a solid management team, which we often refer to as the “A Team”.

The A Team has been instrumental to the Fund’s success and I look forward to working with it to apply Axis-REIT’s principles of management that have served us so well over the years. We will follow through formulating and implementing the Fund’s strategies and deliver the best possible returns to our unitholders.

I am also pleased to welcome Siva Shanker, who joined us as Head of Investments in January 2016. An industry veteran, Siva brings with him over 30 years’ experience in the property industry, having worked in both large international property consultancies, as well as boutique local outfits. Siva has been an active member of the Malaysian Institute of Estate Agents for many years, and was President of the Institute from 2013-2015. His extensive industry experience makes him an invaluable resource to the company, and we look forward to his contributions to the Fund.

Target Intact

While sentiment appears to have improved since the rocky start to the year, economic challenges still loom. However, we believe that in every challenge lies opportunity.

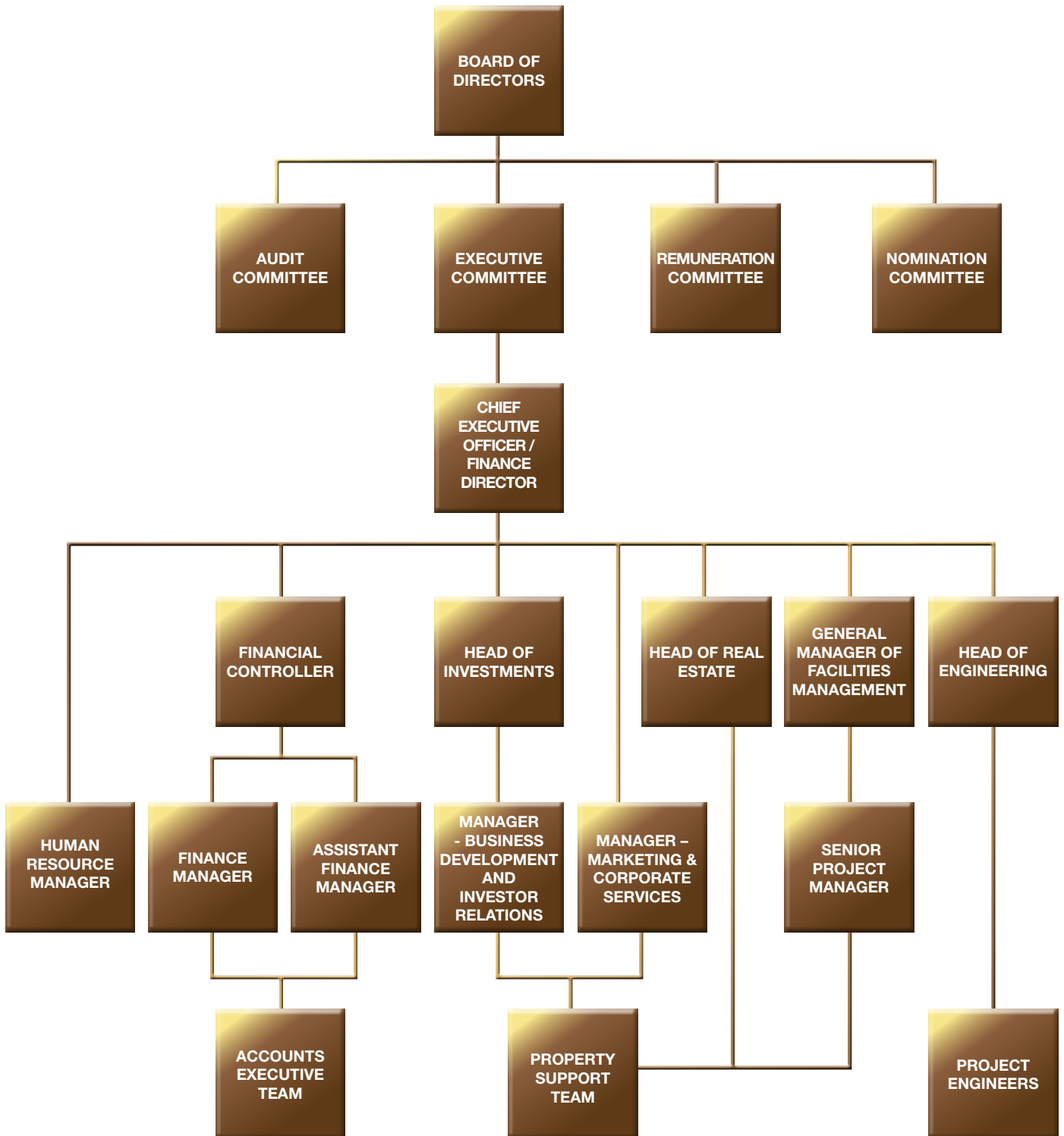
When our AUM broke the RM2 billion mark for the first time at the end of 2014, we set our next goal, which is to grow our AUM to RM3 billion by 2018. We remain fully committed to this target. Guided by our six principles of management, we remain focused on delivering the best returns to our Unitholders.

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 2015.

Leong Kit May

Chief Executive Officer / Finance Director
15 February 2016

Axis REIT Managers Berhad's Company Structure





THE
A

TEAM



The A Team



Low Ay Kean
Human
Resource
Manager

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

Selina Khor
Property
Manager

Leong Kit May
Chief Executive
Officer / Finance
Director

Jackie Law
Head of Real
Estate

Loh Yen Fern
Senior Project
Manager

Chan Tze Wee
Manager,
Business
Development
& Investor
Relations



Stacy Cheng
Assistant Finance
Manager

Ong Chiou Yann
Finance Manager

**Abdul Aziz Abdul
Rasheed**
Head of
Engineering

Nikki Ng
Financial Controller

Siva Shanker
Head of
Investments

**Lalitha
Anandarajah**
Manager, Marketing
& Corporate
Services

The A Team Profiles

Leong Kit May

Chief Executive Officer / Finance Director

Leong Kit May joined Axis REIT Managers Berhad in 2006 where she managed financial and investment portfolios relating to office and industrial “reitable-properties”. In 2008, she was promoted to Chief Financial Officer responsible for the financial management of Axis-REIT and, in the same year, she spearheaded the project of converting Axis-REIT into the world’s first Islamic office / industrial REIT.

Kit May was appointed to the Axis-REIT Board of Directors as Executive Director in 2011. In the following years of 2012 and 2013, she helped launch Axis-REIT’s first Islamic Medium Term Notes (Sukuk) issuance programme of RM300.0 million with two tranches of Sukuk of RM110.0 million and RM155.0 million of nominal value. In late 2014, Kit May upsized the Sukuk issuance programme further by increasing the existing Sukuk Programme size from RM300 million to RM3.0 billion to allow for future issuances. With her vast exposure in Islamic Finance and capital management, she speaks at numerous seminars and conferences in the country.

In 2015, Kit May was promoted to Chief Operating Officer adding onto her responsibilities as Finance Director where she continued to manage financial matters of both the Company and the Fund. Kit May assumes the CEO’s role on 1 January 2016. She graduated with a Bachelor of Business (Accountancy) from RMIT University in Australia and joined Ernst & Young in the late 1990s. In 2001, she joined the UOA Group of companies where she was involved in the successful listing of UOA REIT. She is a member of Malaysian Institute of Accountants and Certified Practising Accountants of Australia.

Siva Shanker

Head of Investments

Siva Shanker joined Axis REIT Managers Berhad in January 2016 as Head of Investments. He is responsible for the identification, evaluation, due diligence and completion of potential asset acquisitions for the Fund.

Siva qualified with a Diploma in Estate Agency and is a Registered Estate Agent with the Board of Valuers, Appraisers & Estate Agents Malaysia. He has more than 30 years of experience in the property industry, having worked in both large international property consultancies as well as small local outfits.

Siva has been an active member of Malaysian Institute of Estate Agents for many years and was President of the Institute for 2013-2015.

Siva is also an accomplished speaker and real estate trainer. He was instrumental in the massive registration exercise for real estate negotiators and was personally responsible for training more than 12,000 negotiators in 2013 and 2014. He also speaks regularly at seminars and conventions both locally as well as overseas.

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 analysing 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 maximise 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.

Selina Khor

Property Manager

Selina Khor is a member of the Board of Valuers, Appraisers & Estate Agents Malaysia and the principal 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 as well as 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.

Siva Shankar Palany

General Manager of Facilities Management

Siva Shankar Palany 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 ensures the division operates at optimum efficiency and effectiveness.

Siva has more than 19 years of working experience in real estate professional services in Malaysia and abroad. Prior to joining Axis-REIT, he worked for Jones Lang Wootton and Brunei Investment Arm (BIA), among others. His experience covers all aspects of property and facilities management, project management and property consultancy.

Siva Shankar holds a Bachelor of Real Estate Management and is also a Certified International Project Manager (CIPM).

Nikki Ng

Financial Controller

Nikki Ng started her career with Axis REIT Managers Berhad as an Accountant on 15 September 2008 and was subsequently re-designated to the position of Head of Credit Control in 2012. She was promoted as Acting Financial Controller in 2015 where her responsibilities involve overseeing all of the day-to-day operations in the finance department, including management reporting as well as budgeting processes.

She also oversees credit control procedures, and develops and implements enhancements. She works closely with the Chief Executive Officer / Finance Director in matters related to corporate finance, capital management, regulatory compliance and also treasury functions. On 18 January 2016, the Board of Directors approved her promotion to Financial Controller.

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. Prior to that, she was with IGB Corporation Berhad where she served for six years.

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

The A Team Profiles

Ong Chiou Yann

Finance Manager

Ong Chiou Yann joined Axis REIT Managers Berhad as Finance Manager in September 2015. Her responsibilities include the preparation of monthly and statutory financial statements and she works closely with the Financial Controller on matters related to corporate finance and regulatory compliance.

After she graduated from University of Malaya with a Bachelor of Accounting, she worked with Ernst & Young for four years where she gained experience in auditing. She then joined C.N. Chemicals Sdn. Bhd. (a subsidiary of Megachem Limited) as Accountant responsible for statutory reporting and compliance for three years.

She is a member of The Association of Chartered Certified Accounts (ACCA), and a member of the Malaysian Institute of Accountants (MIA).

Abdul Aziz Abdul Rasheed

Head of Engineering

Abdul Aziz Abdul Rasheed 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. These include refurbishments, major repairs, façade enhancements, energy efficiency management and modernisation of equipment. In addition, he is responsible for technical due diligence on potential asset acquisitions.

He has over 14 years' experience in project management, both overseas and in Malaysia. Before joining Axis-REIT, Abdul Aziz was in the broadcast and communications industry, following which he was 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.

Chan Tze Wee

Manager, Business Development & Investor Relations

Chan Tze Wee joined Axis REIT Managers Berhad in July 2014. As the business development lead, she sources for new asset acquisitions through engagement with prospective parties such as real estate consultants, business councils, chambers of commerce as well as industry associations. Her key responsibility involves the identification, evaluation and completion of asset acquisitions for the Fund by working closely with the Head of Investments. On the investor relations front, Tze Wee is responsible for maintaining stakeholder engagement activities through open communication and continuous disclosure with Unitholders, analysts and potential investors.

Tze Wee began her career in the advertising industry in Saatchi & Saatchi and the Ogilvy Group. She was vice president of investment promotions at Malaysia Property Incorporated, where she led the formation of the market intelligence division and headed the business development agenda for China and new markets. Prior to joining Axis-REIT, she spent the last two years setting up and running the Shanghai office of a cloud computing software startup with Workflow International Limited.

Tze Wee holds a degree in Law (LLB) and a Master's degree in Marketing from the University of Manchester, United Kingdom.

Stacy Cheng

Assistant Finance Manager

Stacy Cheng was joined Axis REIT Managers Berhad in 2009 as Account Executive. She was promoted to Assistant Accountant on 1 November 2012 and re-designated as Assistant Finance Manager in 2015. Her responsibilities include overseeing the accounts payable procedures. She also works closely with the Finance Manager on preparation of financial statements and property performance analysis and reports directly to the Financial Controller.

Prior to 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 six years.

She is a graduate from Raffles Education Group, Olympia College, with an Advanced Diploma in Accounting (Institute of Financial Accountants).

Lalitha Anandarajah

Manager, Marketing & Corporate Services

Lalitha Anandarajah joined Axis REIT Managers Berhad in May 2013 as Manager Marketing and Corporate Services. Her role includes leasing 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 with 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).

Loh Yen Fern

Senior Project Manager

Loh Yen Fern is the Senior Project Manager of Axis Facilities Management Sdn Bhd which she joined in 2011. She is responsible for overseeing the buildings' facilities management, project planning, costing, code compliance and enhancement works for the portfolio.

She has 20 years' working experience in the building construction industry in Malaysia. Prior to joining Axis-REIT, she worked for Syarikat Pembinaan Woh Heng Sdn. Bhd. which associates with Putrajaya Holdings as a Quantity Surveyor. Later she joined FSBM Holdings Berhad as its Business Analyst and was subsequently promoted to Head of Business Unit-Properties. Her experience covers project planning, project management and facilities management.

She holds a Bachelor of Construction Economics from Royal Melbourne Institute of Technology, Victoria (RMIT University).

Low Ay Kean

Human Resource Manager

Low Ay Kean was appointed as HR Manager on 1 December 2015. She is responsible for the full spectrum of human resource functions which encompass manpower, recruitment and selection, compensation and benefits, training, employee welfare and industrial relations.

Prior to her employment with Axis REIT Managers Berhad, she was attached to Malaysian Bulk Carriers Berhad, Zelan Berhad, Kurihara and Cybervision Sdn. Bhd.

She graduated with a Bachelor in Economics from University Putra Malaysia and holds an Executive Diploma in Human Resources from Malaysia Institute of Human Resources.

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. We owe our competitive advantage to the following:

Our Management Team - The A Team

Our strength lies with our Management Team - a highly experienced group of professionals who have delivered consistently over the years on the Manager's promise to provide long-term sustainable distributions and capital stability through its six principles of management, namely:

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

Since listing, we have managed 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.

In order to keep pace with the rapid growth of the Fund's asset base, we have grown our facilities management team to position us as a world-class property manager.

The Manager focuses on revenue management through optimising occupancy and rental rates; expense management in improving building efficiency and managing our suppliers; facilities management in the maintenance of the buildings in our portfolio; tenant-care to ensure tenant retention and satisfaction; and lastly, project management of all the enhancement projects in the portfolio.

This focus has enabled us to increase the Fund's returns from our organic growth.

As part of maintaining and strengthening competitiveness, the Manager continues to expand the portfolio size through the acquisition of new properties and improving profitability. The Manager ensures proper timing for growth by means of investments in a variety of business sectors.

The growth of our portfolio through new acquisitions further enhances the income distribution to Unitholders and refreshes the property portfolio. The 2015 performance clearly demonstrates this commitment of the Manager to continue to deliver a superior performance for the Fund.

Succession Planning

The Manager's succession plan which was put in place by the Board in 2014 was completed with Leong Kit May succeeding Dato' George Stewart LaBrooy as the new Chief Executive Officer ("CEO") effective 1 January 2016. The appointment of Leong Kit May as CEO was approved by the SC on 13 October 2015 to be implemented upon the retirement of Dato' George Stewart LaBrooy on 31 December 2015.

Market Leadership and Innovation

The Manager is proud of its reputation as one of Malaysia's leading REITs and since our listing we:

- Continue to provide increasing annual income distributions and strong total returns to Unitholders;
- Successfully introduced the innovative Income Distribution Reinvestment Plan (IDRP) for unitholders' benefit - the only Malaysian REIT (MREIT) to have done so;
- Lead the MREIT Market in Sukuk issuance and is one of the first listed entities on Bursa Securities to have upsized its current Sukuk programme from RM300 million to RM3 billion;
- Are the first MREIT to adopt cloud computing solutions for finance and property management;
- Were instrumental in the formation of the Malaysian REIT Managers Association (MRMA), which today has 18 members, of which 15 are MREITs Managers;
- Established an informative and dynamic website and continue to publish our Annual Report in Chinese in digital format, for downloading from our website, as well as publishing it in English;

- Expanded our portfolio from five to 34 assets, and have grown the assets under management over seven times to RM2.141 billion - the highest growth rate registered in the market;
- Continued to have a disposal strategy as part of our business plan to reward Unitholders with the distribution of capital gains derived thereof as tax free distributions; and
- Displayed leadership in corporate governance by winning the Asia Pacific Real Estate Association (APREA) Best Practices Award.

Our Strategic Direction

Axis-REIT is now a listed REIT with a track record of over 10 years. 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 a forward-looking strategy and innovative, yet flexible, action plan. Given the current volatility in the capital markets, we feel it is important that we are vigilant so that we are able to anticipate and respond quickly to changes.

The Management team held its annual Strategy Workshop from 15 to 17 May 2015 to update and set the strategic direction of the Fund for the next five years. As a result, we have made adjustments to the existing plan and revised our strategic goals, taking into account the changing landscape in the local and regional economies, property markets and human capital.

Our Vision and Mission Statement remains unchanged.

Our core strategy is:

- Targeting growth in our asset class which is moving more into logistics, industrial asset classes and business parks. We see fewer opportunities in the office market at this time;
- To build on our Sukuk presence in the market in order to diversify our sources of capital.
- To continue to enhance existing assets to drive value and income;
- To dispose assets to reward our Unitholders;
- To embrace best practice and corporate governance as core management values;
- To set standards as a world-class asset management company; and
- To leverage on technology and sustainability.

Prime Locations

The Manager has always done well in picking assets that are very well located. This is borne out of the fact that we currently have a revaluation reserve of RM273 million in our books. Many of the assets that were purchased since listing have registered strong revaluation gains.

Looking forward, our primary choice of locations will continue to be Klang Valley, Johor and Penang.

We will continue our aggressive approach with asset acquisition in 2016.

Asset Enhancement Initiatives as a Value Added Strategy

The Manager is engaged in enhancing our portfolio in Klang Valley. We have, since listing, worked on Asset Enhancement Initiatives (AEIs) with our buildings to meet with current and future expectations of the rental market.

The repositioning of Menara Axis, Wisma Academy and the extensive enhancements to Axis Business Park Block B & C are all excellent examples of how we value-add to the older buildings in the portfolio. We do this by focusing on excellent design themes, green initiatives, world-class facilities and sharp pricing. In this report, we will share with you the new projects under way at Axis Technology Centre, Axis Business Park and Menara Axis. Such initiatives have enabled the Fund to provide our Unitholders with superior returns in the form of increased revenue and valuations.

Creating New Deal Flows

Part of our strategy has been the establishment of the Investments Team to create current and future deal flows for the Fund. We have appointed a person to head this key division and are planning to expand the team for the purpose of business intelligence. We are currently mapping all opportunities in the market for potential acquisition targets and pursuing all leads for opportunities.

In addition, the team works with the promoters of Axis-REIT as well as other developers to look at development opportunities to encourage private equity initiatives to build and stabilise new products for injection into the Fund.

Our Competitive Advantage

Engaging with Regulators

We continue to work with the SC and Bursa Securities, through the MRMA, to enable timely reviews of the REIT Regulations in order to keep the industry competitive within the region. In addition, much work was done by the MRMA in 2015 with the Royal Malaysian Customs to clarify issues related to the implementation of the Goods and Services Tax (GST).

Disposal Strategy

Refreshing the portfolio by having a disposal strategy for mature or underperforming assets has always been part of the Manager's strategy to give superior returns to our Unitholders.

Apart from continuing to grow the Fund's property portfolio, the Manager believes that Unitholders should benefit from capital gains from time to time. The Fund has the flexibility to review the portfolio and dispose of those properties that have matured in their capability for organic growth, or are consistently underperforming.

One criterion for disposal is that these assets must have achieved a significant capital gain so that while the gain is distributed back to unitholders, the investment cost recovered can be redeployed in new properties with higher growth potential. For the unitholders, this redistribution is an added bonus, greatly enhancing their returns and ensuring a refreshed portfolio that is consistently outperforming the markets.

Capital Management

The approval from SC to allow us to upsize the current Sukuk Programme from RM300 million to RM3 billion had been obtained in 2015. This is explained in detail in the Capital Management Report of this Annual Report.

The purpose of the exercise was for the Fund to further reduce its percentage of short-term financing in our financing profile.

We continue to maintain an optimum mix of long and short-term financing targeting an average cost of funds at approximately 4.1% per annum and continue to use the model of raising equity to pare down financing and leveraging up for future acquisitions.

Our policy of maintaining gearing at around 35% remains and we continuously stress-test the cash flow in a possible environment of rising interest rates by monitoring the capital markets and keeping close contact with our financiers.

We also remove the risk of bad debt through the efficient collection of rentals and tenant monitoring.

We will continue to raise capital and grow the Fund through annual placements and leverage on our Islamic credentials to attract both local and foreign Islamic capital.

Risk Mitigation and Stability

Axis-REIT owns a portfolio with 7,015,242 sq. ft. of space under management, spread over 34 properties and five asset classes. Our assets are in choice locations, and our tenants are of high quality and diverse in terms of origin and business sectors. The portfolio is characterised by a mix of single and multi-tenanted buildings with a Weighted Average Lease Expiry (WALE) of 3.99 years (based on revenue), underscoring the stability of the Fund.

Tenant and lease management is core to the stability and performance of the Trust and the Manager therefore focuses on excellence in our lease and facilities management.

With occupancy at 91.97% at the end of 2015, filling vacancies and building a team to execute this will also be a priority for the Manager in 2016.

We will do this by retaining our current tenants and continuing to reposition our properties through timely upgrades and redesign to attract new ones thereby qualifying for higher rental rates and improved valuations.

We also reduce risk by embracing new information technologies to enhance service delivery and cost control. The implementation of the state-of-the-art Yardi Voyager Property Management software that operates on cloud systems has helped make huge productivity gains.

We also address issues raised in the Risk Register and ensure that action is taken to resolve all matters to minimise risk.

Development of Human Capital

Our people are our most important asset and the development of our human capital is the cornerstone of our success.

We continue to invest heavily in the training of the Manager's workforce at all levels. Many key managers have successfully completed the Certificate in Real Estate Investment Finance (CREIF) training conducted by the Oxford Brookes University. The CREIF programme has been delivered in Asia since 2007 and is a unique programme combining distance learning with case-study based workshops conducted by leading industry practitioners. In addition, we send our key management staff on structured short-course training programmes to improve their skill sets in their areas of responsibility.

We ensure that we have an effective recruitment policy so that the Manager has the necessary resources to continue to perform by looking to employing only the best and brightest when recruiting for new positions.

Many of our productivity gains in recent years resulted from these initiatives.

A primary benefit, however, is to generate a lower cost of capital through enhanced transparency and comparability. Since sustainable buildings operate at a higher level of performance, energy and water use is reduced, resulting in reduced operational and maintenance costs over time, thus improving the bottom line profit. Such buildings are also able to attract or retain tenants even in highly competitive markets and earn higher net operating revenues. In some cases, they may also reduce Takaful contributions or facilitate financing, potentially at a lower cost of capital.

At Axis-REIT, we have taken steps to introduce and execute a comprehensive strategy for sustainability in all our current and future enhancement projects. We have chosen to adopt the recommendations contained in the APREA Sustainability Handbook, train our staff in the area of sustainability and are members of the Malaysia Green Building Confederation.

Conclusion

Axis-REIT will continue to build on its success and leverage on our innovation and drive to grow the Fund's size and returns over the coming decade.



The
Finance
Team

Financial Review

With our continuous effort on managing our portfolio, Axis-REIT has achieved steady growth for this financial year.

Highlights

In 2015, Axis-REIT successfully completed the acquisition of Axis Shah Alam DC 2 for RM45 million. This led to an increase in the number of properties during the year from 33 to 34.

Axis-REIT implemented a unit split involving the subdivision of every one existing unit into two units ("Unit Split"), being the first listed REIT in Malaysia to implement a Unit Split. The size of the Fund increased from 547,758,040 units to 1,095,516,080 units arising from the Unit Split. Since then, Axis-REIT has registered a 10% increase in the number of unitholders in less than three months.



Nikki Ng
Financial Controller

Performance Highlights

Gross Revenue
(RM'million)



Realised Net Property Income
(RM'million)



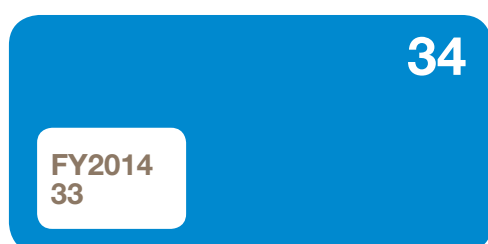
Asset Under Management
(RM'million)



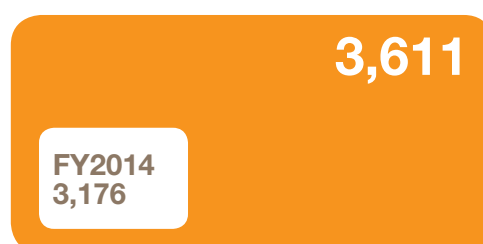
Movement in Fair Value of Investment Properties
(RM'million)



No. of Properties



No. of Unitholders



Financial Review

Some of the significant events for the year are summarised below:

January 2015	- Issuance of 236,000 units as payment of manager's fee;
March 2015	- Completed the acquisition of Axis Shah Alam DC 2 for RM45 million;
August 2015	- Obtained unitholders' approval for General Mandate to place out additional 20% in new units;
September 2015	- Implemented Unit Split of every one existing unit into two units;
October 2015	- Committed to acquire a new logistics warehouse located in SiLC, Nusajaya for RM41 million;
November 2015	- Sale and Purchase Agreement signed to acquire the Beyonics iPark Campus properties from related party for RM61 million;
December 2015	- Implemented the 2015 Income Distribution Reinvestment Plan ("IDRP"); and Committed to acquire a new logistics warehouse located in Pasir Gudang for RM33 million.

Income Distribution

In 2015, the amount available for distribution based on the core portfolio of properties increased by 10.52% from RM83,382,000 to RM92,154,000. This increase is contributed from the organic growth of the existing portfolio of properties plus the new income stream generated from newly acquired properties.

The total distribution to unitholders of Axis-REIT for the year was RM92,114,000 which translates to 8.40 sen (equivalent to 16.80 sen prior to Unit Split) DPU and the payout ratio was 99.96%. The total DPU represents a distribution yield of 5.12% based on the closing unit price of RM1.64 as at 31 December 2015.

2015 IDRP Successfully Implemented

The application of the IDRP in conjunction with the third interim distribution was successfully carried out in December 2015, achieving a take-up rate of 67%. A total of 4,276,988 IDRP units were listed on the Main Market of Bursa Securities on 10 December 2015.

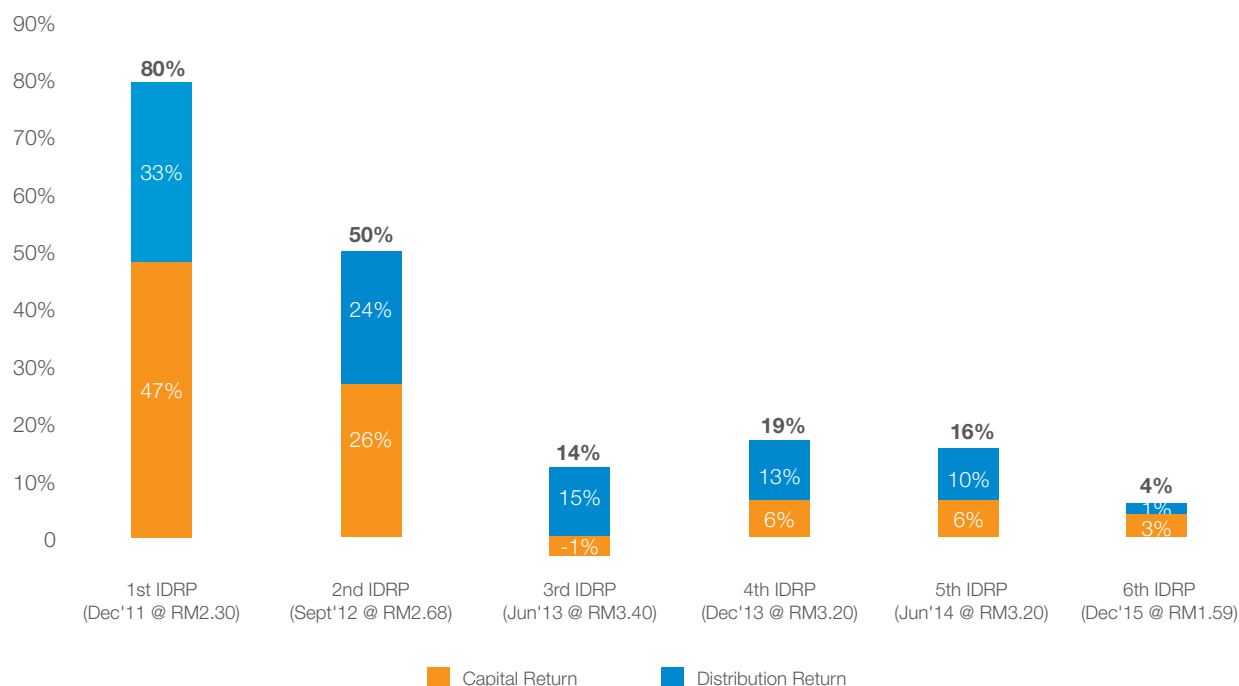
The IDRP was offered to unitholders at a price of RM1.59 per unit representing a 5.8% discount to the five-day volume weighted average market price ("VMAMP").

Axis-REIT is the only Malaysian-listed REIT to provide this reinvestment option to unitholders.

Unitholders who have participated in all previous IDRPs implemented by the Fund have shown strong gains. Similarly, the 2015 IDRP investors have registered a return of 4% from the listing date of 10 December 2015 to 31 December 2015, which is less than a month since the IDRP issuance date.

The exemption of the RM10 revenue stamp (setem hasil) payable upon execution of each notice of election of the IDRP for securities account holders that hold fewer than 16,000 units (after adjusting for the Unit Split) will continue to be in effect.

Total Returns on IDRPs



Acquisition of Yield-Accretive Property

The acquisition of Axis Shah Alam DC 2, which was completed on 31 March 2015, has immediately contributed to Axis-REIT's income.

In November 2015, Axis-REIT entered into a Sale and Purchase Agreement to acquire four (4) single-storey detached factories for RM61 million, located in Indahpura, Johor. This acquisition was completed on 28 January 2016. This property is yield-accretive and will contribute to the earnings and DPU growth of the Fund.

Axis-REIT will continue to proactively seek yield-accretive investment opportunities which can expand our portfolio scale and provide attractive long-term cash flows to unitholders.

Upgrading of Property Management and Accounting Platforms to be GST compliant

The Yardi system is constantly being enhanced to ensure processes are effective in ensuring timely generation of accurate information for management action and decision-making, operationally and financially.

During the year, the Manager has successfully enhanced the accounting system to be GST compliant. The GST compliant system ensures that accurate accounting information is captured, processed and produced for tax reporting purposes.

Financial Review

Summary of Performance

	2011	2012	2013	2014	2015
Total Asset Value (RM'000)	1,298,431	1,589,408	1,616,523	2,085,883	2,141,493
Total Net Asset Value (RM'000)	944,097	989,705	1,028,640	1,326,369	1,352,485
Units in Circulation (Units)	453,814,096	456,517,221	461,239,089	547,522,040	1,099,793 *
Net Asset Value per Unit (RM)					
- As at 31 December	2.08	2.17	2.23	2.42	1.22 *
- Lowest NAV during the year	1.98	2.09	2.14	2.22	1.22 *
- Highest NAV during the year	2.08	2.17	2.24	2.42	1.25 *
Market Value per Unit as at 31 December (RM)	2.62	3.13	2.93	3.62	1.64 *
Highest Traded Price for the year (RM)	2.63	3.22	4.02	3.70	1.85 *
Lowest Traded Price for the year (RM)	2.30	2.62	2.93	2.80	1.55 *

* Adjusted to reflect Unit Split

Summary Of Results

	2011	2012	2013	2014	2015
Gross Revenue (RM'000)	114,311	132,673	141,314	137,625	163,077
Unrealised Rental Revenue (RM'000)	3,415	3,568	2,271	2,424	2,598
Property Operating Expenses (RM'000)	(17,359)	(20,125)	(20,812)	(21,553)	(23,746)
Net Property Income (RM'000)	100,367	116,116	122,773	118,496	141,929
Profit Income (RM'000)	421	293	667	1,210	744
Changes in fair value of investment properties (RM'000)	16,013	24,064	27,206	25,970	5,791
Unbilled Lease Income Receivable (RM'000)	(3,415)	(3,568)	(2,271)	(2,424)	(2,598)
Net gain / (loss) on financial liabilities measured at amortised cost * (RM'000)	154	(598)	(86)	2,744	(683)
Net gain / (loss) on disposal of investment property (RM'000)	(258)	1,012	-	1,614	-
Fair value change on derivatives (RM'000)	-	-	(366)	455	(81)
Net property and investment income (RM'000)	113,282	137,319	147,923	148,065	145,102
Non-Property Expenses (RM'000)	(32,283)	(34,203)	(36,642)	(37,610)	48,465
Net Income before taxation (RM'000)	80,999	103,116	111,281	110,455	96,637
Breakdown of Net Income after taxation:					
- Realised Income after taxation (RM'000)	64,832	79,650	84,527	81,286	91,537
- Unrealised Income after taxation (RM'000)	16,219	23,466	26,754	29,169	5,027
Income available for distribution (RM'000)	65,906	84,972	84,942	92,720	92,154
Earnings per Unit (Realised + Unrealised) (sen)	21.26	22.68	24.30	23.64	8.81
Income Distribution (RM'000)	65,745	84,677	84,903	92,684	92,114
Distribution per unit (DPU) (sen) **	17.20	18.60	18.50	19.75	8.40
Distribution yield (based on closing market price) (%)	6.56	5.94	6.31	5.46	5.12
EPU yield (based on closing market price) (%)	8.11	7.25	8.29	6.53	5.37
MER (%)	1.16	1.12	1.25	1.29	1.36
Annual total return*** (%)	18.66	26.56	-0.5	30.29	-4.75
Average total return (3 years) (%)	46.22	27.03	14.91	18.78	8.35

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

** Restated to reflect Unit Split.

*** Based on movement in unit price and DPU yield.

Increase in Gross Revenue with Recent Acquisitions

During the year, Axis-REIT successfully completed the acquisition of Axis Shah Alam DC 2 and the gross revenue for 2015 was 18.49% higher compared to 2014.

Newly-acquired properties completed in late December 2014 were Axis MRO Hub, Axis Shah Alam DC 3 and Axis Steel Centre @ SiLC. The acquisition of Axis Shah Alam DC 2 was completed in 2015. All these contributed a revenue of RM33,361,000 and net property income of RM30,480,000. The positive rental reversions recorded for 2015 were also factors which contributed to the increase in gross income.

The breakdown of total gross income is as follows:

	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Rental income	107,237	126,394	133,008	127,969	153,861
Car park income	4,139	4,284	5,572	6,283	5,800
Other income	2,935	1,995	2,734	3,373	3,416
Total	114,311	132,673	141,314	137,625	163,077
No. of properties	27	31	31	33	34

Gross Property Yields

The average gross yield on the Fund's portfolio of properties is 9.80%.

Properties	Gross Yield (%)
1 Axis Business Park	8.77%
2 Crystal Plaza	14.32%
3 Menara Axis	12.47%
4 Infinite Centre	9.88%
5 Wisma Kemajuan	17.99%
6 Axis Business Campus	-
7 Axis Shah Alam DC 1	9.53%
8 Giant Hypermarket	9.01%
9 FCI Senai	13.60%
10 Fonterra HQ	11.05%
11 Quattro West	9.92%
12 Strateq Data Centre	11.90%
13 Niro Warehouse	11.50%
14 BMW Centre PTP	13.08%
15 Delfi Warehouse	13.80%
16 Axis Vista	9.82%
17 Axis Steel Centre	8.84%
18 Bukit Raja Distribution Centre	8.75%
19 Seberang Prai Logistic Warehouse 1	8.95%
20 Seberang Prai Logistic Warehouse 2	8.53%
21 Tesco Bukit Indah	8.42%
22 Axis PDI Centre	7.51%
23 Axis Technology Centre	7.54%
24 D8 Logistics Warehouse	12.13%
25 Axis Eureka	7.26%
26 Bayan Lepas Distribution Centre	9.65%
27 Seberang Prai Logistic Warehouse 3	10.89%
28 Emerson Industrial Facility Nilai	9.85%
29 Wisma Academy Parcel	10.34%
30 The Annex	6.25%
31 Axis MRO Hub	7.87%
32 Axis Shah Alam DC 3	8.01%
33 Axis Steel Centre @ SiLC	7.46%
34 Axis Shah Alam DC 2	7.73%

Financial Review

Management of Property Operating Expenses

The 10% increase in property operating expenses is due to the newly acquired properties. The breakdown is as per below:

	2011	2012	2013	2014	2015
Assessment and quit rent	3,431	4,095	4,203	3,977	4,698
Property manager's fee and on-site personnel cost	3,705	4,872	5,531	5,515	6,062
Security	1,525	1,729	1,854	1,916	1,948
Takaful	796	934	1,080	995	1,348
Maintenance and others	7,902	8,495	8,144	9,150	9,690
Total	17,359	20,125	20,812	21,553	23,746

Nevertheless, the efficiency ratio has improved from 15.66% in 2014 to 14.56% in 2015.

Overall Financial Results

During the year, Axis-REIT's gross income and net property income increased by 18.49% and 20.04% year-on-year to RM163,077,000 and RM139,331,000 respectively. This was mainly due to the strong contribution of rental proceeds from newly acquired properties which were completed in December 2014 and March 2015. The remaining increase was contributed by the 8% positive rental reversion on renewal of tenancies and leases.

The summary of our gross income, property operating expenses and net property income per property for the year 2015 is tabled below (excluding the unrealised rental income / unbilled lease income receivable)

Properties	Gross Revenue RM	Property Operating Expenses RM	Net Property Income RM
Axis Business Park	8,653,220	2,066,731	6,586,489
Crystal Plaza	9,316,100	1,475,740	7,840,360
Menara Axis	10,275,370	1,900,952	8,374,418
Infinite Centre	3,480,385	836,682	2,643,703
Wisma Kemajuan	6,639,262	1,475,458	5,163,804
Axis Business Campus	362,494	543,051	(180,557)
Axis Shah Alam DC 1	1,921,064	181,159	1,739,905
Giant Hypermarket	3,510,720	293,182	3,217,538
FCI Senai	1,726,159	180,400	1,545,759
Fonterra HQ	1,229,498	186,064	1,043,434
Quattro West	5,031,182	1,141,038	3,890,144
Strateq Data Centre	5,083,938	254,475	4,829,463
Niro Warehouse	1,751,493	157,663	1,593,830
BMW Centre PTP	3,684,519	317,269	3,367,250
Delfi Warehouse	1,766,994	223,311	1,543,683
Axis Vista	3,312,794	376,266	2,936,528
Axis Steel Centre	5,857,402	549,076	5,308,326
Bukit Raja Distribution Centre	6,606,333	376,274	6,230,059
Seberang Prai Logistic Warehouse 1	1,595,469	81,035	1,514,434
Seberang Prai Logistic Warehouse 2	630,010	53,214	576,796
Tesco Bukit Indah	6,474,804	460,528	6,014,276
Axis PDI Centre	6,498,675	987,695	5,510,980
Axis Technology Centre	3,788,152	1,086,521	2,701,631
D8 Logistics Warehouse	3,723,866	245,665	3,478,201
Axis Eureka	3,863,610	1,525,267	2,338,343
Bayan Lepas Distribution Centre	4,829,039	431,532	4,397,507
Seberang Prai Logistic Warehouse 3	6,727,835	677,482	6,050,353
Emerson Industrial Facility Nilai	2,691,498	247,766	2,443,732
Wisma Academy Parcel	7,743,418	2,248,141	5,495,277
The Annex	827,229	284,942	542,287
Axis MRO Hub	4,198,384	368,558	3,829,826
Axis Shah Alam DC 3	14,876,066	1,683,694	13,192,372
Axis Steel Centre @ SiLC	11,631,756	574,269	11,057,487
Axis Shah Alam DC 2 ^	2,655,246	254,480	2,400,766
Proposed acquisition - Beyonics iPark Campus ^^	112,809	-	112,809
Total	163,076,793	23,745,580	139,331,213

^ Acquired on 31 March 2015

^^ Sharing of rental income upon payment of redemption sum. The proposed acquisition was completed on 28 January 2016

Unrealised Rental Income / Unbilled Lease Income Receivable

This recognition of unrealised rental income on unbilled lease income receivable is pursuant to the requirements of Accounting Standard MFRS117, 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 2015, we registered a profit income of RM744,000 from placement of funds under Islamic REPO.

Portfolio Valuations

Valuation of the investment properties portfolio has continued to improve and reached a market value of RM2,046,990.

Based on valuations performed by independent registered valuers during the financial year, the portfolio registered an increase in the fair value of investment properties of RM5,791,000.

The summary of unrealised gain / (loss) on all investment properties during the year is as follows:

Properties	NBV before Revaluation RM	Market Value* RM	Unrealised gain / (loss) RM
1 Axis Business Park	122,943,000	119,000,000	(3,943,000)
2 Crystal Plaza	109,405,000	109,400,000	(5,000)
3 Menara Axis	120,411,000	120,000,000	(411,000)
4 Infinite Centre	42,349,000	42,000,000	(349,000)
5 Wisma Kemajuan	58,820,000	62,000,000	3,180,000
6 Axis Business Campus	68,480,000	73,200,000	4,720,000
7 Axis Shah Alam DC 1	25,977,000	27,500,000	1,523,000
8 Giant Hypermarket	41,075,000	41,000,000	(75,000)
9 FCI Senai	16,034,000	17,000,000	966,000
10 Fonterra HQ	15,065,000	15,000,000	(65,000)
11 Quattro West	56,053,000	55,800,000	(253,000)
12 Strateq Data Centre	53,097,000	53,200,000	103,000
13 Niro Warehouse	17,700,000	17,700,000	-
14 BMW Centre PTP	30,096,000	30,300,000	204,000
15 Delfi Warehouse	15,600,000	15,600,000	-
16 Axis Vista	56,137,000	56,000,000	(137,000)
17 Axis Steel Centre	70,000,000	70,000,000	-
18 Bukit Raja Distribution Centre	96,076,000	97,000,000	924,000
19 Seberang Prai Logistic Warehouse 1	20,320,000	20,200,000	(120,000)
20 Seberang Prai Logistic Warehouse 2	8,060,000	8,000,000	(60,000)
21 Tesco Bukit Indah	90,623,000	92,000,000	1,377,000
22 Axis PDI Centre	92,186,000	85,000,000	(7,186,000)
23 Axis Technology Centre	53,131,000	53,200,000	69,000
24 D8 Logistics Warehouse	32,602,000	32,500,000	(102,000)
25 Axis Eureka	52,992,000	54,000,000	1,008,000
26 Bayan Lepas Distribution Centre	50,759,000	51,500,000	741,000
27 Seberang Prai Logistic Warehouse 3	63,701,000	63,500,000	(201,000)
28 Emerson Industrial Facility Nilai	29,490,000	30,000,000	510,000
29 Wisma Academy Parcel	77,016,000	79,500,000	2,484,000
30 The Annex	17,012,000	18,000,000	988,000
31 Axis MRO Hub	53,018,000	53,000,000	(18,000)
32 Axis Shah Alam DC 3	183,261,000	183,390,000	129,000
33 Axis Steel Centre @ SILC	155,929,000	155,500,000	(429,000)
34 Axis Shah Alam DC 2	45,781,000	46,000,000	219,000
Total	2,041,199,000	2,046,990,000	5,791,000

* Market value based on valuation conducted by independent registered valuers approved by the SC.

** This increase of RM5,791,000 contributed an increase of 0.5 sen to our NAV per Unit to RM1.23 as of 31 December 2015.

Financial Review

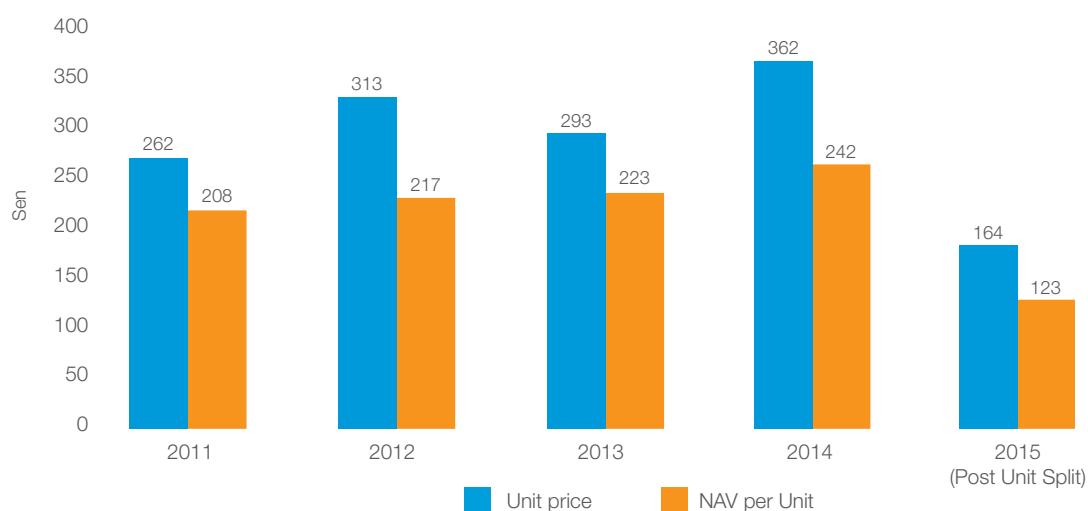
Valuation Analysis

The following table summarises the market value, market value per square foot ("") and the investment outlay psf of Axis-REIT on all the properties.

Properties		Market Value RM	Market Value RM/sq. ft.	Total Investment Outlay (including enhancements) RM	Total Investment Outlay (including enhancements) RM/sq. ft.
1	Axis Business Park	119,000,000	358	98,657,000	297
2	Crystal Plaza	109,400,000	534	65,076,000	318
3	Menara Axis	120,000,000	653	82,410,000	449
4	Infinite Centre	42,000,000	293	35,237,000	246
5	Wisma Kemajuan	62,000,000	312	36,899,000	185
6	Axis Business Campus	73,200,000	483	58,731,000	387
7	Axis Shah Alam DC 1	27,500,000	249	20,148,000	182
8	Giant Hypermarket	41,000,000	297	38,973,000	282
9	FCI Senai	17,000,000	124	12,693,000	93
10	Fonterra HQ	15,000,000	413	11,127,000	306
11	Quattro West	55,800,000	536	50,702,000	487
12	Strateq Data Centre	53,200,000	507	42,729,000	407
13	Niro Warehouse	17,700,000	106	15,234,000	91
14	BMW Centre PTP	30,300,000	188	28,160,000	174
15	Delfi Warehouse	15,600,000	119	12,803,000	98
16	Axis Vista	56,000,000	475	33,748,000	286
17	Axis Steel Centre	70,000,000	191	66,288,000	181
18	Bukit Raja Distribution Centre	97,000,000	213	75,492,000	165
19	Seberang Prai Logistic Warehouse 1	20,200,000	190	17,821,000	168
20	Seberang Prai Logistic Warehouse 2	8,000,000	191	7,384,000	176
21	Tesco Bukit Indah	92,000,000	394	76,924,000	329
22	Axis PDI Centre	85,000,000	1,465	86,521,000	1,492
23	Axis Technology Centre	53,200,000	312	50,240,000	294
24	D8 Logistics Warehouse	32,500,000	190	30,689,000	179
25	Axis Eureka	54,000,000	459	53,236,000	453
26	Bayan Lepas Distribution Centre	51,500,000	251	50,067,000	244
27	Seberang Prai Logistic Warehouse 3	63,500,000	161	61,771,000	156
28	Emerson Industrial Facility Nilai	30,000,000	103	27,316,000	94
29	Wisma Academy Parcel	79,500,000	339	74,863,000	319
30	The Annex	18,000,000	396	13,239,000	292
31	Axis MRO Hub	53,000,000	329	53,375,000	331
32	Axis Shah Alam DC 3	183,390,000	268	185,677,000	271
33	Axis Steel Centre @ SiLC	155,500,000	226	155,949,000	227
34	Axis Shah Alam DC 2	46,000,000	280	45,781,000	278
Total		2,046,990,000		1, 775,960,000	

Premium to NAV Recorded for 2015

The unit price traded at a 33.36% premium to the NAV per unit on 31 December 2015. The chart shows the premium to NAV the Fund has maintained over the past five years.



Non-Property Expenses

Details of total non-property expenses are as follows:

	2011	2012	2013	2014	2015
Administrative and professional fees*	9,321	11,858	12,835	13,725	18,342
Bad debts (recovered) / written off	3	(97)	-	-	-
Impairment / (Reversal) losses of trade receivables	69	188	(30)	37	188
Islamic financing cost	22,890	22,254	23,837	23,848	29,935
Total non-property expenses	32,283	34,203	36,642	37,610	48,465

* Professional fees include manager's fees, trustee's fees, valuation fees, auditor's fees, tax fees and consultancy fees on GST- & PDPA-compliant.

Administrative and Professional Fees

There was a 33.64% increase in the administrative and professional fees in 2015. This was due to the increase in manager's and trustee fees as a result of an increase in the NAV of the fund and additional valuation fees for the newly-acquired properties.

Islamic Financing Cost

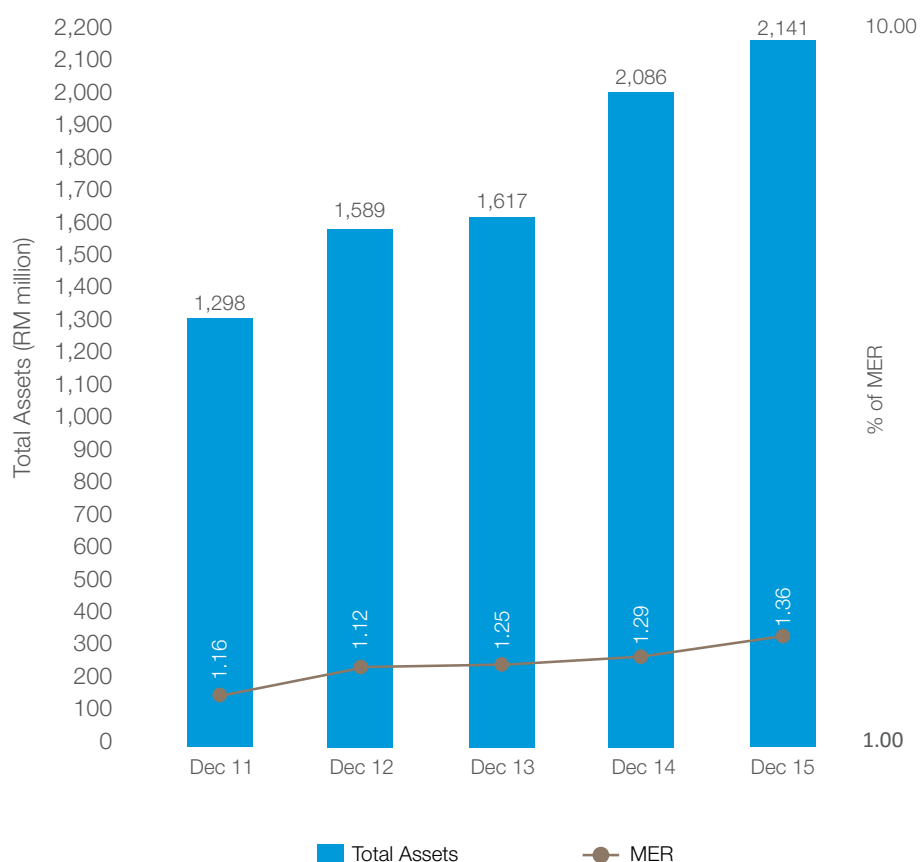
The increase in Islamic financing cost in 2015 is due to the additional financing facilities being utilised to fund the acquisition of the four properties which were completed in December 2014 and March 2015 respectively.

Financial Review

Management Expense Ratio (“MER”)

The MER of the Fund as at 31 December 2015 is 1.36% of NAV, as compared to 1.29% for 2014. The increase is due to the increase in NAV of the Fund driven mainly from the equity placement exercise in late 2014, GST-compliant-related costs and unit split expenses.

MER and Total Assets Compared



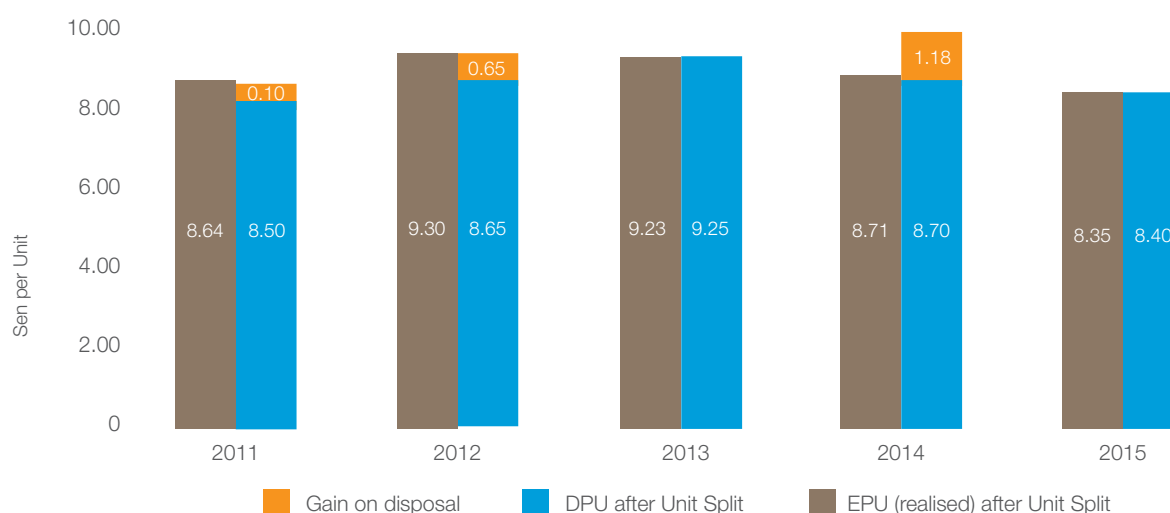
Earnings Per Unit (“EPU”)

The EPU (realised) for 2015 decreased slightly to 8.35 sen from 8.71 sen (restated to reflect Unit Split) in 2014. This is based on the weighted average of the number of units in issue.

Distribution Per Unit (“DPU”)

The DPU for 2015 of 8.40 sen is lower than 9.88 sen (restated to reflect Unit Split) in 2014. Included in the DPU for 2014 is an additional DPU of 1.18 sen (restated to reflect Unit Split) arising from the gain on disposal of Axis Plaza.

Axis-REIT had, in 2008, 2009, 2010, 2011 and 2014, placed out 50,000,000, 51,180,200, 68,819,800, 77,913,096 and 83,579,942 new units respectively. Notwithstanding the increase in the number of units over the years, Axis-REIT has not only been able to prove that the placements done were non-dilutive in nature but has also provided unitholders with attractive DPU returns, as shown in the chart below.



Capital Management

Sustaining the long-term growth of the Fund requires, among others, a strong financial position, low cost of funding and prudent financial risk management. In line with our prudent and proactive approach towards capital management, we continued to enhance our funding structure and strategies in 2015.

Axis-REIT maintains a prudent capital management policy in terms of its gearing level. Although the maximum gearing level allowable by the Securities Commission Malaysia (“SC”) is 50%, the Manager maintains the gearing of the Fund between 28% and 38%.

The Manager will only implement a new placement exercise to raise capital when it anticipates that the gearing of the Fund will exceed 35%. In 2015, the gearing of the Fund was at a healthy level, which was well below 35% and, therefore, no placement was undertaken during the financial period under review. The Manager takes a proactive role in monitoring its gearing to ensure adequate funding is available for future acquisitions and, at the same time, monitors the timing of placement to minimise any dilution effect to the DPU of the fund.

In 2015, we applied the Income Distribution Reinvestment Plan (“IDRP”) to the third interim income distribution paid out in December 2015. Axis-REIT received good support from our unitholders, with a participation rate of 67%. The cash retained from the third interim income distribution through the IDRP was used to finance enhancements of Axis-REIT’s properties.

Financial Review

Unit Split Completed in 2015

Axis-REIT carried out a Unit Split involving the subdivision of every one existing unit in Axis-REIT into two units. The Unit Split was implemented and completed with the subdivided units being listed and quoted on the Main Market of Bursa Securities on 9 September 2015.

Upon completion of the Unit Split, the issued fund size of Axis-REIT increased from 547,758,040 units to 1,095,516,080 units. As Axis-REIT's unit price has become more affordable after the Unit Split, this has resulted in a 10% increase in the number of Unitholders in less than three months.

Alignment of Interest Between the Manager and the Fund

The Manager had obtained the approval from the Unitholders at the unitholders' meeting in 2013, for the authority to allot and issue up to 2,000,000 units for the payment of management fee to the Manager instead of cash ("Payment of Management Fee Authority"). This is part of our effort to further strengthen the alignment of interest between the Manager and the Fund.

As a result of the implementation of the Unit Split, the number of new units permitted to be issued pursuant to the Payment of Management Fee Authority was increased up to a maximum of 3,044,000 new units.

The Payment of Management Fee Authority had been partly implemented with the successful listing of 242,000 new units and 236,000 new units in October 2014 and January 2015 respectively. The total new units issued to the Manager as payment of the Manager's fee together with the new units issued pursuant to the IDRPs that the Manager has exercised during the financial year under review, summed up to 962,012 units, representing approximately 0.09% of the 1,099,793,068 units in issue.

Axis-REIT has obtained the approval from Bursa Securities on 1 October 2015 for an extension of time to complete the Payment of Management Fee Authority from 4 October 2015 until full issuance of the new units of 3,044,000 permitted to be issued pursuant to the Payment of Management Fee Authority.

General Mandate to Issue New Units in Axis-REIT

At the Unitholders' meeting on 21 August 2015, the Manager obtained, among others, approval from Unitholders for the allotment and issuance of up to 219,103,216 new units (with the Unit Split being implemented) representing up to 20% of the then issued fund size of Axis-REIT after the Unit Split of 1,095,516,080 subdivided units pursuant to Clause 14.03 of the Guidelines on Real Estate Investment Trusts ("REIT Guidelines") issued by the SC, to facilitate Axis-REIT in raising funds via a placement exercise ("Proposed Authority").

Axis-REIT has also obtained the approval from Bursa Securities on 12 January 2016 for an extension of time until 23 July 2016 to complete the Proposed Authority.

Upsizing the Size of the Sukuk Programme

In 2012, Axis-REIT set up a Sukuk Programme of up to RM300 million in nominal value, undertaken by Axis REIT Sukuk Berhad, a special-purpose vehicle of Axis-REIT specifically established for the Sukuk Programme. In 2013, a total of RM265 million in nominal value Sukuk had been issued under the Sukuk Programme (earlier issuances).

The Manager had in 2014 applied to the SC for the upsizing of the Sukuk Programme from RM300 million to RM3 billion in nominal value as the existing programme was almost fully utilised. The plan is to tap into the existing upsized Sukuk Programme for subsequent issuances as it is economically and administratively more efficient compared to setting up a separate programme, so long as the terms and conditions of the future issuances remain unchanged from the earlier issuances.

The approval from SC for upsizing of the Sukuk Programme was obtained on 19 January 2015. Subsequently, with the execution of the relevant supplemental documents in connection with the Proposed Upsizing on 10 April 2015, the size of the Sukuk Programme was successfully increased to RM3 billion in nominal value and the tenure of the Sukuk Programme has been extended from 15-year programme to a perpetual programme effective 10 April 2015.

The Fund will continue to issue Sukuk as part of its efforts to diversify its financing. Further rationale for the Sukuk Programme is as follows:

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

Financing Profile

	2011	2012	2013	2014	2015
Total financing (RM'000)	311,338	549,285	528,004	683,769	731,814
Total assets (RM'000)	1,298,431	1,589,408	1,616,523	2,085,883	2,141,493
Gearing	23.98%	34.56%	32.66%	32.78%	34.17%
Effective profit rate *	4.66%	4.58%	4.38%	4.24%	4.28%
Percentage of short term financing	52%	62%	50%	61%	55%
Percentage of medium or long term financing	48%	38%	50%	39%	45%
Total unencumbered assets	12	6	5	5	10
Percentage of unencumbered assets/total assets	44%	19%	16%	21%	26%
Financing cost cover	3.8	4.6	4.5	4.5	4.1

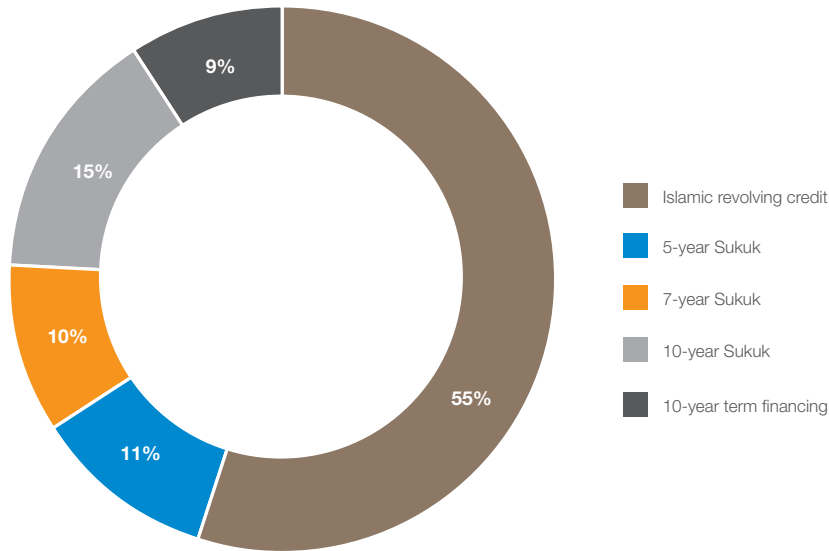
* For comparison purposes, the effective profit rate excludes the incidental cost of financing.

The Fund had diversified financing facilities which include Sukuk, Islamic revolving credit facilities and Islamic term financing. Both the Islamic revolving facilities and Islamic term financing are offered by four big Islamic local and foreign Islamic financial institutions.

The total outstanding financing of the Fund was RM732 million with total fixed rate debt amounting to RM365 million, unchanged from a year ago. In order to hedge against the fluctuation of future movement in profit rate, the Fund had in 2014 entered into Islamic Profit Rate Swap ("IPRS") in an aggregate amount of RM100 million. With these IPRS', the Fund has locked in the profit rate for another three years.

Financial Review

Financing Profile



Risk Management

The Manager recognises that effective risk management practices and strong internal controls are critical components to the Fund's business. Therefore, the Manager constantly reviews the risk faced by the Fund and pro-actively carries out initiatives to mitigate them. It ensures that there are no adverse disruptions to the income distribution and mitigates any potential loss, which may negatively impact Unitholders.

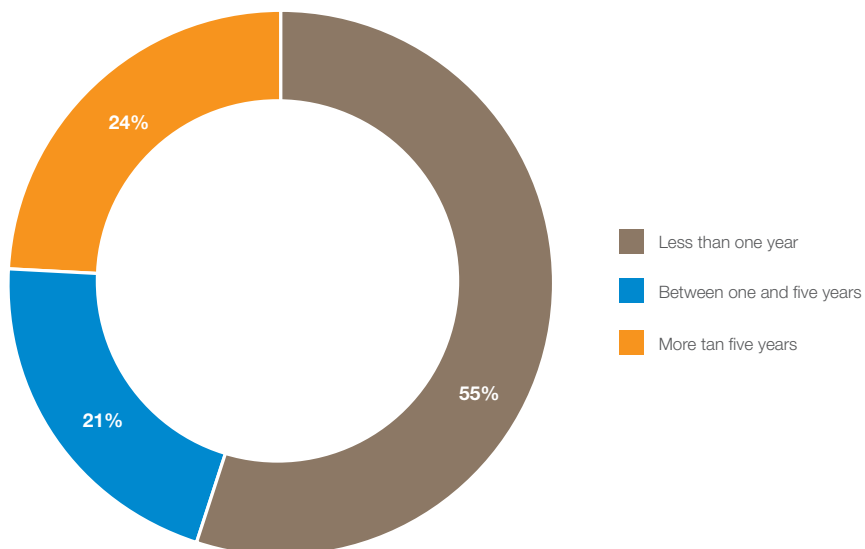
Liquidity Risk

The Manager had diversified Axis-REIT's financing with four major Islamic banks and by tapping the Sukuk market. With this diversity, the Fund has achieved lower concentrations of risk among each of the lending banks with each bank having adequate collateral for the financing they are providing. In 2012, Axis-REIT started to tap into the Sukuk market for long-term fixed rate financing and has recently obtained approval to upsize its Sukuk Programme to RM3 billion.

As at 31 December 2015, the Fund had total undrawn financing facilities of RM171 million and cash balance of RM30 million. Taking into consideration the financial resources available to the Fund, the Fund has sufficient liquid assets to satisfy its working capital and operating requirements. The Fund takes a proactive role in monitoring its cash and liquid reserves to ensure adequate funding is available for distributions to unitholders as well as to meet any short-term liabilities.

The chart below summarises the maturity profile at the reporting date based on contractual repayment obligation.

Financing Maturity Profile

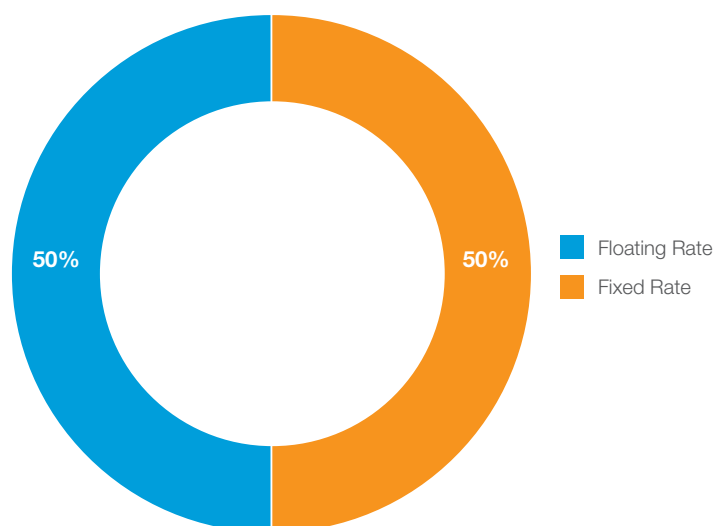


Interest Rate Risk

As at 31 December 2015, the Fund had a total financing facility of RM903.0 million of which RM732.0 million had been drawn down, representing 34.17% of total assets.

Axis-REIT manages financing costs using a mix of fixed and floating rate financing. Of this amount, RM265 million is in Sukuk with fixed rates. Some financing facilities carry floating rates and, consequently, the financing cost to the Fund will be subjected to fluctuations in interest rates. As part of the Fund's capital management strategy, Axis-REIT had entered into hedging transactions to partially mitigate the risk of such interest rate fluctuations through the use of IPRS and therefore the Fund's exposure to the floating rate was 50%. The exposure to interest rate risk is further managed through regular reviews with the Board of Directors of the Manager on the optimal mix of fixed and floating rate financings.

Financing Profile Fixed and Floating Rate as at 31 December 2015

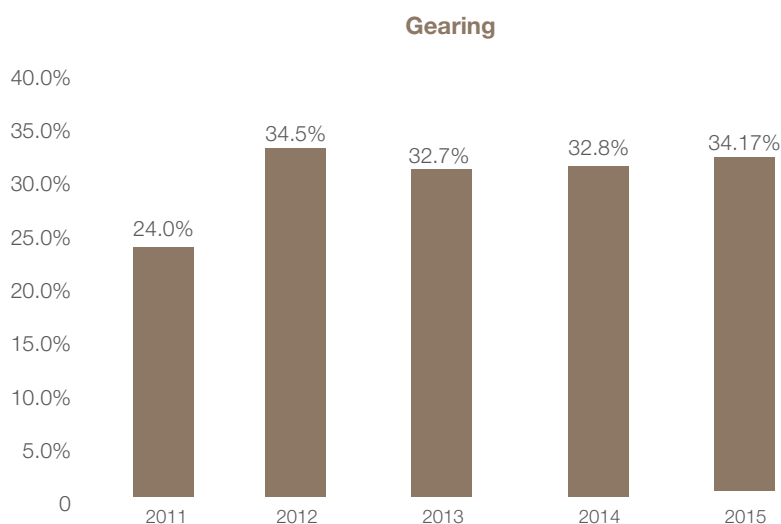


Interest rate is a general economic indicator that will have an impact on the capital management of the Fund regardless of whether it is a Shariah-compliant fund or otherwise. It does not in any way suggest that the Fund will invest in conventional financial instruments.

Gearing Risk

The Manager will always maintain its conservative maximum gearing threshold of 35% as part of capital management strategy.

The chart below shows the historical gearing levels of Axis-REIT for the past five years.



Financial Review

Valuation

The Manager recognises the importance of fair valuation of all of its investment properties. The entire portfolio is revalued annually to ensure that the value incorporated in the financial statements reflects the current market value and is in compliance with the MFRS 140.

All valuations are conducted by independent registered valuers approved by the SC. In 2015, Axis-REIT had 10 registered valuers in its panel. The Manager is also looking into expanding this panel further 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.

Tenant and Credit Risk

Credit risk is the potential financial loss resulting from the failure of a tenant to settle its financial and contractual obligations to the Fund as and when they fall due. The Manager continuously monitors the tenants' performance closely as this is key to the management of our credit risk. We have in place strict procedures to evaluate credit-worthiness on prospective tenants. Security deposits are collected from tenants, and tenant trade sector mix in property portfolio is actively managed to avoid excessive exposure to any one potentially volatile trade sector.

As of 31 December 2015, Axis-REIT had 34 properties and 140 tenants, many whom are multinationals and local public-listed companies with strong financial credentials.

	2011	2012	2013	2014	2015
Top 10 tenants' contribution to gross income	52%	49%	47%	46%	53%

Tenant Risk is described in greater detail in the Real Estate Report.

Doubtful Debt Provision and Impairment Losses of Trade Receivables

The Manager actively monitors the credit risk profile of its tenants with the aim of minimising potential defaults. Regular tenant visits, as well as keeping vigil on tenant's activities helps early identification of problems. The Manager also monitors the amount owing by the tenant on an ongoing basis.

For single-tenanted buildings arising 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 negotiations.

As at 31 December 2015, the impairment loss of trade receivable amounted to RM188,000, represents 0.1% of the total annual gross revenue of the Fund. The keen focus on receivables and a well-established internal credit control process has resulted in this excellent result.

Impairment losses of trade receivables	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Impairment losses of trade receivables/bad debt write off / (write back)	72	91	(30)	37	188
Trade receivables	5,417	2,902	1,072	574	4,016
Total annual gross revenue	114,311	132,673	141,314	137,625	163,077
Impairment losses of trade receivables / bad debt write off / (write back) as % of gross revenue	0.06	0.06	-	0.03	0.12

The trade receivable balance in 2015 is comparatively higher than 2014 mainly because the two major tenants had delayed their payments during the financial year under review. However, most of the outstanding payments were subsequently collected in January 2016.

For Period Ended	Average Collection Period (in days)
31 Dec 2011	17
30 Dec 2012	8
30 Dec 2013	3
31 Dec 2014	2
31 Dec 2015	9

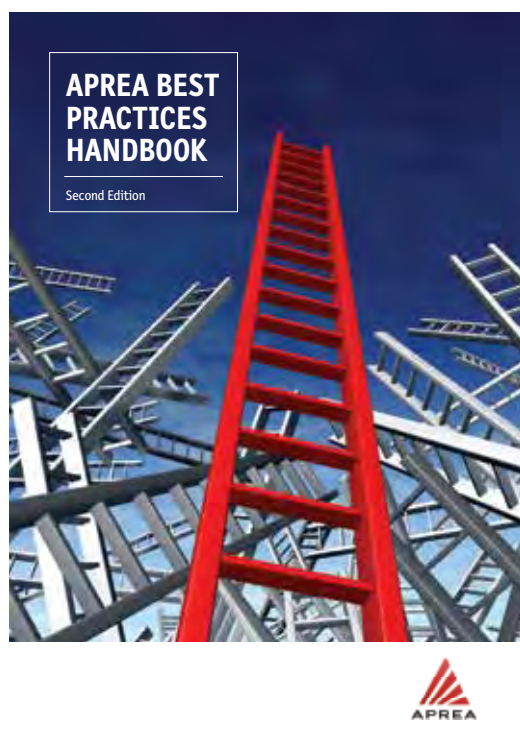
Risk Management Framework

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.

In 2015, our Internal Auditors, Baker Tilly Monteiro Heng, reviewed the updated Corporate Risk Profile and Detailed Risk Register of the Risk Management Report which are aligned to the Fund's strategy and business plans for the governance of risk across Axis-REIT. The reports are made available to the Audit Committee as well as the Board.

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 Axis-REIT's financial highlights in US Dollars (USD) and also adopted the use of the direct method statement of cash flow.



A Snapshot in US Dollars (USD)

The presentation of financial highlights in USD allows comparability against other foreign REITs and companies to readers of the Annual Report. The following is an extract from the financial highlights in USD for the financial year ended 31 December 2015.

Key Items from Statement of Financial Position / Unitholders' Funds – US Dollars (USD)

Assets under Management (USD)	497,039,000
Total Net Asset Value (USD)	313,911,000
Number of Investment Properties	34
Units in Circulation	1,099,793,068
Total Financing (USD)	169,854,000
Total Financing to Total Assets (%)	34.17
Market Capitalisation (USD)	418,629,000
Net Asset Value per Unit (USD)	0.29
Unit Price as at 31 December 2015 (USD)	0.38

Notes: 1. Translated to USD equivalent based on closing rate of USD / MYR of 4.3085 (Source: www.oanda.com).
2. Translations were done purely for comparison purposes and were not required to adhere to the provisions of the Malaysian Financial Reporting Standards.

Summary of Results

Gross Realised Revenue (USD)	41,701,000
Unrealised Income in Relation to Unbilled Lease Income Receivable (USD)	664,000
Property Operating Expenses (USD)	(6,072,000)
Net Property Income (USD)	36,293,000
Profit Income (USD)	190,000
Changes in Fair Value of Investment Properties (USD)	1,481,000
Unbilled Lease Income Receivable (USD)	(664,000)
Net gain / (loss) on Financial Liabilities Measured at Amortised Cost* (USD)	(175,000)
Fair Value Change in derivatives (USD)	(21,000)
Net Property and Investment Income (USD)	37,105,000
Non-Property Expenses (USD)	(12,393,000)
Net Income before Tax (USD)	24,712,000
Net Income after Tax (USD)	24,693,000
Breakdown of Net Income after Taxation:	
- Realised Income after Taxation (USD)	23,407,000
- Unrealised Income after Taxation (USD)	1,285,000
Earnings per Unit (Realised + Unrealised) (cents in USD)	2.25
Distribution per Unit (DPU) (cents in USD)	2.15

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

Notes: 1. Translated to USD equivalent based on average rate of USD / MYR of 3.9106 (Source: www.oanda.com).
 2. Please note that translations were done purely for comparison purposes and were not required to adhere to the provisions of the Malaysian Financial Reporting Standards.

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 2015

	RM'000	RM'000
CASH FLOW FROM INVESTING ACTIVITIES		
Gross revenue received	114,018	
Tenant deposit refunded	(12,281)	
Operating expenses paid	(48,729)	
Tax paid	(73)	
Net cash from operating activities		52,935
CASH FLOW FROM INVESTING ACTIVITIES		
Profit income received	744	
Enhancement of investment properties	(14,466)	
Acquisition of investment properties	(45,782)	
Acquisition of equipment	(1,174)	
Net cash used in investing activities		(60,678)
CASH FLOW FROM FINANCING ACTIVITIES		
Islamic financing cost paid	(29,935)	
Net drawdown of financing	47,952	
Proceeds from hire purchase	93	
Distribution paid to Unitholder	(78,056)	
Proceed from issue of units	7,652	
Issuing expenses	(44)	
Net cash used in financing activities		(52,338)
Net decrease in cash and cash equivalents		(60,081)
Cash and cash equivalents at beginning of the year		89,816
Cash and cash equivalents at end of the year		29,735

Report on Shariah Compliance



From left to right: Ustaz Ahmad Zakirullah Mohamed Shaarani, Ustaz Dato' Mohd Bakir Haji Mansor, Haji Razli Ramli and Ustaz Mohd Nasir Ismail

On 11 December 2008, Axis-REIT became the world's first Islamic Office / Industrial REIT. Since its successful reclassification, we have seen strong participation by Shariah investors from both the 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.

IBFIM's services include:

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

The Manager is pleased to report that under the guidance of IBFIM, the level of income from non-permissible activities for 2015 is 2.6%, which is slightly higher than 2014 in line with the positive rental revision.

Non-Permissible Level (%)

