

let's GROW



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Axis Real Estate Investment Trust ("Axis-REIT")

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

Axis-REIT owns a diversified portfolio of properties in the Klang Valley comprising:

- o Commercial offices
- o Office Industrial buildings
- o Logistics centers

These properties house many multinational companies who have been tenants of the Axis Group for many years. They are involved in the imaging, medical, home appliances, automotive, pharmaceutical, insurance, wellness and fitness industries.

Axis REIT Managers Bhd ("The Manager") is the Manager of Axis-REIT.

The Manager is committed to delivering long-term sustainable distributions, and capital-stability through a focused business plan to:

- o Optimize its capital structure
- o Have professional asset management
- o Buy accretive investments with capital growth

OUR LOGO, VISION & BUSINESS PHILOSOPHY

Our Logo depicts the four corners of the world where "Eastern Philosophy Meets Western Business Practises"; representing the international components of Axis REIT Managers Berhad. It displays the culmination of their experiences, backgrounds and knowledge from Norway, Australia and Southeast Asia.

Our vision is to become the Country's leading supplier of commercial, office and light industrial real estate.

Our Business Philosophy is to provide our customers with the best solutions in the supply of office/commercial and industrial space. We practice an open, transparent and creative management of our real estate portfolio, whilst being 'hands on' with our tenants. Our principal objective is to translate our business philosophy into best management practises thereby maximising returns to Axis-REIT Unitholders.

This Annual Report for the period ended 31 December 2006 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 its 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 values are expressed in Malaysian currency unless otherwise stated. This Annual Report is issued in February 2007.



Financial Highlights

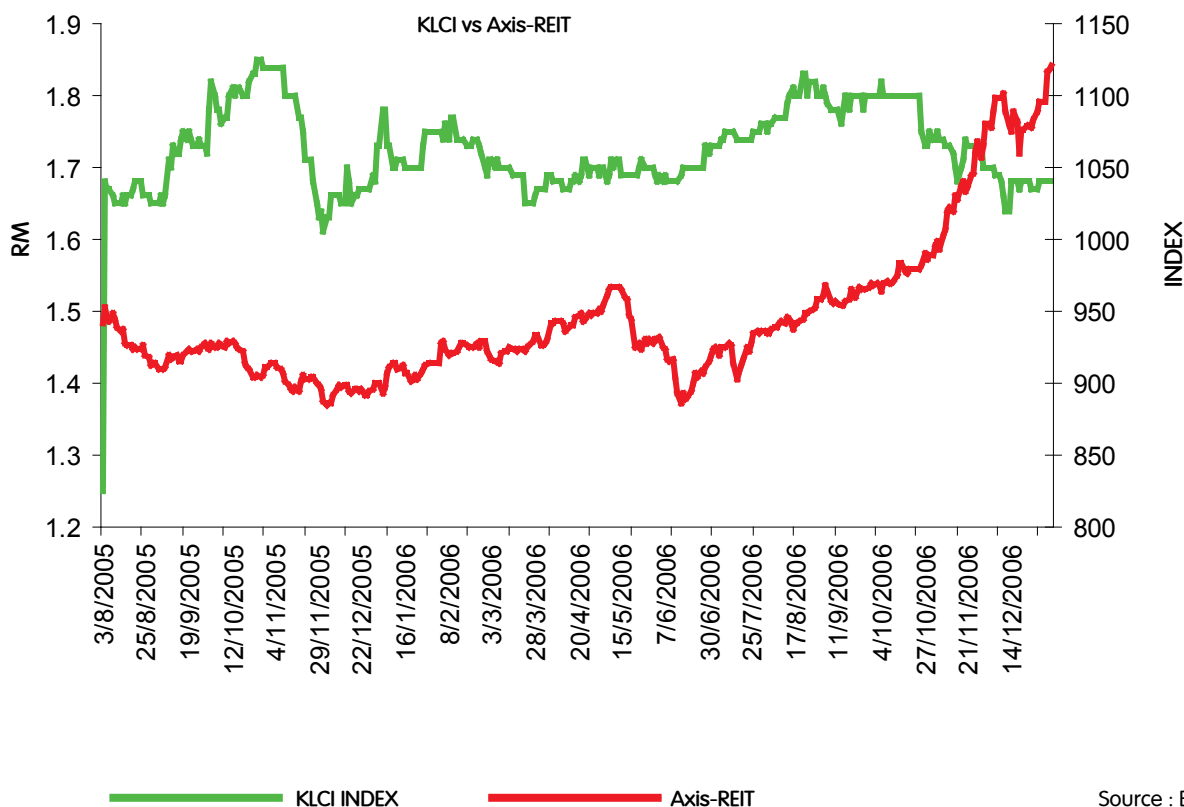
Total Net Income (RM '000) *
 Income available for Distribution (RM '000)
 (Realised)
 Earnings per Unit ("EPU") (sen)
 (Realised)
 Income Distribution (RM '000)
 Distribution per Unit ("DPU") (sen)
 (of which the tax-exempt portion is)

*includes unrealized income (not available for distribution) of RM 16,517,000

Number of investment properties
 Total Assets (RM '000)
 Total Borrowings (RM '000)
 Total Unitholders' Fund (RM '000)
 Market Capitalisation (RM '000)
 Total borrowings to total assets (%)
 Net Asset Value ("NAV") per Unit
 Unit Price (RM) – IPO retail price
 Market Price per Unit – 31 December 2006 (RM)
 No. of units in circulation ('000)
 No. of Unitholders

1 Jan 2006 to 31 Dec 2006	3 Aug 2005 to 31 Dec 2005
42,922	10,018
26,405	10,018
12.82	4.87
26,664	9,677
12.95	4.70
0.168	0
9	6
411,781	339,632
88,089	40,000
294,109	277,851
345,913	356,209
21.39	11.77
1.43	1.35
1.25	1.25
1.68	1.73
205,901	205,901
941	1,216

Axis-REIT Unit Price Performance



Source : Bloomberg



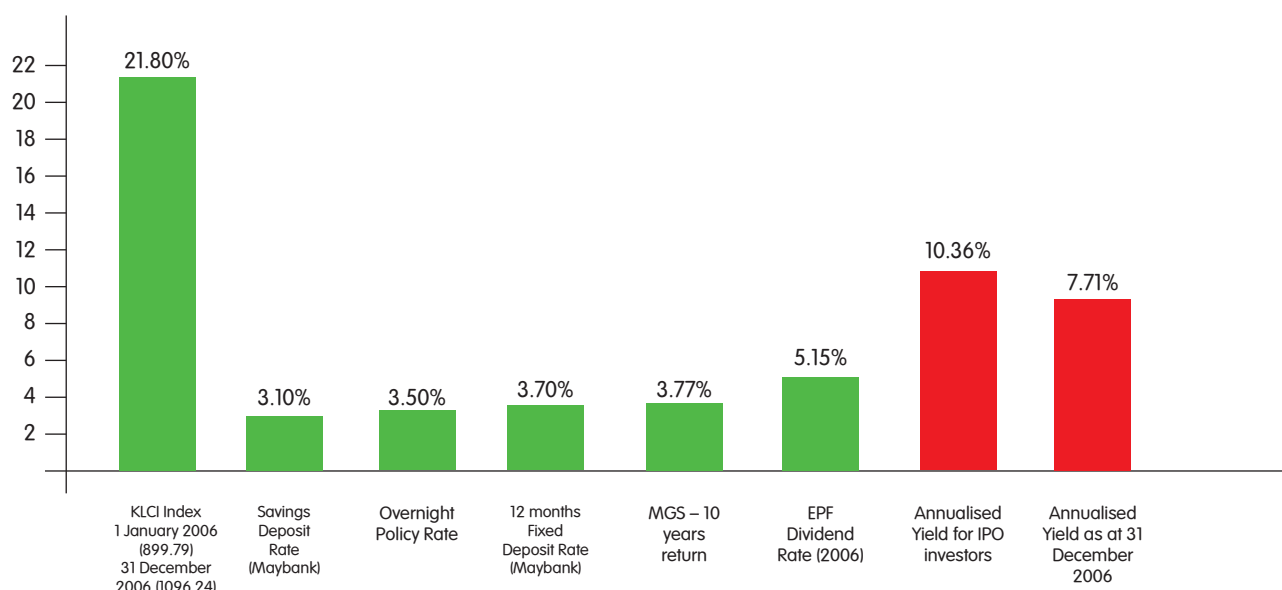
Trading Statistics for 2006

Opening Price – 1 Jan 2006	RM 1.69
Closing Price – 31 Dec 2006	RM 1.68
High (22 Aug 2006)	RM 1.83
Low (13 Dec 2006)	RM 1.63

Distributions Since Listing

	Distribution per Unit
Period ended 31 Dec 2005	4.70 sen
Interim – 30 June 2006	6.20 sen
Final – 31 December 2006	6.75 sen

Comparable Returns



Source : Bloomberg, EPF, Maybank



Directors Of The Manager

The Directors of the Manager at the date of this report are:



Dato' Mohamed Salleh Bajuri, 55, has been an Independent Non-Executive Director of the Manager since 15 March 2005. He was appointed as Independent Non- Executive Chairman on the 20th November 2006. He is a qualified Chartered Accountant from Ireland and a member of the Malaysian Institute of Accountants (MIA) since 1986. He came back to Malaysia in 1979, and joined Peat Marwick & Co as its Senior Auditor. He then joined Maybank Finance Bhd as a Manager and in 1982 was promoted to General Manager. After that he was seconded to Malayan Banking Bhd and promoted to General Manager in 1988, a position he held till 1992. Between 1982 & 1987, he was the Alternative Chairman of the Association of Finance Companies in Malaysia (AFCM) and was Chairman of AFCM Committees for Education and Public Relations. From 1997 to 1999, he was a Director of Saham Sabah Berhad and was one of the Trustees for Yayasan Kebajikan SDARA and also Tabung Melayu Pontian Sdn Bhd Bhd. In 1992, he took over JB Securities Sdn Bhd, a stockbroking firm in Johor, where he held the position of Managing Director till 1995. He is now involved in the Hotel and Property Business and is Group Executive Director of CRSC Holdings Bhd. He is also a director of a number of public and private companies, amongst others, Asian Pac Holdings Bhd, Seacera Tiles Bhd, Eden Enterprises (M) Bhd, Harbour Link Group Bhd, Seal Polymer Industries Bhd, LKT Industrial Bhd and Milux Corporation Bhd.



George Stewart LaBrooy, 55, has been the Director of the Manager since 25 October 2004 and was appointed by the Board of Directors as Executive Director on 22 March 2005. He graduated with a Bachelor of Engineering (Hons) and a Post Graduate Diploma in Business Studies from the University of Sheffield in 1973 and 1974, respectively. Currently, he is a member of the Institute of Engineers, Malaysia. He has served in top management positions in the Malaysian industrial sector for over 20 years before joining Axis Equities Sdn Bhd (a major shareholder of Axis Development Sdn Bhd ("ADSB") in 1995. During this period he managed two (2) of the Groups' Build and Lease projects namely the Blondal headquarters in Shah Alam and Axis Plaza. He also set up the Property Management division in ADSB and was actively involved in the successful tenanting of real estate owned by the group. In November 2003, he spearheaded the project to identify suitable properties owned by common shareholders of ADSB to be injected into Malaysia's first REIT. This was successfully concluded on 3 August 2005 when Axis-REIT was listed on the Main Board of Bursa Malaysia Securities Berhad. He is a prominent speaker on the subject of REITs and has been invited to present papers at seminars in Malaysia, Singapore and Hong Kong. In addition to his duties of Executive Director, he also handles Investor Relations, and is a Member of the Executive Committee. He is also a Member of the Technical Committee of the FMUTM and is also a Director of a number of private companies, which is involved in property development and property investment.



Dato' Abas Carl Gunnar bin Abdullah, 47, as been a Non-Independent Non-Executive Director of the Manager since 15 March 2005. He was appointed as Non-Executive Deputy Chairman on the 20th November 2006. He is also the Managing Director of ADSB since 1999. 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 in Jotun Powder Coatings (M) Sdn Bhd (formerly known as Corro-Coat (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 Lim Kian Thiam to build Crystal Plaza. He currently serves as a Member of the Executive and the Remuneration and Nomination Committees of the Board. He is also a director of a number of private companies which are involved in property development and property investment.



Lim Kian Thiam, 54, has been a Non-Independent Non-Executive Director of the Manager since 15 March 2005. He is a member of the Malaysian Institute of Certified Public Accountants since 1978 and has been a Council Member since 1988. He also serves in the Institute's Executive Committee, Administration Finance & Accounting Committee and chairs its Public Affairs Committee. Since 1989, he has purpose-built many buildings in Klang Valley for multinationals and local multinational companies. He is also the Founder and Chairman of Victoria Investments & Properties Pty Ltd and Jayaland Corporation Pty Ltd, both based in Melbourne, Australia since 1994. Victoria Investments & Properties Pty Ltd has been involved in the purchase, value-add and subsequent sale of real estate in excess of A\$200 million, including commercial office buildings, industrial warehouse, a bulky goods display and retail centre, a suburban retail shopping centre and residential land. He currently serves as a member of the Executive and the Audit Committees of the Axis Board. He is also a director of a number of private companies in Malaysia and Australia which are involved in property investment.



Stephen Tew Peng Hwee, 45, has been a Non-Independent Non-Executive Director of the Manager since 25 October 2004. He graduated with a Diploma from the Institute of Marketing, United Kingdom in 1982. He is the Immediate Past President of the Malaysian Institute of Estate Agents and served as a board member of the Board of Valuers, Appraisers and Estate Agents from 1998 - 2004. He started his career as a Real Estate Agent 20 years ago and today owns the real estate firm Hectares & Stratas. Together with Lim Kian Thiam and other investors, he has over the past 15 years purpose built for investment income, many buildings which have housed multinationals. In 1992 he teamed up with Lim Kian Thiam and Dato' Abas Carl Gunnar bin Abdullah to build Crystal Plaza. He currently serves as a Member of the Executive Committee of the Board. He is also a Director of a number of private companies which are investment holding companies.



Dato' Fateh Iskandar Bin Dato' Mohamed Mansor, 38, was appointed as an Independent Non-Executive Director of the Manager on 20 November 2006. He is the Group Managing Director of Glomac Berhad. He holds a Law Degree from the University of Queensland, Australia and an MBA. He joined Glomac Sdn Bhd in 1992 as General Manager (Business Development) and was promoted to Group General Manager in 1994. He was later promoted to Group Executive Director in 1997 overseeing the day-to-day operations of the Group as well as the Group's corporate policies. Presently he is the Group Managing Director of Glomac Berhad. Dato' Fateh Iskandar is currently a National Council Member for REHDA Malaysia and Chairman of REHDA Selangor. He is also involved in politics where currently he is the Vice Head of the Kelana Jaya UMNO Division and sits on the Economics Bureau of UMNO Selangor and UMNO Malaysia. Apart from sitting on several private limited companies, he also sits as a Board Member, Audit Committee Member and an EXCO Member of Kumpulan Hartanah Selangor Berhad, a Selangor State Investment Company. Recently he was appointed as a Board Member of Lembaga Perumahan & Hartanah Selangor, a body that governs property development and investments in the state of Selangor. He is also a Member of the Remuneration and Nomination Committees of the Manager.



Tuan Haji Mohamed Shah Bin Tan Sri Kadir, 60, was appointed as an Independent Non Executive Director of the Manager on 20 November 2006. He graduated with a Bachelor of Agricultural Science degree from the University of Malaya in 1971, and went for further training at the Asian Institute of Management in Manila. After a three (3) year stint at the Department of Agriculture, he ventured into the business world managing companies dealing in steelworks fabrication and the manufacture of cooling towers. He was the General Manager of Sports TOTO (M) Sdn Bhd upon its privatization. His last post was as the Managing Director and joint venture partner of Golden Arches Restaurants Sdn Bhd (GARSB), the local McDonald's joint venture. He sold off his shareholdings in GARSB in 2006 and is currently advisor to Convenience Shopping Sdn Bhd, the local 7-Eleven entity. He is also currently a Director of several private companies involved in property development and investment. He is a Member of the Audit Committee.



Chairman's Message

Dear Unitholders,

'On behalf of the Board, I am pleased to present Axis-REIT's Annual Report for the Financial Year Ended 31 December 2006.'



Our Mission For 2007: Let's Grow

For the cover of our Annual Report this year, we have taken an unusual approach to state our mission for Axis-REIT and that is to grow in 2007 and thereafter. "Let's Grow" does not exclusively mean that we only intend to add properties to our portfolio but also means growth in the liquidity of the Fund-Size, growth in Distribution per Unit ("DPU"), and growth of our management expertise to improve the delivery of service to Unitholders.

Malaysian REITs Witnesses the End of the Market Adoption Phase

The initial phase of 2005 - 2006 was the market adoption phase. From a platform of little knowledge of what REITs were all about I am proud to add that as the pioneer REIT in Malaysia, the Manager has worked very hard in the early stages to promote REITs as an exciting asset class. The market has now learnt and accepted REIT's as a defensive stock and as a new asset class. Although small in size compared to other regional REITs at 7.5% yields, Malaysian REITs are the best performing in Asia.

However this is all set to change in the coming two years. In 2007 and 2008 we will witness the growth phase of Malaysian REITs. With the anticipated launch of several more new REIT offerings in 2007, our market capitalization could exceed USD 1 Billion, and together with the growth in the asset sizes of existing ones will provide market breadth and depth, thanks to an improving regulatory regime and enhancements to existing portfolios.

Strong Financial Results

Axis REIT achieved a strong set of results in 2006, recording a DPU of 12.95 sen in its first full year of operation. In comparison to its prospectus forecast for 2006 of 10.79 sen, this represents an improvement of 20%. In addition the Fund was able to report a revaluation surplus of RM 16,517,000, which increased the gross asset value of the investment properties to RM 408,250,000 at End 2006.

Portfolio Additions

The Manager has worked hard at expanding our portfolio with the addition of three (3) properties for 2006. All three (3) properties; Wisma Bintang, Kayangan Depot and the North Port Logistics Centre 1 were yield accretive purchases, which contributed favourably to the income of the Fund in the second half of the year.

Significant Events

- o On the 3 November 2006 Axis-REIT held its first Unitholders meeting to amend the Deed. The amendments were tailored to include the latest amendments of the REIT guidelines introduced by the Securities Commission ("SC") as well as Bursa Malaysia Securities Berhad requirements.
- o On the 19 December 2006 an exemption was obtained from the SC from compliance with clause 11.02(2) of the Guidelines on REITs which states that all revaluations of real estate must be conducted every three (3) years approved by the SC before being incorporated in the accounts. The exemption has allowed Axis-REIT to undertake a "desktop" revaluation of all its properties for the intermediate years instead of a full valuation, saving the Fund RM 400,000 as well as informing Unitholders of the current value of the properties in the portfolio.
- o On 30 October 2006 Axis-REIT announced its proposed issuance and placement of 50,000,000 new units. The final submission was made to the SC on the 16 January 2007 and approval was obtained on 31 January 2007.
- o On 5 January 2007, the Manager called for a meeting for all the REIT Managers in Malaysia to form the Association of REIT Managers Malaysia ("ARMM"). Once formed ARMM will be able to participate in dialogues with the authorities and especially with the Ministry of Finance to lobby for changes in the tax regimes applied to REITs in order to make Malaysian REITs more attractive in the region.



Looking Ahead

The Manager has made a commitment to double the asset size of the Fund in 2007 through the careful acquisition of quality and yield-accretive properties. This will be achieved through the raising of additional debt and the issuance of new Axis-REIT Units.

As a leader in offering quality office, commercial and industrial space to the business community of Malaysia, we will continue to build on our reputation as the leading landlord in this sector. Many of our recently acquired buildings are undergoing refurbishment to reposition them in the market, and with the economy expanding under the 9th Malaysian Plan we anticipate more leasing activities as businesses expand or relocate to consolidate their operations.

With many tenancies coming up for review in 2007, especially in Menara Axis and Crystal Plaza, we are anticipating positive rental reviews, which will contribute to the income of the Fund. This is in light of the tightening supply of quality office and warehouse space in the Klang Valley.

We are also anticipating further reviews of the taxation system of REIT income, bringing Malaysia in line with the best practices in the region. This will result in the narrowing of the spread between the yield of the Fund and the ten (10) year Government Bond, and lead to an increase in the pricing of REIT units.

Changes to the Board of Directors

20th November 2006 witnessed the departure of our Chairman Dato' Abdul Azim Mohd Zabidi after having served the Board since 15th March 2005. On behalf of the Board, I wish to express my heartfelt thanks to him for the excellent job he did as our Chairman. The wealth of experience he brought with him to the Board at a time the industry was in its infancy was invaluable.

I am also indeed honoured to be nominated as the new Chairman of the Board of the Manager and thank the Members of the Board for their confidence in me.

I also wish to welcome two (2) new members to our Board; Dato' Fateh Iskandar Bin Dato' Mohamed Mansor and Tuan Haji Mohd Shah bin Tan Sri Kadir as Independent Non-Executive Directors. The Board has now three (3) Independent Directors displaying our commitment to continued transparency and good corporate governance for the benefit of the Unitholders.

In Appreciation

The excellent results for 2006 would not have happened if it were not for the commitment and hard work of our staff and management. I would like to extend the Board's heartfelt thanks for their dedication in carrying out their duties over the past year.

In addition, I wish to thank all our Tenants and Business Partners for their continued support, as well as my fellow Board Members for all the contributions they have made over the year.

And finally I would like to thank you, our Unitholders, for your trust and confidence in our Fund. I am confident that Axis-REIT will continue to deliver yet another year of stellar returns for all of you.

Sincerely

Dato' Mohamed Salleh Bajuri
Chairman
Date: 16 February 2007



Manager's Report

Dear Unitholders,

'The Manager is pleased to submit their Annual Report and audited financial statements to Unitholders of Axis Real Estate Investment Trust ("Axis-REIT" or "the Fund") for the Year Ended 31 December, 2006.'



HIGHLIGHTS

The key highlights of the Financial Year 2006 are:

- o Recorded a net income available for distribution of RM 26,664,180; an improvement of 20% from the Prospectus.
- o Achieved a Distribution per Unit ("DPU") of 12.95 sen (of which 0.168 sen is tax-exempt), one of the highest pay-outs in the region.
- o Completed the acquisition of three (3) additional properties worth RM 67,700,000 (market value) during 2006.
- o Recorded a net appreciation of RM 16,516,746 in the fair value of the property portfolio at end 2006.
- o Rise in the Net Asset Value ("NAV") from RM 1.35 to RM 1.43 an increase of 5.9%.
- o Commenced enhancements on properties acquired by the Fund.
- o Held the first Unitholders' Meeting on 3rd November 2006.
- o Announced the first issuance and placement of 50,000,000 new Axis-REIT Units on 30 October 2006. The approval from Securities Commission ("SC") has been obtained on 31 January 2007.

PRINCIPAL ACTIVITY OF AXIS-REIT

Axis-REIT is a real estate investment trust constituted by the Deed and principally regulated by Securities Laws (as defined in section 2(1) of the SCA), the SC Guidelines on REITs, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Rules of the Depository and taxation laws and rulings (collectively "Applicable Laws and Requirements").

The Fund was established on 15 June 2005 and listed on the official list of Bursa Securities on the 3 August 2005. The principal activity of the Fund is to invest in a diverse portfolio of properties in commercial, office and office/industrial real estate with the primary objective of achieving an attractive level of returns from rental income and for long term capital growth.

REVIEW OF PERFORMANCE

	2006 (As of 31 December 2006)
Total Net Asset Value (RM)	294,109,370
Units in Circulation (Units)	205,901,000
Net Asset Value per Unit (RM)	1.428
Market Value per Unit (RM) As at 31 Dec 2006	1.68
Highest Traded Price (RM)	1.83
Lowest Traded Price (RM)	1.63



RESULTS

	2006 Audited (RM'000)
Gross revenue	40,931
Property expenses	(7,802)
Net rental income	33,129
Interest income	37
Change in the fair value of investment properties	16,517*
Total income	49,683
Total non-property expenses	(6,501)
Net income before taxation	43,182
Tax expense	(260)
Net income after taxation	42,922
Earnings per unit after tax (sen)	20.85
Distribution per unit ("DPU") from 2006's income (sen)	12.80
Additional DPU from 2005's undistributed tax exempt retained earnings (sen)	0.15
Total DPU for 2006 (sen)	12.95

* Unrealised gain and is not available for income distribution

The Manager is pleased to report that for the year ended 31 December 2006, the total revenue of the Fund was RM 40,968,852 of which RM 37,413 was attributable to interest income. Gross property income for the year was RM 40,931,439 and this represents a 22% increase in comparison to the original projections for 2006 stated in the Prospectus dated 30 June 2005. The increase was attributable to higher rental rates on renewed tenancies, the establishment of fresh tenancies, an increase in car park income and the additional rental income generated from the combined acquisitions of Kompleks Kemajuan (completed on 16 December 2005), Axis North Port Logistics Centre (completed on 22 May 2006), Kayangan Depot and Wisma Bintang (both completed on 30 June 2006).

For the year, total expenditure was RM 14,302,649 comprising Property Expenses of RM7,801,631, Non Property Expenses of RM 3,363,633 and Interest Expenses of RM 3,137,385 making a total of RM 14,302,649.

In the Prospectus dated 30 June 2005, the Fund forecast an amount of RM 22,911,000 of Earnings after Tax (realised) for the period ending 31 December 2006, whereas the audited results were RM 26,416,000. The positive deviation of RM 3,505,000 is represented as follows:

	Actual (RM'000)	Prospectus (RM'000)	Deviation (RM'000)
Gross Rental Income	40,931	33,489	7,442
Interest Income	37	1,177	(1,140)
Gross Income	40,968	34,666	6,302
Less:-			
Property Expenses	7,802	5,246	2,556
Non-Property Expenses	6,501	6,029	472
Total Expenses	14,303	11,275	3,028
Earnings before Tax (realized)	26,665	23,391	3,274
Taxation	249	480	231
Earnings after Tax (realized)	26,416	22,911	3,505
Deviation			15.3%



The positive deviation of RM 3,505,000 representing 15.3% between the forecast and audited results were largely due to :-

- o **Increase of Income of the original five (5) IPO properties**
The Fund saw the gross rental income of the original five (5) IPO properties exceeded its forecast by RM 256,000 during the year. This is in part due to increased rental step-ups on tenancy renewals and higher rental rates secured on new tenants not envisaged in the prospectus projections.
- o **Recognition of income from four (4) newly acquired properties**
The breakdown of the income from the four (4) new properties is as follows:

Property Description	Gross Income	Property Expenses	Net Income
Kompleks Kemajuan Axis North Port Logistics Centre 1 (Start 23-5-2006)	RM3,471,000	RM 1,358,000	RM2,113,000
Kayangan Depot (Start 1-7-2006)	802,000	153,000	649,000
Wisma Bintang (Start 1-7-2006)	1,024,000	354,000	670,000
	1,300,000	102,000	1,198,000
TOTAL			4,630,000

- o **Reduction in Tax Expense**
As a result of higher income distribution for the year 2006 (98.8% of the income available for distribution) as compared to the prospectus projection of 95%, this invariably reduces the tax payable by RM 231,000.
- o **Reduction in Interest Income**
There was a reduction in the projected Interest Income by RM 1,140,000 because funds available were deployed instead to purchase the four (4) newly acquired properties for cash
- o **Increase in Non-Property Expenses**
There was an increase in Non-Property Expenses of RM 472,000, made up of the increase in the manager's fee, effective 1 July 2006, from 0.7% to 1.0% per annum based on NAV of the Fund, revaluation fees to comply with current accounting standards as well as provision for bad and doubtful debts.

This favorable deviation amounting to RM 3,505,000 has enabled the Fund to make a higher than projected Income DPU for the financial year 2006 ultimately benefiting all unitholders.

DPU EXCEEDS FORECAST

An Income Distribution of 4.70 sen per unit totalling RM 9,677,347 (equivalent to 96.3% of the income before tax) was paid on 28 February 2006 in respect of the financial period commencing from 3 August 2005 to 31 December 2005.

For the first six (6) months of the financial period ended 30 June 2006, an interim Income Distribution of 6.2 sen per unit totalling RM 12,765,862 (equivalent to 97.18% of the earnings before tax (realized)) was paid on 30 August 2006.

For the (second) 2 half ended 31 December 2006, the Manager has recommended and OSK Trustee Berhad (the Trustee) has approved a final Income Distribution of 6.75 sen, totalling RM 13,898,318 which includes RM 309,341 that being year 2005's undistributed tax exempt income.

The combined total distribution for the financial year 2006 is 12.95 sen or 7.71 % yield based on the closing unit price of RM 1.68 on 31 December 2006. The Manager is pleased to announce that this amount of 12.95 sen per unit of Income Distribution is one of the highest amongst all the REITs regionally in Asia.

BREAKDOWN OF UNITHOLDERS

	No of Unitholders	% of Unitholders	No of Unitholdings	% of Unitholdings
5,000 and below	533	56.64%	1,184,400	0.58%
5,001 to 10,000	149	15.84%	1,165,300	0.56%
10,001 to 50,000	109	11.58%	2,637,200	1.28%
50,001 to 500,000	101	10.73%	21,187,000	10.29%
500,001 and above	49	5.21%	179,727,100	87.29%
TOTAL	941	100.00%	205,901,000	100.00%



DIRECTORS OF THE MANAGER

Director's who have served since commencement are:

Director	Date of Appointment/ Resignation
Dato' Abdul Azim Mohd Zabidi	Resigned 20-11-06
Dato' Mohamed Salleh Bajuri	Appointed on 15-03-05
Dato' Abas Carl Gunnar Bin Abdullah	Appointed on 15-03-05
Stephen Tew Peng Hwee	Appointed on 25-10-04
Lim Kian Thiam	Appointed on 15-03-05
George Stewart LaBrooy	Appointed on 25-10-04
Dato' Fateh Iskandar Bin Dato' Mohd Mansor	Appointed on 20-11-06
Tuan Haji Mohamed Shah Bin Tan Sri Kadir	Appointed on 20-11-06
Alex Lee Lao (alternate to Dato' Abas Carl Gunnar bin Abdullah)	Appointed on 15-03-05
Khoo Cheang Ee (alternate to Lim Kian Thiam)	Appointed on 15-03-05

MEMBERS OF THE RESPECTIVE COMMITTEES

	AUDIT COMMITTEE	REMUNERATION & NOMINATION COMMITTEE	EXECUTIVE COMMITTEE
Dato' Abdul Azim Mohd Zabidi	C *	C*	
Dato' Mohamed Salleh Bajuri	M (C) **	M (C) **	
Dato' Abas Carl Gunnar bin Abdullah		M	C
Lim Kian Thiam	M		M
Stephen Tew Peng Hwee			M
George Stewart LaBrooy			M
Dato' Fateh Iskandar Bin Dato' Mohd Mansor		M***	
Tuan Haji Mohamed Shah Bin Tan Sri Kadir	M***		

C – Chairman,

M – Member

* Resigned w.e.f. 20 November 2006

** Appointed as Chairman w.e.f. 20 November 2006

*** Appointed w.e.f. 20 November 2006

MEETING ATTENDANCE

	BOARD MEETINGS (No. of meetings held - 5)	AUDIT COMMITTEE (No. of meetings held - 3)	REMUNERATION & NOMINATION COMMITTEE (No. of meetings held - 4)	EXECUTIVE COMMITTEE (No. of meetings held - 8)
Dato' Abdul Azim Mohd Zabidi	4/5	3/3	4/4	
Dato' Mohamed Salleh Bajuri	5/5	3/3	4/4	
Dato' Abas Carl Gunnar bin Abdullah	5/5		4/4	8/8
Lim Kian Thiam	5/5	3/3		7/8
Stephen Tew Peng Hwee	5/5			8/8
George Stewart LaBrooy	5/5			8/8
Dato' Fateh Iskandar Bin Dato' Mohd Mansor	1/1**			
Tuan Haji Mohamed Shah Bin Tan Sri Kadir	1/1**			

** Appointed w.e.f 20 November 2006



DIRECTORS' BENEFITS

For the twelve month period Ended 31 December 2006, no Director of the Manager has received or become entitled to receive any benefit by reason of a contract made by the Fund or a related corporation with the Director or with a firm of which the Director is a Member, or with a company in which the Director has a substantial financial interest, other than our Director Stephen Tew Peng Hwee, who may have deemed to have derived a benefit by virtue of certain tenancy commissions fees receivable by Hectares & Stratas, a real estate practice of whom he is the Principal.

There were no arrangements during, and at the end of the twelve month period, which had the object of enabling Directors of the Manager to acquire benefits by means of the acquisition of units in, or debentures of the Fund or any other body corporate.

MANAGER'S FEES

For the financial year ended 31 December 2006, no Director of the Manager has received or become entitled to receive any benefit by reason of a contract made by the Fund or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except as disclosed in Note 10 of the Financial Statements.

There were no arrangements during and at the end of the twelve months period, which had the object of enabling Directors of the Manager to acquire benefits by means of the acquisition of units in, or debentures of the Fund or any other body corporate.

The Manager receives a fee of 1% per annum (increased from 0.70% effective 1 July 2006) of the NAV of the Fund, calculated on a monthly basis and payable to the Manager monthly in arrears. There will be no payment due to the Manager by way of remuneration for its services upon the subscription for the purchase or sale of Axis REIT Units or upon any distribution of income and capital.

Any increase in the maximum permitted level of the Manager's fees of 1% per annum must be approved by the Trustee and Unitholders by way of an ordinary resolution of the Unitholders passed at a Unitholders' meeting convened in accordance with the Deed.

For the FYE 31 December 2006, the Manager's fee was RM 2,420,489, representing 0.7% per annum of the NAV of the Fund for the period 1 January 2006 to 30 June 2006 and 1% per annum of the NAV of the Fund for the period 1 July 2006 to 31 December 2006. The Manager did not receive any soft commissions during the period.

Save for the expenses incurred for the general overheads and costs of services which the Manager is expected to provide, or falling within the normal expertise of the Manager, the Manager has the right to be reimbursed the fees, costs, charges, expenses and outgoings incurred by it that are directly related and necessary to the business of the Fund.

GROWTH STRATEGY AND INVESTMENT POLICY

The Manager has continued to demonstrate to the investment community its commitment to growth through its ability to purchase properties from third parties for the Fund as well as to undertake asset enhancement exercise on existing properties to improve rental income stream.

Organic Growth Strategy

The Manager is committed to organically grow the Fund through:-

- o Maintaining high occupancy levels and tenant retention
- o Focusing on filling empty spaces in newly acquired buildings
- o Creating new leasing opportunities in existing properties
- o Enhancing and repositioning of assets
- o Minimizing property expenses
- o Providing superior customer service
- o Maintaining a strong alliance with real estate practitioners

Acquisition Strategy

The Manager is pleased to report that for the first half of 2006 it successfully acquired two (2) new properties bringing the total portfolio to nine (9) properties, apart from the original five (5) IPO properties and the two (2) new properties (Kompleks Kemajuan & Kayangan Depot) announced in December 2005. The two (2) properties were the Axis North Port Logistics Center 1, the Fund's first logistics centre asset, purchased for a consideration of RM 10,300,000, and Wisma Bintang (Cycle & Carriage Bintang Berhad HQ), which was purchased for a consideration of RM 32,500,000.

The Manager is also pleased to report the completion of the acquisition of Kayangan Depot on 30 June 2006, after State Authority approval for the transfer of the title was obtained.

With the conclusion of these acquisitions the Manager has successfully increased the managed space to 1,650,434 sq ft from an initial 981,147 sq ft, representing an increase of 68%.



Information on Axis North Port Logistics Centre 1

Owned by the Selangor State Development Corporation since 1993, Lot 24, Jalan Lebu 1 is an industrial lot located within a development called Kawasan Perusahaan Bandar Sultan Sulaiman, North Port, Pelabuhan Klang. The property is an integrated logistics center with offices and docking bays for containers. It is located near the North Port, Port Klang and has excellent access to the main highway connecting the Port to the NKVE. The combined gross built-up area of the Original Buildings and the Extensions is 149,248 sq. ft. It has an industrial title with a tenure of lease of 99 years.

Lot 24, with its existing buildings and land, is currently tenanted by MISC Integrated Logistics Sdn. Berhad (Co. No. 112036-P) ("The Tenant"). A tenancy agreement was entered between the EC Distribution Sdn Bhd ("Vendor") and the Tenant on 9 February 2006 for the period commencing 1 January 2006 and expiring on 31 December 2007 at a monthly rental of RM 110,000 and with an option to renew for another three years at rental based on prevailing market rate to be mutually agreed upon.

The annualized gross rental income is RM 1,320,000. The rental rate per month per square feet is RM0.85 calculated on a net lettable area of 130,000 sq.ft.

- o **The Basis of Lot 24 Purchase price**
The purchase consideration for Lot 24 was arrived at based on a willing-buyer willing-seller basis after taking into account the market value of Lot 24 of RM13.5 million as appraised by Colliers, Jordan Lee & Jaafar Sdn Bhd, an independent firm of registered valuers in its valuation report dated 6 March 2006. The valuation was arrived at using a combination of cost and investment methods of valuation.
- o **Source of Funding**
The acquisition of the Axis North Port Logistics Center 1 was funded by existing bank borrowings.
- o **Completion of Purchase**
The purchase was completed on 22 May 2006.

Information on Wisma Bintang

Wisma Bintang consists of Lot 13A & Lot 13B which are two contiguous plots of industrial land. Together, they form a near rectangular shape

LOT 13A

Lot 13A is an Industrial Lot and constructed upon it is a four (4) storey showroom cum office space with a basement level. Lot 13A is currently occupied by Cycle & Carriage as their showroom cum office. Further details of Lot 13A are set out in the table below.

Property particulars	: Lot 13A, Jalan 225, Section 51A, 46100 Petaling Jaya, Selangor Darul Ehsan.[Held under title PN 4614 Lot 20 Section 32, Town of Petaling Jaya, District of Petaling.]
Land area	: 108,900 sq. ft.
Gross floor area	: approximately 94,771 sq.ft.
Net lettable area	: approximately 65,856 sq.ft.
Tenure	: Industrial leasehold for a period of 99 years, expiring on 23, January 2067
Occupancy as at 31 December 2006:	100.00%

LOT 13B

Lot 13B is an Industrial Lot and constructed upon it a 2 ½ storey car service centre, a guardhouse and a refuse chamber/store building. Lot 13B is currently occupied by Cycle & Carriage as their car servicing centre. Further details of Lot 13B are set out in the table below:-

Property particulars	: Lot 13B, Jalan 225, Section 51A, 46100 Petaling Jaya, Selangor Darul Ehsan.[Held under title 4615 Lot 356 Town of Petaling Jaya, District of Petaling]
Land area	: 105,841 sq. ft.
Gross floor area	: approximately 121,210 sq.ft. (excluding guard house and refuse chamber
Net lettable area	: approximately 107,151 sq.ft. (excluding guard house and refuse chamber
Tenure	: Industrial leasehold for a period of 99 years, expiring on 8, June 2071.
Occupancy as at 31 December 2006:	100.00%

The property is currently leased to Cycle & Carriage Bintang Bhd for a period of six (6) years with an option to renew for a further six (6) years. The Initial Lease Term shall be six (6) years. The agreed annual rental for the first three (3) years of the Initial Lease Term shall be fixed at RM2,600,000.00 per year ("First Term") and for the remaining three (3) years of the Initial Lease Term the annual rental shall be revised to be the lower of the Fair Market Value Rent or 110% of the agreed First Term rental, as the case may be, subject to the same not being lesser than the prevailing agreed rent for the First Term.

- o **Basis of the Wisma Bintang Purchase Price**
The purchase consideration for Lot 13A & Lot 13B was arrived at based on a willing-buyer willing-seller basis after taking into account the total combined market value of Lot 13A & Lot 13B of RM36.0 million as appraised by Colliers, Jordan Lee & Jaafar Sdn Bhd, an independent firm of registered valuers in its valuation report dated 8 May 2006. The valuation was arrived at using a combination of comparison and investment methods of valuation.



- o **Source of Funding**
The Proposed Acquisition of Lot 13A & Lot 13B was funded by existing bank borrowings.
- o **Completion of Purchase**
The purchase was completed on 30 June 2006 and Axis-REIT took possession of the property on that date.

Future Acquisitions

In evaluating future acquisitions the Manager will continue to focus on the following areas:-

- o Location
- o Yield enhancement acquisitions
- o Evaluation of tenants and occupancy
- o Property enhancement opportunities
- o Length of lease
- o Portfolio rebalancing to reduce lease renewal risk
- o Building specifications

INVESTMENTS OF AXIS-REIT

Total Investment Properties as at 31 December 2006 was RM 408,250,000.

	RM '000	%
At valuation as at 31 December 2006:		
Real Estate		
Axis Plaza	28,000	6.85
Axis Business Par	93,600	22.93
Crystal Plaza	68,000	16.65
Menara Axis	82,000	20.09
Infinite Centre	32,500	7.96
Kompleks Kemajuan	36,250	8.88
Axis North Port Logistic Centre 1	13,500	3.31
Kayangan Depot	18,400	4.51
Wisma Bintang	36,000	8.82
	-----	-----
	408,250	100
	=====	=====

GEARING

Debt Facilities

Axis-REIT has a RM 100,000,000 secured facility comprising a RM 40,000,000 Revolving Credit and a RM 60,000,000 Overdraft Facility.

The Debt is short term in nature with a twelve (12) month fixed rate for the Revolving Credit as well as for the Overdraft.

As at 31 December 2006, Axis-REIT has drawn down RM 40,000,000 of the Revolving Credit Facility and utilized RM 48,089,280 of the Overdraft Facility.

Gearing Capacity

As at 31 December 2006, Axis-REIT had a gearing ratio (external borrowings to total assets) of 21.39% (11.77% as at 31 December 2005), and had unutilised credit facilities of RM 11,910,720. There is capacity to borrow an additional RM 105,890,000 before breaching the 50% limit permitted under the REIT Guidelines.

The Manager will be utilizing the available credit facilities and the additional borrowing capacity to further pursue its acquisitions prior to the issuance of any new units.

UNITS IN ISSUE

As of 31 December 2006 the total number of units in issue of Axis-REIT is 205,901,000.

NET APPRECIATION ON FAIR VALUES OF INVESTMENT PROPERTIES

This is in respect to recent changes in accounting policies for Investment Properties for the annual accounting period beginning on 1 January 2006 (FRS 140, Investment Properties). The Manager is pleased to report that these changes have been reflected in the twelve (12) month financial report for the period under review.



In the prior year, investment properties of Axis-REIT were stated at cost and no depreciation was provided on them. It is the Manager's practice to appraise the value of the investment properties at least once every year by independent professional valuers based on open market value, and to maintain these properties in such condition that the residual value is high so that any depreciation, if applicable, would be insignificant. Any valuation surpluses arising there from will be incorporated in the financial statements.

With effect from 1 January 2006, in accordance with FRS 140, investment properties are stated at fair value. Any gain or loss arising from a change in the fair values of investment properties is recognized in income statement for the period in which it arises.

In accordance with the transitional provisions under FRS 140, an adjustment to the opening balance of retained profit for fair values of investment properties is made.

The effect on the opening balances of net assets value at 1 January 2006 plus the current period changes in fair values of investment properties as result of the valuations are highlighted and shown below:-

	Unitholders' Capital RM'000	Non-distributable Revaluation Reserve RM'000	Distributable Undistributed income Realised Unrealised RM'000 RM'000		Total Unitholders' Funds RM'000
At 1 January 2006					
- As previously reported	234,892	42,618	341	-	277,851
- Effect of adopting FRS 140	-	(42,618)	-	42,618	-
Restated balance	234,892	-	341	42,618	277,851
Operations for the year ended 31 December 2006					
Net income for the year	-	-	26,405	16,517	42,922
Provision for distribution to unitholders	-	-	(26,664)	-	(26,664)
Net assets as at 31 Dec. 2006	234,892	-	82	59,135	294,109

The Manager is pleased to report that it has sought and obtained from the SC a waiver on 19 December 2006 from compliance with Sub-clause 11.02(2) of the guidelines on REITs which states that revaluations on real estate shall be done once every three years and must be approved by the SC before being incorporated in the accounts. In effect this would have required the Fund to incur the cost of a full revaluation of all its existing properties in the region of RM 500,000 annually in order to comply with the new accounting standards. Instead the Fund was permitted to undertake a "desktop" valuation for the financial year ended 2006 at a much lower cost and have these fair values of the properties adopted and incorporated to the accounts, accordingly.

NET ASSET VALUE ("NAV") OF AXIS-REIT

The NAV of Axis-REIT as at 31 December 2006 was RM 1.428 per unit. In line with our listing requirements, the NAV has been posted weekly with Bursa Malaysia Securities Berhad ("Bursa Securities") and published on their website.

SIGNIFICANT EVENTS

FIRST UNITHOLDERS MEETING:

On behalf of the Board, Aseambankers (M) Berhad ("Asean") had on 12 September 2006 announced to Bursa Securities Malaysia Berhad that Axis-REIT proposed to amend the Deed by way of a Supplemental Deed to incorporate, amongst others, the following:

- an acquisition and disposal fee of 1% and 0.5% respectively based on the purchase and disposal consideration of the Real Estate Assets to be paid to the Manager upon completion of the acquisition and disposal by Axis-REIT. Since the Real Estate Assets refer to real estate and single purpose companies, the acquisition and disposal fee is not applicable for the acquisition and disposal of other authorized investments as defined in the Deed;
- the total borrowing limit of the Fund and issuance of debentures to finance acquisitions to be consistent with the new Guidance Note 2 of the SC's Guidelines on REITs issued on 10 July 2006; and
- the administrative and/or technical amendments to the Deed in accordance with the applicable laws, regulations and guidelines governing REITs.

The first Unitholders Meeting was held on the 3rd November 2006 and all proposals contained in the Supplemental Deed was unanimously passed by the Unitholders present.

The Manager is pleased to report that the Supplemental Deed was approved by the SC and was duly executed and stamped on the 8 December 2006.



APPLICATION FOR THE ISSUANCE AND PLACEMENT OF 50 MILLION NEW AXIS-REIT UNITS

The Manager is pleased to report that an announcement had been made to Bursa Securities on 30 October 2006 on the proposed issuance and placement of 50 million new Axis-REIT units. A submission was made to the Securities Commission and approval was obtained on 31 January 2007.

The proceeds from the placement is meant to improve the liquidity of the Axis-REIT Units as well as pare down borrowings once the gearing hits 45% or above.

APPOINTMENT OF AXIS PROPERTY SERVICES AS THE PROPERTY MANAGER

On the Manager's recommendation the Trustee agreed to the appointment of Axis Property Services ("APS") as the Property Manager for Axis-REIT to take effect from 1 January 2007 via a Property Management Agreement executed between the Trustee, the Manager and Axis Property Services.

Axis Property Services is owned by Selina Khor Siew Kuan, a qualified Valuer registered with the Board of VAEA and with 23 years of extensive experience in Valuation and Property Management. Her appointment enables Axis-REIT to have the services of a dedicated Property Manager in compliance with the Board of VAEA Act.

Axis-REIT will be in a unique position in that it will have the services of a dedicated Property Manager who will only be undertaking the property management activities of the Axis REIT's properties as well as working closely with the Manager.

PROSPECT

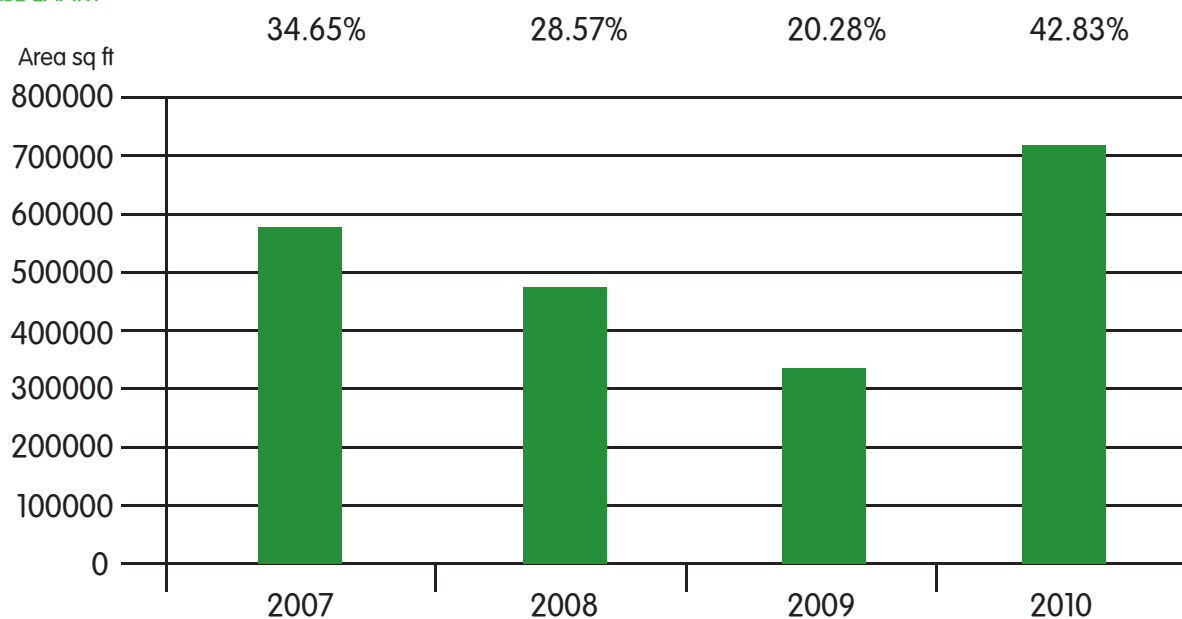
All the original five (5) IPO properties in the Axis REIT portfolio continues to enjoy a high level of occupancy (99%) due to its strategic locations, excellent facilities and continuing tightening supply in the market.

For the newly acquired properties, both Wisma Bintang and the Axis North Port Logistics Centre 1 enjoyed full occupancy and have commenced to make positive contribution since completion in mid 2006.

As for Kayangan Depot, enhancements began soon after completion of acquisition at end June 2006 which has since been completed in November 2006. Kompleks Kemajuan is currently undergoing extensive enhancements in order to reposition itself as a premier office/industrial building. On completion, this building will attract new quality tenants at more favourable rental rates than before. Currently both buildings are undergoing tenant changes and the Manager is anticipating a decline in rental income for these properties in the first half of 2007 as the spaces get filled up gradually. We expect both these properties to show a strong recovery in rental growth in the second half of 2007.

Let's Grow will be the focus for 2007, and the Manager is stepping up the pace of acquisitions in 2007 with a view to doubling the asset size of the Fund.

LEASE EXPIRY



Year	Area sq ft	%
2007	571,630.00	34.65
2008	471,369.57	28.57
2009	334,589.00	20.28
2010	706,554.00	42.83



TOP TEN TENANTS BY GROSS RENTAL VALUE OF THE AXIS-REIT PORTFOLIO AS OF 31 DECEMBER 2006

Tenant	Property	% of Total Gross Rental
Fuji Xerox Asia Pacific Pte. Ltd	Axis Business Park	15.08
Tenaga Nasional Berhad	Crystal Plaza	8.9
Cycle & Carriage Bintang Berhad	Wisma Bintang	6.35
Fuji Photo Film (M) Sdn Bhd	Menara Axis	4.83
Zuellig Pharma Sdn Bhd	Axis Business Park	4.76
Scope International (M) Sdn Bhd	Crystal Plaza & Menara Axis	4.42
American International Assurance Co. Ltd.	Menara Axis	3.42
CSE Automotive Technologies Sdn Bhd	Axis Plaza	2.95
Philips Malaysia Sdn Bhd	Menara Axis	2.51
Sportathlon (M) Sdn Bhd	Menara Axis	2.45
Total		55.67%

OTHER STATUTORY INFORMATION

Before the financial statements of Axis-REIT were made out, the Manager took reasonable steps to ascertain that:

- o there are no bad debts to be written off and no provision need be made for doubtful debts, and
- o all current assets have been stated at the lower of cost and net realizable value.

At the date of this report, the Manager is not aware of any circumstances:

- o that would render it necessary to write off any bad debts, or provide for any doubtful debts, or
- o that would render the value attributed to the current assets in the Axis-REIT financial statements misleading, or
- o which have arisen which render adherence to the existing method of valuation of assets or liabilities of Axis-REIT misleading or inappropriate, or
- o not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of Axis-REIT misleading.

At the date of this report, there does not exist:

- o any charge on the assets of Axis-REIT that has arisen since the end of the financial period and which secures the liabilities of any other person, or
- o any contingent liability in respect of Axis-REIT that has arisen since the end of the financial period.

No contingent liability or other liability of Axis-REIT has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Manager, will or may substantially affect the ability of Axis-REIT to meet its obligations as and when they fall due.

In the opinion of the Manager, the results of the operations of Axis-REIT for the financial period ended 31 December 2006 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial period and the date of this report.

This concludes the Managers Report.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept appointment.

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

Stephen Tew Peng Hwee
Director
Kuala Lumpur
Date: 16 February 2007

George Stewart Labrooy
Executive Director



Portfolio at a Glance

1



6



2



7



3



8



4



9



5



1. MENARA AXIS
No 2, Jalan 51A/223
46100 Petaling Jaya
Selangor D.E.
2. AXIS BUSINESS PARK
No 10, Jalan Bersatu 13/4
46200 Petaling Jaya
Selangor D.E.
3. AXIS PLAZA
Lot 5, Jalan Penyair U1/44
Off Jalan Glenmarie
Temasya Industrial Park, Batu Tiga
40150 Shah Alam, Selangor D.E.
4. KAYANGAN DEPOT
No 3, Jalan 15/16
Lot PT 16, Section 15
40200 Shah Alam, Selangor D.E.
5. CRYSTAL PLAZA
No 4, Jalan 51A/223
46100 Petaling Jaya
Selangor D.E.
6. INFINITE CENTRE
Lot 1, Jalan 13/6
46200 Petaling Jaya
Selangor D.E.
7. KOMPLEKS KEMAJUAN
Lot 24, Jalan 19/1
46300 Petaling Jaya
Selangor D.E.
8. WISMA BINTANG
(CYCLE & CARRIAGE BINTANG BHD HQ)
Lot 13A & 13B
Jalan 225 Section 51A
46100 Petaling Jaya
Selangor D.E.
9. AXIS NORTH PORT LOGISTICS CENTRE 1
Lot 24, Jalan Lebu 1
Kawasan Perusahaan
Bandar Sultan Sulaiman
North Port, Pelabuhan Klang
Selangor D.E.



Property Details

Menara Axis

" Menara Axis is a unique boutique office building where tenants enjoy a real presence in the building through signage offerings as well as showrooms on the ground floor."

PROPERTY MENARA AXIS	TITLE Commercial Leasehold expiring 29th August 2065	APPRAISED VALUE RM 82,000,000	MAJOR TENANTS Fuji Photo Film (M) Sdn Bhd American International Assurance Co Ltd Sportathlon (M) Sdn Bhd Philips Malaysia Sdn Bhd DHL Worldwide Express Sdn Bhd
ADDRESS No 2 Jalan 51A/223 46100 Petaling Jaya Selangor D.E.	AGE OF BUILDING Approx 2 years	GROSS REVENUE * RM 8,936,912	
CATEGORY Office	NET LETTABLE AREA 174,025 sq ft	AVERAGE OCCUPANCY ** 100%	
	PURCHASE PRICE RM 71,400,000	NUMBER OF TENANTS ** 14	

* For the period 1 Jan 2006 - 31 December 2006
** As at 31 December 2006

Menara Axis is the newest building in the Axis-REIT portfolio being completed in 2004. Featuring a unique and distinctive moorish design, the building has well defined and highly efficient floor spaces with the possibility of flexible operating hours by tenants. To date it remains one of Petaling Jaya's top office choices for Multinationals. Menara Axis is strategically located within the established industrial and commercial area of Section 51A, Petaling Jaya. Prominent landmarks within the immediate vicinity include Crystal Plaza, Armada Hotel, PJ Hilton, Wisma MCIS Zurich, Stamford College and Menara PKNS. Menara Axis enjoys excellent accessibility from Kuala Lumpur city centre as well from Subang Jaya and Shah Alam via the Federal Highway or alternatively, via Lebuhraya Damansara-Puchong and Lebuhraya SPRINT. It has further benefited from the Asia Jaya Putra LRT station as well as the main bus stop along the Federal Highway, both of which are located about 100 metres away.

Owing to its strategic location, Menara Axis has attracted major tenants of the service sectors such as AIA, Fuji Photo Film (M) Sdn Bhd, Philips (M) Sdn Bhd and Sportathlon which operates Fitness First.

Crystal Plaza

" Crystal Plaza provides tenants with a large floor plate design featuring a twin lobby enabling unprecedented possibilities for highly efficient office layouts and lower overall real rents."

PROPERTY CRYSTAL PLAZA	TITLE Commercial Leasehold Expiring 9th June 2059	APPRAISED VALUE RM 68,000,000	MAJOR TENANTS Tenaga Nasional Bhd Scope International (M) Sdn Bhd Cosmopoint Sdn Bhd Asia Training Sdn Bhd
ADDRESS No 4 Jalan 51A/223 46100 Petaling Jaya Selangor D.E.	AGE OF BUILDING About 10 years	GROSS REVENUE * RM 7,999,024	
CATEGORY Office	NET LETTABLE AREA 200,970 sq ft	AVERAGE OCCUPANCY ** 100%	
	PURCHASE PRICE RM 56,400,000	NUMBER OF TENANTS ** 10	

* For the period 1 Jan 2006 - 31 December 2006
** As at 31 December 2006

Located next door to Menara Axis the building enjoys the same convenience for transport and connectivity. In addition the building is designed with high tension electrical supply system with large power reserves so essential to data and recovery centres. Built with one of the highest floor plate efficiency of all the buildings in the Axis-REIT portfolio, its tenants have taken advantage of the efficient design of the building to maximize their office layouts.

Axis Business Park

" Axis Business Park has redefined the way office / industrial space should be presented for prospective tenants."

PROPERTY AXIS BUSINESS PARK	TITLE Industrial Leasehold Expiring 13th January 2060	APPRAISED VALUE RM 93,600,000	MAJOR TENANTS Fuji Xerox Asia Pacific Pte Ltd Zuellig Pharma Sdn Bhd Honeywell Engineering Sdn Bhd Johnson & Johnson (M) Sdn Bhd Barang-Barang Lifestyles Sdn Bhd
ADDRESS No 10, Jalan Bersatu 13/4 46200 Petaling Jaya Selangor D.E.	AGE OF BUILDING 3-29 years	GROSS REVENUE * RM 10,832,806	
CATEGORY Office / Warehouse	NET LETTABLE AREA 340,970 sq ft	AVERAGE OCCUPANCY ** 100%	
	PURCHASE PRICE RM 84,600,000	NUMBER OF TENANTS ** 9	

* For the period 1 Jan 2006 - 31 December 2006
** As at 31 December 2006

Axis Business Park is strategically located in the centre of Petaling Jaya's Section 13 industrial area. Axis Business Park is predominantly surrounded by industrial premises and purpose built office/industrial buildings. Some of the notable office buildings in the vicinity include Colgate Palmolive, Kompakar, Panasonic, Dutch Baby Milk Industries, Mulpha International, Tan Chong Motor and F&N Dairies. Axis Business Park features a unique combination of office and warehousing/ distribution centres in the heart of Petaling Jaya. Its design has attracted companies in the marketing, distribution and service industries such as Fuji Xerox, Zuellig Pharma, Pharmvision, Honeywell Engineering and Johnson & Johnson to locate in the complex. Axis Business Park is accessible from Kuala Lumpur city centre via the Federal Highway, LDP or Lebuhraya SPRINT with alternative roads through Jalan Damansara, Jalan Dato Abu Bakar and Jalan 12/18.



Property Details

Axis Plaza

" A landmark building featuring high-quality building finishes, and intelligent design that creates an excellent environment for marketing and distribution companies to operate."

PROPERTY AXIS PLAZA ADDRESS Lot 5, Jalan Penyair U 1/44 Off Jalan Glenmarie Temasya Industrial Park, Batu Tiga 40150 Shah Alam, Selangor D.E. CATEGORY Office / Warehouse	TITLE Freehold AGE OF BUILDING About 8 years NET LETTABLE AREA 118,765 sq ft PURCHASE PRICE RM 22,500,000	APPRAISED VALUE RM 26,000,000 GROSS REVENUE * RM 2,991,455 AVERAGE OCCUPANCY ** 93.4% NUMBER OF TENANTS ** 6	MAJOR TENANTS Ricoh (Malaysia) Sdn. Bhd. Electrolux Home Appliances S/B CSE Automotive Technologies S/B Electrolux Commercial Products S/B City-Link Express Sdn. Bhd. EMS Asia Group Sdn. Bhd.
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** For the period 1 Jan 2006 - 31 December 2006

** As at 31 December 2006

Axis Plaza is strategically located along the Federal Highway within an industrial scheme known as Temasya Industrial Park, which is near the prominent and established industrial development of Glenmarie Industrial Park. It enjoys a high visibility along the Federal Highway, where major tenants have taken advantage to display their company logos. The building features a high level of finishes with large highly efficient floor plates, and served by three passenger and two goods lifts. Properties in the immediate vicinity comprise mainly purpose-built factories, warehouses and terraced factories. Prominent industrial premises include Blondal, BMW, Toshiba, National Panasonic, Shah Alam Stadium, Glenmarie Golf and Country Club and Holiday Inn Glenmarie Resort. Access to Axis Plaza is easily available from the Federal Highway, via the NKVE, KESAS or Sungei Buloh expressway.

Infinite Centre

" A convenient combination of office, warehousing and distribution activities can now be housed in yet another property in the Axis-REIT portfolio."

PROPERTY INFINITE CENTRE ADDRESS Lot 1 Jalan 13/6 46200 Petaling Jaya Selangor D.E. CATEGORY Office / Warehouse	TITLE Industrial Leasehold expiring 24th March 2065 AGE OF BUILDING 19 years NET LETTABLE AREA 149,888 sq ft PURCHASE PRICE RM 25,450,000	APPRAISED VALUE RM 32,500,000 GROSS REVENUE * RM 3,574,827 AVERAGE OCCUPANCY ** 100% NUMBER OF TENANTS ** 12	MAJOR TENANTS Pharamiaga Marketing Sdn Bhd Konica Minolta Business Solutions FJ Benjamin C Melchers GmbH & Co Crystal Edge Sdn Bhd
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** For the period 1 Jan 2006 - 31 December 2006

** As at 31 December 2006

Infinite Centre is strategically located in Petaling Jaya's Section 13 industrial hub, which provides a central location for its tenants' distribution network. Properties within the immediate vicinity comprise are mainly purpose-built detached factories and individually designed industrial properties such as the premises of Dutch Lady Milk Industries (M) Sdn Bhd, Robert Bosch, OSIM, UTAR College and Sin Chew Jit Poh. Infinite Centre is accessible from the Kuala Lumpur city centre via Federal Highway, Lebuhraya SPRINT, LDP or alternatively, via Jalan Damansara.

Kompleks Kemajuan

" A unique combination of professional warehousing activities, showroom and office space in a single offering makes this building unique amongst similar tenantable spaces in Petaling Jaya."

PROPERTY KOMPLEKS KEMAJUAN ADDRESS Lot 24, Jalan 19/1 46300 Petaling Jaya Selangor D.E. CATEGORY Office / Warehouse	TITLE Industrial Leasehold Expiring 4th July 2065 AGE OF BUILDING About 14 years NET LETTABLE AREA 201,972 sq ft PURCHASE PRICE RM29,000,000	APPRAISED VALUE RM 36,250,000 GROSS REVENUE * RM 3,470,849 AVERAGE OCCUPANCY ** 57.6% NUMBER OF TENANTS ** 14	MAJOR TENANTS Goucerea Marketing Sdn Bhd Hong Leong Marketing Co Bhd Salwan Corporation Bhd WOFS.COM Sdn Bhd EP2m Services Sdn Bhd
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* For the period 1 Jan 2006 - 31 December 2006

** As at 31 December 2006

Kompleks Kemajuan is strategically located within the established industrial and commercial area of Section 19, Petaling Jaya. Prominent landmarks within the immediate vicinity include UMW Toyota Sales, Service and Spares Centre, Wisma Academy, Wisma KT, Menara Merai and British American Tobacco. Kompleks Kemajuan enjoys excellent accessibility from Kuala Lumpur City Centre as well as from Subang Jaya and Shah Alam via the Federal Highway, or alternatively, via Lebuhraya Damansara-Puchong and Lebuhraya SPRINT. It has further benefited from the Asia Jaya Putra LRT shuttle bus service which stops 100 meters from the property. The property is currently undergoing a RM 3,000,000 facelift to reposition it as a premier choice in the office/warehouse sector.



Property Details

Kayangan Depot

"Featuring large warehousing and distribution facilities so close to the major road networks, places Kayangan Depot in an excellent position to attract companies, which want visibility and convenience for their operations."

PROPERTY KAYANGAN DEPOT ADDRESS No 3, Jalan 15/16, Lot PT 16, Section 15, 40200 Shah Alam, Selangor D.E. CATEGORY Industrial	TITLE Industrial Leasehold Expiring 12th January 2086 AGE OF BUILDING About 14 years NET LETTABLE AREA 162,206 sq ft PURCHASE PRICE RM 16,100,000	APPRAISED VALUE RM 18,400,000 GROSS REVENUE * RM 1,023,628 AVERAGE OCCUPANCY ** 71.02% NUMBER OF TENANTS ** 6	MAJOR TENANTS Maxis Mobile Naza Kia Nineteen-O-One
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* As of 1 July 2006-31 December 2006
 ** As at 31 December 2006

Kayangan Depot is strategically located within the established industrial and commercial area of Section 15 Shah Alam. Prominent landmarks within the immediate vicinity include Goodyear, Daihatsu Headquarters, SumiPuteh Steel centre and Nylex (M) Sdn Bhd. Recently refurbished and upgraded, it features a combination of showrooms, offices and warehouse space for the prospective tenants. Kayangan Depot enjoys excellent accessibility from Kuala Lumpur, Petaling Jaya, Subang Jaya, Port Klang and Klang via the Federal Highway or alternatively, via KESAS or the NKVE. It has further benefited from its very close access to the Federal Highway and the KESAS highway as well as its very prominent location next to the Goodyear roundabout.

Axis North Port Logistics Centre 1

"Axis North Port Logistics Centre 1 is a double storey office cum single storey warehouse building which is currently 100% occupied by MISC Integrated Logistics Sdn Bhd".

PROPERTY AXIS NORTH PORT LOGISTICS CENTRE 1 ADDRESS Lot 24, Jalan Lebu 1 Kawasan Perusahaan Bandar Sultan Sulaiman North Port, Pelabuhan Klang Selangor Darul Ehsan CATEGORY Office/Warehouse	TITLE Industrial Leasehold AGE OF BUILDING 14 years NET LETTABLE AREA 130,000 sq ft PURCHASE PRICE RM 10,300,000	APPRAISED VALUE RM 13,500,000 GROSS REVENUE * RM 801,935 AVERAGE OCCUPANCY ** 100% NUMBER OF TENANTS ** 1	TENANTS MISC Integrated Logistic Sdn Bhd
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* As of 22 May 2006-31 December 2006
 ** As at 31 December 2006

Axis North Port Logistics Centre 1 is located at Lot 24, Jalan Lebu 1, Kawasan Perusahaan Sultan Sulaiman, North Port, Port Klang. The property features a double storey office cum single storey warehouse building with a gross built up area of approximately 149,248 sq ft and a net lettable area of 130,000 sq ft. Axis North Port Logistics Centre is currently 100% occupied by MISC Integrated Logistics Sdn Bhd.

Wisma Bintang (Cycle & Carriage Bintang Berhad HQ)

"We are pleased to have Wisma Bintang as part of the Axis-REIT portfolio. The property consisting of an office block and an excellent workshop has been refurbished, and strategically located near the Federal Highway".

PROPERTY WISMA BINTANG (CYCLE & CARRIAGE BINTANG BERHAD HQ) ADDRESS Lot 13A & Lot 13B Jalan 225 Section 51A 46100 Petaling Jaya Selangor Darul Ehsan CATEGORY Industrial	TITLE Lot 13A Leasehold Expiring January 2067 Lot 13B Leasehold Expiring January 2071 AGE OF BUILDING 21 years NET LETTABLE AREA Lot 13A - 65,816 sq ft Lot 13B - 107,151 sq ft	PURCHASE PRICE RM 32,500,000 APPRAISED VALUE RM 36,000,000 GROSS REVENUE * RM 1,300,000 AVERAGE OCCUPANCY ** 100% NUMBER OF TENANTS ** 1	TENANTS Cycle & Carriage Bintang Berhad
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* As of 1 July 2006-31 December 2006
 ** As at 31 December 2006

Forming a near rectangle shape, Lot 13A & Lot 13B are two contiguous plots of leasehold industrial land in Petaling Jaya, which are strategically located near to the busy Federal Highway and fronts Jalan 225, Section 51A. Lot 13A, the Cycle & Carriage Bintang Berhad HQ, is a four storey showroom cum office space with a basement level, and a gross built-up area of approximately 94,771 sq ft. The Lot 13B property houses a 2 1/2 storey car service centre, a guard house and a refuse chamber/store building with a gross floor area of 121,210 sq ft (excluding guard house and refuse chamber). Both these properties are currently 100% occupied by Cycle & Carriage Bintang Berhad and serves as their corporate headquarters and car service center. Cycle & Carriage Bintang Berhad has entered into a Lease Agreement with OSK Trustees to lease the property for a six year period with a six year option to renew.

管理公司确认有效的企业管治文化，对管理公司的绩效以及最终Axis-REIT的成功，是至为关键的要素。

因此，管理公司采用一套符合最佳作业原则的全面性企业管治架构。重点是，管理公司的处事必须有诚信、谨慎小心与勤奋，并以单位持有人的利益为重。

以下章节说明管理公司在企业管治方面的主要实践与政策。它们是为了确保下列适用法律及规章获得妥当与有效的执行而制定：证券法令（如《证券监督委员会法令》第2(1)条文所规定）、证监会之房地产投资信托及回教房地产投资信托指南、马来西亚证券交易所的上市条例、存管规定、税收法律与规定、企业管治章程及契约所列明之管理公司的义务。

Axis-REIT的管理公司

管理公司对本基金的资产拥有一般权力。管理公司的主要责任是为了单位持有人的利益，而管理Axis-REIT的资产与债务。

管理公司的最主要角色是制定本基金的策略方向，并在收购、撤资及产业提升事务上，向信托公司提出符合议定策略的建议。

管理公司亦负责基金的风险管理，它的其他主要职责如下：

- 尽最大努力以妥当及有效的方式执行与经营业务，并以透明及交易双方保有没有关系或共同利益的方式，进行本基金的所有交易。
- 为董事局准备年度检讨报告，内容或涵盖净收入建议与预测、每单位分利、资本开支、销售与估值频率、对先前预测出现差异的解释、Axis-REIT旗下产业组合未来可能带来的租金收入流之书面报告，以及基本假设、营运成本和其他任何假设。

- 确保遵守证监会及马来西亚证券交易所发出的所有法规、条例及指南。
- 确保遵守内陆税收局发出的所有税务条例。
- 处理所有单位持有人提出的疑问。
- 监督产业经理进行设施管理、租赁与市场管理、项目管理服务及装修管理服务。

由于管理工作交由外部管理公司进行，Axis-REIT并无雇员。管理公司聘任经验丰富及有能力胜任的人员处理日常运作。管理公司的所有董事与雇员的薪金，皆由管理公司支付；本基金不负责支付。

根据志期2005年6月15日之契约的条款，Axis-REIT Managers Berhad是Axis-REIT的受委管理公司。契约列明管理公司在何种情况下可被辞退。

董事局

管理公司的董事局监督管理公司的管理与企业治理，包括：建立管理层的关键绩效指标(KPI)，以及监督这些指标的完成。所有董事局成员都参与企业管治、业务运作、风险管理、财务表现以及董事的任命与检讨的相关事务。

董事局至少每三个月定期召开一次会议，以讨论及核准季度、半年度及年度业绩的发布；进行收购与脱售项目的检讨；讨论年度预算、资本开支的需求、管理公司及Axis-REIT对比先前核准预算的表现。在必要时，董事局会开会检讨及核准向信托公司建议的收购或脱售项目。

规章、政策、指南和会计政策上的更动都受到严密的监控。目前的作业如有任何更动，董事们会在董事局定期会议或特别召开的会议上，或通过董事局简报接获通知。

董事局组合

董事局与会议出席率

董事	职称	出席率 (会议次数: 4)	备注
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	独立非执行主席	2/4	不变
Dato' Abas Carl Gunnar Bin Abdullah	非独立执行副主席	4/4	不变
Tew Peng Hwee @ Teoh Peng Hwee	非独立非执行董事	4/4	调任非执行董事, 2008年8月5日起生效
George Stewart LaBrooy	首席执行官兼执行董事	4/4	被委任为首席执行官, 2008年8月5日起生效
Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	独立非执行董事	4/4	不变
Mohd Sharif Bin Hj Yusof	独立非执行董事	4/4	不变
Yin- Yong Lee Lao	非独立非执行董事	4/4	不变

审计委员会成员与会议出席率

审计委员会成员	职称	出席率 (会议次数: 2)	备注
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	主席	2/2	不变
Mohd Sharif Bin Hj Yusof	成员	2/2	不变
Yin-Yong Lee Lao	成员	2/2	不变

* 除了2次审计委员会会议外, 也进行了另外2次因法定人数不足而被视为讨论会议的会议。

薪酬和提名委员会成员与出席率

薪酬和提名委员会成员	职称	出席率 (会议次数: 3)	备注
Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	主席	3/3	不变
Dato' Abas Carl Gunnar Bin Abdullah	成员	3/3	不变
Tew Peng Hwee @ Teoh Peng Hwee	成员	3/3	不变

按照证监会的房地产投资信托指南，2008年12月31日起，董事局目前由7名成员组成，其中3人为独立董事。

董事局是参照以下原则组成

- 董事局主席应成为一名独立非执行董事。
- 董事局应由拥有广博商业经验——包括基金管理及产业市场专业技能——的董事组成。
- 至少三分之一的成员应是独立董事。

董事局的架构、人数与组合每年都受检讨，以确保它在专业技能与经验上都是最佳的搭配。作为最佳作业的一环，每位董事每年都进行自我评估，确保他们对董事局的整体贡献是有效及有意义的。

主席与首席执行官兼执行董事

主席与首席执行官(CEO)兼执行董事由不同人士担任，以维持有效的职责分隔。

主席确保董事局成员以建设性的方式与管理层合作，处理策略、业务运作、财务表现及公司的问题。

首席执行官兼执行董事承担执行董事局所制定并经同意的业务政策与方向，以及所有管理Axis-REIT的经营决策的全部行政责任。

有鉴于超过三分之一的董事局成员为独立董事，管理层因而能借用董事们的专业技能及广博的生意经验，处理提交予董事局的问题。这能促进董事局与管理公司之间健康及专业的关系。

董事局薪酬

董事的薪酬由管理公司支付，本基金不负责支付。

委员会

董事局成立了下列委员会，以助董事局履行其职责。这些委员会是：

- 执行委员会
- 审计委员会
- 薪酬和提名委员会

执行委员会

执行委员会在董事局所授予的权限下运作，于2008年12月31日的执行委员会成员如下：

- Dato' Abas Carl Gunnar Bin Abdullah
– 非独立执行副主席
- Stephen Tew Peng Hwee
– 非独立非执行董事
- Stewart LaBrooy
– 执行董事兼首席执行官

这个委员会代表董事会，监督管理公司的日常活动，包括：

- 提呈给董事局的所有收购、投资及脱售的建议；
- 向董事局建议任何融资献议或附加银行贷款便利；
- 向董事局报告及建议任何企业活动，包括Axis-REIT新单位的发行；
- 将执行委员会会议及管理公司进行的所有活动的简报和会议记录，转发给所有审计委员会及董事局成员。

执行委员会于2008年共召开了10次正式会议，在这段时间，该委员会成员之间也召开了数次非正式会议。

审计委员会

有关审计委员会的详情，将在审计委员会报告章节中披露。

薪酬和提名委员会

董事局于2005年11月21日成立薪酬和提名委员会，该委员会于2008年12月31日的成员包括：

- Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor
– 独立非执行董事兼主席
- Dato' Abas Carl Gunnar Bin Abdullah
– 非独立执行副主席
- Stephen Tew Peng Hwee
– 非独立非执行董事

薪酬和提名委员会的职责是：

- 制定并向董事局建议，用以决定董事局成员、执行董事、执行管理层成员薪酬的政策架构；不时检讨薪酬政策的更动，以确保管理公司能吸引及留住素质最佳的人才。
- 向董事局推荐由董事局其他成员所建议，及/或从高级管理人员中选出的适合担任董事的人选。
- 向董事局建议，适合担任董事局各委员会成员的董事人选。
- 评估董事局整体及董事局各委员会的效力，以及个别董事的贡献。
- 为董事们择定恰当的训练，并检讨实行这些训练的合宜性。

在过去的一年里，委员会进行了各项评估，确保董事局及其委员会（审计委员会及薪酬和提名委员会）有效运作。

Axis-REIT单位的买卖

一般而言，管理公司鼓励董事和雇员持有Axis-REIT单位。不过，在关闭期间进行的Axis-REIT单位买卖，必须符合马来西亚证券交易所的上市条例14.08款，如下：

- 在公布Axis-REIT季度、半年度和年度业绩一个月前开始，至公布当天结束的期间；及
- 当管理公司掌握价格敏感性信息的任何时候。

董事也须遵守《2007年资本市场与服务法令》的规定，在进行Axis-REIT单位买卖时给予通知。

风险评估与业务风险的管理

有效的风险管理是管理公司业务策略基本要素，这是为了确保收入分派不会面对任何负面干扰，并减轻任何可能对单位持有人造成负面冲击的潜在损失，以保障单位持有人的投资利益。

管理公司清楚知道，风险最可能出现在进行产业投资决策时。因此，管理公司已订立一套在收购过程中须遵从的程序。与这项政策一致，管理公司确保在进行任何建议的投资时皆采取完整的适当评鉴过程，以评估任何可能造成重大影响的潜在风险因素。

董事局每三个月召开会议，必要时或更频繁地开会，以评定管理公司和Axis-REIT对比既定及已核准的预算之表现。董事局也评估Axis-REIT资产所面对的风险因素，检验债务的管理，并按照审计师、内部审计师或审计委员会所提出的意见采取行动。

董事局和执行委员会负责检讨及核准所有投资决策。

管理公司定期开会，检讨公司活动对既定营运手册条款的遵守情况，同时也讨论持续披露的问题。

处理利益冲突

管理公司订立了以下程序，以处理（包括董事、行政人员和雇员）在管理Axis-REIT时可能发生的利益冲突问题：

- 管理公司将全力担任Axis-REIT的管理公司，它将不会承接其他房地产投资信托的管理工作，也不会涉及其他产业生意；
- 所有行政人员由管理公司聘请；
- 任何关联方交易的关联方必须向审计委员会及董事局正式披露有关交易；
- 董事局需确保三分之一的成员是独立董事；
- 若某宗关联方交易涉及管理公司的任何董事或行政人员的直接或间接利益，他们将在任何董事局会议上放弃投票权，而且在达致任何协议前须征求信托公司的核准。

管理公司的董事肩负Axis-REIT的信托责任，在以董事身份投票进行对Axis-REIT有影响的决策时，需以Axis-REIT的利益为重。此外，管理公司的董事、执行董事（包括首席执行官）及行政人员需时时保持诚信与正直的行为。

契约规定，单位持有人会议上，若核准事项涉及管理公司或任何与其有关联者的重大利益，管理公司与有关联者（根据契约的定义）将被禁止参与投票表决，或组成会议法定人数。

处理关联方交易

管理公司将遵从证监会的房地产投资信托指南的所有规定，处理关联方交易，包括契约所涵盖的条款。

管理公司将订立程序，确保进行这类交易时完全遵守证券监督委员会的房地产投资信托指南，也确保这类交易是在没有关系或共同利益的基础，以及正规商业条件下即交易方的所得利益不会多于无关联的第三者进行。管理公司需向审计委员会证明，这些交易（无论是服务或产业的买进）是在正规商业条件下进行，条件或包括在牵涉服务的买进时，向与管理公司无关联者索取报价单；或在牵涉产业的买进时，向独立估价师索取估价单。

关联方交易应要求信托公司确保，这类交易是依据证券监督委员会的房地产投资信托指南内所有适用的规定，在没有关系或共同利益下进行。此外，契约规定，信托公司拥有绝对权力，决定是否要进行某项涉及管理公司关联方的交易。若信托公司与信托公司或管理公司的关联方签署合约，信托公司将检视合约文件，以确保它遵守房地产投资信托指南对关联方交易定下的要求，及契约条款的规定，及未来对该指南和条款所作的任何修订。

所有关联方交易都受到审计委员会的定期审查。审计委员会计划审查内部审计报告，以确保关联方交易遵守既定指南与程序。若审计委员会某成员在某宗交易中拥有利益，他将不得参与该交易相关的审查与建议过程。

与单位持有人、基金经理、分析员和媒体的通讯

马来西亚证券交易所的上市条例规定，上市实体需向市场披露，会对该实体证券价格造成重大影响的事件。

管理公司已建立强健的持续披露，以及与单位持有人和投资者保持透明化通讯的文化。管理公司及时与完整地在马来西亚证券交易所的网站，以及管理公司本身的网站www.axis-reit.com.my披露，所有有关Axis-REIT的重要信息，借此建立上述优良文化。

管理公司也为分析员、基金经理及媒体举办定期汇报会。在过去的一年里，管理公司共举办了2次基金经理和媒体汇报会，及1次单位持有人大会。在这些汇报会上，管理公司公布Axis-REIT最新的收购项目及季度、半年度及年度业绩报告；并讨论此行业的未来展望。管理公司也积极参与在马来西亚、香港、美国和新加坡举行的各类房地产投资信托研讨会，以对资产类型有更进一步的了解。

过去的一年中，管理公司与新加坡、瑞士、香港和美国的投资机构会面或进行远程电讯会议。

其他信息

关系

董事之间及/或董事与主要单位持有人之间，并无家属关系。

利益冲突

董事中无人与Axis-REIT有利益冲突。

犯罪

除了交通违规以外，董事中无人在过去的10年里犯过任何罪行。



Investor Relations



A Presentation on the Axis-REIT Unaudited Result For Period Ended 31 December 2005

We are pleased to report that since the listing of Axis-REIT, the Manager has continued to provide Unitholders with open and transparent communications through the Bursa Securities website, the Axis-REIT website, media briefings, seminars and investor and analysts briefings.

The Axis-REIT website www.axis-reit.com.my is fully operational. Through it the investing public is able to receive e-mail alerts and up to date information on share price and announcements of the Fund.

We will continue to generate more awareness and interest in REITs particularly by our active participation in local seminars and briefings to International Investors.

CONTACT INFORMATION

To find out more about Axis-REIT please contact:

George Stewart LaBrooy
Executive Director
Tel: +603- 7958 4882
Fax: +603 – 7957 6881
E-mail: info@axis-reit.com.my

THE UNIT REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 26 Menara Multi-Purpose
Capital Square
No 8 Jalan Munshi Abdullah
50100 Kuala Lumpur

Tel: 03-2721 2222
Email: ssrs@symphony.com.my
Website: www.symphony.com.my

BURSA MALAYSIA INVESTOR RELATIONS

Email : enquiries@bursamalaysia.com
Tel : (603) 2034 7000
Fax : (603) 2732 0069



PROPOSED CORPORATE TIMETABLE FOR AXIS-REIT

January 2007

- o Announcement of Unaudited Results for the Financial Year Ended 31 Dec 2006.
- o Announcement of Final Income Distribution to Unitholders for the year ended 31 December 2006 as well as the entitlement and payment date.

February 2007

- o Payment of Income Distribution to Unitholders
- o Release of Audited Results for the Financial Year Ended 31 Dec 2006.

April 2007

- o Announcement of Unaudited 2007 1st Quarter Results.

July 2007

- o Announcement of Unaudited 2007 2nd Quarter Results.
- o Announcement of Interim Income Distribution to Unitholders for the six (6) months Ending 30 June 2007, as well as the entitlement and payment date.

August 2007

- o Payment of Interim Income Distribution to Unitholders.

October 2007

- o Announcement of Unaudited 2007 3rd Quarter Results.

January 2008

- o Announcement of Unaudited Results for the Financial Year Ending 31 December 2007.
- o Announcement of Final Income Distribution to Unitholders for the Year Ending 31 December 2007 as well as the entitlement and payment date.

February 2008

- o Payment of Income Distribution to Unitholders.
- o Release of Audited Results for the Financial Year Ending 31 December 2007.



AXIS REAL ESTATE INVESTMENT TRUST

(Established in Malaysia)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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Statement by the Manager

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

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

.....
Stephen Tew Peng Hwee

.....
George Stewart LaBrooy

Kuala Lumpur

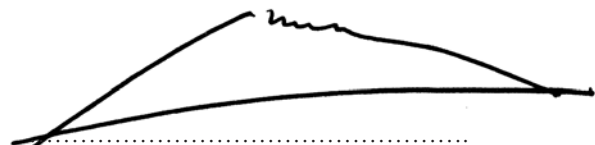
Date: 16 February 2007



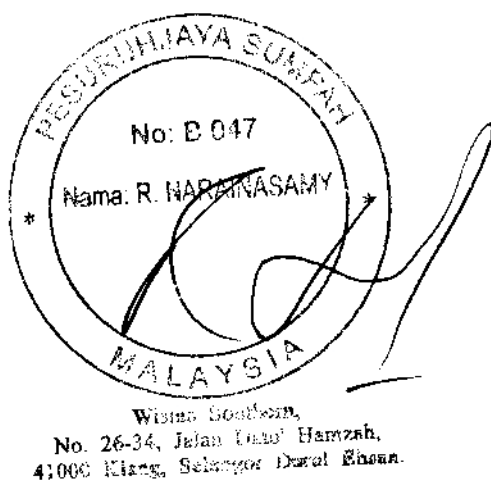
Statutory Declaration

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

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


.....
George Stewart LaBrooy

Before me:





Trustee's Report

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

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

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

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

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

For and on behalf of the Trustee,
OSK Trustees Berhad

.....
Ong Eu Jin
Chief Operating Officer

Kuala Lumpur

Date: 16 February 2007



Report of the Auditors

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

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

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

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

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

KPMG
Firm Number: AF 0758
Chartered Accountants

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

Kuala Lumpur

Date: 16 February 2007



Axis Real Estate Investment Trust

(Established in Malaysia)

Balance Sheet as at 31 December 2006

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

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



Axis Real Estate Investment Trust

(Established in Malaysia)

Income Statement

For the Year Ended 31 December 2006

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

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



Income Statement

For the Year Ended 31 December 2006
(continued)

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

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

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

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



Axis Real Estate Investment Trust

(Established in Malaysia)

Statement of Changes in Net Asset Value

For the Year Ended 31 December 2006

	Unitholders' capital RM'000	Non- distributable Revaluation reserve RM'000	Distributable Undistributed income		Total Unitholders' funds RM'000
			Realised RM'000	Unrealised RM'000	
At 3 August 2005	-	-	-	-	-
Operations for the period from 3 August 2005 to 31 December 2005					
Net income for the period	-	-	10,018	-	10,018
Revaluation reserve	-	42,618	-	-	42,618
Increase in net assets resulting from operations	-	42,618	10,018	-	52,636
Unitholders' transactions					
Creation of units	241,083	-	-	-	241,083
Distribution to Unitholders (Note 15)	-	-	(9,677)	-	(9,677)
Listing expenses (Note 16)	(6,191)	-	-	-	(6,191)
Increase in net assets resulting from Unitholders' transactions	234,892	-	(9,677)	-	225,215
At 31 December 2005	234,892	42,618	341	-	277,851

Note 10

At 1 January 2006					
- As previously reported	234,892	42,618	341	-	277,851
- Effect of adopting FRS 140	-	(42,618)	-	42,618	-
Restated balance	234,892	-	341	42,618	277,851
Operations for the year ended 31 December 2006					
Net income for the year	-	-	26,405	16,517	42,922
Increase in net assets resulting from operations	-	-	26,405	16,517	42,922



Statement of Changes in Net Asset Value

For the Year Ended 31 December 2006

(continued)

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

Note 10

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



Axis Real Estate Investment Trust

(Established in Malaysia)

Cash Flow Statement

For the Year Ended 31 December 2006

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



Cash Flow Statement

For the Year Ended 31 December 2006
(continued)

i) *Cash and cash equivalents*

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

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

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



Axis Real Estate Investment Trust

(Established in Malaysia)

Notes to the Financial Statements

1. General

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

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

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

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

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

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

(a) Property management fees

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

(b) Manager's fees

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

(c) Trustee's fees

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

2. Basis of Preparation

(a) Statement of compliance

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



Notes to the Financial Statements (continued)

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

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

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

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

3. Significant Accounting Policies

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

(a) Investment properties

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

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

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



Notes to the Financial Statements (continued)

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

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

First adoption of FRS 140, Investment Property

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

(b) Receivables

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

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

Receivables are not held for the purpose of trading.

(c) Cash and cash equivalents

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

(d) Impairment

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

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

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

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

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

(e) Borrowings

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



Notes to the Financial Statements (continued)

(f) Provisions

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

Provision for income distribution

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

(g) Payables

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

(h) Revenue

(i) Rental income

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

(ii) Interest income

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

(i) Expenses

(i) Property expenses

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

(ii) Manager's fees

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

(iii) Trustee's fees

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

(iv) Interest expense

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

(j) Tax expense

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

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

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

Deferred tax liability is recognised for all taxable temporary differences.

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



Notes to the Financial Statements

(continued)

4. Investment Properties

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

Notes to the Financial Statements (continued)



4. Investment Properties (continued)

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

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

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

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



Notes to the Financial Statements (continued)

4. Investment Properties (continued)

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

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

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

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

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

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



Notes to the Financial Statements (continued)

5. Deposits Placed with Licensed Banks

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

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

6. Receivables, Deposits and Prepayments

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

7. Payables and Accruals

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

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



Notes to the Financial Statements (continued)

8. Provision for Income Distribution

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

9. Borrowings

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

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

Terms and debt repayment schedule

	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2006						
Secured revolving credit	1	40,000	40,000	-	-	-
Bank overdraft	1	48,089	48,089	-	-	-
		=====	=====	=====	=====	=====
2005						
Secured revolving credit	1	40,000	40,000	-	-	-
		=====	=====	=====	=====	=====



Notes to the Financial Statements (continued)

10. Total Unitholders' Funds

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

Unitholdings of Directors and their related parties and substantial unitholders

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

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



Notes to the Financial Statements (continued)

10. Total Unitholders' Funds (continued)

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

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

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

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

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

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

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



Notes to the Financial Statements (continued)

10. Total Unitholders' Funds (continued)

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

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

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

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

Revaluation reserve

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

11. Gross Revenue

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



Notes to the Financial Statements (continued)

12. Property Expenses

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

13. Tax Expense

Recognised in the income statement

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

14. Earnings per Unit

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



Notes to the Financial Statements (continued)

15. Distribution to Unitholders

Distribution to Unitholders is from the following sources:

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

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

16. Listing Expenses

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

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



Notes to the Financial Statements (continued)

17. Portfolio Turnover Ratio

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

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

18. Management Expense Ratio

	2006	3.8.2005 to 31.12.2005
Management expense ratio ("MER") (%)	1.19	0.88
	===	===

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

19. Financial Instruments

Financial risks management objectives and policies

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

Credit risk

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

Interest rate risk

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



Notes to the Financial Statements (continued)

19. Financial Instruments (continued)

Liquidity risk

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

Effective interest rates and repricing analysis

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

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

Fair values

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

20. Capital Commitments

Capital expenditure commitments

Investment properties

Contracted but not provided for and payable:

Within one year

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



(continued)

21. Significant Related Party Transactions

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

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

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

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

23. Subsequent Event

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

24. Changes in Accounting Policies

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

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

FRS 140, Investment Property

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



Unitholders Statistics

Analysis of Unitholdings as at 31 December 2006

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

TOTAL **941** **100.00** **205,901,000** **100.00**

* less than 5% of total issued units

** 5% and above of total issued units

Record of Depositors

Top 30 Unitholders as at 31 December 2006

As listed in the Record of Depositors

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



Record of Depositors (continued)

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



Corporate Directory

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



Corporate Directory (continued)

Company Secretary of the Manager :	<p>Yeoh Chong Keat (Membership number: MIA2736)</p> <p>Rebecca Leong Siew Kwan (Membership number: MAJCSA7045547)</p>
Property Management Company :	<p>Axis Property Services Suite 6.04 Penthouse Wisma Academy 4A Jalan 19/1 46300 Petaling Jaya Selangor</p>
Trustee :	<p>OSK Trustees Berhad 6th Floor Plaza OSK Jalan Ampang 50450 Kuala Lumpur</p> <p>Tel: 03-2333 8333 Fax: 03-2175 3288 Email: OSK_Trustees@osk.com.my Website: www.osktrustees.com.my</p>
Principal Bankers of the Fund :	<p>Malayan Banking Berhad 3rd Floor Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur</p> <p>CIMB Bank Berhad (formally known as Bumiputra Commerce Bank Berhad) UL Bangunan Amanah Raya Jalan Semantan Damansara Heights 50490 Kuala Lumpur</p>
Auditors :	<p>KPMG Wisma KPMG Jalan Dungun Damansara Heights 50490 Kuala Lumpur</p>
Tax Agent :	<p>KPMG Tax Services Sdn Bhd Wisma KPMG Jalan Dungun Damansara Heights 50490 Kuala Lumpur</p>
Registrar :	<p>Symphony Share Registrars Sdn Bhd Level 26 Menara Multi-Purpose Capital Square No 8 Jalan Munshi Abdullah 50100 Kuala Lumpur</p> <p>Tel: 03-2721 2222 Email: ssrs@symphony.com.my Website: www.symphony.com.my</p>
Bursa Malaysia Securities Name :	AXREIT
Bursa Malaysia Securities Stock Code :	5106



Property Report

Klang Valley Office & Industrial Property Market Outlook 2007

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

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

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

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

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

Source: NAPIC 3Q06



Property Report

(continued)

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

Source: NAPIC 3Q06

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

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

Source: JPPH

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

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



Property Report (continued)

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

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

Source: NAPIC 3Q06

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

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

Source: NAPIC 3Q06

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



Property Report (continued)

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

Source: NAPIC 3Q06

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

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

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

Prepared by

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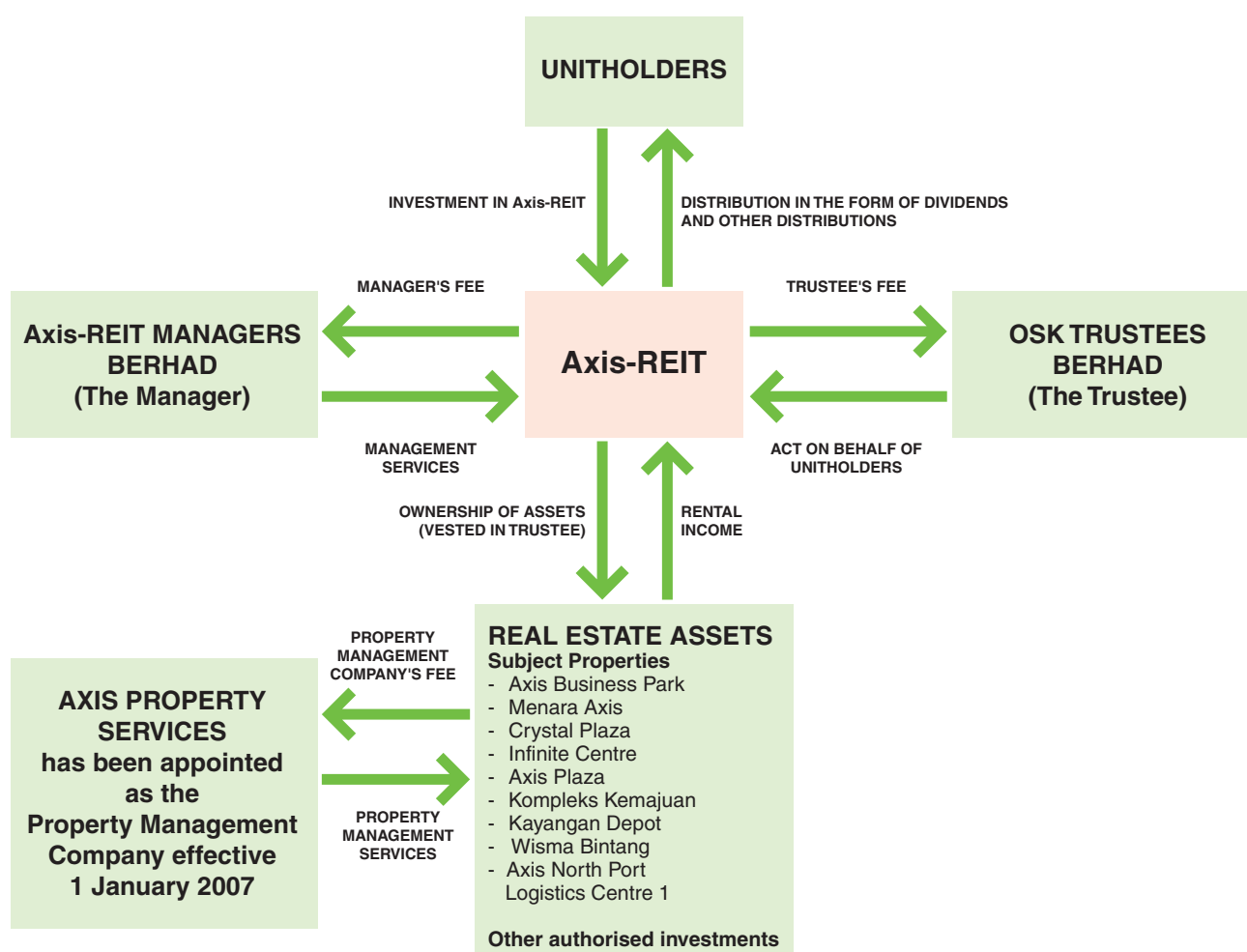


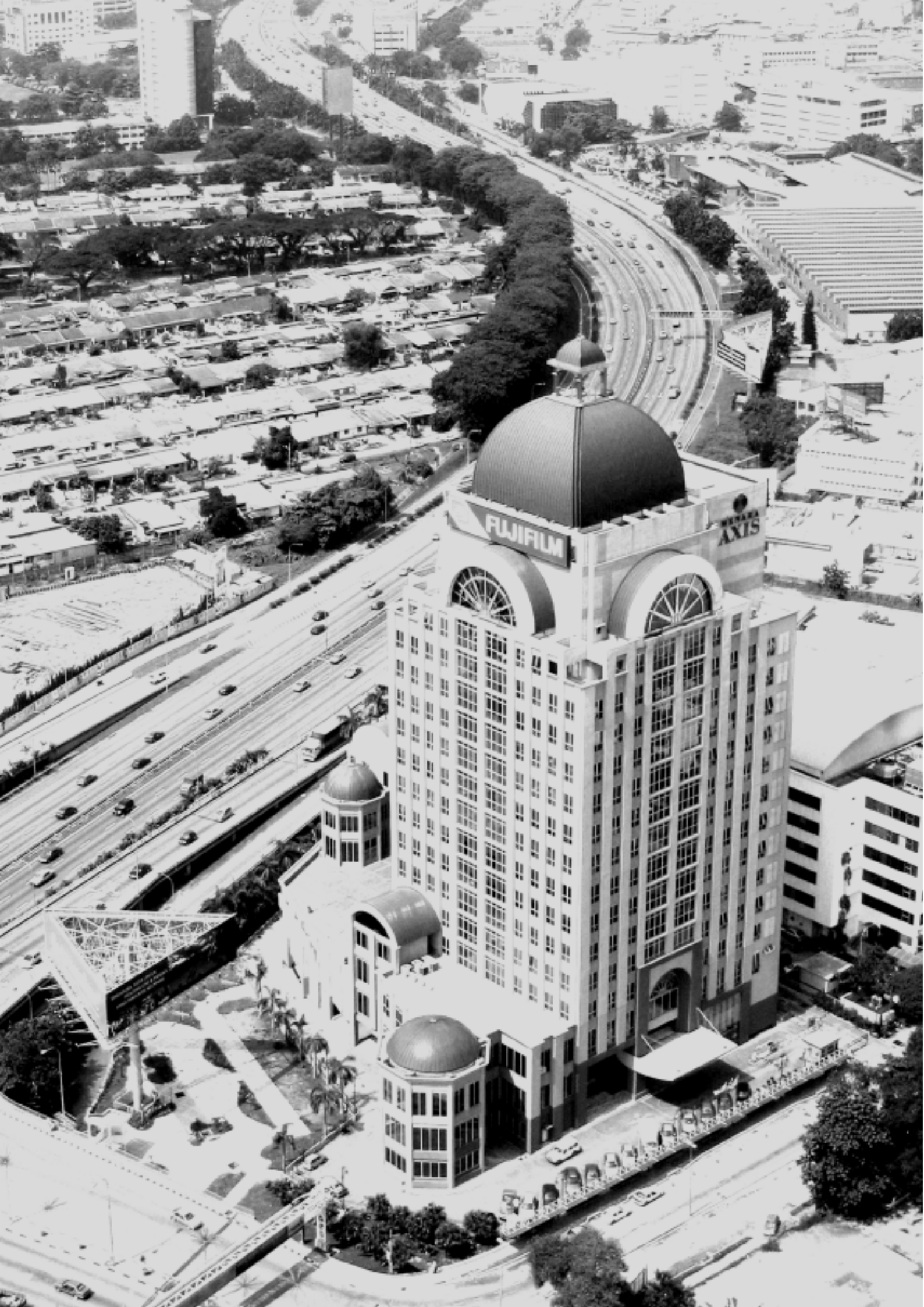
What is a Reit?

“ A REIT is a collective investment scheme where funds from investors are pooled and invested towards a specified goal as set out in the investment objective of the fund. In addition, a REIT is a fund that invests (via funds raised from investors) in a portfolio of real estate assets or real estate-related assets. Rents from these real estate generate income collected from tenants, which is then distributed to investors at regular intervals. REITs therefore provide investors with an alternative transparent, liquid vehicle to invest in a diverse portfolio of professionally managed income-generating commercial real estate, which has the potential of a capital upside over the long run. ”

The Structure of Axis-REIT

The following diagram illustrates the structure of Axis-REIT and the relationships between Axis-REIT, the Manager, the Property Management Company, the Trustee and the Unitholders:







REAL ESTATE INVESTMENT TRUST

AXIS REIT MANAGERS BERHAD

(Company Number 649450-W)
(Incorporated in Malaysia under the Companies Act, 1965)

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