

SCALING NEW HEIGHTS

A⁺IS
REAL ESTATE INVESTMENT TRUST

ANNUAL REPORT 2009
Malaysia's 1st Islamic Office/Industrial REIT



Artist Impression - Quattro West Refurbishment

“Axis-REIT is the first Islamic Office / Industrial REIT listed globally. It has the third largest market capitalization of the REITs listed on Bursa Malaysia and was included in Maybank Investment Bank’s listing of the top outperformers of 2009 relative to the KLCI and remains one of the top 5 on their buy list for 2010”

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This annual report for the year ended 31 December 2009 has been prepared by Axis REIT Managers Bhd (649450-W) as the Manager of Axis-REIT. Whilst every care has been taken in relation to the accuracy, no warranty is given or implied. The information provided is not investment advice and recipients should consider obtaining independent advice before making any decision that relies on this information. All currencies are expressed in Ringgit Malaysia unless otherwise stated. This Annual Report is dated in February 2010.

ABOUT AXIS-REIT

Axis-REIT was the first Real Estate Investment Trust ("REIT") to list on Bursa Malaysia Securities Berhad on 3 August 2005.

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

Having started with a modest portfolio of 5 properties, the Fund now boasts 21 properties, leading the industry in terms of growth.

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

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

These properties primarily house multinational companies which have been tenants of the Axis Group for numerous years. They are involved in the Imaging, Medical, Home Appliances, Automotive, Pharmaceutical, Insurance, Wellness, Electronics, IT, Retail Warehousing, Fast Moving Consumer Goods, Telecommunications and Fitness industries.

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

The Manager is committed to deliver long term sustainable distributions and capital stability through its 4 principles of management:

- Prudent capital and risk management;
- Yield accretive asset purchases;
- Excellent investor relations;
- Proactive asset and tenant management.

MISSION

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

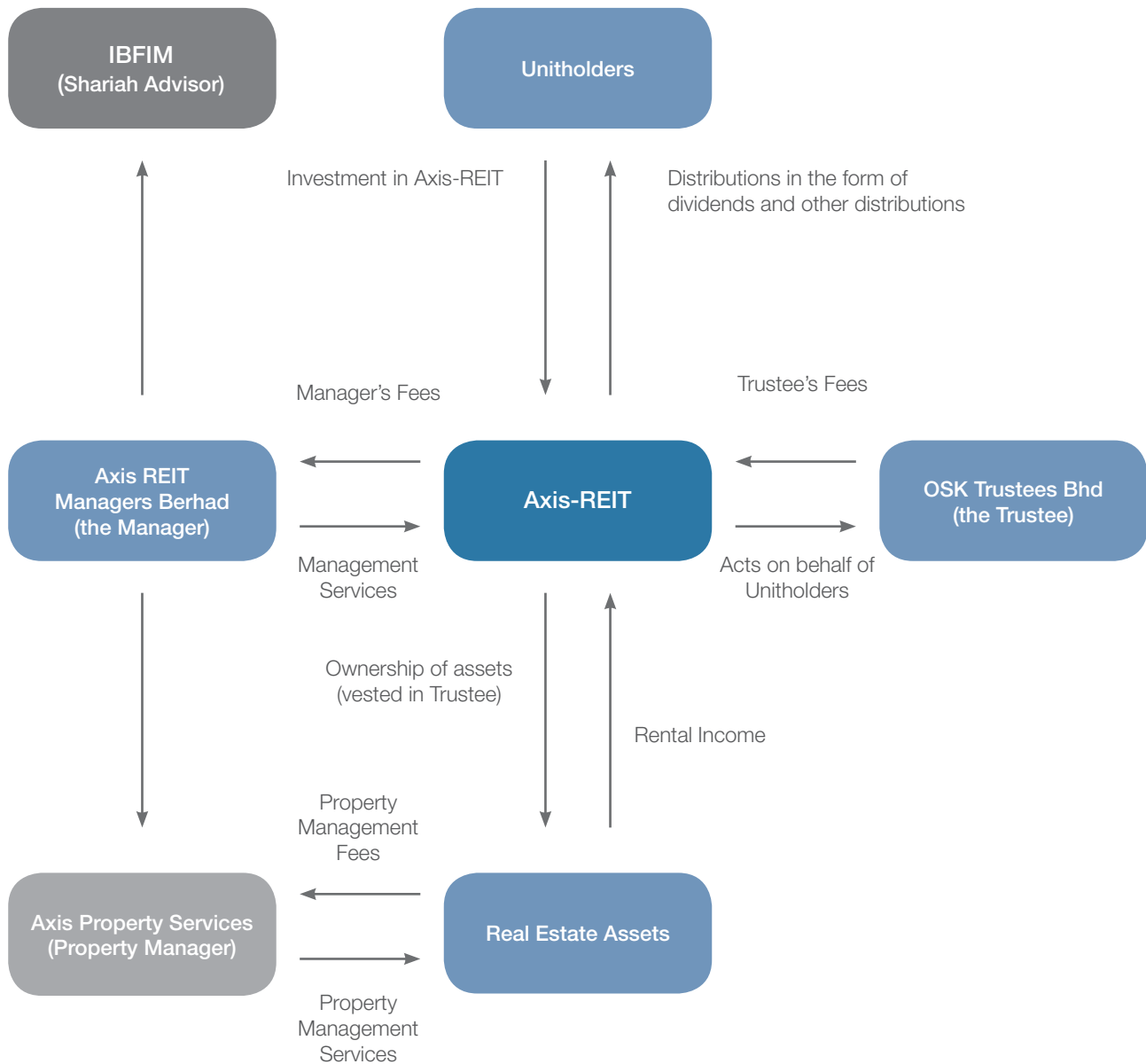
VISION

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

SALIENT FEATURES OF AXIS-REIT

Fund category	Real estate investment trust
Fund type	Growth and income
Mission of the Fund	To provide consistent distributions to Unitholders through growing the property portfolio, displaying the highest level of corporate governance, excellent capital management, effective risk management and preserving capital values.
Vision of the Fund	To successfully benchmark Axis-REIT against the world's most successful REITs in total return to Unitholders and be REIT of choice for Shariah Investors.
Approved fund size	307,081,200 Units
Authorized investments	At least 50% of the Fund's total asset value must be invested in real estate and/or single purpose companies at all times.
Initial Public Offering retail price	RM1.25 per Unit
FYE	31 December
Distribution policy	Quarterly income distribution.
Borrowing limitations	Up to 50% of the total asset value of the Fund.
Revaluation policy	The investment properties shall be revalued at least once every year by independent registered valuer.
Minimum initial investment	100 Units
Quotation	Main board of Bursa Malaysia Securities Berhad ("Bursa Securities")
Bursa Securities Stock Number	AXREIT 5106

AXIS-REIT STRUCTURE

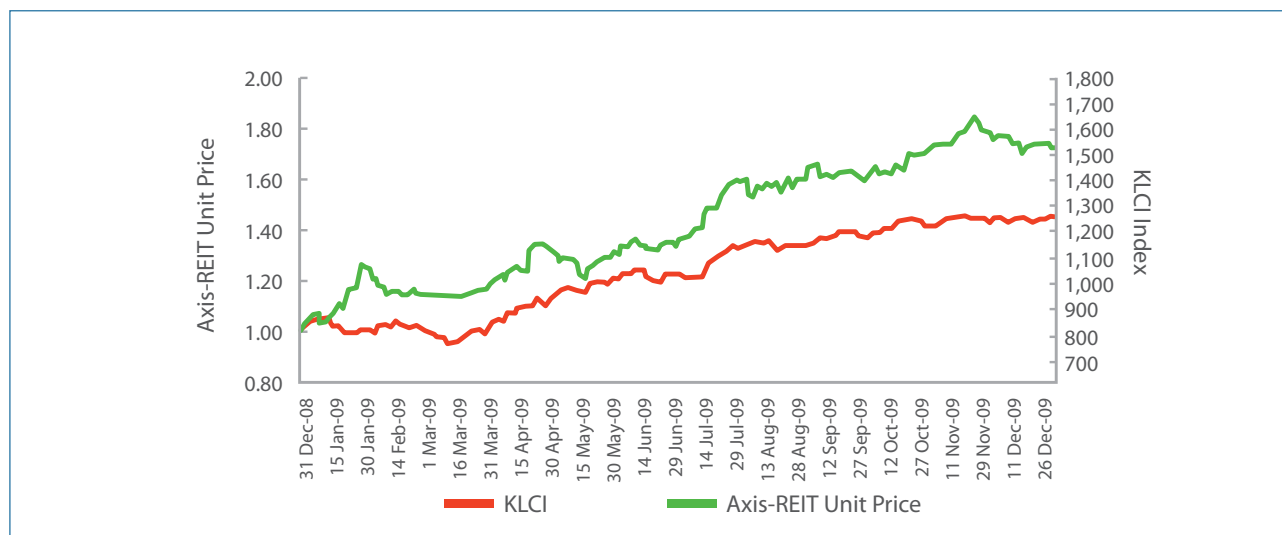


FINANCIAL HIGHLIGHTS

A Quick Snapshot

1 Jan 2009 to 31 Dec 2009	
Total Net Income (RM'000)	61,976
Income available for Distribution (Realised) (RM'000)	42,878
Earnings per Unit ("EPU") (Realised) (Sen)	15.77
Income Distribution (RM'000)	42,981
Distribution per Unit ("DPU")(Sen)	15.80 sen
Number of Investment Properties	21
Units in Circulation (Units)	307,081,200
Assets Under Management (RM'000)	907,745
Total Borrowings/Financing (RM'000)	308,932
Total Borrowings/Financing to Total Assets (%)	34.03
Total Unitholder's Fund (RM'000)	550,357
Market Capitalization (RM'000)	592,667
Net Asset Value per Unit (RM)	1.79
IPO Retail Unit Price (RM)	1.25
Unit Price as at 31 December 2009 (RM)	1.93
Number of Unitholders	2,080
Distribution Policy	<ul style="list-style-type: none"> • 1st to 3rd Quarter – at least 95% of the current year-to-date distributable income and • 4th Quarter – at least 99% of the current year-to-date distributable income

Monthly Trading Performance

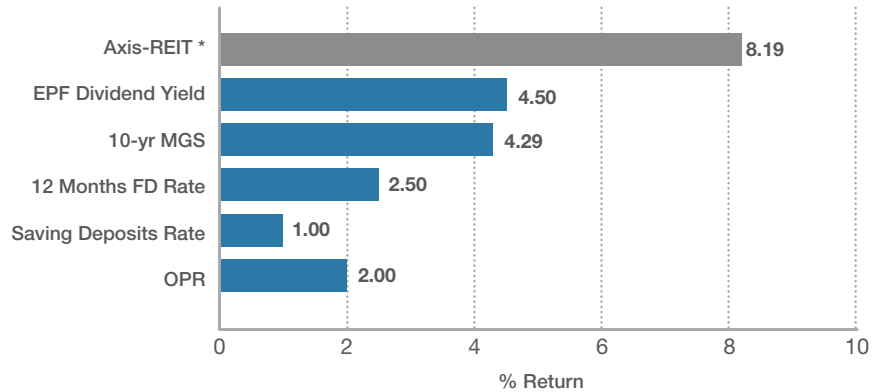


Trading Statistics for 2009

Closing Price – 31 Dec 2008	RM 1.12
Closing Price – 31 Dec 2009	RM 1.93
High – 23 Nov 2009	RM 2.07
Low – 2 Jan 2009	RM 1.08

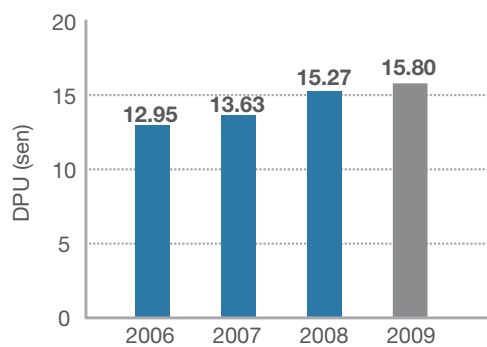
FINANCIAL HIGHLIGHTS

Comparable Returns

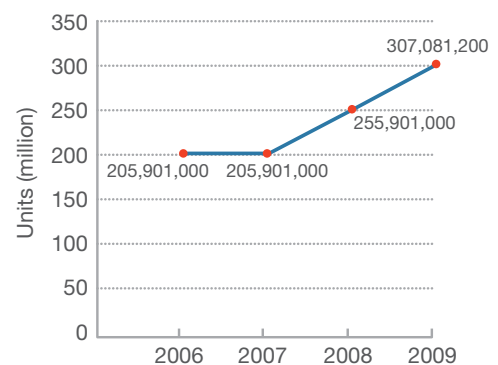


* based on closing price of RM1.93 on 31 December 2009

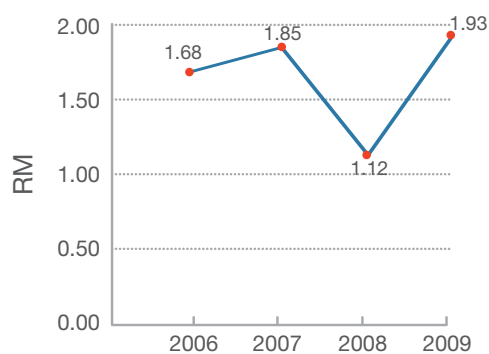
Annual Distribution per Unit Since Listing



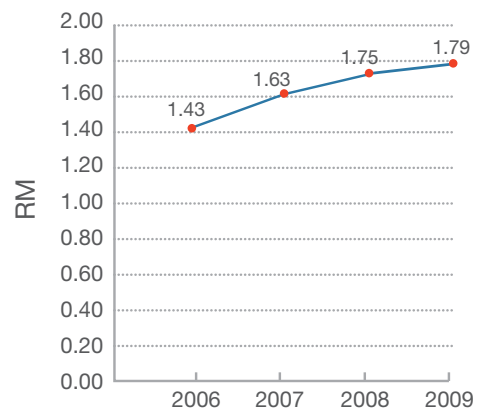
Units In Circulation



Unit Price Performance



NAV per Unit of The Fund



BOARD OF DIRECTORS



Sitting from left to right:

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

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

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

Stephen Tew Peng Hwee
Non-Independent Non-Executive Director

Standing from left to right:

Yin-Yong Lee Lao
Non-Independent Non-Executive Director

George Stewart LaBrooy
Chief Executive Officer/Executive Director

Mohd Sharif Bin Hj Yusof
Independent Non-Executive Director



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

YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin, age 74, a Malaysian, was appointed as an Independent Non-Executive Director to the Board of Axis REIT Managers Berhad on 10 August 2007. On 18 September, 2007 he was appointed the Chairman of the Board of Directors and on 23 October 2007, he was appointed as Chairman of the Audit Committee. Tunku has a vast and illustrious career in the local administrative and business arena with various roles in multinational companies.

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

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

Tunku Shahabuddin was recently appointed the Chairman of Berjaya Assets Berhad and in addition, he is the Chairman of Baker Hughes Inteq Sdn Bhd, Jotun (M) Sdn Bhd and DHL Worldwide Express (M) Sdn Bhd. Tunku Shahabuddin was an inaugural member of NISIR (National Institute of Scientific Industrial Research) now known as SIRIM. He is also active in the social front and recently retired from being Chairman of the Selangor Turf Club after more than 12 years. He is Honorary Life Chairman of the Malaysia Australia Business Council after heading the council for 19 years. Tunku Shahabuddin was also the Chairman of the Automobile Association of Malaysia for 23 years, President of the Asia-Pacific Region of the Alliance International de Tourism, Governing Board Member of the Malaysia Canada Business Council and a former Committee Member of MASSA (Malaysia South South Association). He was appointed as Honorary Council General of Austria in 1972.

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



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

Dato' Abas Carl Gunnar Abdullah, age 50, a Norwegian, has been a Non-Independent Non-Executive Director of Axis REIT Managers Berhad since 15 March, 2005. On 20 November 2006, he was appointed as the Non-Independent Executive Deputy Chairman.

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

In 1989, he embarked on a build and lease project with the multinational APV Hills & Mills. In 1992, he teamed up with Stephen Tew Peng Hwee and other investors to build Crystal Plaza. This was followed with the building of Axis Business Park, Axis Plaza and Menara Axis, all of which formed the core portfolio of Axis-REIT upon listing. He currently serves as the Chairman of the Executive Committee and serves as a member of the Remuneration and Nomination Committee of the board of the Manager ("Board"). He is also a director of a number of private companies, which are involved in property development and property investment. He is also the director of Axis Development Sdn Bhd ("ADSB") since 1999.

BOARD OF DIRECTORS



Stephen Tew Peng Hwee

Non-Independent Non-Executive Director

Stephen Tew Peng Hwee, age 48, a Malaysian, is a Non-Independent Non-Executive Director of Axis REIT Managers Berhad.

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

Together with other investors, he has over the past 18 years, purpose-built for investment income many buildings which have housed multinationals. In 1992, he teamed up with Dato' Abas Carl Gunnar Bin Abdullah and other investors to build Crystal Plaza. This was followed with the building of Axis Business Park, Axis Plaza and Menara Axis, all of which formed the core portfolio of Axis-REIT upon listing. He is also the owner of Stadec - Malaysia's 1st One Stop Home Decoration Centre located at Segambut, Kuala Lumpur. Stephen currently serves as a member of the Executive Committee and the Remuneration and Nomination Committee of the Board. He is also a director of a number of private companies, which are investment holding companies.



Yin-Yong Lee Lao

Non-Independent Non-Executive Director

Yin-Yong Lee Lao, age 57, a Filipino national, was appointed as a Non-Independent Non-Executive Director to the Board, and a member of the Audit Committee of Axis REIT Managers Berhad on 23 October 2007.

He graduated from the Ateneo de Manila University with a Bachelor of Arts Degree in 1973.

He is a director of a public listed company, Chemrez Technologies, Inc. since 2006, as well as the following private companies in Manila: D&L Industries, Inc., Chemrez, Inc., Aero-Pack Industries, Inc., FIC Marketing Co., Inc., First in Colours, Incorporated, Oleo-Fats, Inc. and LBL Industries, Inc.

Prior to his appointment as President of D&L Industries, Inc. and LBL Industries, Inc., he held the position of Treasurer in the companies he has directorships over a period of 7 to 12 years. Yin Yong Lee Lao brings a wealth of experience in the treasury function to the Manager and has a wide range of experience in the management of industrial corporations.

He acts as a Trustee in the following organizations: Association of Petrochemical Manufacturers of the Philippines & The Polystyrene Packaging Council of the Philippines.

He is the brother of Alex Lee Lao, who is a substantial unitholder of Axis-REIT and Alternate Director to Dato' Abas Carl Gunnar Bin Abdullah, the Executive Deputy Chairman of Axis REIT Managers Berhad.



Mohd Sharif Bin Hj Yusof

Independent Non-Executive Director

Mohd Sharif Bin Hj Yusof, age 70, a Malaysian, was appointed as a Non-Independent Non-Executive Director to the Board of Axis REIT Managers Berhad on 10 August 2007, and a member of the Audit Committee of Axis REIT Managers Berhad on 23 October 2007.

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

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

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



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

Y Bhg Dato' Fateh Iskandar B Tan Sri Dato' Mohamed Mansor, age 41, a Malaysian, was appointed as an Independent Non-Executive Director and the Chairman of the Remuneration and Nomination Committee of Axis REIT Managers Berhad since 20 November 2006.

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

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

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

He is currently the Vice President of The Real Estate & Housing Developer's Association (REHDA) Malaysia and Chairman of REHDA Selangor Branch. He is also a Director of Malaysian Property Incorporated (MPI), a partnership between Government and the private sector that was established to promote property investments and ownership to foreigners all around the world. He is now an EXCO Member of the Malaysian Australian Business Council (MABC), Chairman of Gagasan Badan Ekonomi Melayu, Selangor Branch (GABEM) a body that promotes entrepreneurial ship amongst Malays in the country and the Treasurer of Selangor State UMNO.

Recently Dato' FD Iskandar was appointed to the Board of Media Prima Berhad, the largest incorporated media company in South East Asia with all 4 private TV stations in Malaysia, radio stations, print media, new media, outdoor advertising agency and many more. He is also a Director of New Straits Time Press Berhad, the publisher of 3 main newspapers with a string of magazines. The New Straits Times newspaper is one of the most established in Asia and having been around for more than 160 years.

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



George Stewart LaBrooy
Chief Executive Officer & Executive Director

George Stewart LaBrooy, age 58, a Malaysian, has been the Director of Axis REIT Managers Berhad since 25 October 2004, and was appointed by the Board as Executive Director on 22 March 2005. On 18 September 2007, he was redesignated to Chief Operating Officer/Executive Director. On 5 August 2008 he was redesignated to the position of Chief Executive Officer/Executive Director.

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

He has served in top management positions in the Malaysian industrial sector for over 20 years before joining Axis Equities Sdn Bhd (a major shareholder of ADSB) in 1995. During this period, he managed two (2) of the ADSB's group's Build and Lease projects and set up the Property Management division in ADSB and headed the asset and lease management for the real estate owned by the group.

In November 2003, he spearheaded a project to identify suitable properties owned by common shareholders of ADSB to be injected into Malaysia's first REIT. This was successfully concluded on 3 August 2005 when Axis-REIT was listed on the Main Board of Bursa Securities.

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

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

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

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

MESSAGE FROM THE CHAIRMAN



Dear Unitholders,

On behalf of the Board, I am pleased to present Axis-REIT's fifth annual report for the financial year ended 31 December 2009.

OVERVIEW

2009 was a very challenging year for the capital markets. Soon after Lehman's collapsed in September 2008, there was a massive sell down in property and REIT stocks globally, primarily out of fear that many highly geared REITs and property companies would have difficulty in meeting their debt refinancing with banks on the verge of collapse. The bond market had all but collapsed at the same time making refinancing very challenging upon maturity.

REITs saw their stock and asset prices collapsing, and some highly geared REITs started breaching their debt covenants. As a result, many REITs resorted to desperate capital raising exercises by offering heavily discounted rights issues or accepting bank finance at very unfavourable terms. This was evidenced in Australia, Japan and the USA where credit was tightest.

When foreign funds fled our market, we saw the unit prices of Malaysian REITs ("MREITs") reach new lows. However, MREITs were fortunate in that the banking liquidity

was very good and lending didn't stop. As a result, the fear of refinancing ebbed and the prices started to move close to their pre crisis levels.

At the start of the year when the prices of MREITs were low and there was a huge gap between their unit price and Net Asset Value ("NAV") of the fund, yields of MREITs were in the double digit territory. This made capital raising as well as finding assets that were non-dilutive almost impossible. All acquisition activity stopped. There were no asset purchases at all - even in Singapore.

In the midst of this turmoil, Axis-REIT had one of its most successful years ever.

PERFORMANCE REVIEW

The Fund has scaled new heights through the successful execution of the Manager's strategy plan for the year.

For the year ended 31 December 2009, the net rental income of the Fund grew to RM59,937,000 from RM53,455,000 in 2008, an increase of 12%. Income available for distribution increased to RM42,878,000 in 2009 from RM38,971,000 in 2008, an increase of 10%.

The Fund's financial performance was further enhanced by revaluation gains of RM19,098,000 contributing an increase of 4 sen to our NAV to RM1.79 as of 31 December 2009 from RM1.75 in 2008.

We witnessed the growth of our portfolio from nineteen (19) properties at the beginning of the year to twenty one (21) as of 31 December 2009. Total Assets Under Management ("AUM") rose to RM907,745,000 in 2009 from RM726,371,000 in 2008, an increase of 25%. We are now within striking distance of the RM1 billion AUM target we set ourselves since listing.

On the regulatory front, the Manager has shown leadership in the sector through initiating the formation of Malaysia REIT Managers Association ("MRMA") - which now has 9 of the 11 REIT managers as members.

DISTRIBUTIONS TO UNITHOLDERS

The Board of Directors of the Manager is pleased to declare a final income distribution of 4.98 sen per Unit for the financial year 2009. This brings the total Distribution per Unit ("DPU") for 2009 to 15.80 sen up from 15.27 sen in 2008, representing an increase of 3.4%. This impressive result was achieved despite a 20% increase of Units in circulation in the last quarter of 2009 and against a backdrop of one of the worst global recessions since the Great Depression of 1930, a remarkable achievement.

UNITHOLDERS MEET IN 2009

On 20 August 2009, a Unitholders meeting was held to seek approval in relation to the acquisition of a related party asset (Axis Steel Centre) and a general mandate to place out 51,180,200 new Units to raise capital to pare down debts of the Fund and provide head room for future acquisitions. I am pleased to report that the Unitholders unanimously approved all resolutions.

The Manager successfully placed out the new Units on 28 August 2009 and these were listed on Bursa Securities on 10 September 2009, resulting in an increase of our Fund size to 307,081,200 units. The new Units were priced at RM1.66 each representing a discount of 5% to the five (5) day Volume Weighted Average Market Price ("VWAMP") up to 24 August 2009 and were 2 times oversubscribed.

MALAYSIAN ECONOMY 2010 - OPTIMISM TEMPERED WITH CAUTION

The global economy is currently on the mend based on the quarterly GDP figures posted so far. For Malaysia, we are in a technical rebound after hitting the largest GDP contraction in 1Q 2009 of -6.2%. We have witnessed successive economic growth in 2Q and 3Q 2009 and we are predicted to record a GDP of -2.2% for 2009. The good news is that the projected growth of 4.5% in 2010 will be largely driven by increased consumer spending, recovery in exports and gross fixed capital formation.

We are anticipating that the Government's policies will remain pro-growth with the spending of the remaining off-Budget fiscal stimulus allocation being more prevalent in most of 2010 where 13.5 billion is to be spent. Although we don't expect Bank Negara Malaysia to maintain the Overnight Policy Rate ("OPR") at 2% throughout 2010, any increases should be modest and be accommodative to growth. This will mean that the Axis-REIT should still enjoy very competitive financing rates for the balance of 2010.

We also expect a further stimulus coming from the Quasi Government spending in 2010 with the roll out of the RM11.3 billion National High Speed Broadband with Telekom Malaysia and Government funding, Petronas domestic spending bias, investments by FELDA to develop national food stocks, the 1Malaysia Development Bhd entering a joint venture with State Grid Corporation of China to invest RM6-8 billion in one of the world's largest aluminium smelter and 3 more hydroelectric dams in Sarawak, the Pahang Selangor raw water transfer infrastructure, the Klang Valley LRT extension and the new Low Cost Carrier Terminal at Sepang.

Inflation is expected to rise to 2.3% from 1% in 2009 largely from the result of the lifting of subsidies but far below the 5.4% recorded in 2008. The fear of an asset bubble that was evidenced recently in Dubai has no real basis here in Malaysia based on all property market indications.

However, we are still mindful of the challenges that remain in the global economy and this could be the wild card in determining how sustainable and risk free it is going to be.

AXIS-REIT - OUTPERFORMING THE KLCI IN 2009

2009 saw Axis-REIT outperforming the KLCI and taking a very credible 18th place in the top outperformers of the listed stocks on Bursa Securities and fifth on Maybank IB's buy list for 2010. Our Unit price recovered from RM1.12 on 31 December 2008 to RM1.93 as at 31 December 2009, an increase of 72%, and now trades at a 7.8 % premium to its NAV, the only MREIT to have achieved this premium.

PLANNED RECLASSIFICATION COMPLETED: IMPROVED ACCESS TO SHARIAH FUNDS

Axis-REIT is now the world's first Islamic Office Industrial REIT. The conversion has led to new investment funds holding our Units for the first time (KWAP, FELDA, and Islamic Unit Trusts as examples). We believe that with a larger portfolio and stronger liquidity we now have an opportunity to attract more interest from Middle Eastern and global Shariah Funds.

CORPORATE GOVERNANCE TAKES CENTRE STAGE

The Board continues to focus on improving our Corporate Governance and education. This year, the Board members attended a Risk Management Workshop conducted by our Internal Auditors on 20 October 2009. The Manager has also set up a Risk Register and has commenced putting in place strategies to minimize these identifiable risks faced by the Manager and the Fund.

CORPORATE SOCIAL RESPONSIBILITY

Axis-REIT continues its program for sustainable improvement of orphanages, schools and homes in Malaysia. This year, the Manager undertook the refurbishment of the New Life Care Centre - a foster children's home in Port Dickson. The home has over 40 children and has a long term lease. The work undertaken includes the replacement of roof at the children's quarters which were badly leaking. The floors were tiled and fans supplied. Improvements to the dining area and toilets were also undertaken. The home has now been officially handed over to the administrators. We believe that by leveraging on our skill sets as asset managers, we can bring a meaningful improvement to the lives of these children.

IN APPRECIATION

The success of Axis-REIT is attributable to the efforts of many parties. May I first thank my fellow Board members for their advice and contributions throughout the year. My appreciation also extends to the Manager who has done a remarkable job of delivering one of the best years ever, growing the portfolio of the Fund with some excellent acquisitions and laying down a solid strategy for the Fund to continue its growth.

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

I am confident we will continue to repeat our success in the coming year by providing our investors stable returns and continued growth of Axis-REIT.



YAM TUNKU DATO' SERI SHAHABUDDIN
BIN TUNKU BESAR BURHANUDDIN
Chairman
12 February 2010

MANAGER'S REPORT



The Manager is pleased to submit their report and audited financial statements to Unitholders of Axis Real Estate Investment Trust (Axis-REIT) for the year ended 31 December 2009.

Highlights for 2009:

- Increase in DPU to 15.80 sen despite an increase of 51,180,200 additional Units being listed in September 2009.
- Revenue increased to RM71,598,000 in 2009 from RM63,331,000 in 2008, an increase of 13%.
- Income available for distribution increased to RM42,878,000 in 2009 from RM38,971,000 in 2008, an increase of 10%.
- Held a Unitholders meeting to approve a Related Party Transaction ("RPT"), a general mandate to place out via private placement 51,180,200 new Units and to increase the Fund size to 307,081,200 Units.
- Successfully raised approximately RM85 million through the placement of the new Units at a price of RM1.66 each, a discount of 5.14% from VWAMP.
- Unit price recovered from RM1.12 in 31 December 2008 to RM1.93 in 31 December 2009, an increase of 72%.
- Successfully restarted acquisition trail for the Fund with the purchase of four (4) new properties (two (2) pending completion).
- Increased the value of investment properties to RM884,962,000 as of 31 December 2009 from RM723,100,000 in 2008, an increase of 22.4%.
- Successfully converted 50% of the short term debt into 3-5 year term loans providing the Fund with a balanced debt portfolio and a blended interest rate of 4.11%.
- Successfully initiated the formation of the Malaysian REIT Managers Association ("MRMA") with 9 members to date.
- Have witnessed a significant improvement in the liquidity of the stock for 2009. Total volume transacted for 2009 was 48.02 million units as opposed to 29.6 million in 2008.

Since the listing of Axis-REIT on the Bursa Securities on 3 August 2005, the Manager has focused on actively managing and growing the property portfolio with the objective of delivering superior returns to Unitholders. In addition, the Manager has successfully acquired two properties during the year that further enhanced the portfolio and distributions to Unitholders as well as providing diversity in the property portfolio. The performance for the year demonstrates the commitment of the Manager to deliver a superior performance for the benefit of Unitholders.

PRINCIPAL ACTIVITY AND OBJECTIVES OF AXIS-REIT

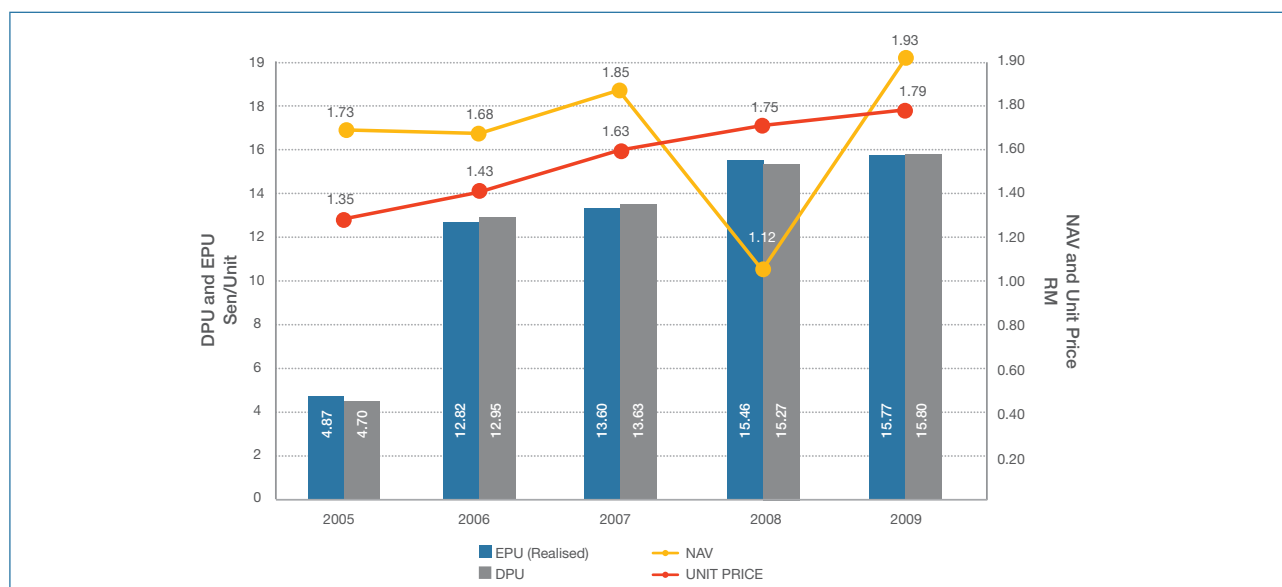
Axis-REIT is a real estate investment trust constituted by the Deed and principally regulated by Securities Laws (as defined in section 2(1) of the SCA), the SC's Guidelines on REITs, the Listing Requirements of Bursa Securities, the Rules of the Depository and taxation laws and rulings (collectively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

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

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

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

MAINTAINING MOMENTUM



DPU, EPU, NAV and Unit Price Compared

Axis-REIT is the largest Office/Industrial REITs listed on Bursa Securities with 3,679,796 sq ft of space under management spread over 21 properties and five asset classes. Our assets remain well located, of high quality and well diversified in terms of tenants origin and businesses. We remain a market leader in our sector and have delivered its growth platform for the benefit to all Unitholders.

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

- Prudent capital and risk management;
- Yield accretive asset purchases;
- Excellent investor relations; and
- Proactive asset and tenant management.

In an atmosphere which saw many REITs resort to dilutive capital raising exercises to shore up their balance sheets and refinance debt, the Manager prudently waited till market sentiment had recovered and raised approximately RM85 million through a placement in August which was at a small discount of 5.3% to the 5-day VWAMP.

The response to the offer was extremely positive with it being 2.03 times oversubscribed, underlining the confidence the market have in our Fund.

MANAGER'S REPORT

The funds raised were used to pare down borrowing/financing thereby allowing the Manager to start acquiring assets in 2009 which were yield accretive, eliminating the fear of dilutions in distributions through a larger unit base.

The result of this careful capital management was that Axis-REIT rewarded Unitholders with a final distribution of 4.98 sen per Unit for the financial year 2009 and an annual DPU of 15.80 sen, up 3.5% from a year ago. Had the Fund not raised new capital through the issuance of 51,180,200 new Units and allowed the gearing to balloon to over 40% the DPU would have risen to 16.75 sen. However, we decided to be prudent and lowered our gearing to provide headroom to acquire the additional assets.

These strategies have led to the recovery in our Unit price by 72%, to close at RM1.93 at the end of 2009.

This year we will be presenting our report in the following sections for ease of reading and reference:

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

FINANCIAL REVIEW

SUMMARY OF PERFORMANCE

	2009	2008	2007	2006
Total Asset Value (RM'000)	907,745	726,371	581,857	411,781
Total Net Asset Value (RM'000)	550,357	447,846	334,652	294,109
Units in Circulation (Units)	307,081,200	255,901,000	205,901,000	205,901,000
Net Asset Value per Unit (RM)				
- As at 31 December	1.79	1.75	1.63	1.43
- Lowest NAV during the year	1.74	1.63	1.43	1.35
- Highest NAV during the year	1.79	1.75	1.63	1.43
Closing Market Price per Unit (RM)	1.93	1.12	1.85	1.68
Highest Traded Price for the year (RM)	2.07	1.91	2.28	1.83
Lowest Traded Price for the year (RM)	1.08	1.00	1.60	1.63

SUMMARY OF RESULTS

	2009	2008	2007	2006
Total Gross Income (RM'000)	71,598	63,331	46,819	40,931
Total Property Expenses (RM'000)	(11,661)	(9,876)	(8,639)	(7,802)
Net Rental Income (RM'000)	59,937	53,455	38,180	33,129
Interest/Profit Income (RM'000)	272	111	8	37
Changes in fair value of investment properties (RM'000)	19,098	24,478	40,613	16,517
Total Income (RM'000)	79,307	78,044	78,801	49,683
Total Non-Property Expenses (RM'000)	(17,331)	(14,595)	(10,197)	(6,501)
Total Net Income (RM'000)	61,976	63,449	68,607	42,922
Consisting of:				
Realised income after taxation (RM'000)	42,878	38,971	27,994	26,405
Unrealised Income after taxation (RM'000)	19,098	24,478	40,613	16,517
Earnings per Unit (Realised) (sen)	15.77	15.46	13.60	12.82
Earnings per Unit (Realised + Unrealised) (sen)	22.81	25.18	33.32	20.85
Distribution per Unit (sen)	15.80	15.27	13.63	12.95
Distribution yield (based on closing market price) (%)	8.19	13.63	7.37	7.71
EPU yield (based on closing market price) (%)	11.82	22.48	18.01	12.41
MER (%)	1.22	1.35	1.38	0.99
Annual total return* (%)	84.14	(16.98)	28.13	9.52
Average total return (3 years) (%)	31.76	6.89	27.60	Not Applicable

* Based on movement in unit price and EPU yield

INCREASE IN TOTAL GROSS INCOME AND NET RENTAL INCOME

During the year, Axis-REIT has successfully completed the acquisitions of Axis Steel Centre and Bukit Raja Distribution Centre and with the increase in the number of properties during the year from nineteen (19) to twenty one (21), Axis-REIT's gross income grew by 13% to RM71,598,000 from RM63,331,000 in 2008. The other factor which contributed to the increase in gross income is the 5.86% positive rental reversions recorded for 2009.

A summary of our gross income, property expenses and net rental income per property for 2009 is tabled below:

Property Description	Gross Income	Property Expenses	Net Rental Income
Axis Plaza	2,790,295	816,734	1,973,561
Axis Business Park	11,213,897	1,655,171	9,558,726
Crystal Plaza	9,375,212	1,233,158	8,142,054
Menara Axis	9,375,652	1,696,692	7,678,961
Infinite Centre	3,394,547	644,803	2,749,744
Wisma Kemajuan	4,897,414	1,329,038	3,568,376
Axis North Port LC1	1,064,188	372,680	691,508
Kayangan Depot	2,131,762	715,727	1,416,035
Wisma Bintang	2,730,000	310,537	2,419,463
Axis Shah Alam DC 1	1,473,946	158,792	1,315,154
Giant Hypermarket	2,898,000	249,408	2,648,592
FCI Senai	1,311,542	85,346	1,226,196
Nestle Office & Warehouse	615,000	75,383	539,617
Nestle House	4,087,900	563,987	3,523,913
Kompakar CRC HQ	3,210,032	210,786	2,999,246
Niro Warehouse	1,560,000	124,559	1,435,441
BMW Centre PTP	3,246,360	411,246	2,835,114
Delfi Warehouse	1,306,368	155,115	1,151,253
Axis Vista	3,151,036	711,407	2,439,628
Axis Steel Centre^	1,475,442	125,014	1,350,428
Bukit Raja Distribution Centre^^	289,202	15,222	273,980
	71,597,795	11,660,805	59,936,990

^ Acquired on 20/10/2009

^^ Acquired on 14/12/2009

INTEREST/ PROFIT INCOME

We registered a profit income from our Islamic REPO. This was from the RM83.5 million net proceeds received from the placement of 51,180,200 new Units in September 2009, prior to redemption of debt on their maturity dates.

CHANGES IN THE FAIR VALUE OF INVESTMENT PROPERTIES

We registered a positive change in the fair value of investment properties arising from the surplus of the appraised values performed by independent registered valuers over acquisition costs/last valuation conducted in the preceding year. The surplus amounted to RM19,098,000.

MANAGER'S REPORT

TOTAL NON-PROPERTY EXPENSES

Details of total non-property expenses are as follows:

	2009 (RM'000)	2008 (RM'000)	2007 (RM'000)	2006 (RM'000)
Administrative and professional fees *	6,061	5,817	4,124	3,078
Bad debts written off	-	-	144	119
Allowance for/ (Reversal) of doubtful debts	54	158	(125)	167
Financing/ borrowing cost	739	227	600	65
Islamic financing cost/ conventional interest expense	10,477	8,393	5,454	3,072
Total non-property expenses	17,331	14,595	10,197	6,501

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

Administrative and professional fees

The 4% increase in administrative and professional fees for 2009 as compared to 2008 are mainly due to the RM50,000 Corporate Social Responsibility expenses and the increase in Manager's fee as a result of the increase in the NAV of Axis-REIT.

Allowance for doubtful debts

Allowance for doubtful debts registered a drop of 66% as compared to 2008.

Financing/ borrowing cost

Included in the financing/borrowing cost for 2009 are the stamping and legal fees for the additional RM75.0 million facilities and the amortisation of the incidental cost of financing/borrowing for the RM170.4 million term loan.

Islamic financing cost/ conventional interest expense

The 25% increase in the Islamic financing cost/conventional interest for 2009 as compared to 2008 is due to the increase in the borrowings of the Fund.

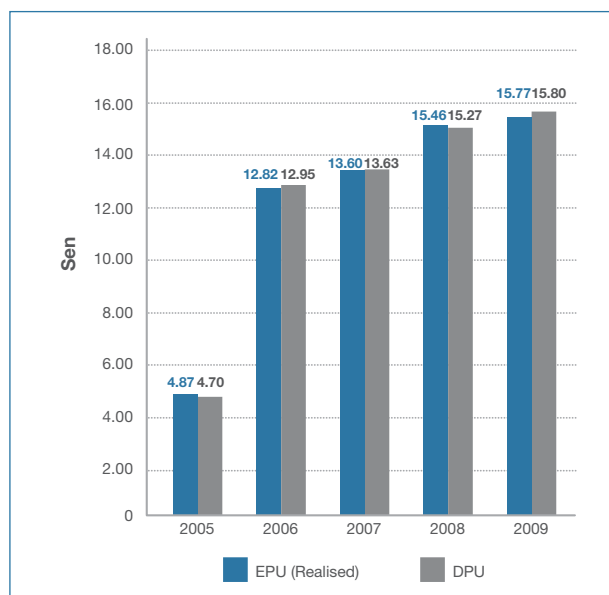
However, the effective profit/interest rate for 2009 had dropped to 4.11% compared to 4.28% in 2008.

EARNINGS PER UNIT ("EPU")

The EPU (realised) for 2009 increased to 15.77 sen from 15.46 sen in 2008. This is based on the weighted average of the number of Units in issue.

DISTRIBUTION PER UNIT ("DPU")

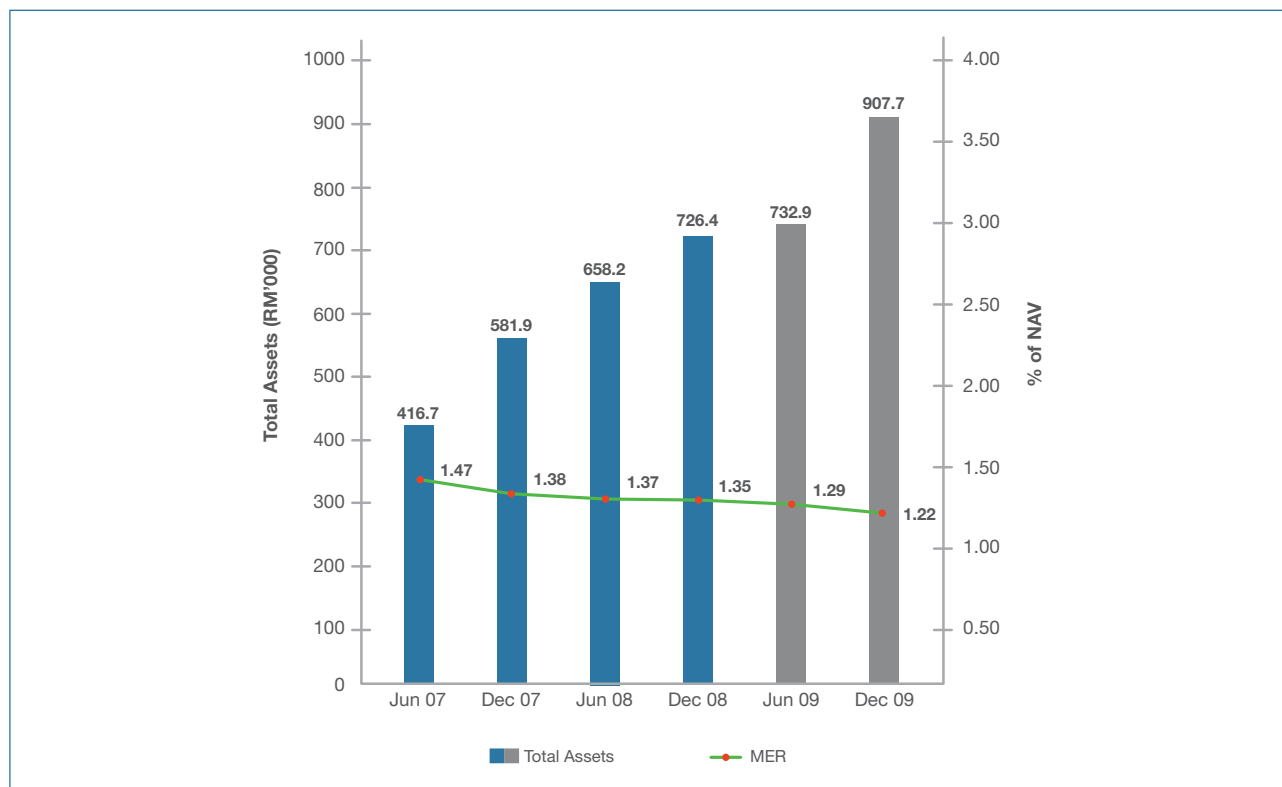
The DPU for 2009 increased to 15.80 sen from 15.27 sen in 2008. Axis-REIT had in 2008 and 2009 placed out 50,000,000 and 51,180,200 new Units respectively. Notwithstanding the increase in the number of Units over the past two years, Axis-REIT has not only been able to prove that the placements done were non-dilutive in nature but has provided Unitholders with better DPU returns as shown the the chart below.



EPU (Realised) and DPU

MANAGEMENT EXPENSE RATIO ("MER")

The MER for 2009 has reduced to 1.22% of NAV as compared to 1.35% in 2008. The chart below shows the movement of MER against the total assets of the Fund since 2007.



MER and Total Assets Compared

CAPITAL MANAGEMENT

The Manager has always been of the view that an efficient and prudent capital structure is an integral part of a well managed fund. Year 2009 presented us with a challenging landscape and through the careful execution of our strategy we have managed to successfully raise capital, acquire assets and keep our gearing within our own benchmark of 35%.

Three major events mark the year:

1. Moving away from a Short to Medium-Long Term Debt Profile

In late November 2008 to the first half of 2009, we witnessed a series of aggressive cuts by the Bank Negara Malaysia on the Overnight Policy Rate ("OPR") by a total of 150 basis points to a historical low of 2.00% p.a. The Manager took advantage of this low interest rate environment and during the year moved approximately 50% of our debt into a RM170.4 million 3 and 5-year Islamic term loan ("Term Loan") and retained only 50% of our debt in short term revolving credits facilities with the banks.

The Term Loan was jointly offered by CIMB Islamic Bank Berhad and Public Islamic Bank Berhad. The Manager is delighted to add Public Islamic Bank Berhad; the Islamic arm of Public Bank Berhad into the Fund's panel of bankers.

The Term Loan features bullet repayments of the principal at the end of the respective tenures:

- RM70.4 million - 3 years from the initial drawdown date on July 2009; and
- RM100.0 million - 5 years from the initial drawdown date on November 2009

50% of the Term Loan is on a fixed rate basis whilst the remaining 50% is on a variable rate basis. To hedge against possible fluctuations of the profit rate on the variable portion, Axis-REIT entered into an Islamic Profit Rate Swap arrangement thereby taking advantage of the favourable OPR environment to lock-in fixed rates over the entire tenure of the Term Loan.

MANAGER'S REPORT

This restructuring of our debt maturity was an integral part of our strategy for 2009 and successfully managed our profit rate exposure. Details of the historical level of our borrowings/financing and the Islamic financing cost/ conventional interest expense is shown below:

	2009	2008	2007	2006
Total Borrowings/Financing (RM'000)	308,932	230,456	209,816	88,089
Total Assets (RM'000)	907,745	726,371	581,857	411,781
Gearings	34.03%	31.73%	36.06%	21.39%
Effective Profit/Interest Rate	4.11%	4.28%	4.39%	4.38%
Percentage of short term borrowings/financing	47%	100%	100%	100%
Percentage of medium/long term borrowings/financing	53%	-	-	-

2. Capital Raising - Successful Placement and Listing of 51,180,200 New Axis-REIT Units on Bursa Securities

On 4 August 2008, the Manager announced to Bursa Securities a proposed placement of up to 120.0 million new Axis-REIT Units to be placed out in tranches when the Manager anticipates that the gearing of the Fund will exceed 40%. The proposal was approved by the SC on 2 September 2008.

The Manager had deferred the planned placement scheduled for late 2008 due to the global financial crisis that started in September 2008, which saw the collapse in the prices of equities and REITs globally including MREITs.

As the economy picked up in mid 2009 and market sentiment improved, the price of Axis-REIT Units moved above its NAV. This provided the perfect opportunity for the Fund to roll out the first tranche of 51,180,200 Units representing 20% of the existing Units in issuance ("the Placement").

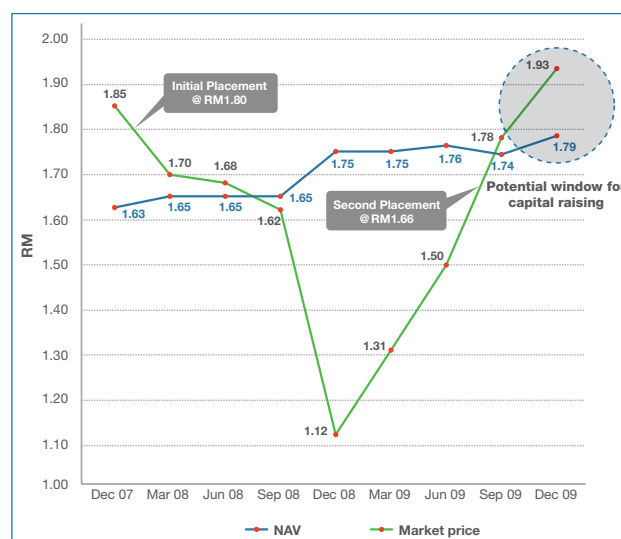
Due to the ongoing uncertainty in the global capital markets the Manager decided, as a prudent capital management policy, to lower the threshold for Axis-REIT Units to be placed out when the gearing of the Fund exceeded 35% instead of the 40% previously adopted.

On 20 August 2009, a Unitholders meeting was held to approve the general mandate for the issuance of the new Units which obtained unanimous approval.

At the end of August 2009, the new Units were successfully issued via private placement and listed on Bursa Securities on 10 September 2009. The Placement received a strong response from the capital market and was oversubscribed by 2.03 times. The Placement was issued at RM1.66 per Unit representing a 5.14% discount to the 5-day VWAMP of RM1.75 per Unit. This was in sharp contrast to the very large discounts offered by other REITs around the region in their attempts to raise capital.

The Fund has obtained an extension from the SC to issue 68,819,800 Units by the end of 2010. This represents the balance of the unissued Units out of the 120,000,000 Units initially approved by the SC in 2008. We are targeting to place the 68,819,800 Units in the first half of 2010.

This will be in the form of a private placement under specific approval. The placement will enable the Fund to raise an estimated RM133 million for future acquisitions.



Unit Price and NAV converge to make possible capital raising in August 2009.

3. Moving Away from A Semi-Annual to Quarterly Income Distribution Policy

On 22 January 2009, in an effort to improve the investor participation in subscribing to Axis-REIT Units, the Manager and the Trustee amended the Deed to revise the income distribution policy from semi-annual to quarterly, effective 1st quarter 2009.

RISK MANAGEMENT

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

1. Liquidity Risk

The Manager has currently diversified Axis-REIT's borrowings/financing to 4 major banks. With this diversity we have lower concentrations of risk amongst the lending banks and each bank has adequate collateral to the loans/amount of financing they are providing. In addition, as at 31 December 2009, 53% of the total borrowings/financing of the Fund are medium/long term i.e. 3 to 5 years tenure.

The Fund currently has 12 out of its 21 properties unencumbered, leaving room for further debt raisings in future.

2. Islamic Profit Rate Risk

As at 31 December 2009, we had a total debt facility of RM340,400,000 of which we had utilized RM308,932,000 or 34% of total assets.

Of this amount, RM170,400,000 is in 3-5 year term loans with profit rate fully hedged. We are aware that there could be a gradual rise in OPR in 2010 and the Manager is looking at locking in further tranches of revolving credits into fixed rate term loans.

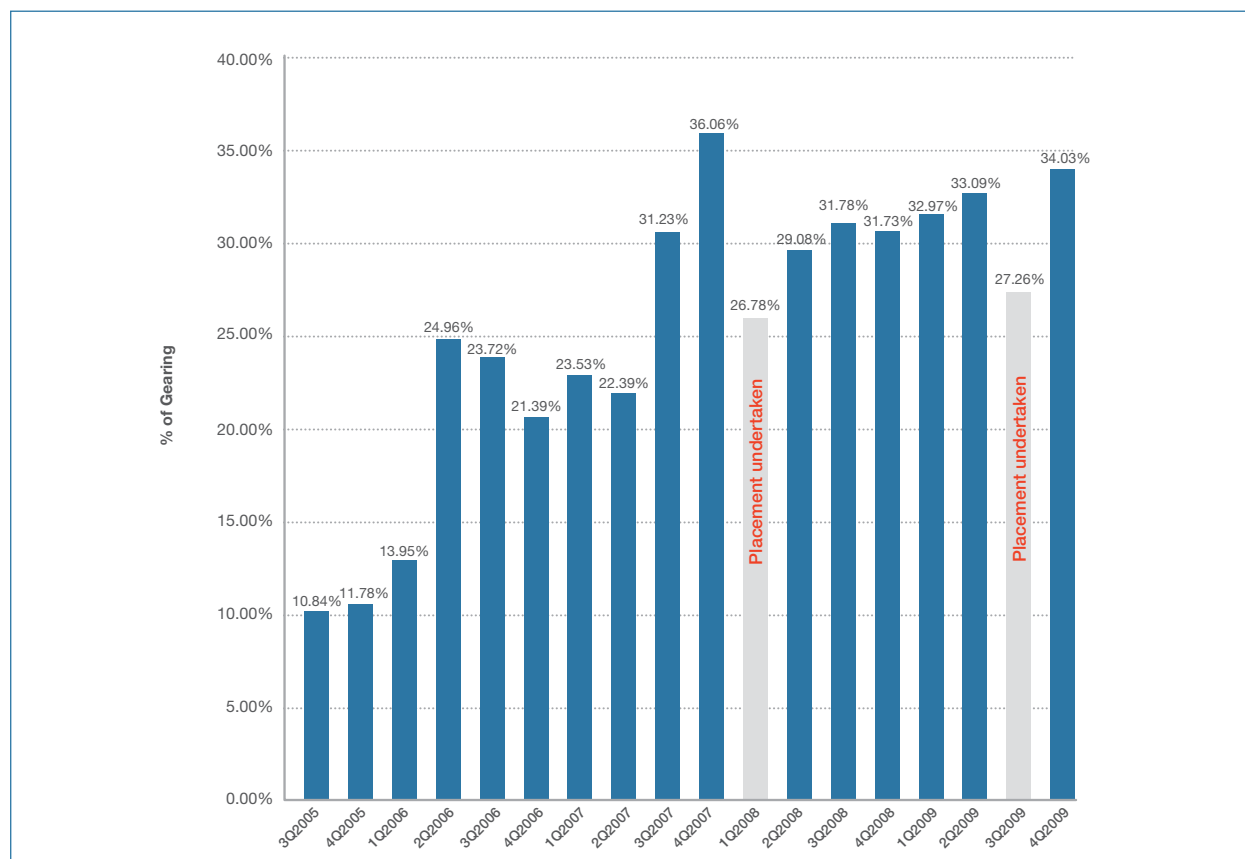
The Fund enjoyed an effective average profit/interest rate of 4.11% as at 31 December 2009.

3. Gearing Risk

Malaysian banks have not been affected by the global financial crisis and have continued to lend throughout 2009, reducing the refinancing risk that plagued REITs around the region.

For prudent capital management purposes, the Manager has revised its maximum gearing threshold from the initial 40% to 35% during the year.

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



MANAGER'S REPORT

4. Debt Expiry Risk Profile

The summary of our debt expiry risk profile is shown in the table below:

	2009	2008	2007
Total borrowings/financing (RM'000)	308,932	230,456	209,816
Fixed rate borrowings/financing (RM'000)	163,932	-	-
Fixed as percentage of total borrowings/financing (%)	53.06%	-	-
Effective average profit/interest rate	4.11%	4.28%	4.39%
Weighted average term for borrowings/financing	2 to 3 years	> than 1 year	> than 1 year
Interest cover ratio (times)	5.09	5.64	6.13

5. Valuation Risk

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

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

Summary of unrealized gain/(loss) on investment properties

No	Property	NBV before Revaluation RM	Market Value as at 31 Decembr 2009 RM	Unrealised gain/(loss) RM
1	Axis Plaza	30,700,000	29,500,000	(1,200,000)
2	Axis Business Park	102,581,222	105,900,000	3,318,778
3	Crystal Plaza	89,841,522	89,800,000	(41,521)
4	Menara Axis	92,443,044	93,000,000	556,956
5	Infinite Centre	35,232,521	34,700,000	(532,521)
6	Wisma Kemajuan	52,540,023	53,600,000	1,059,977
7	Axis Northport LC 1	13,793,271	15,000,000	1,206,729
8	Kayangan Depot	22,081,460	22,000,000	(81,460)
9	Wisma Bintang	38,000,000	38,750,000	750,000
10	Axis Shah Alam DC1	18,500,000	18,500,000	-
11	Giant Hypermarket	38,000,000	39,000,000	1,000,000
12	FCI Senai	14,000,000	14,000,000	-
13	Nestle Office & Warehouse	7,500,000	7,600,000	100,000
14	Quattro West (formerly known as Nestle House)	40,686,468	38,000,000	(2,686,468)
15	Kompakar CRC HQ	40,000,000	40,000,000	-
16	Niro Warehouse	14,500,000	14,500,000	-
17	BMW Centre PTP	27,100,000	27,100,000	-
18	Delfi Warehouse	13,511,098	13,500,000	(11,098)
19	Axis Vista	36,023,499	35,000,000	(1,023,499)
20	Axis Steel Centre	65,881,890	75,000,000	9,118,110
21	Bukit Raja Distribution Centre	72,635,824	80,200,000	7,564,176
TOTAL		865,551,842	884,650,000	19,098,158

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

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

	Market Value as at 31 December 2009 RM'000	Market Value as at 31 December 2009 RM psf	Total Investment Outlay (including enhancements) RM psf
Axis Plaza	29,500	251	191
Axis Business Park	105,900	310	249
Crystal Plaza	89,800	442	279
Menara Axis	93,000	532	422
Infinite Centre	34,700	236	175
Wisma Kemajuan	53,600	267	165
Axis North Port LC1	15,312	114	98
Kayangan Depot	22,000	134	101
Wisma Bintang	38,750	224	189
Axis Shah Alam DC 1	18,500	168	173
Giant Hypermarket	39,000	283	280
FCI Senai	14,000	102	92
Nestle Office & Warehouse	7,600	276	267
Nestle House	38,000	358	387
Kompakar CRC HQ	40,000	381	358
Niro Warehouse	14,500	87	89
BMW Centre PTP	27,100	168	170
Delfi Warehouse	13,500	103	98
Axis Vista	35,000	297	275
Axis Steel Centre	75,000	204	180
Bukit Raja Distribution Centre	80,200	176	159
	884,962		

MANAGER'S REPORT

6. Tenant and Credit Risk

Close monitoring of our tenants performance is core to our ongoing strategy in the management of our income. We have in place strict procedures in evaluating our tenants' credit worthiness and take steps to minimise any lapse in payment performance.

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

Today, Axis-REIT has 21 properties and 105 tenants many whom are multinationals and have been with us for many years.

The top ten tenants currently contribute 47% of total gross income. As we grow the portfolio, this percentage is reducing.

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

Doubtful Debt Provision

The provision for doubtful debt as of 31 December 2009 was RM54,000, a drop of 65% as compared to 2008 and represents 0.08% of the total gross income of the Fund. The keen focus on receivables and a well established internal credit control process has resulted in this low value.

RM'000 Doubtful Debt	2009	2008	2007	2006
Doubtful Debt Provided/ Bad debt write off	54	158	19	286
Trade Receivables	3,371	1,858	1,889	991
Total Gross Income	71,598	63,331	46,819	40,931
Total debt provisions/ Bad Debt Write offs as % of gross revenue	0.08	0.25	0.04	0.70

RISK MANAGEMENT FRAMEWORK

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

A risk register was established with the assistance of our Internal Auditors, Messrs Baker Tilly Monteiro Heng. We now have action plans in place to deal with the risks identified. Our progress will be reviewed quarterly by the Audit Committee.

REPORT ON OUR SHARIAH COMPLIANCE



Standing from left to right : Encik Roslan Abd Razak, Ustaz Mohd Bakir Hj Mansor & Encik Razli Ramli of IBFIM

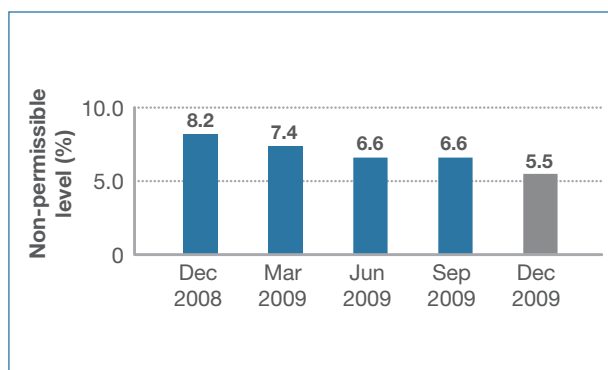
Since 11 December 2008, Axis-REIT became the world's first Islamic Office/Industrial REIT. In the span of one year since its successful reclassification, we have seen a tremendous participation by Islamic investors from both institutional and retail sectors. The recent placement of 51,180,200 Units received great interest from the local Islamic funds.

Islamic Banking and Finance Institute Malaysia Sdn. Bhd. ("IBFIM") is the appointed Shariah Advisers of the Fund. IBFIM is listed under the SC's list of Registered Eligible Shariah Advisers. Below is the list of IBFIM's scope of services:

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

- Consulting with the SC's SAC where there is any ambiguity or uncertainty as to an investment, instrument, system, procedure and/(or) process; and
- Assisting and attending to any ad-hoc meeting called by the Manager, the SC and/or any other relevant authority.

The Manager is pleased to report that under the guidance of IBFIM, the level of income from non-permissible activities have reduced to 5.5% as at 31 December 2009 from 8.2% in December 2008.



Non-permissible activities level

MANAGER'S REPORT

BUSINESS DEVELOPMENT REPORT

ACQUISITIONS 2009

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

The global financial crisis saw the collapse of the share prices for equities and REIT units which was normally a safe haven was not spared as shares retreated and property valuations fell in tandem. However, the Manager's decision to convert into an Islamic REIT coupled to a banking system that was not subject to the systemic failure seen in the West saw investors coming back to invest in REITs.

The Unit price recovered from a low of RM1.12 in end December 2008 to close at RM1.93 at 31 December 2009. This enabled the Fund to successfully undertake a private placement of 51,180,200 Units, raising approximately RM85 million in the process. This was used to pare down borrowings/financing which enabled the Fund to plan the purchase of 4 new assets signaling the start of the growth phase of Axis-REIT after a quiet first half of 2009.

Balancing the raising of capital through the placement of new units has to be delicately balanced with timely yield accretive acquisitions that can provide the Fund with additional income and in return benefit the Unitholders. It's a complex and difficult process but one we have mastered over the years in the business.

Our focus still continues to be:

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

We have successfully added to the scale and value of our portfolio by acquiring the following assets in 2009.

Acquisition 1 - Axis Steel Centre

The Axis Steel Centre was the 2nd related party acquisition out of the past 16 acquisitions since IPO. Its purchase price of RM65 million was at 13% discount to the market value providing Unitholders with a capital gain of approximately RM9.1 million. Its strengths are good location, enhancement possibilities, unique product positioning due to its high floor loading capabilities.

The vendor was Maximum Icon Sdn Bhd, a private limited company, of which the following Directors of the Manager have interest by virtue of their direct shareholdings and directorships.

Interested Parties	Nature of Interest
i) Dato' Abas Carl Gunnar bin Abdullah	Director and shareholder
ii) Stephen Tew Peng Hwee	Director and shareholder

The Audit Committee reviewed the acquisition and was satisfied that it was undertaken at arms length and under normal commercial terms and not detrimental to the interest of the Unitholders. The two affected Directors abstained from Board's review and recommendation process for the acquisition. The approval from the Trustee was subsequently obtained.

A Unitholders' meeting was held on 20 August 2009 to approve the acquisition. The resolution was unanimously passed.



Axis Steel Centre



Building data of Axis Steel Centre

Land Area	: 16.42 acres (715,262 sq ft)
Built Up	: 366,839 sq ft
Land Tenure	: 99 year leasehold with 93 years remaining
Tenant	: Konsortium Logistik Berhad
Occupancy	: 100%
Tenure	: 5 year lease with a 3 year option
Purchase Price	: RM65.00 million
Acquisition Price	: RM65.88 million
Valuation	: RM75.00 million
Gain	: RM9.12 million
Triple Net Yield	: 9.70%



Acquisition 2 - Bukit Raja Distribution Centre and 2 Logistic Warehouses at Seberang Prai



Bukit Raja Distribution Centre

MANAGER'S REPORT



Seberang Prai Logistic Warehouse 1



Seberang Prai Logistic Warehouse 2

Building data of Bukit Raja Distribution Centre

Land Area	: 772,127 sq ft
Built Up	: 456,435 sq ft
Land Tenure	: Freehold
Tenant	: IDS Logistics Services (M) Sdn Bhd
Occupancy	: 100%
Tenure	: 15 years with a further 15-year option
Purchase Price	: RM71.75 million
Acquisition Price	: RM72.64 million
Valuation	: RM80.20 million
Gain	: RM7.56 million
Triple Net Yield	: 8%

Building data of 2 Logistic Warehouses at Seberang Prai

Land Area	: 288,260 sq ft
Built Up	: 159,306 sq ft
Land Tenure	: 60 year leasehold with 43 years remaining
Tenant	: IDS Logistics Services (M) Sdn Bhd
Occupancy	: 100%
Tenure	: 15 years with a further 15-year option
Purchase Price	: RM24.25 million
Acquisition Price	: RM24.70 million
Valuation	: RM26.48 million
Gain	: RM1.78 million
Triple Net Yield	: 8%

The IDS Group has three core businesses - Marketing, Logistics and Manufacturing. Each is driven by a focused, best-in-class skill set and management team. Customers can rely on them for the complete range of professional services or pick and choose from a menu to suit their needs. IDS do not own any brands and devote all resources and efforts to supporting their clients. IDS Group is part of the Hong Kong listed company Li & Fung Group which has USD 15 billion sales annually.

We successfully negotiated a Sale & Leaseback Agreement to acquire the IDS Malaysia's logistics assets and signed the agreements on 19 November 2009.

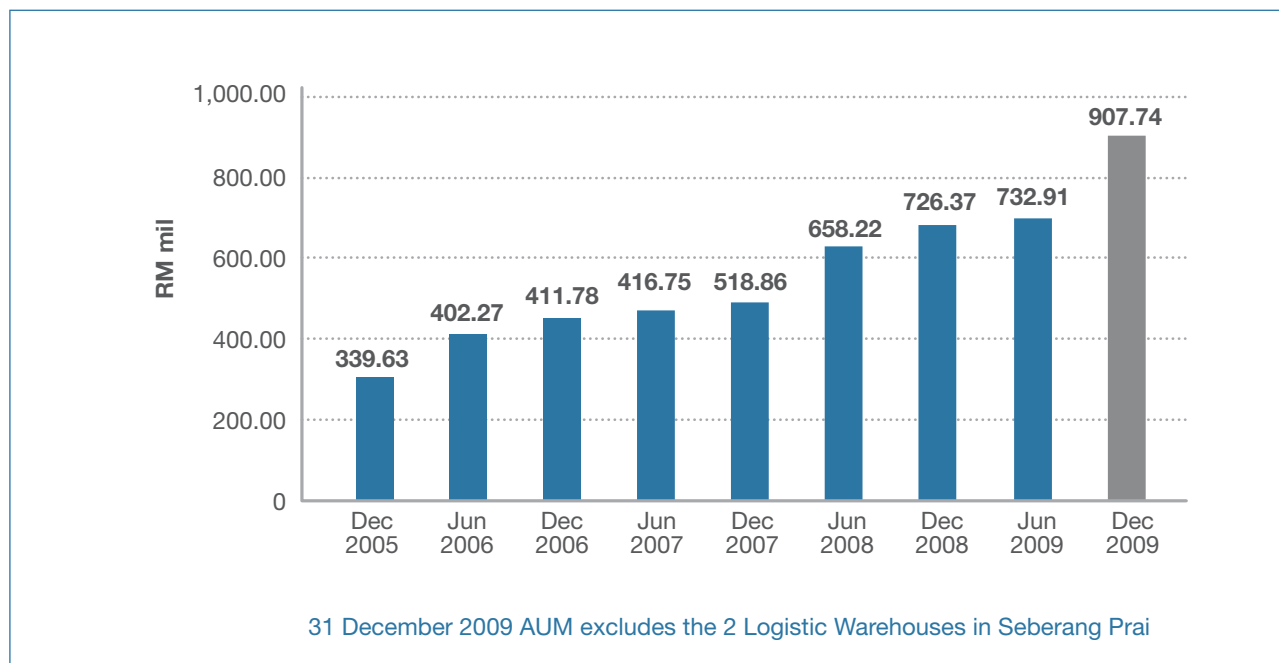
The agreements covered the purchase of 3 assets – the Bukit Raja Distribution Centre as well as the 2 logistics warehouses in Seberang Perai, Pulau Pinang. The acquisition of the Bukit Raja Distribution Centre was completed on 14 December 2009 with a purchase price of RM71.75 million. This was at a 11.8% discount to the market value providing Unitholders with a capital gain of approximately RM7.56 million.

The Seberang Prai properties are estimated to be completed by 1 March 2010 with a purchase price of RM24.25 million. This is at 9.2% discount to the market value providing Unitholders with a capital gain of approximately RM1.78 million.

The strengths of these assets are good location, grade A tenant and strong lease of two terms of 15 years each with fixed increments for the first 9 years of the first term.

TOTAL ASSETS UNDER MANAGEMENT

With the new acquisitions in 2009, we saw the total AUM cross the RM900 million mark and we are well positioned to cross the RM1 billion mark in 2010.



Axis-REIT's AUM Growth

FUTURE ACQUISITIONS

Going forward, we will continue to execute our acquisition strategy which is a main growth driver of the Fund, focusing on the following factors:

- Location
- Yield accretive
- Strong tenant and lease structures
- Building age and enhancement possibilities
- Valuation
- Capital appreciation
- Future development potential

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

MANAGER'S REPORT

INVESTOR RELATIONS REPORT

UNITHOLDERS' MEETING



Unitholders' meeting was held on the 20 August 2009 to approve the following resolutions:

- (i) The proposed acquisition of Axis Steel Centre;
- (ii) The proposed placement of 51,180,200 new Units, and
- (iii) The proposed increase in Fund size to 307,081,200 Units

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

As part of our commitment to good corporate governance, we took the opportunity to provide the Unitholders with a comprehensive briefing of the Fund's activities and performance during the meeting.

ANALYSTS' AND FUND MANAGERS' BRIEFINGS



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

In 2009, we held the following analysts' and fund managers' briefings:

- 23 January 2009
- 21 July 2009

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

- Maybank Investment Bank
- RHB Research
- Hwang DBS Vickers Research
- AmResearch
- Kenanga Research
- OSK Research
- HLG Research

MEDIA RELATIONS

Axis-REIT has had an excellent year of coverage by the mainstream media. Our press conferences are held immediately prior to the analysts and fund managers briefings and are well attended by both the print and multimedia. In addition, the press have run several feature articles on the REIT industry which featured Axis-REIT.

This helps in keeping our current and potential new Unitholders well informed about our Fund's performance.

Axis REIT's FY09 meets expectations

Axis REIT (Jan 21, RM1.53) Reinvested in RM1.52, the value of RM1.53 has been met. The company (REIT) of RM1.53 has met its expectations, having achieved a net profit of RM1.53, the value of RM1.53 has been met. The company (REIT) of RM1.53 has met its expectations, having achieved a net profit of RM1.53, the value of RM1.53 has been met.

Axis-Reit perluas pasaran amanah pelaburan hartanah

Axis REIT membeli beberapa unit hartanah di Klang dan Seremban. Axis REIT membeli beberapa unit hartanah di Klang dan Seremban. Axis REIT membeli beberapa unit hartanah di Klang dan Seremban. Axis REIT membeli beberapa unit hartanah di Klang dan Seremban.

Axis REIT buys properties for RM96m

KUALA LUMPUR: Axis Real Estate Investment Trust (Axis REIT) is acquiring several properties in Klang and Seremban from IGS Logistics Services (M) Sdn Bhd for RM96 million cash and a long-term leaseback option.

The acquisition of the properties, comprising warehouses and office blocks, comes with a leaseback option on a fixed term of 15 years, Axis told Bursa Malaysia yesterday. The properties in Klang cost RM71.75 million and those in Seremban RM24.25 million. IGS Logistics is wholly owned by Integrated Distribution Services Group Ltd, a company registered in Bermuda and listed on the Hong Kong Stock Exchange. Axis REIT noted that the proposed acquisition and leaseback of the properties were consistent with the investment strategy of the REIT and it would be accretive to its distributable income. The proposed acquisition and leaseback of the property will at the same time diversify and enlarge Axis REIT's portfolio of properties and is expected to benefit the fund in the long-term economies of scale, it said. Axis REIT's management company - Axis REIT Management Ptd - said it intended to utilize a debt facility of approximately RM71.75 million from Axis REIT's existing credit lines for the proposed acquisition of the Klang properties. - By Joyce Goh

In MRMA we trust

The newly formed Malaysian REIT Managers Association is set to integrate the industry.

As the REIT industry grows, the need for a regulatory body is becoming more apparent. The newly formed Malaysian REIT Managers Association (MRMA) is set to integrate the industry. The association aims to provide a platform for REIT managers to discuss industry issues and to represent the industry's interests to the government. The association is expected to be formed in the near future.

Free REIT seminars

Axis REIT is offering free seminars to educate the public about REITs. The seminars will cover topics such as the benefits of REITs, how to invest in REITs, and the risks involved. The seminars are open to all interested parties and are held in various locations across the country.

	2008	2009	2010P	2011P
REVENUE (RM mil)	34.1	173.6	213.6	266.2
NET PROFIT (RM mil)	6.6	8.0	46.8	52.1
EPS (sen)	2.08	2.63	14.91	16.8
BOD (mil)	46.5	12.5	6.9	5.5

Axis proposes to acquire property in Penang & Klang

Axis REIT proposes to acquire property in Penang and Klang. The acquisition is expected to be completed in the near future.

Axis REIT's FY09 meets expectations. The company has achieved a net profit of RM1.53, the value of RM1.53 has been met. The company (REIT) of RM1.53 has met its expectations, having achieved a net profit of RM1.53, the value of RM1.53 has been met.

Axis REIT membeli beberapa unit hartanah di Klang dan Seremban. Axis REIT membeli beberapa unit hartanah di Klang dan Seremban. Axis REIT membeli beberapa unit hartanah di Klang dan Seremban. Axis REIT membeli beberapa unit hartanah di Klang dan Seremban.

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WEBSITE

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

MANAGER'S REPORT

INVESTORS OUTREACH PROGRAM

RETAIL ROADSHOWS ACROSS PENINSULA MALAYSIA

In 2009, we initiated the Investors Outreach Program which is a series of retail roadshows designed to promote and create more awareness of REITs as an alternative investment class. We would like to encourage a greater participation from the local retail investors in REITs. The first in the series of retail roadshows was held in Penang followed by Petaling Jaya, Ipoh and most recently in Melaka. We will continue with the Investors Outreach Program in 2010, targeting other major town/cities such as Kuching, Johor Bahru and Kota Kinabalu.



CONFERENCES AND SPEAKING ENGAGEMENTS



The Manager has also actively participated in conferences and speaking engagements throughout 2009. Our CEO Stewart LaBrooy was invited as a speaker in various conferences and forums on the subject of REITs.

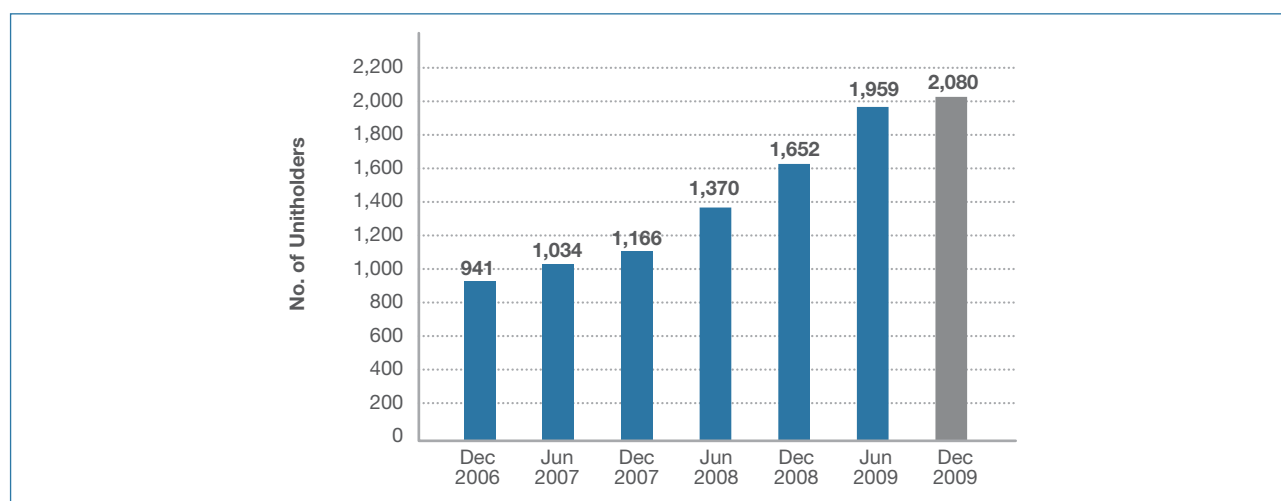
DATE	VENUE	TOPIC
13 January	Kuala Lumpur	REHDA - REITs: Unlocking the Opportunities
3 - 5 March	Singapore	Beacon Events - Impacts of the global financial crisis - commercial implications for green buildings
31 March	Kuala Lumpur	IBFIM's forum on Islamic REITs
18 - 22 May	Singapore	Cityscape Asia - REITs: Managing Risk and Generating Income
21 - 23 April	Hong Kong	APREA - Property Leaders Forum 2009
22 - 24 June	Singapore	Terrapinn - Real Estate Investment World Asia 2009
4 July	Penang	Retail REIT Roadshow
1 August	Kuala Lumpur	PPK - Malaysia Awareness Talk
5 August	Kuala Lumpur	IFN Asia Issuers & Investors Forum - Equities Day - Islamic Real Estate Investment Trusts - The special case of real estate, Funds and REITs : performance and structure
15 August	Petaling Jaya	Retail REIT Roadshow
30 September	Philippines	The Pinnacle Group
6 October	Kuala Lumpur	Lexis Nexis
19 October	Kuala Lumpur	ASLI - National Property & Housing Summit - Outlook for REITs - where do we go from here
31 October	Ipoh	Retail REIT Roadshow
10 November	Kuala Lumpur	Cityscape - Re-Building Confidence in the Malaysian Real Estate
11 November	Kuala Lumpur	Lexis Nexis - Assessment of Axis-REIT Post Syariah Conversion
15 December	Kuala Lumpur	INSPEN - Conventional REITs vs. Islamic REITs - Prospects & Challenges

INAUGURAL ANNUAL REPORT IN MANDARIN

For 2008, Axis-REIT produced its inaugural issue of the Annual Report in Mandarin which was made available via our website. We will maintain the availability of a Mandarin version for all future Annual Reports on our website, as it is important to have the widest possible reach to the general investing community both in and out of the country.



INCREASE IN THE NUMBER OF UNITHOLDERS



Number of Unitholders of Axis-REIT

Axis-REIT witnessed an increase in the number of Unitholders for 2009 by 26% to 2,080 as compared to 2008. In addition, we have also seen an improvement in the liquidity of the stock. Total volume transacted in 2009 was 48.02 million units as compared to 29.6 million units in 2008.

As at end 2009, our largest Unitholder (non-related party) was the Employees' Provident Fund with approximately 13% holding. They were followed by Kumpulan Wang Persaraan (Diperbadankan) at 5% and American International Assurance Berhad at 4%. During 2009, we have also seen the participation of new Unitholders - Kumpulan Wang Persaraan (Diperbadankan), MCIS Zurich Insurance Berhad, Koperasi Permodalan Bhd and TA Islamic Fund to name a few. Our total foreign unitholdings as at 31 December 2009 stands at 10.2% (non-related party 5.7% and related party 4.5%).

Contact Information

To find out more about Axis-REIT please contact:

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Or

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MANAGER'S REPORT

MALAYSIAN REIT MANAGERS ASSOCIATION ("MRMA")

Axis-REIT, being the first REIT listed on Bursa Securities, has for some time recognized the need for the Malaysian REIT managers to form an association in order to collectively lobby the regulators effectively for changes we deem necessary to have a vibrant REIT market. In addition, it will provide members with an effective platform for networking with fellow managers and other property investment groups.

On 4 September 2009, the Manager together with Am ARA REIT Managers Sdn Bhd ("Am ARA"), submitted an application to register the MRMA with the Registrar of Societies ("ROS"). A Protem Committee was formed for the purposes of registration with members drawn from the Manager and Am ARA.

Currently, the association's registered office is with Archer Corporate Services Sdn Bhd at Suite 11.1A Level 11 Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur.

The Protem committee consists of:

- Chairman - Stewart LaBrooy
- Vice Chairman - Lim Yoon Peng (Am ARA)
- Hon Secretary - Ms Leong Kit May
- Hon Treasurer - Chan Wai Leo
- Director - Panneer Selvam (AM ARA)
- Director - Zuhairy Bin Md Isa (Am ARA)
- Director - Ms Law Chong Lian

An immediate result of this was an invitation by the Ministry of Finance ("MOF") to present the industry with views to them for the 2010 Budget on 6 October 2009. In the past this invitation has never been extended to any of the individual REIT managers. It became clear that we now had a recognized platform to hold dialogues with the regulators and the MOF on issues affecting MREITs.

On 26 November 2009, the Managers of 11 MREITs joined hands to endorse the formation of the MRMA, which will be completed once given the go-ahead by the ROS. The full status and approval by the ROS should take place by the first quarter of 2010.



The 11 MREITs comprising AmFirst REIT, AmanahRaya REIT, Atrium REIT, Axis-REIT, Al-Hadharah Boustead REIT, Al-Aqar KPJ REIT, Hektar REIT, UOA REIT, Quill Capita Trust, Tower REIT and Starhill REIT, were represented by their managers during a briefing held by Protem Committee Chairman, Stewart LaBrooy on the present status of MRMA.

The objects of MRMA clearly spells out how it will assist its members in moving forward:

- To act as a collective representation of the Malaysian real estate investment sector.
- To establish an environment for more investments into high quality real estate in Malaysia.
- To establish a framework for the development of the REIT industry, to coordinate investment activities and promote networking possibilities within the region.
- Improve transparency and provide quality research and information to local, regional and international investors.
- Develop common workable standards that meet with international best practices especially in the areas of financial reporting, disclosure and corporate governance.
- Represent members' interests through lobbying with the Malaysian Government and regulators for functional regulations, viable structures and tax harmonization in order to make MREITs' competitive within the region and internationally.
- Encourage and promote the listed property funds industry.
- Provide insightful market research and databases that can be practically utilized by members.
- Establish working committees that can formulate policies and coordinate the various activities.
- Introduce training and discussion forums to analyze applicable laws and legislation, trends and current issues, improve professionalism and knowledge within the real estate investment industry.

Of the 11 managers that attended, 9 have signed up and will become founding members of the association and have been appointed to the Protem Committee. The full Board will be formally elected at the forthcoming AGM which will be held once we receive approval from the ROS.



MANAGER'S REPORT

PROPERTY REPORT

OVERVIEW

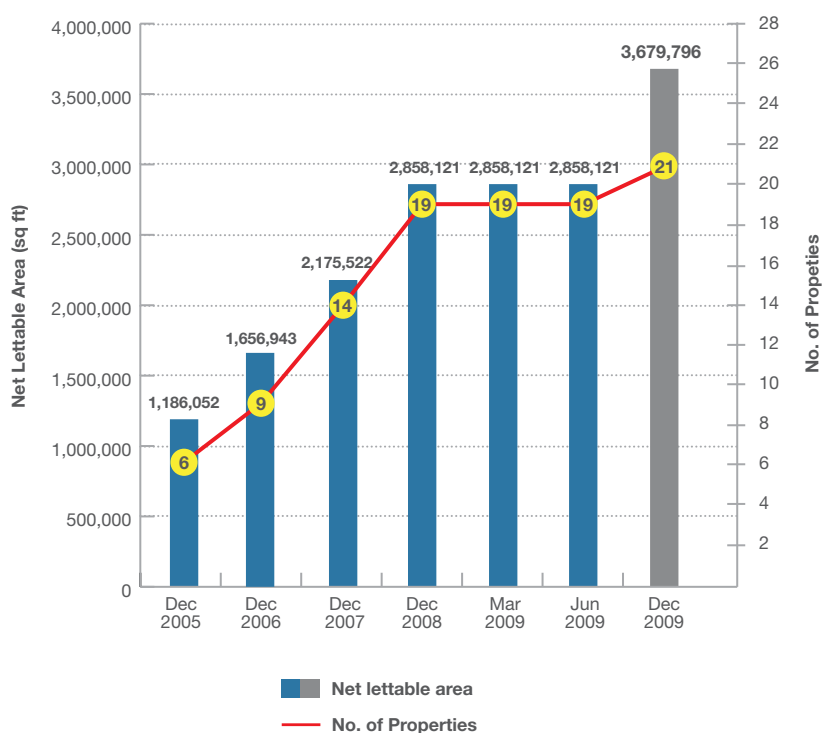
The main factor that had an impact on the performance of the portfolio in 2009 was the global financial crisis as it worked its way through the world's economy and impacted the business affairs of our tenants.

As a proactive measure, we focused intently on tenant retention and monitored our lease expiry profile closely. These efforts were rewarded with a very reasonable occupancy result.

However, we remain aware that 2010 will continue to provide challenges to the asset team and are looking forward to the coming year with confidence.

THE PORTFOLIO AT A GLANCE

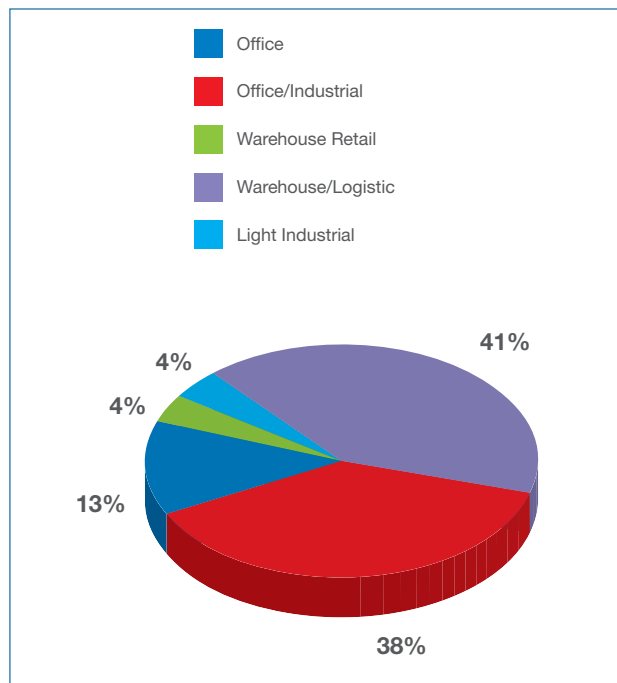
Number of Properties	21
Total Area	3,679,796 sq. ft.
Number of Tenants	105
Occupancy at 31 December 2009	92.27%



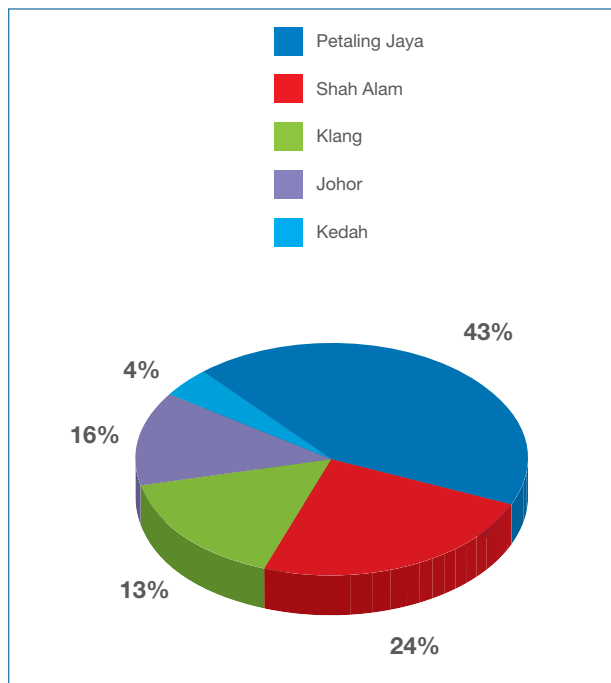
Growth of Total Area Under Management

STRUCTURE OF THE PORTFOLIO

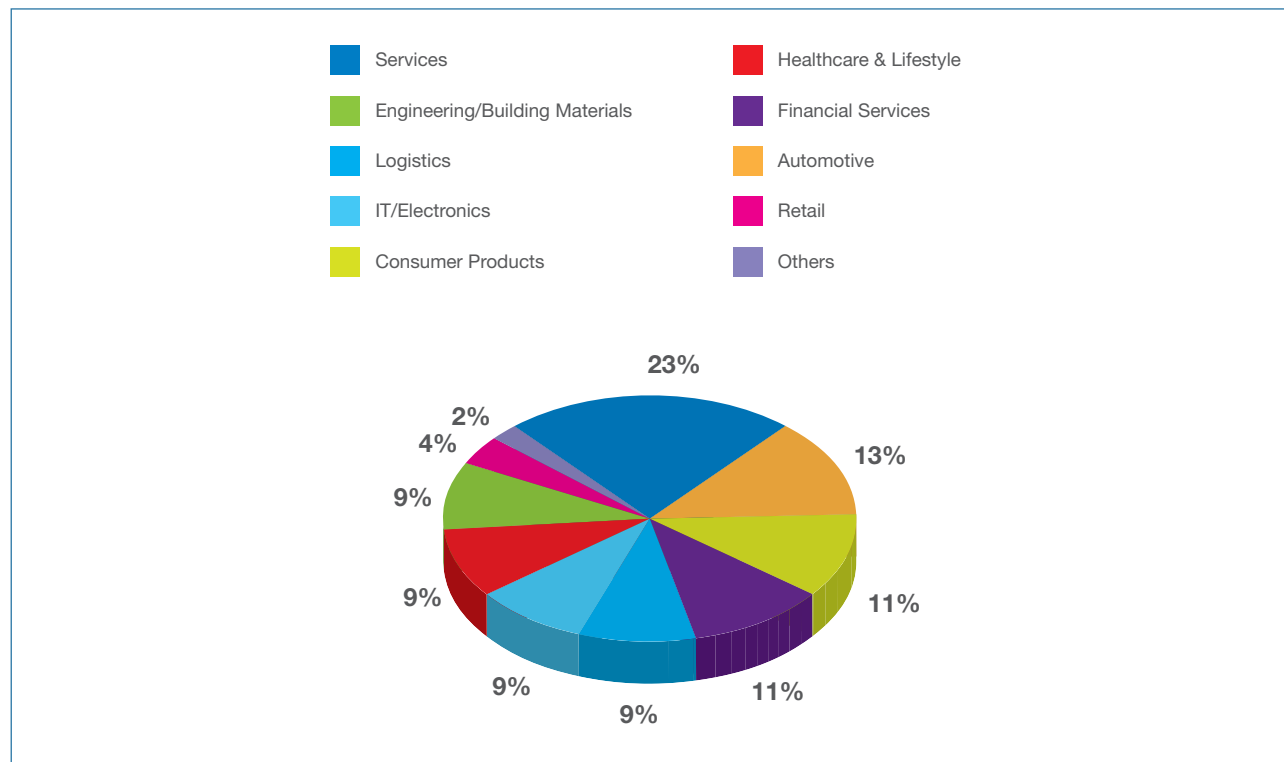
Our portfolio is well diversified with a balanced mix of property types and locations. In addition, the tenant population is very well diversified across a good range of industry sectors, thus avoiding exposure to a downturn in any one sector.



Portfolio by Type and Net Lettable Area



Portfolio by Geographical Diversification and Net Lettable Area



Portfolio Diversification by Sector and Net Lettable Area

MANAGER'S REPORT

PORTFOLIO BY VALUE AND DATE OF ACQUISITION

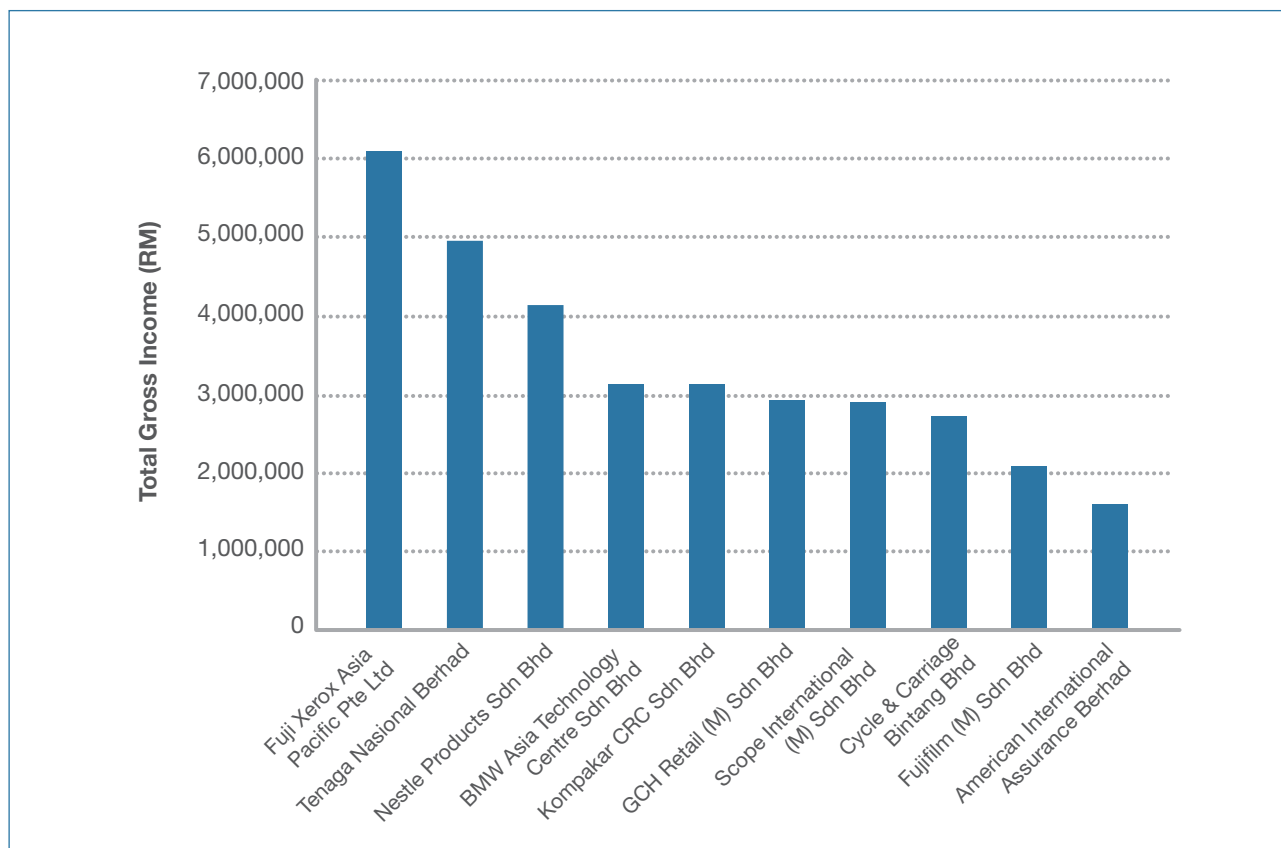
Name	Acquisition Date	Acquisition Cost (RM'000)	Total Investment Outlay (including enhancements) (RM'000)	Fair Value Adjustments (RM'000)	Book Value based on latest Valuation (RM'000)	% of Total Portfolio
Axis Plaza	03/08/05	22,500	22,502	6,998	29,500	3.33%
Axis Business Park	03/08/05	84,600	85,045	20,855	105,900	11.97%
Crystal Plaza	03/08/05	56,400	56,537	33,263	89,800	10.15%
Menara Axis	03/08/05	71,440	73,914	19,086	93,000	10.51%
Infinite Centre	03/08/05	25,450	25,646	9,054	34,700	3.92%
Wisma Kemajuan	16/12/05	29,192	33,214	20,386	53,600	6.06%
Axis North Port LC 1	22/05/06	10,373	13,155	2,157	15,312	1.73%
Kayangan Depot	30/06/06	16,224	16,620	5,380	22,000	2.49%
Wisma Bintang	30/06/06	32,681	32,684	6,066	38,750	4.38%
Axis Shah Alam DC 1	01/08/07	18,783	19,063	(563)	18,500	2.09%
Giant Hypermarket	07/09/07	38,678	38,678	322	39,000	4.41%
FCI Senai	15/11/07	12,538	12,551	1,449	14,000	1.58%
Nestle Office & Warehouse	16/11/07	7,352	7,351	249	7,600	0.86%
Nestle House	30/11/07	40,376	41,062	(3,062)	38,000	4.29%
Kompakar CRC HQ	25/01/08	37,549	37,557	2,443	40,000	4.52%
Niro Warehouse	30/04/08	14,811	14,811	(311)	14,500	1.64%
BMW Centre PTP	30/04/08	27,470	27,471	(371)	27,100	3.06%
Delfi Warehouse	04/08/08	12,743	12,754	746	13,500	1.53%
Axis Vista	09/12/08	32,481	32,505	2,495	35,000	3.95%
Axis Steel Centre	20/10/09	65,882	65,882	9,118	75,000	8.47%
Bukit Raja Distribution Centre	14/12/09	72,635	72,636	7,564	80,200	9.06%
TOTAL		730,158	741,638	143,324	884,962	100.00%



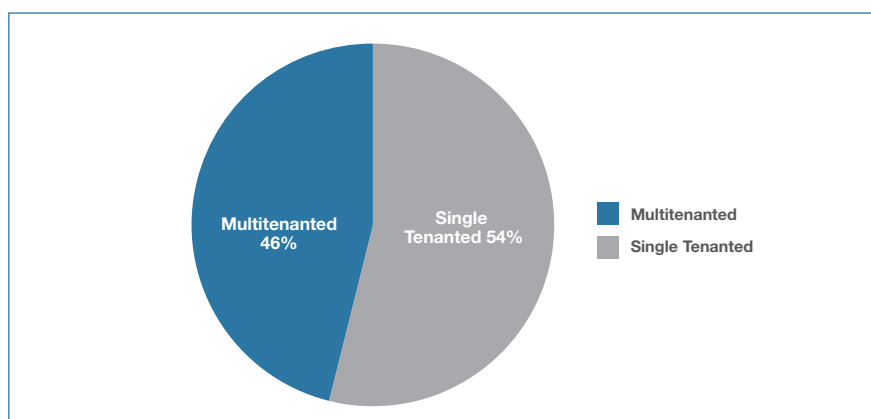
Petaling Jaya's central business district

TOP TEN TENANTS

As of 31 December 2009, our roster of largest tenants remains almost unchanged from previous years. However this is set to change in 2010 as the income from the recent acquisitions (of Axis Steel Centre and Bukit Raja Distribution Centre) will form part of the top ten. Our current diverse tenant base includes a good mix of multinationals, large local firms and GLC's.



Our portfolio also features an almost equal mix of single tenanted and multi tenanted properties, as shown. We have actively constructed the portfolio to achieve this mix as it provides the Fund with a stable earnings platform. The single tenanted properties tend to feature high quality tenants who have signed for long term leases and, in general, have much lower maintenance costs as a proportion of income. The multi tenanted properties provide a more current and vibrant tenant base with tenants leasing smaller spaces that can quickly reflect any movement in the rental market.



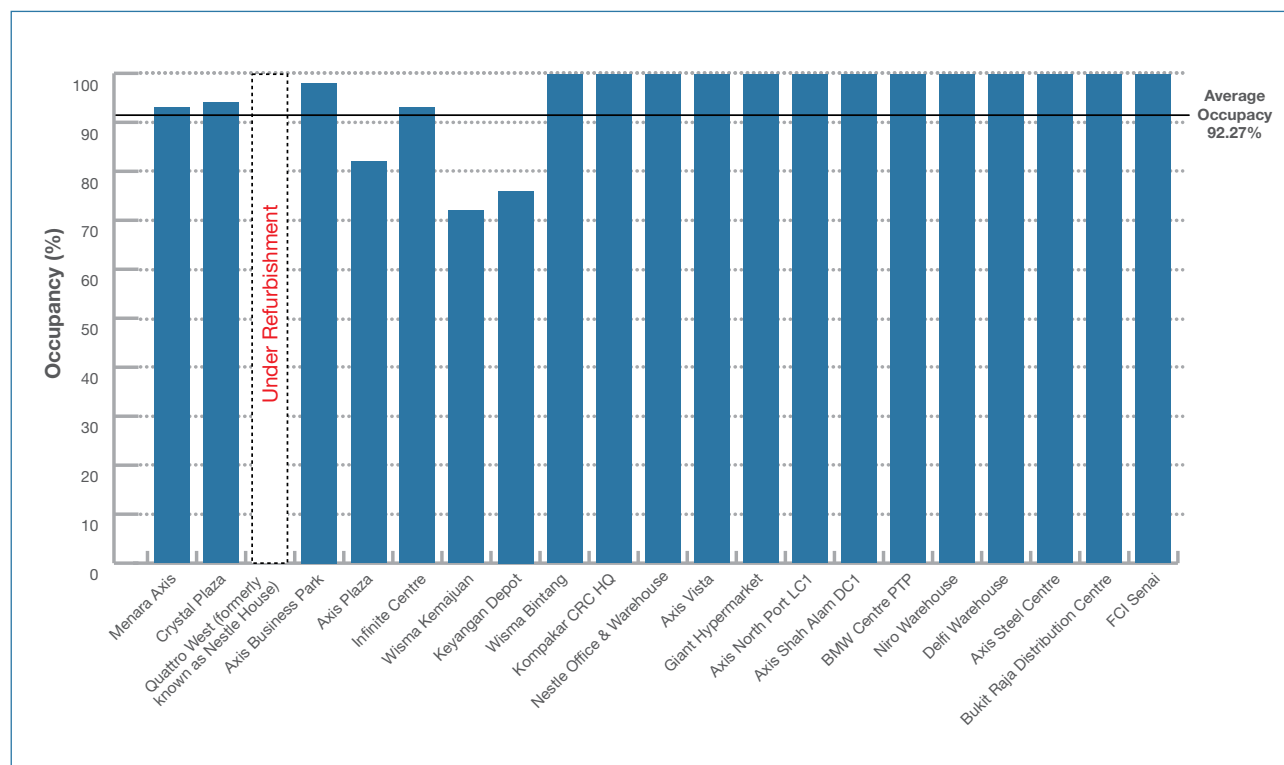
Lease Structure: Multi vs Single Tenanted Properties

MANAGER'S REPORT

LEASING AND MARKETING

The leasing team focused on tenant retention and improving occupancy in 2009. There was a decline in occupancy to 92.27% largely caused by the fact that Nestle Products Sdn Bhd moved out of Nestle House at the end of November 2009. If we were to exclude Nestle House, the occupancy rate would have declined marginally to 95% from 95.19% as of 2008.

Recognizing the fragility of the global economic recovery, we have taken steps to introduce a number of marketing initiatives to increase our profile in the market and more effectively tap into channels that will bring tenants to our buildings. These include direct contact with prospective tenants, better marketing collaterals and active networking amongst the real estate agency community.



Occupancy rate as of 31 December 2009

POSITIVE RENTAL REVERSIONS

For 2009, we managed to achieve a positive rental reversion of 5.86%. This was achieved by a mix of renegotiations with existing tenants, and pre-negotiated step ups on long term leases.

In summary looking at the activities in 2009 the leasing team completed some 15 new deals comprising some 150,658sf and in total completed 43 new deals and renewals covering 2009 to 2011 that comprised some 1,051,471sf.

LEASE EXPIRY PROFILE - 2010-2012

Property	Year 2010	% of Total NLA	% of Rental Income/ month	Year 2011	% of Total NLA	% of Rental Income/ month	Year 2012	% of Total NLA	% of Rental Income/ month
Menara Axis	58,002	1.58%	4.07%	14,034	0.38%	1.21%	-	-	0.05%
Crystal Plaza	169,146	4.60%	7.93%	9,118	0.25%	0.53%	12,433	0.34%	0.68%
Axis Business Park	40,189	1.09%	1.21%	256,269	6.96%	10.32%	38,893	1.06%	1.18%
Infinite Centre	81,680	2.22%	2.47%	33,477	0.91%	0.99%	26,070	0.71%	0.70%
Axis Plaza	32,873	0.89%	1.11%	57,439	1.56%	1.81%	-	-	-
Wisma Kemajuan	91,137	2.48%	3.00%	13,943	0.38%	0.46%	22,898	0.62%	1.00%
Axis North Port LC 1	98,510	2.68%	1.03%	13,000	0.35%	0.16%	-	-	-
Kayangan Depot	103,333	2.81%	1.86%	16,856	0.46%	0.23%	-	-	-
Wisma Bintang	-	-	-	-	-	-	172,967	4.70%	3.45%
Axis Shah Alam DC 1	-	-	-	110,406	3.00%	1.78%	-	-	-
Kompakar CRC Hq	104,903	2.85%	3.87%	-	-	-	-	-	-
Axis Vista	57,617	1.57%	1.95%	60,400	1.64%	1.38%	-	-	-
FCI Senai	-	-	-	-	-	-	136,619	3.71%	1.58%
	837,390	22.76%	28.49%	584,912	15.90%	18.87%	409,880	11.14%	8.65%

CUSTOMER SERVICE FOCUS

We have devoted resources to actively engage with our existing tenants and this process has achieved good results. We are serious about attempting to understand our tenants' needs and we are always trying to add value to their business. This means we can be flexible where needed and offer creative solutions that are tailored to individual needs. We believe this approach is reflected in our tenant retention.

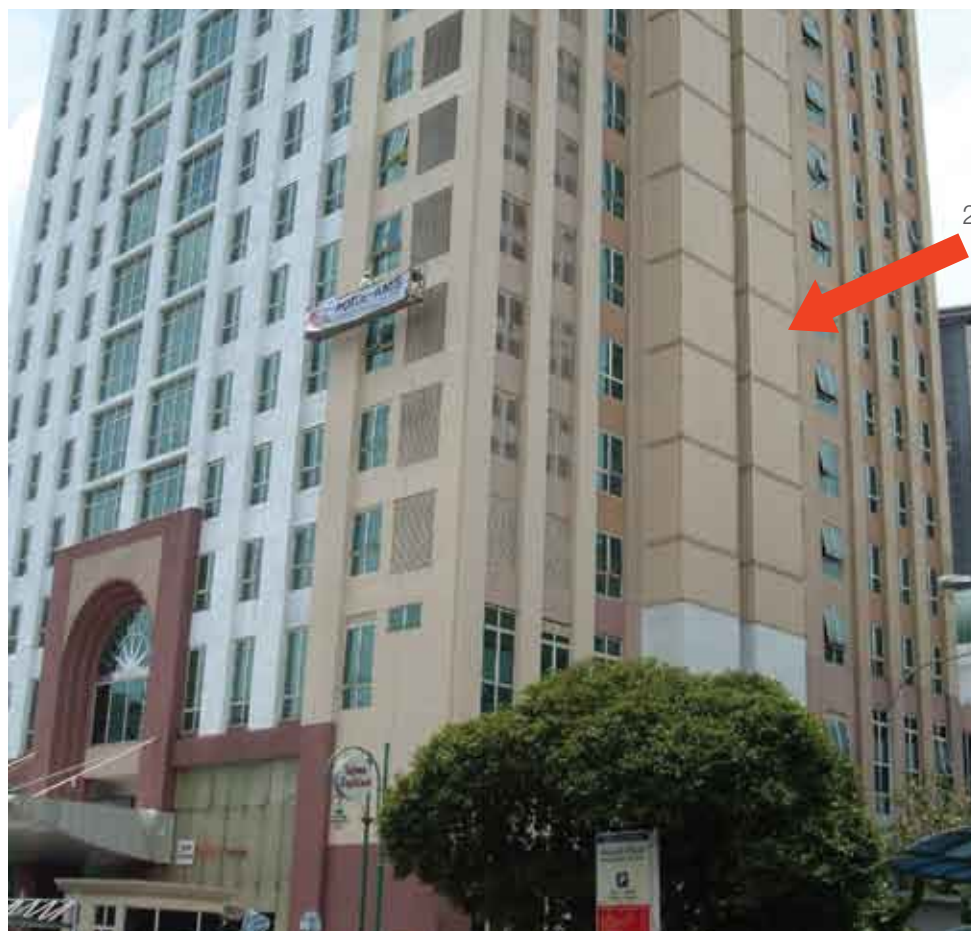
ASSET ENHANCEMENT

The asset team constantly evaluates our portfolio with the focus on the current performance and the future potential. We are constantly looking to enhance the assets within the portfolio to balance the near term returns with their longer term sustainability. Keeping our assets well maintained with planned upgrades is an important part of Axis-REIT's strategy. Our aim is to regularly conduct strategic assessments of all our properties in order to plan further future enhancements. We see this as an essential 'secret sauce' that will allow us to maintain our performance in the years to come.

MANAGER'S REPORT

PROJECTS COMPLETED IN 2009

We are pleased to report the completion of two projects as follows:



2 additional lifts at
Menara Axis

Menara Axis

The upgrade featured the addition of two lifts in the office tower and a minor facelift and repainting exercise in the second quarter of 2009. This project added capacity to the vertical transportation of the building which we felt was required given the higher than normal headcount on many floors. The upgrade was achieved with minimal disruption to the tenants and has been well received.



New Higher Capacity Flooring

Axis North Port LC 1 (Axis NPLC 1)

We understand that the value of a logistic warehouse is largely linked to its floor loading. Logistic operators are prepared to pay higher rents for warehouses that have higher floor loadings. With this in mind, we doubled the floor loading capacity at Axis NPLC 1. The warehouse is now fully leased.

ONGOING PROJECTS

Quattro West [formerly known as Nestle House]

The refurbishment of Nestle House started in November 2009 at a budgeted cost of RM7 million. The rationale for the exercise was that being an old property with outdated M&E services, the asset had limited rental and valuation growth prospects. Once completed, we see this property completely transformed from an old 1970's design to a modern corporate building and will be the newest landmark in Petaling Jaya.

Renamed QUATTRO WEST, the property will get a completely new facade, transformed common areas finishes, total lift upgrades and property system overhaul. The principal aim of this project is to achieve increased rental rates and improved valuations from this property.

The refurbishment will take 18 weeks to complete and as at the date of this report, we are on schedule to complete in 14 April 2010.

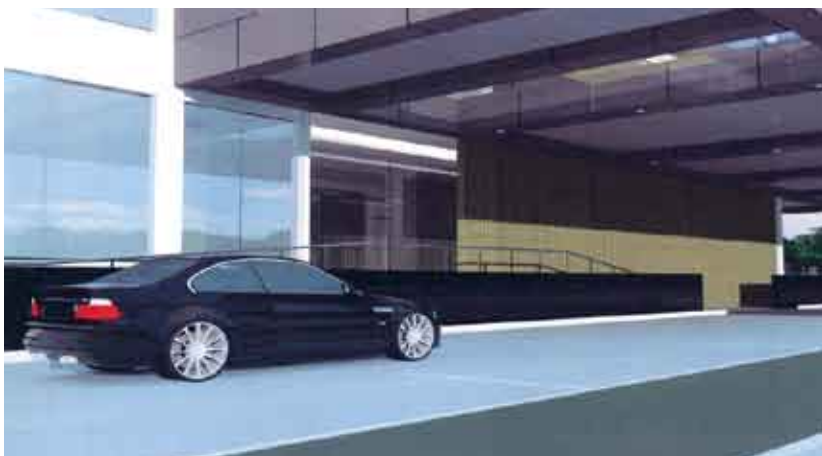
The Manager is now pleased to announce that as of the date of this report, 50% of the building has been successfully leased and secured with a higher rental rate.



Quattro West - artist impression
Top: Federal Highway view Bottom: Jalan Barat view

MANAGER'S REPORT

CRYSTAL PLAZA



Crystal Plaza - artist impression

The Crystal Plaza upgrade is designed to improve the tenant satisfaction with the property and therefore assist with the retention of tenants. The property has always been very popular and its excellent exposure to the Federal Highway and proximity to the LRT station are major advantages. As part of our strategic review, we identified areas that could be improved and we have decided to upgrade the property.

Accordingly, we will commence a refurbishment program that will improve the front entrance layout with enhanced arrival and set down, upgrade the external cladding and replace the finishes in the main lobbies. In addition, the design will create better food & beverage facilities within the property. We believe this capital expenditure will be well spent as it will continue to position Crystal Plaza as a competitive option within the Petaling Jaya office precinct.

STRATEGIC DIRECTION

Axis-REIT turns 5 years old on 3 August 2010. In this period, we have grown at a strong pace and recorded excellent results in the process. Much of what we promised last year was achieved with much success.

However now, more than ever before, there is a need to be resilient and innovative to move the Fund forward in what is a very challenging economic environment – the “New Normal” as it is commonly called.

As a result, the Manager met for a series of closed door meetings in December 2009 to map out a strategic direction for our Fund for the next 5 years.

Our first task was to redefine our Vision and Mission statement as follows:

Mission

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

Vision

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

To achieve this, we have resolved to take the following steps:

1. Define our Sector Focus

- The focus will be on Shariah compliant properties.
- We will start to examine properties in Cyberjaya.
- Location focus will continue to be Petaling Jaya and Klang Valley, with secondary locations in Penang and Johor.
- Upgrading of our commercial assets to be MSC compliant buildings and apply for MSC status.
- Examine opportunities for the redevelopment of Section 13.
- Upgrading to Green buildings as a way of fetching premiums.

2. Create New Deal Flows

- New initiatives to work with the SC to enable us to do development provided there is a sale and leaseback in place. The dialogue will take place through the newly formed Malaysian REIT Managers Association.
- Work closely with our promoters to identify new opportunities to provide the Fund with more pipeline assets.
- Improve our market intelligence to get ahead of trends and market demand.
- Join trade associations to meet new investors.
- Work with MDEC and MIDA as agencies to introduce us as potential space providers for new investors to Malaysia.

3. Capital Management

- We will examine sukuk as part of our debt funding model.
- However we will continue to use term loans and short term funding.

- To target an average cost of funds at 4.5%.
- We will continue to use the model of raising equity to pare down debt and leverage up for future acquisitions.
- Gearing will be maintained at 35%.
- Stress test the cash flow in an environment of rising interest rates.
- Monitor the capital markets – keep close with our financiers.

4. Raise Capital and Grow the Fund

- Lobby with the SC to allow REITs with AUM's under RM2 billion to have multiple placements to grow their market capitalization. To enforce the 20% ruling if the AUM exceeds RM2 billion.
- For RPT to examine the possibility of exchanging assets for units in lieu of payment to maintain the promoters' equity in the fund at levels that provide comfort to investors that there is an alignment of interest.
- Request for faster rights issues programs for REITs taking a cue from Singapore.
- Leverage on our Islamic credentials to attract foreign capital.

5. Risk Management

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

6. Excellence in Lease and Asset Management

- Filling up of vacancies will be a core priority for the Manager.
- Retention of existing tenants is critical to our success and will be focused on.
- Continue to reposition our properties through timely upgrading and redesign to qualify for stronger rents and higher valuations.
- Embrace new technologies in IT to enhance the service delivery and control costs.
- Development in human capital will be a cornerstone of our success.

PROSPECTS

The Manager is optimistic that in the view of the current satisfactory performance of Axis-REIT's existing investment portfolio and its growth strategy to actively pursue quality acquisitions, it will be able to maintain its current performance for the coming financial year ending 31 December 2010.

With the loss of Nestle Products Sdn Bhd as the sole tenant of Nestle House, the Manager has embarked on a comprehensive enhancement of the property. This is currently in progress and scheduled for completion in April 2010.

The Manager is pleased to announce that an anchor tenant has signed up for 50% of the total lettable space at Nestle House (now renamed Quattro West) commencing 1 July 2010 and discussions with prospective tenants for the remaining space is progressing well.

On the leasing front, we are optimistic that our team will continue to reduce the vacancies in the portfolio with positive gains to our total income for the Fund in 2010. Many tenancies due in 2010 have already been renewed and we continue to display a high rate of tenant retention.

MANAGER'S REPORT

In 2009, the Government unveiled of a comprehensive package of economic liberalisation measures. These policies will have a significant impact on the real estate sector as they remove most restrictions on the purchase of properties by foreign investors. Coupled with this, we witnessed several new measures aimed at encouraging the growth of the financial and service sectors. These initiatives should lead to renewed interest by foreign and local institutional property funds entering the Malaysian market now that we are on an equal footing with the policies found in the Hong Kong and Singapore markets. This will lead to a more vibrant real estate market resulting in rising rentals which benefit REITs and their organic growth strategies.

OTHER STATUTORY INFORMATION

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

- i) that would render the value attributed to the current assets in the Axis-REIT financial statements misleading, or
- ii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of Axis-REIT misleading or inappropriate, or
- iii) 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:

- i) 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
- ii) 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 year ended 31 December 2009 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.

DIRECTORS BENEFITS

For the year ended 31 December 2009, 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 22 of the Financial Statements.

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

The Manager receives a fee of 1% per annum of the NAV of Axis-REIT, 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 year under review, the Manager's fee was RM4,808,404, representing 1.0% per annum of the NAV of Axis-REIT for the period 1 January 2009 to 31 December 2009. The Manager did not receive any soft commissions during the period.

The Manager is also entitled to an acquisition and disposal fee of 1% and 0.5% respectively based on the purchase and disposal consideration of the real estate assets upon the completion of the acquisition and disposal. For the period under review there were a total of two (2) acquisitions successfully completed which resulted in a fee of RM1,367,500 being paid to the Manager.

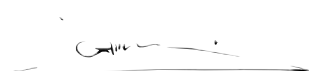
Save for the expenses incurred for the general overheads and costs of services which the Manager is expected to provide, or falling within the normal expertise of the Manager, the Manager has the right to be reimbursed the fees, costs, charges, expenses and outgoings incurred by it that are directly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

AUDITORS

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

This concludes the Managers Report.

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



STEPHEN TEW PENG HWEE
Director



GEORGE STEWART LABROOY
Chief Executive Officer/Executive Director

Date: Kuala Lumpur 12 February 2010

THE AXIS-REIT TEAM



Sitting from left to right : Selina Khor, Chan Wai Leo, David Aboud, Stewart LaBrooy
Standing from left to right : Rebecca Leong, Nikki Ng, Jackie Law, Leong Kit May

George Stewart LaBrooy

Chief Executive Officer/ Executive Director

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

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

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

David Aboud

General Manager, Asset & Lease Management

David Aboud is an Australian citizen who has lived and worked in S.E. Asia since the early 1990's. His tertiary qualifications include a BA [Economics / Politics] at the University of New South Wales- Australia, and a Diploma of Business – Property at the University of Queensland, Australia. David is a qualified Valuer and a member of the Australian Property Institute.

Prior to joining Axis REIT Managers Berhad he was the Managing Director of a boutique development and project management group, Opus Estate Capital, which is involved in the placement of investments in Malaysian real estate to Middle Eastern clients.

In the period 1999 to 2007 David was with Colliers International where he served as the Director of Corporate

Services, Singapore and Malaysia. In this position he was responsible for the servicing of many large corporate clients with operations in Singapore and Malaysia and was involved in many significant commercial and industrial deals in these two countries. He has a well developed network amongst the corporate property sector in Asia and understands the business requirements of MNC's.

David brings a strong management and real estate background to the group and he is responsible for the daily operations of the portfolio including running the marketing and facilities team as well as overseeing the upgrading projects within the portfolio. In addition David is part of the acquisitions team for the REIT.

Leong Kit May

Chief Financial Officer

Leong Kit May joined the Axis REIT Managers Berhad, being the Manager of Axis-REIT in 2006 and was promoted to be the Chief Financial Officer of the Company on 5 August 2008. She graduated with a Bachelor of Business (Accountancy) from RMIT Australia and is a member of Malaysian Institute of Accountants and Certified Practising Accountants of Australia.

She is responsible for treasury, equity and capital management, financial reporting and regulatory as well as Shariah compliances. She has also been designated the Risk Management Officer in charge of risk management in the company. Kit May head the team that saw the successful reclassification of Axis-REIT into Islamic REIT in December 2008. She has also been an invited speaker in the area of Islamic REITs.

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

THE AXIS-REIT TEAM

Chan Wai Leo

Senior Manager, Business Development and Investor Relations

Chan Wai Leo was appointed Manager, Business Development and Investor Relations on 5 August 2008. As of 1 January 2009 he was re-designated Senior Manager, Business Development and Investor Relations. Prior to his appointment, he was the Senior Finance Manager of Axis Development Sdn Bhd, the holding company of Axis REIT Managers Bhd which is principally involved in the management of investment properties and projects. He is currently a Fellow Member of The Chartered Association of Certified Accountants, UK and a member of the Malaysian Institute of Accountants.

He is responsible for the Business Development and Investor Relations of the Fund. As head of Business Development, he identifies, evaluates and negotiates all acquisition opportunities and is responsible for the preparation and execution of all documentation involved with any purchase of assets by the Fund. He also works closely with Leong Kit May on all equity capital raising required by the Fund. As head of Investor Relations he engages with and maintains an excellent relationship with the media, our current and potential Investors, fund managers and analysts.

Prior to holding his position in Axis Development Sdn Bhd, he was the Group Accountant for Pacific Star Group, a Singapore-based real estate investment company. He was responsible for all aspects of the finance functions of the Group. The Pacific Star Group together with Macquarie Bank are the Managers of Macquarie Prime REIT [now renamed YTL Global REIT], a real estate investment trust listed in the Singapore Stock Exchange in 2005.

From 1997 to 2002, Mr. Chan was with Arthur Andersen. During his tenure, he was with the Assurance Division handling statutory audits and profit forecasts. Subsequently, he was transferred to the Transaction Advisory Division where he was involved in the execution of financial advisory assignments which include valuations and corporate debt restructuring.

Selina Khor

Property Manager

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

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

Jackie Law

Head of Leasing and Property Management

Jackie Law Chong Lian is the Head of Leasing and Property Management. Prior to this, she was the Leasing and Marketing Executive. Jackie holds a Master of Science in Facilities Management from the Heriot-Watt University, United Kingdom.

Her main responsibilities include marketing and leasing of space involving negotiating new and existing tenancies, and property management of Axis-REIT portfolio. In addition she handles the structuring and preparation of all tenancy agreements as well as overseeing the Tenant Care Programme to maintain good landlord-tenant relationships.

Jackie has extensive real estate experience including property sales administration, project management, procurement, and facilities management. She has served in several administrative functions in the Axis Group since 1994.

Nikki Ng

Accountant

Nikki Ng was appointed as the Accountant effective on 15th September 2008. She holds a Bachelor of Accountancy (Hons) degree from the Oxford Brookes University, United Kingdom.

Her responsibilities include overseeing the accounting department and the preparation of monthly and statutory financial statements. She also works closely with the Chief Financial Officer in dealing with matters related to corporate finance and regulatory compliance.

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

Rebecca Leong

External Company Secretary from Archer Corporate Services Sdn Bhd

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

She is an Associate Member of The Malaysian Institute of Chartered Secretaries and Administrators and has experience in corporate secretarial practice for over seven years.

THE PROPERTY MANAGER



Standing from left to right : Zulkifli Bin Abd Aziz, Selina Khor and James Gorgey

Our philosophy on property management is to regard it as a process and as an essential platform by which we deliver services to our tenants and maintain the assets of Axis-REIT. This is done so that the assets continue to deliver performance expected of them in the future.

As always there is a critical balance between the need to spend funds on maintenance and upkeep and the need to contain costs and deliver results for our investors. To assist us in achieving this balance in 2009 we have started a program of Life Cycle Management for the entire portfolio to better identify long term maintenance issues. The aim of this is to achieve a more accurate cost management of all the elements that make for the optimum performance of our building systems.

To underpin this life cycle management initiative we have increased our team with the addition of Mr. James Gorgey, a mechanical engineer, and En. Zulkifli bin Abdul Aziz, an electrical engineer. James comes from a project background as well as having experience in mechanical engineering maintenance programs and Zulkifli has had experience in delivering facilities maintenance in a variety of property types including the demanding hotel sector.

Another measure introduced in 2009 was the introduction of a qualification review for all our service providers with a view to achieve better services and costs delivered to the buildings. Both contractors and suppliers were regularly graded and assessed on a quarterly basis with remedial action taken if required if there was a shortfall in quality. This program has already seen results with improvements in services at all levels together with reduced costs.

As a deliverable metric across the portfolio, our maintenance costs achieved an average of 16.50% of total gross income for the portfolio in 2009. We will continue to improve on this figure for 2010 and at the same time work to improve performance of the buildings by measuring the incident frequency and tenant satisfaction.

In 2010, we plan to computerize a majority of our property management functions and reporting. We see this as an essential step in building a platform that can be scaled up as we support the Manager as they grow the portfolio. Any property management platform must be flexible in order to accommodate a growing portfolio as seamlessly as possible and we see a well designed computerized platform as essential to achieving this aim.

SHARIAH ADVISER'S REPORT



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

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

In our opinion, **AXIS REIT Managers Berhad** has managed and administered **AXIS-REIT** in accordance with Shariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Shariah matters for the financial year ended 31 December 2009.

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

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

For **Islamic Banking and Finance Institute Malaysia Sdn. Bhd.**



MOHD NASIR ISMAIL

Senior Shariah Fellow/Designated Person Responsible for Shariah Advisory

Kuala Lumpur

THE INVESTMENT PROPERTY PORTFOLIO AS AT 31 DECEMBER 2009



- | | | |
|---|---|---|
| <p>1. MENARA AXIS
No. 2, Jalan 51A/223
46100 Petaling Jaya
Selangor.</p> | <p>4. INFINITE CENTRE
Lot 1, Jalan 13/6
46200 Petaling Jaya
Selangor.</p> | <p>7. AXIS NORTH PORT LC 1
Lot 24, Jalan Lebu 1
Kawasan Perindustrian
Sultan Sulaiman
North Port
42000 Port Klang.</p> |
| <p>2. CRYSTAL PLAZA
No. 4, Jalan 51A/223
46100 Petaling Jaya
Selangor.</p> | <p>5. WISMA KEMAJUAN
No. 2, Jalan 19/1B
46300 Petaling Jaya
Selangor.</p> | <p>8. KAYANGAN DEPOT
No. 3, Jalan 15/16
Section 15,
40000 Shah Alam
Selangor.</p> |
| <p>3. AXIS BUSINESS PARK
No. 10, Jalan Bersatu 13/4,
46200 Petaling Jaya
Selangor.</p> | <p>6. AXIS PLAZA
Lot 5, Jalan Penyair U1/44,
Off Jalan Glenmarie, Temasya
Industrial Park, Batu Tiga
40150 Shah Alam
Selangor.</p> | |

THE INVESTMENT PROPERTY PORTFOLIO AS AT 31 DECEMBER 2009



-
- | | |
|---|--|
| <p>9. AXIS SHAH ALAM DC1
Lot 2-22, 2-24, 2-26, 2-28,
Jalan SU 6A
Taman Perindustrian
Subang (Lion Industrial Park),
Section 22
40200 Shah Alam
Selangor.</p> <p>10. WISMA BINTANG
Lot 13A & 13B
Jalan 225, Section 51A
46100 Petaling Jaya
Selangor.</p> <p>11. QUATTRO WEST
No. 4, Lorong
Persiaran Barat
46100 Petaling Jaya
Selangor.</p> <p>12. NESTLE OFFICE & WAREHOUSE
Lot 14, Jalan Delima 1/1
Subang Hi-Tech Industrial Park, Batu Tiga
40000 Shah Alam
Selangor.</p> <p>13. FCI SENAI
PLO 205
Jalan Cyber 14
Senai IV Industrial Area
Johor Bahru,
81400 Johor.</p> <p>14. BMW ASIA TECHNOLOGY CENTRE PTP JOHOR
Lot D21
Jalan Tanjung A/3
Port of Tanjung Pelepas
81560 Johor.</p> <p>15. NIRO WAREHOUSE
PLO 419-421
Jalan Emas 2
Pasir Gudang Industrial Estate,
81700 Pasir Gudang
Johor.</p> <p>16. GIANT HYPERMARKET
Jalan Lencongan Barat
08000 Sungei Petani
Kedah.</p> | <p>17. KOMPAKAR CRC HQ
No. 12 Jalan
Bersatu 13/4, Section 13,
46200 Petaling Jaya
Selangor.</p> <p>18. DELFI WAREHOUSE
PLO 563, Jalan Keluli 8
Pasir Gudang Industrial Estate,
81700 Pasir Gudang
Johor.</p> <p>19. AXIS VISTA
No. 11, Jalan 219
Section 51A
46100 Petaling Jaya
Selangor.</p> <p>20. AXIS STEEL CENTRE
Lot 19, Lebuhr Hishamuddin 1,
Kawasan 20, Selat Klang Utara,
42000 Pelabuhan Klang</p> <p>21. BUKIT RAJA DISTRIBUTION CENTRE
No. 43 & 44, Lengkok Keluli 1,
Kawasan Perindustrian,
Bukit Raja Selatan, Sek 7,
40000 Shah Alam, Selangor</p> |
|---|--|

PORTFOLIO DETAILS

	Property Name	Acquisition Date	Purchase Price (RM'000)	Total Investment Outlay including enhancement as of 31-12-09 (RM'000)	Book Value based on latest valuation (RM'000)	Net Lettable Area (sq ft)
1	Menara Axis	3/8/2005	71,400	73,914	93,000	174,955
2	Crystal Plaza	3/8/2005	56,400	56,537	89,800	202,976
3	Axis Business Park	3/8/2005	84,600	85,045	102,900	341,215
4	Infinite Centre	3/8/2005	25,450	25,646	34,700	146,901
5	Axis Plaza	3/8/2005	22,500	22,502	29,500	117,745
6	Wisma Kemajuan	16/12/2005	29,000	33,214	53,600	200,930
7	Axis North Port LC 1	22/5/2006	10,300	13,155	15,312	134,155
8	Kayangan Depot	30/6/2006	16,100	16,620	22,000	163,769
9	Wisma Bintang	30/6/2006	32,500	32,684	38,750	Lot 13A - 65,816 Lot 13B - 107,151

Address	Gross Revenue for the period ended 31-12-09 (RM '000)	Occupancy Rate as at 31-12-09	Major Tenants
No. 2, Jalan 51A/223, 46100 Petaling Jaya, Selangor.	9,375,652	93.42%	Fujifilm (M) Sdn Bhd American International Assurance Berhad Sportathlon (M) Sdn Bhd Philips Malaysia Sdn Bhd DHL Asia Pacific Shared Services Sdn Bhd
No. 4, Jalan 51A/223, 46100 Petaling Jaya, Selangor.	9,375,212	93.95%	Tenaga Nasional Bhd Scope International (M) Sdn Bhd DHL Asia Pacific Shared Services Sdn Bhd Asiaworks Training Sdn Bhd
No. 10, Jalan Bersatu 13/4, 46200 Petaling Jaya, Selangor.	11,213,897	98.28%	Fuji Xerox Asia Pacific Pte Ltd PL Asia Pacific (Singapore) Pte Ltd eBworx Berhad Honeywell Engineering Sdn Bhd Johnson & Johnson Sdn Bhd
Lot 1, Jalan 13/6, 46200 Petaling Jaya, Selangor.	3,394,547	93.44%	UTAR Konica Minolta Business Solutions (M) Sdn Bhd FJ Benjamin (M) Sdn Bhd C Melchers Gmbh & Co Crystal Edge Sdn Bhd
Lot 5, Jalan Penyair U1/44, Off Jalan Glenmarie, Temasya Industrial Park, Batu Tiga, 40150 Shah Alam, Selangor.	2,790,295	81.75%	Ricoh (Malaysia) Sdn Bhd CSE Automotive Technologies Sdn Bhd Electrolux Commercial Products Sdn Bhd City-Link Express (M) Sdn Bhd EMS Asia Group Sdn Bhd
No. 2, Jalan 19/1B, 46300 Petaling Jaya, Selangor.	4,897,414	72.02%	Goucera Marketing Sdn Bhd Hong Leong Marketing Sdn Bhd EP2M Services Sdn Bhd Fossil Time Malaysia Sdn Bhd Silverlake Infrastructure & Logistics Sdn Bhd
Lot 24, Jalan Lebu 1, Kawasan Perindustrian Sultan Sulaiman North Port, 42000 Port Klang.	1,064,188	83.12%	AS Logistics Sdn Bhd ITS Testing Services (M) Sdn Bhd Syarikat United Shipping & Forwarding Sdn Bhd
No. 3, Jalan 15/16, Section 15, 40000 Shah Alam, Selangor.	2,131,762	76.20%	Courts Mammoth Sdn Bhd DHL Exel Supply Chain (M) Sdn Bhd Naza Kia Sdn Bhd Nineteen-O-One Sdn Bhd City-Link Express (M) Sdn Bhd
Lot 13A & 13B, Jalan 225, Section 51A 46100 Petaling Jaya, Selangor.	2,730,000	100%	Cycle & Carriage Bintang Berhad

PORTFOLIO DETAILS

Property Name	Acquisition Date	Purchase Price (RM'000)	Total Investment Outlay including enhancement as of 31-12-09 (RM'000)	Book Value based on latest valuation (RM'000)	Net Lettable Area (sq ft)
10 Axis Shah Alam DC1	1/8/2007	18,500	19,063	18,500	110,406
11 Giant Hypermarket	7/9/2007	38,000	38,678	39,000	138,000
12 FCI Senai	15/11/2007	12,300	12,551	14,000	136,619
13 Nestle Office & Warehouse	16/11/2007	7,200	7,351	7,600	Office - 19,288 W/hse - 8,266
14 Quattro West (formerly known as Nestle House)	30/11/2007	39,800	41,062	38,000	106,000
15 Kompakar CRC HQ	25/1/2008	37,000	37,557	40,000	104,903
16 BMW Asia Centre PTP	30/4/2008	27,000	27,471	27,100	161,474
17 Niro Warehouse	30/4/2008	14,500	14,811	14,500	167,193
18 Delfi Warehouse	4/8/2008	12,500	12,754	13,500	130,743
19 Axis Vista	9/12/2008	32,000	32,505	35,000	118,017
20 Axis Steel Centre	20/10/2009	65,000	65,882	75,000	366,839
21 Bukit Raja Distribution Centre	14/12/2009	71,750	72,636	80,200	456,435

Address	Gross Revenue for the period ended 31-12-09 (RM '000)	Occupancy Rate as at 31-12-09	Major Tenants
Lots 2-22,2-24,2-26,2-28, Jalan SU 6A Taman Perindustrian Subang, (Lion Industrial Park), Section 22, 40300 Shah Alam, Selangor.	1,473,946	100%	Gapima Sdn Bhd
Jalan Lencongan Barat, 08000 Sungei Petani, Kedah.	2,898,000	100%	GCH Retail (Malaysia) Sdn Bhd
PLO 205, Jalan Cyber 14, Senai IV Industrial Area, 81400 Johor Bahru.	1,311,542	100%	FCI Connectors Malaysia Sdn Bhd
Lot 14, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, Batu Tiga, 40000 Shah Alam, Selangor.	615,000	100%	Nestle Products Sdn Bhd
No. 4 Lorong Persiaran Barat, 46100 Petaling Jaya, Selangor.	4,087,900	0%	
No. 12 Jalan Bersatu 13/4, Section 13, 46200 Petaling Jaya, Selangor.	3,210,032	100%	Kompakar CRC Sdn Bhd
Lot D21, Jalan Tanjung A/3, Port of Tanjung Pelepas, 81560 Johor	3,246,360	100%	BMW Asia Technology Centre Sdn Bhd
PLO 419-421, Jalan Emas 2, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	1,560,000	100%	Niro Ceramic (M) Sdn Bhd
PLO 563, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	1,306,368	100%	Delfi Cocoa (Malaysia) Sdn Bhd
No. 11, Jalan 219, Section 51A 46100 Petaling Jaya Selangor.	3,151,036	100%	Cergazam Sdn Bhd Melco Sales Malaysia Sdn Bhd Samsung Malaysia Electronics (SME) Sdn Bhd
Lot 19, Lebuhr Hishamuddin 1, Kawasan 20, Selat Klang Utara, 42000 Pelabuhan Klang	1,475,442	100%	Konsortium Logistik Berhad
No. 43 & 44, Lengkok Keluli 1, Kawasan Perindustrian, Bukit Raja Selatan, Sek 7, 40000 Shah Alam, Selangor	289,202	100%	IDS Logistics Services (M) Sdn Bhd

PROPERTY MARKET OVERVIEW 2009

1.0 Klang Valley

1.1 PURPOSE BUILT OFFICES

1.1.1 Market Overview

Prior to the deepening of the global financial crisis, the tight supply of Grade A office space and buoyant, broad-based demand across a wide range of sectors including Islamic finance, the oil and gas industry, agribusiness and commodities had caused a gradual increase in office rentals which persisted over a number of years. As was the case in virtually all other major cities around the region, the Klang Valley was hit by the global economic downturn throughout most of 2009 as falling demand amid corporate consolidation and downsizing pushed down rental and occupancy rates. Office rentals in the Klang Valley peaked at the end of the fourth quarter of 2008 and softened moderately thereafter by about 15% as of the fourth quarter of 2009.

The Klang Valley office market remained relatively resilient throughout 2009 and there was a noticeable improvement in sentiment in the second half of the year as the economic outlook improved. Rentals began to level out in the fourth quarter and leasing activity gradually began to pick up. With the addition of 7.69 million sf of new supply from the 27 office buildings completed in 2009, vacancy rates rose to 13.8% by year end. Many tenants have remained on the sidelines waiting for signs of stability in the global economy before embarking on any major moves.

This trend of stepped up rate of office development is set to continue for the next three years with a further 4.0 million sf, 2.8 million sf and 4.2 million sf set to be added to supply by the end of 2010, 2011 and 2012 respectively. Whilst the new supply of office space over the next three years is not regarded as excessive, it should ensure that a tenants' market will continue to prevail in 2010.

On the investment front, the Klang Valley office market witnessed a noticeable increase in activity towards the end of 2009, fuelled by the stock market rally and improved economic growth. The majority of investment transactions have involved local investors with foreign buyers remaining hesitant.

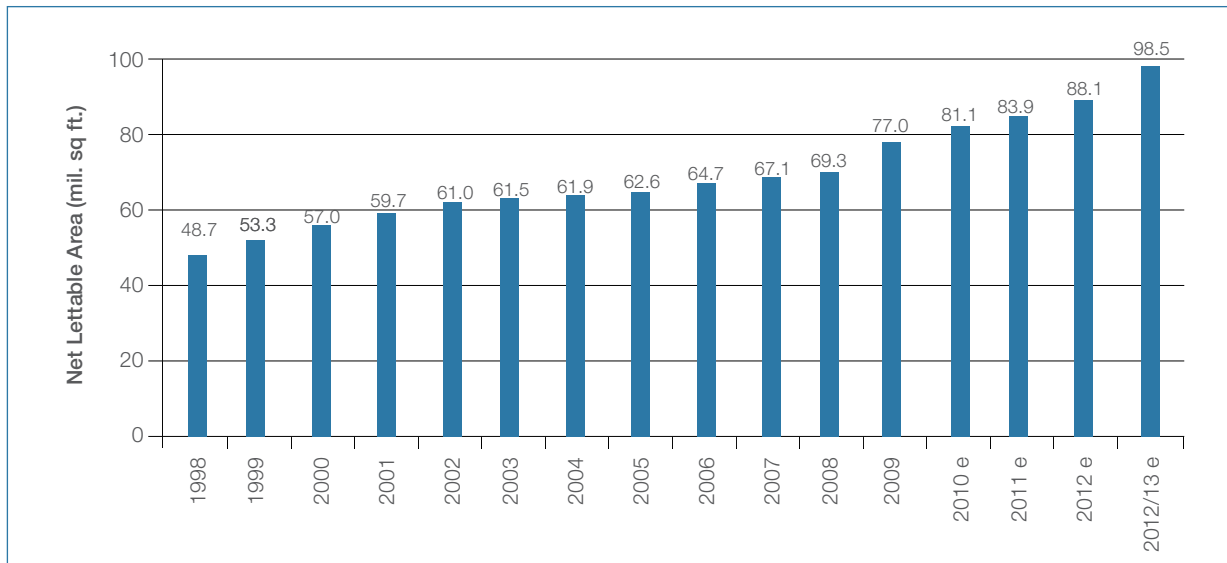
By the end of the fourth quarter of 2009 the average transaction price of office properties in Kuala Lumpur had decreased by around 14.3% from RM950 psf to RM814 psf y-o-y, but the fall has not been as severe as that witnessed in other markets around Southeast Asia. Despite weakening rentals and slightly higher yield expectations, office capital values in Kuala Lumpur are expected to remain steady throughout 2010 and generally range between RM800 to RM1,200 psf.

1.1.2 Existing Supply

Twenty seven (27) office buildings were completed during 2009 contributing a total of 7.69 million sf of office space to the Klang Valley office market. Of the total supply, 62% (4.74 million sf) is located in Kuala Lumpur, whilst suburban Selangor areas made up the remaining 38% (2.95 million sf).

With the addition of the new office space in the review period, the cumulative supply of office space in Klang Valley stood at 77.03 million sf as at December 2009, of which 61.71 million sf (80%) and 15.32 million sf (20%) office space were located in Kuala Lumpur and Selangor, respectively.

Cumulative Supply of Office Space in the Klang Valley



Source: CBRE Research

1.1.3 Future Supply

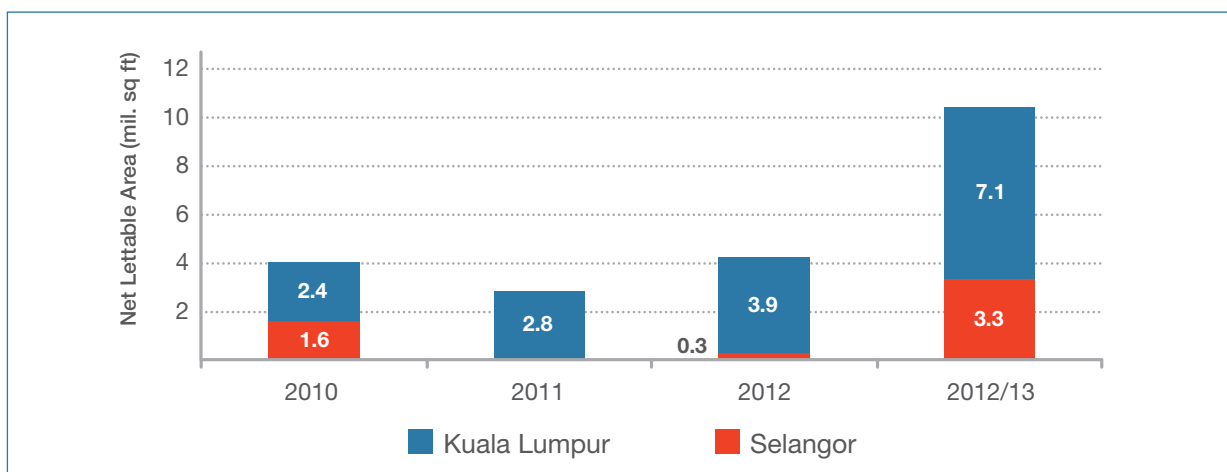
There were a total of 29 office building developments under construction as at December 2009 which will add another 11.07 million sf of space to the Klang Valley by year 2012. By year 2010, an estimated 4.03 million sf of office space will complete in the Klang Valley, of which 60% (2.40 million sf) will be located in Kuala Lumpur, and the remaining 40% (1.63 million sf) in the suburban area.

In year 2010, a total of 2.4 million sf of new supply will be located in the KL which includes Menara Waqaf, HSBC New Annex Office Tower, BRDB Tower, CapSquare Office Tower 2, Menara Worldwide, Menara Kencana and One Mont' Kiara.

New supply in the suburban areas in year 2010 will be concentrated in Subang Jaya (748,861 sf) and includes Oasis Ara Damansara, First Subang and The Empire Tower. In Petaling Jaya, PJ Exchange and V Square @ PJ City Centre will contribute a total of 670,000 sf, followed by Menara Mudajaya and Sunsaria Avenue in Mutiara Damansara/Kota Damansara area (207,643 sf).

Office building developments which were still at planning stage as at December 2009 would bring another 10.42 million sf by year 2012/2013 if the developers proceeded to start construction in the next two years.

Future Supply of Office Space in the Klang Valley



Note: Year 2012/13 indicates projects at planning stage

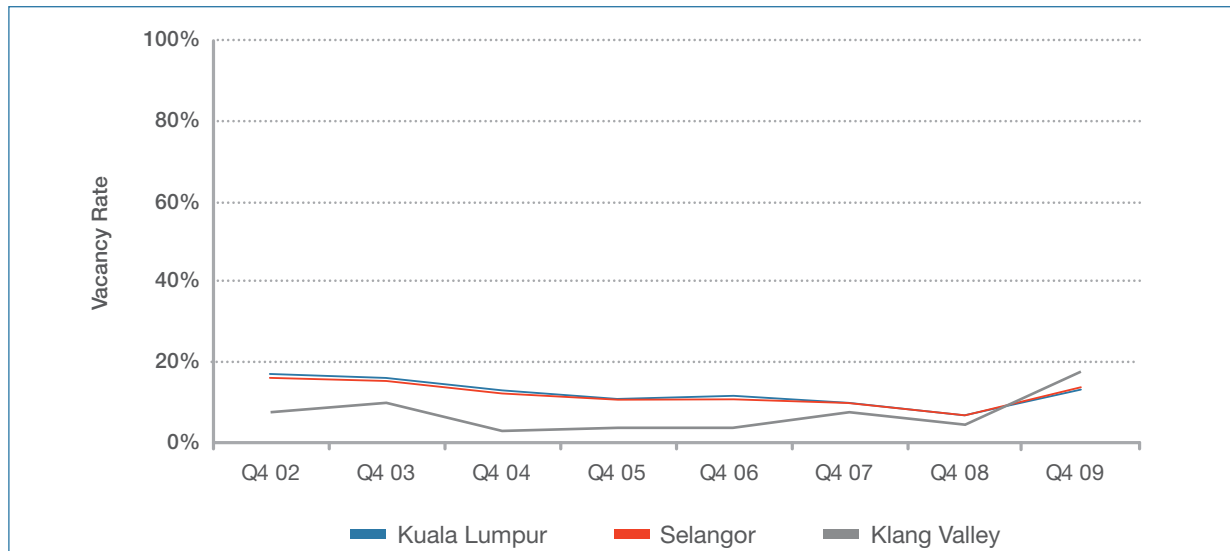
Source: CBRE Research

PROPERTY MARKET OVERVIEW 2009

1.1.4 Average Vacancy Rates

The new supply of office space introduced in 2009 exhibited relatively good take up in spite of the economic downturn. Nevertheless, average vacancy rates in the Klang Valley rose to 13.8% in Q4 2009 from 6.8% for the same period in 2008.

Vacancy Rates of High Grade Office Space in Klang Valley



Source: CBRE Research

1.1.5 Average Asking Rental Rates

Average asking rentals in the prime office buildings in Kuala Lumpur range from RM5.00 - 12.00 psf. In the KL Sentral area, asking gross rents in existing buildings dropped to RM5.50 psf, compared with a peak of RM7.00 psf in 2008, pointing to a moderate correction in rentals for this district as general demand for new space from the private sector declined. Nevertheless, we have recently seen in July 2009, Shell Malaysia enter into a pre-let lease agreement for its new corporate office in 348 Sentral, located within an upcoming LEED certifiable mixed development slated for completion in 2012. The gross rental was reportedly at RM8.00 psf on 340,000 sf of office space for a lease period of 15 years.

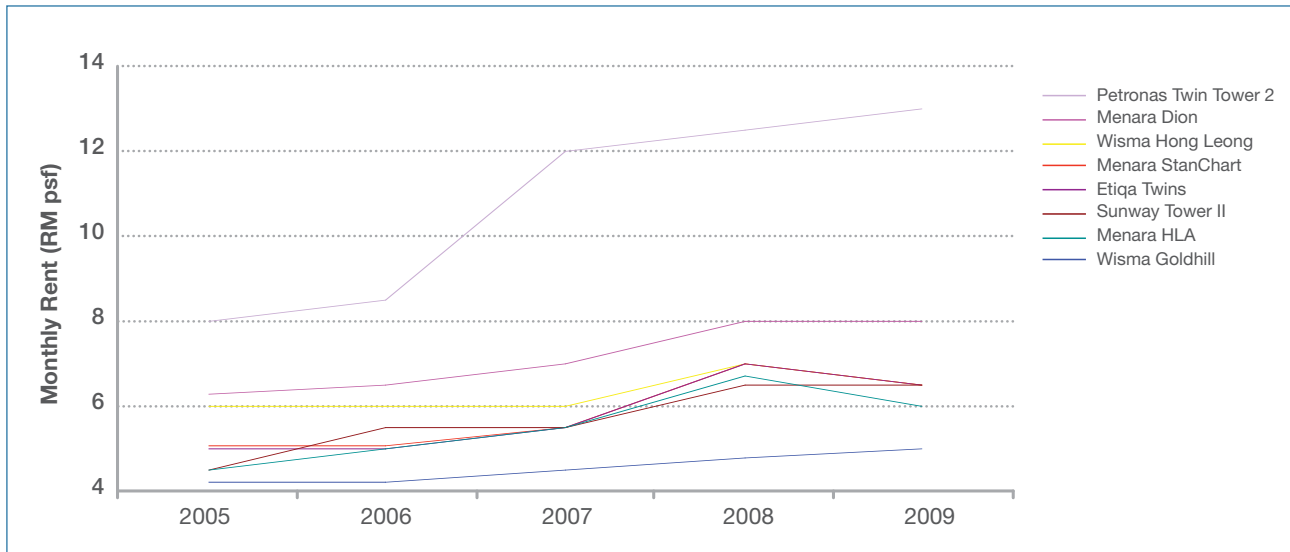
In Petaling Jaya, high grade office buildings are generally averaging between RM3.00 - 4.50 psf. Higher rents of up to RM6.50 psf are achievable for ground floor space, small spaces in high grade buildings or in the instances where specific features such as MSC status are in place.

Average Monthly Asking Rentals of Selected High Grade Office Buildings in Kuala Lumpur (RM psf)

Office Building	2005	2006	2007	2008	2009	2008 vs 2009
Petronas Twin Tower 2	8.00	8.50	12.00	12.50	13.00	+0.50
Menara Maxis	6.90	7.00	7.50	9.00	9.00	-
Menara IMC	6.00	7.00	7.00	7.75	8.50	+0.75
Menara Dion	6.30	6.50	7.00	8.00	8.00	-
Rohas Perkasa	5.50	5.50	5.50	7.50	7.50	-
Wisma Hong Leong	6.00	6.00	6.00	7.00	6.50	-0.50
Menara StanChart	5.10	5.10	5.50	7.00	6.50	-0.50
Etiqa Twins	5.00	5.00	5.50	7.00	6.50	-0.50
Sunway Tower II (formerly Wisma Denmark)	4.50	5.50	5.50	6.50	6.50	-
Menara HLA	4.50	5.00	5.50	6.75	6.00	-0.75
Wisma Goldhill	4.20	4.20	4.50	4.80	5.00	+0.20

Source: CBRE Research

Asking Rents for Prime Office Buildings in Kuala Lumpur



Source: CBRE Research

1.1.6 Major Transactions

The Malaysian real estate investment market ended 2009 on a strong note with a surge in activity in the final two months of the year. Throughout the year there were a total of 13 major transactions of office buildings in the Klang Valley with a total transaction value of RM1.789 billion. Also significant was the sale and leaseback of the CIMB group's branches and offices nationwide to the Employee's Provident Fund for a total consideration of RM302.45 million.

By year end, a number of local and overseas funds had re-entered the market and we foresee continued strong interest in acquiring high quality office assets.



PROPERTY MARKET OVERVIEW 2009

Major Transactions of Purpose Built Office Buildings in Klang Valley in 2009

Buildings	Location	NLA (sf)	Consideration		Estimated Gross Yield
			RM mil	RM mil	
Kuala Lumpur					
Menara Citibank (50% equity) ¹	Jln Ampang	731,945	303.50	828	6.3%
Corporate Office Tower at Southgate ²	Jln Sungei Besi	-	226.00	-	
Darul Takaful	Jln Sultan Ismail	99,021	63.00	636	7.4%
Glomac Damansara - Tower D ³	Jln Damansara	254,000	170.73	672	
The Icon - East Wing at Jln Tun Razak	Jln Tun Razak	278,182	226.51	814	7.0%
Apex Tower at Southgate ²	Sungai Besi	90,126	63.09	700	
Bangunan Shell Malaysia	Damansara Heights	212,860	105.00	493	7.8%
Wisma Genting (100% equity) ⁴	Jln Sultan Ismail	409,033	277.00	677	7.4%
Kenanga International	Jln Sultan Ismail	-	250.00	-	-
Selangor					
Wisma Glomac 3 - Block C (together with 3 office units in Block A) at Kompleks Kelana Centrepoint	Kelana Jaya	-	50.00	-	-
Wisma Dijaya	Jln Damansara	-	26.00	-	-
Glomac Business Centre - Block B	Kelana Jaya	-	22.60	-	-
MTD Building ⁵	Batu Caves	132,731	70.00	527	6.9%

Note:

¹ Menara Citibank: Purchase price of RM243.5 million is based on 50% of the NAV of Inverfin which is the owning company of Menara Citibank.

² Combined office and retail space - under construction.

³ Under construction

⁴ Wisma Genting: Purchase price of RM212,709,548 is based on 100% of the NAV of Oakwood which is the owning company of Wisma Genting.

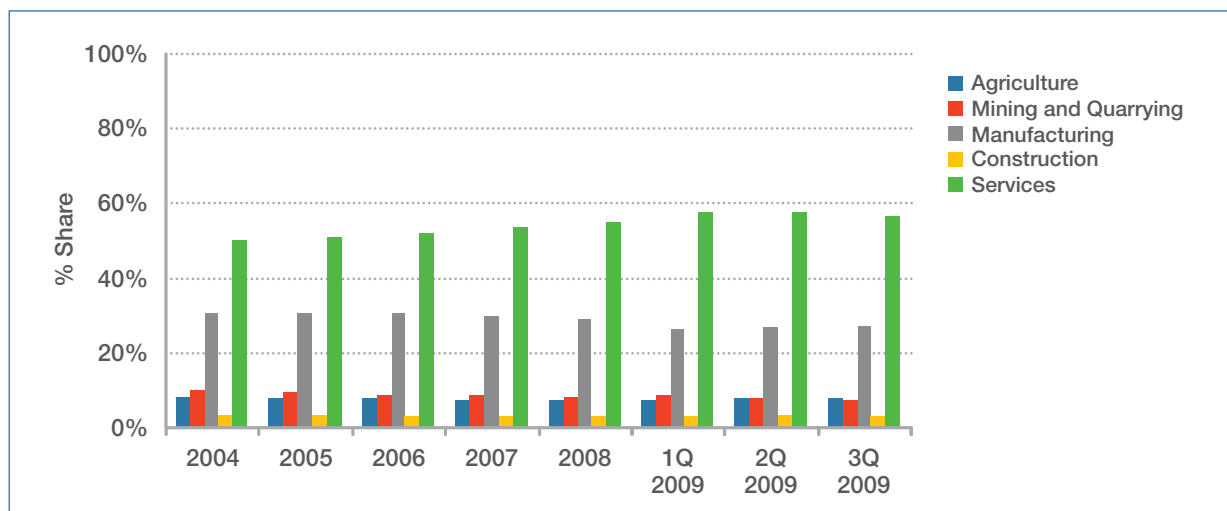
⁵ MTD Building: Sale includes surplus land measuring 0.9 acres.

Source: Bursa Malaysia & CBRE Research

1.2 INDUSTRIAL PROPERTY

1.2.1 Overview of the Industrial Sector in the Malaysian Economy

Malaysia GDP By Sector (% Share)



Source: Department of Statistics

After an uncertain start to the year, the second half of 2009 began to show signs of improvement in the economy. Bank Negara Malaysia (BNM) announced that the economy contracted by a smaller rate of 1.2% in Q3, helped by further growth in the construction and service sectors, and by higher household and government consumption. This represents the second consecutive quarter in 2009 with positive GDP signaling a turnaround in the economy. The manufacturing sector which is the second largest contributor to GDP also contracted by a smaller rate of 8.6% in Q3 2009, an improvement from the preceding quarters.

Similarly, the Industrial Production Index (IPI) in the 4th Quarter of 2009 grew by 2.9% against the same quarter in 2008, after 3 quarters of contractions, contributed by the increase in Manufacturing and Electricity outputs in the month of December. Overall, the IPI declined to 99.8 in 2009 from 108.0 in 2008.

According to the Department of Statistics Malaysia, Malaysia's total trade for the year 2009 was valued at RM988.2 billion. Total exports and imports in 2009 reduced by RM553.3 billion and RM434.9 billion respectively, compared with 2008.

1.2.2 Existing Supply of Industrial Property

In the first three quarters of 2009, the existing supply of industrial properties increased by 15 and 674 units in Kuala Lumpur and Selangor respectively. The existing industrial properties are predominantly terraced factories contributing 74.8% of the combined total supply in both states.

Supply of Industrial Properties in Klang Valley (number of units)

State	Type of Property	Existing Supply					Future Supply	
		2005	2006	2007	2008	3Q 09	Incoming Supply	Planned
Kuala Lumpur	Terraced	2,975	2,975	2,975	2,975	2,975	14	111
	Semi-Detached	457	457	457	457	471	16	0
	Detached	553	553	553	553	554	0	41
	Flatted Factory	1,116	1,116	1,116	1,116	1,116	0	0
	Industrial Complex	14	14	14	14	14	0	1
	Total	5,115	5,115	5,115	5,115	5,130	30	153
Selangor	Terraced	24,978	25,049	25,599	25,737	26,310	1,700	1,022
	Semi-Detached	3,133	3,141	3,227	3,265	3,305	288	175
	Detached	3,502	3,514	3,956	3,993	4,051	66	712
	Flatted Factory	270	270	270	270	270	0	7
	Industrial Complex	94	94	102	102	105	0	18
	Total	31,977	32,068	33,154	33,367	34,041	2,054	1,934

Source: JPPH, Ministry of Finance

1.2.3 Future Supply

The future supply of industrial properties in the Klang Valley is largely in Selangor, with terraced factories making up the bulk of supply. A total of 2,054 units are currently under construction in Selangor and another 1,934 units have been approved but have yet to commence construction. Kuala Lumpur, by contrast, has limited future supply with only 30 industrial units currently under construction and 153 planned units.

1.2.4 Rental

Generally, rentals of good quality industrial premises in the Klang Valley have remained stable throughout 2009. Demand has largely been for logistics/warehousing facilities in specific areas in Klang Valley.

Asking monthly rentals for detached factories / warehouses in the Klang Valley currently range between RM0.45 - 2.00 psf, while rents for industrial premises used as showrooms can be as high as RM2.50 psf.

PROPERTY MARKET OVERVIEW 2009

2.0 Johor

2.1 GENERAL OVERVIEW

The Johor property market over the last 12 months has been relatively resilient. In spite of the slowdown in the economy, there was tangible interest in property development in Johor as evidenced by the acquisition of land for future commercial and residential developments by developers and continuing investments in Iskandar Malaysia.

The state government's active role in promoting Iskandar Malaysia will pave the way for more foreign investment and growth in Johor.

2.2 PURPOSE BUILT OFFICES

As at 3Q 2009, JPPH data reports that the district of Johor Bahru has about 7.97 million sf of purpose built office space within a total of 12 buildings. Future supply is expected from 11 buildings (1.54 million sf) under various stages of construction and 18 buildings (6.31 million sf) which have been approved but have yet to commence construction (Source: JPPH, Ministry of Finance). Four new office buildings were completed in the Johor Bahru district in 2009 namely Metro Larkin, Kompleks Islam, Bangunan Mahkamah Syariah and Majlis Daerah Kulai Jaya. Currently there are no further buildings under construction in the city centre; any further supply in the immediate future will be in the suburbs.

Due to the stagnant supply in the market over the last few years, occupancy and rental rates rose gradually from previous years' levels. JPPH data showed an average occupancy rate of 77% for all office buildings in the district of Johor Bahru as at 3Q 2009. Current rents for high grade office space average between RM1.40 - 2.50 psf for city fringe areas while rents in prime office buildings in the city centre have now surpassed the RM3.00 psf mark.

Looking forward, the limited future supply in the city centre is expected to exert an upward pressure on rents. The future landscape may be different however once the IDR is substantially developed which may create a new demand from the international community for Johor Bahru and Nusajaya in particular. Should this happen, the geography may also change and the city centre may eventually decline in importance as administrative and commercial functions become centred at Nusajaya.

2.3 INDUSTRIAL PROPERTY

State	Type of Property	Existing Supply					Future Supply	
		2005	2006	2007	2008	3Q 09	Incoming Supply	Planned
Johor	Terraced	7,440	7,440	7,466	7,466	7,459	244	327
	Semi-Detached	2,679	2,701	2,700	2,700	2,775	112	650
	Detached	2,518	2,575	2,653	2,653	2,707	127	1,226
	Flatted Factory	0	0	0	0	0	0	0
	Industrial Complex	461	468	468	468	470	9	22
	Total	13,098	13,184	13,287	13,287	13,411	492	2,225

Source: JPPH, Ministry of Finance

Investments in Johor in the first half of 2009 constituted 16.3% (RM2.6 billion) of the total RM15.8 billion invested in Malaysia with major foreign investors coming from Singapore, Japan, Korea, Austria and the United States. Foreign direct investments make up 62.7% of the RM2.6 billion investments in Johor and were primarily invested in electronics, food manufacturing, textiles and textile products, non-metal products and chemical product industries.

Industrial rents in Johor have remained relatively stable over the last 12 months and are almost at par with rents in the Klang Valley. Port/free trade areas such as Port Tanjung Pelepas are achieving average rents of RM1.20 - 2.00 psf, compared to RM0.75 - 1.00 psf for non-port industrial areas. Active non-port industrial estates in 2009 include SiLC, Nusa Cemerlang Industrial Park and Tebrau Industrial Park 3.

3.0 PENANG

3.1 GENERAL OVERVIEW

The Penang property market entered into a year of consolidation in 2009 as the market stabilized from the effects of the global economic downturn which started in 2008. Transactional activities of purpose built offices and industrial properties entered a slower phase with prices and rents generally remaining unchanged over the last 12 months.

3.2 PURPOSE BUILT OFFICES

New supply in 2009 is contributed by the completion of IJM's corporate office at Gelugor bringing the total supply of office space on Penang island as at 3Q 2009 to 8.8 million sf. Construction is still ongoing at the CEO (a stratified office building) in Bukit Jambul which is expected to complete in 2010. There were no new launches of office buildings in Penang island in 2009.

According to JPPH data, about 80% of total office space on Penang island is concentrated within George Town, the traditional city centre of the island, with occupancy rates of 78%.

High grade office buildings are achieving gross monthly rental rates between RM2.50 - 3.00 psf, while the newly completed IJM corporate office is leasing space at RM2.80 – 3.20 psf. Average monthly rental rates of secondary office buildings generally range between RM1.70 to 2.50 psf.

3.3 INDUSTRIAL PROPERTY

State	Type of Property	Existing Supply					Future Supply	
		2005	2006	2007	2008	3Q 09	Incoming Supply	Planned
Penang	Terraced	4,709	4,794	4,794	4,794	4,794	143	193
	Semi-Detached	1,081	1,109	1,109	1,109	1,109	78	10
	Detached	1,176	1,208	1,246	1,279	1,316	12	287
	Flatted Factory	333	333	333	333	333	59	0
	Industrial Complex	42	42	42	42	42	0	0
	Total	7,341	7,486	7,524	7,557	7,594	292	490

Source: JPPH, Ministry of Finance

In spite of the economic downturn, Penang has seen at least 2 major foreign investments in the manufacturing sector namely St Jude Medical's Asia Pacific regional plant at Bayan Lepas Industrial Area and the completion of Honeywell Aerospace Penang's facility at Prai Industrial Estate.

New supply of industrial properties completed during the first 3 quarters of 2009 is limited to a small number of detached factories located in the South-West district of the Penang island. Key industrial areas offering detached factories and industrial complexes are still mainly located in the South-West District, within the Bayan Lepas Industrial Area. On the mainland key industrial areas are Prai Industrial Estate, Bukit Minyak and Bukit Tengah Industrial Area.

Average monthly rentals of industrial space within detached factories/industrial complexes were stable over the last 12 months at RM1.20 - 1.50 psf.

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



Christopher Boyd
Executive Chairman
February 2010

CORPORATE SOCIAL RESPONSIBILITY

In 2009, Axis-REIT saw a continuation of its commitment to its Corporate Social Responsibility Programme. Our program revolves around using our skills as an asset manager to assist homes and centres run by NGO's through refurbishment programs.







This year we identified a home in Port Dickson - the New Life Care Centre Foster home. The home houses some 40 orphans and the Trustee approved a budget of RM50,000 for this project.


Our scope of work included a repainting of the building and repair to the fencing, refurbishment of the children's sleeping quarters, repair to the roof which was leaking badly when it rained, enhancements to the toilets, dining areas, provision of new fans and air conditioning units and new wardrobes for the children. The project was completed in December 2009 and handed over to the administrators on 22 January 2010. The result has made a big difference to the quality of life for the children living there.

As always, we enlisted the assistance of our main suppliers and contractors who provided paint, building materials and assistance for free in the CSR Spirit. Thank you to all concerned.



Our 2009 CSR project - The New Life Care Centre & Foster Home Port Dickson

BEFORE	AFTER	REMARK
		Replaced old roof
		Installed new tiles on the bare concrete floor
		Old awnings were replaced

BEFORE	AFTER	REMARK
		Kitchen area was supplied with new security grills
		New mosquito netting was installed
		New built in cupboards were installed



The children of the home presenting Mr. David Aboud with a 'Thank you' card at the handover

CORPORATE GOVERNANCE

Axis REIT Managers Berhad (“the Manager”) recognizes that an effective corporate governance culture is critical to the performance of the Manager and consequently the success of Axis-REIT.

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

The following sections describe the Manager’s main Corporate Governance Practices and Policies. They are designed to ensure that applicable securities laws and regulations, the SC’s Guidelines on REIT as well as SC’s Guidelines on Islamic REITs, the Listing Requirements of Bursa Securities and the Malaysian Code on Corporate Governance (Revised 2007) [“Code”] are complied with, where applicable, and that the Manager’s obligations as described in the Deed are properly and efficiently carried out.

THE MANAGER OF AXIS-REIT

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

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

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

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

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

- Using its best endeavors to carry on and conduct its business in a proper and efficient manner and conduct all transactions of the Fund in a transparent manner and at arm’s length.
- Preparing reports to the Board of Directors (“Board”) which may contain proposals and forecasts on net income, distribution per unit (“DPU”), capital expenditure, valuations frequency, explanations on variances to previous forecasts, written reports on the future potential rental income stream generated by the portfolio of properties owned by Axis-REIT and the underlying assumptions, operational costs and any other assumptions.

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

BOARD OF DIRECTORS

The Board of Directors of the Manager oversees the management and corporate governance of the Manager including the establishment of Key Performance Indicators for senior management and the monitoring achievement of the same. All Board members participate in matters relating to corporate governance, business operations, risk management, financial performance of Axis-REIT and the nomination and review and assessment of directors.

The Board meets regularly at least once a quarter, to discuss and approve the release of the quarterly, half yearly and annual results, review acquisitions or disposals, the annual budget, capital expenditure requirements, performance of the Manager and Axis-REIT against the previously approved budget. When necessary, the Board meets to review and approve acquisitions or disposals for recommendation to the Trustee.

Notices of meetings setting out the agenda and accompanied by relevant meeting papers are provided to directors in a timely manner in order to enable the directors to have a comprehensive understanding on matters to be deliberated. All members of the Board have access to information in relation to the Manager and Axis-REIT as well as the advice and services of the Company Secretary who attends all the Board meetings of the Manager. Where necessary, the Board may also have access to the services of independent professional advisers in carrying out their duties.

Changes to regulations, policies, guidelines and accounting policies are monitored closely. The directors are briefed of any changes to current practices at regular Board meetings, specially convened meetings or via circularized board papers.

BOARD COMPOSITION

Board of Directors & Meeting Attendance

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

Members of the Audit Committee and Meeting Attendance

Audit Committee Members	Designation	Attendance (No. of meetings held : 4)	Remarks
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Chairman	4/4	No Change
Mohd Sharif Bin Hj Yusof	Member	4/4	No Change
Yin-Yong Lee Lao	Member	4/4	No Change

CORPORATE GOVERNANCE

Members of the Remuneration & Nomination Committee & Meeting Attendance

Remuneration & Nomination Committee Members	Designation	Attendance (No. of meetings held : 2)	Remarks
Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Chairman	2/2	No Change
Dato' Abas Carl Gunnar Bin Abdullah	Member	2/2	No Change
Tew Peng Hwee @ Teoh Peng Hwee	Member	2/2	No Change

As of 31 December 2009 the Board comprise seven (7) members, three (3) of whom are independent directors in compliance with the SC's Guidelines on REITs.

The following principles guides the Board composition:

- The Chairman of the Board should be an independent Non-Executive Director.
- The Board should comprise directors with a broad range of commercial experience including expertise in fund management and the property market.
- At least 1/3 of its members should be independent directors.

The composition of the Board is reviewed annually to ensure that it has the best mix of expertise and experience. Each director had also carried out self-evaluation during the year as a best practice in ensuring that their contribution to the Board as a whole is relevant and effective.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")/ EXECUTIVE DIRECTOR

The position of Chairman and CEO/Executive Director is held by separate persons in order to maintain an effective segregation of duties.

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

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

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

BOARD REMUNERATION

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

BOARD COMMITTEES

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

- The Executive Committee.
- The Audit Committee.
- The Remuneration & Nomination Committee.

THE EXECUTIVE COMMITTEE

The Executive Committee operates under the delegated authority from the Board and the following are the Executive Committee Members as of 31 December 2009:

Dato' Abas Carl Gunnar Bin Abdullah (chairman)
– Non-Independent Executive Deputy Chairman

Stephen Tew Peng Hwee (member)
– Non-Independent Non- Executive Director

Stewart LaBrooy (member)
– CEO/Executive Director

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

- Recommendations for presentation to the Board of all acquisitions, investments and disposals;
- Make recommendations to the Board on any financing offers and additional banking facilities;
- Report and recommend to the Board any corporate exercise, including the issuance of new Axis-REIT Units; and

- Forward summary reports and minutes of meetings of all Executive Committee meetings and activities undertaken by the Manager to all Audit Committee and Board members.

The Executive Committee has met formally a total of seven (7) times in 2009. However there have been several informal meetings held between members of the committee during the period.

AUDIT COMMITTEE

The Board has an overall responsibility in ensuring a balanced and understandable assessment of Axis-REIT's positions and prospects is presented and the Audit Committee plays an important role in assisting the Board in this area. The Audit Committee also assists the Board in the area of risk management and internal controls.

Further details on risk management are set out below and the Audit Committee Report as well as the Statement of Internal Control are presented in separate sections of this Annual Report.

THE REMUNERATION & NOMINATION COMMITTEE

The composition of the Remuneration & Nomination Committee as of 31 December 2009 is as follows:

- Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor (chairman)
– Independent Non-Executive Director
- Dato' Abas Carl Gunnar Bin Abdullah (member)
– Non Independent Executive Deputy Chairman
- Stephen Tew Peng Hwee (member)
– Non Independent Non-Executive Director

The responsibilities of the committee are:

- To establish and recommend to the Board the policy framework in determining the remuneration of the Executive and Non-Executive Directors of the Board, members of senior management and to review changes to the remuneration policy from time to time, so as to ensure that the Manager attracts and retains individuals of the highest calibre;
- To recommend to the Board, candidates for directorships proposed by and other board members and/or from senior management;
- To recommend to the Board, any director(s) to fill seats on Board committees;
- To assess the effectiveness of the Board as a whole, Board committees and the contribution of each individual director.
- To determine appropriate training for directors and review the fulfillment of such training.

During the year, assessments have been carried out by the committee to ensure that the Board and its committees (Audit Committee and the Remuneration & Nomination Committee) have been functioning effectively.

OTHER OBLIGATIONS OBSERVED BY THE DIRECTORS OF THE MANAGER

Trading in Axis-REIT Units

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

Directors' Training

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

Directors	Training attended & activities participated
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	<ul style="list-style-type: none"> • Corpedia's web-based training: International Bribery & Corruption: Global • High Level Forum for Directors of Listed Issuers in enhancing Corporate Governance • Governance Expectations of International Fund Managers • Risk Awareness Training
Dato' Abas Carl Gunnar Bin Abdullah	<ul style="list-style-type: none"> • Cityscape Asia 2009 • Structuring Finance for Real Estate Investment ESSEC • Risk Awareness Training
Tew Peng Hwee @ Teoh Peng Hwee	<ul style="list-style-type: none"> • Malaysia Institute of Estate Agents ("MIEA") Convention 2009 • Realtors Conference & EXPO
George Stewart LaBrooy	<ul style="list-style-type: none"> • Risk Awareness Training

CORPORATE GOVERNANCE

Directors	Training attended & activities participated
Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	<ul style="list-style-type: none"> • Managing Strategic Corporate Planning • Managing Corporate Mergers & Acquisitions • Strategic Corporate Planning for Company Directors and Senior Management • "Kuala Lumpur City Centre – A Developer's Perspective" – presented at "The Edge Investment Forum on Real Estate" organized by The Edge • "Issues and Problems faced by Property and Housing Developers in Selangor" – presented at Halatuju Industri Perumahan dan Hartanah di Selangor" organized by Lembaga Perumahan dan Hartanah Selangor • "Property Development in Selangor: Opportunities, Problems and Solutions" – presented at "Workshop on Land Administration and Development Opportunities in Selangor" organized by Task Force Tanah Selangor.
Mohd Sharif Bin Hj Yusof	<ul style="list-style-type: none"> • Risk Awareness Training
Yin-Yong Lee Lao	<ul style="list-style-type: none"> • Risk Awareness Training
Alex Lee Lao (alternate director)	<ul style="list-style-type: none"> • Risk Awareness Training

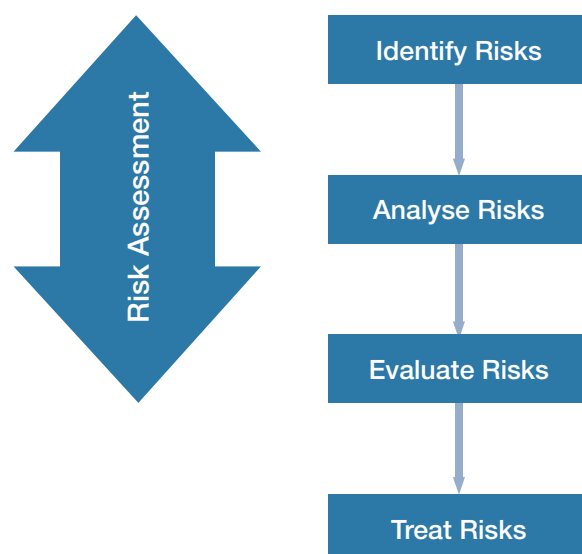
RISK MANAGEMENT

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

The Manager has during the year, formulated and developed the Risk Management Framework, with the assistance of the outsourced Internal Auditors, which aims at identifying, analyzing and evaluating risks with a view to ensure the effective management of potential opportunities while reducing or avoiding adverse effects. Ms Leong Kit May, the Chief Financial Officer of the Manager has also been appointed as the Risk Management Officer to operate the risk management processes and together with the CEO will update the Audit Committee of any changes and updates to the Risk Register.

Approach to Risk Management

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



The above risk management processes are supported by the:

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

Dealings with Conflicts of Interest

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

- The Manager will be a dedicated manager of Axis-REIT and will not manage any other real estate investment trust or be involved in any other real property business;
- All Executive Officers will be employed by the Manager;
- Any related party transactions must be duly disclosed by the related parties to the Audit Committee and the Board;
- The Board shall ensure 1/3 of its members are Independent Directors;
- In circumstances where any directors or officers of the Manager may have a direct or indirect interest in any related party transactions they will abstain from deliberation and voting at any Board meeting and will require Trustee's approval prior to entering into any agreement.

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

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

Dealings with Related Party Transactions

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

The Manager will establish procedures that will ensure that such transactions are undertaken in full compliance to the SC's Guidelines on REITs and are carried out on an arm's length basis and under normal commercial terms, which are no more favourable than those extended to unrelated third parties. The Manager would have to demonstrate to the Audit Committee that transactions (whether they be for the purchase of services or property) would be taken on normal commercial terms, which may include in the case of the purchase of services the obtaining of quotations from parties unrelated to the Manager, or in the case of purchase of property the obtaining of valuation from an independent valuer.

Related party transactions shall require the Trustee to ensure that such transactions are at arm's length in accordance with all applicable requirements of the SC's Guidelines on REITs. Furthermore, the Trustee has the ultimate discretion under the Deed to decide whether or not to enter into a transaction involving a related party of the Manager. If the Trustee is to sign any contract with a related party of the Trustee or the Manager, the Trustee will review the contract documentation to ensure it complies with the requirements relating to related party transactions in the SC's Guidelines on REITs and provisions as described in the Deed, and any future revisions of the said guidelines and provisions.

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

COMMUNICATION WITH UNITHOLDERS

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

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

COMPLIANCE WITH THE CODE

The Board of Directors considers that Axis-REIT and the Manager are substantially in compliance with the best practices set out in part 2 of the Code throughout the financial year ended 31 December 2009. The Board is committed and will continue to enhance compliance with the best practices in corporate governance where applicable.

Other Information

Relationship

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

Conflict of Interest

None of the Directors of the Manager has any conflict of interest with Axis-REIT.

Conviction for Offences

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

AUDIT COMMITTEE REPORT

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

1. COMPOSITION OF AUDIT COMMITTEE

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

The composition of the Committee as at 31 December 2009 is:

- 1) YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin
- Independent Non-Executive Chairman
- 2) Mohd Sharif Bin Hj Yusof
- Independent Non-Executive Director
- 3) Yin-Yong Lee Lao
- Non-Independent Non-Executive Director

2. TERMS OF REFERENCE

Constitution

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

Membership

- The Committee shall be appointed by the Board of Directors from amongst the directors of the Company and shall comprise of at least three (3) members, all of whom must be non-executive directors, with a majority of them being independent.
- At least one (1) member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - (iii) fulfils such other requirements as prescribed or approved by the Exchange.

- No alternate director shall be appointed as a member of the Committee.
- The members of the Committee shall elect a Chairman from among their number who shall be an Independent Non-Executive Director.
- The Company Secretary or such other person(s) authorised by the Board of Directors shall act as the Secretary to the Committee.
- If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall, within three (3) months from the date of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- The term of office and performance of the Committee and each of its members shall be reviewed by the Board of Directors at least once every three (3) years to determine whether such Committee and its members have carried out their duties in accordance with their terms of reference.

Meetings and Minutes

- The Committee shall meet at least four (4) times in a financial year, although additional meetings may be called at any time at the Committee Chairman's discretion.
- The quorum for the meeting of the Committee shall consist of not less than two (2) members, a majority of whom must be independent Directors.
- Other than in circumstances which the Chairman of the Committee considers inappropriate, the Chief Financial Officer, Risk Management Officer and the representatives of the external auditors and internal auditors will normally attend any meeting of the Committee to make known their views on any matter under consideration pertaining to Axis-REIT, by the Committee or which in their opinion, should be brought to the attention of the Committee. Other Board members, employees and external professional advisers shall attend any particular meetings upon invitation by the Committee.
- The Committee shall report to the Board and its minutes tabled and noted by the Board of Directors. The books containing the minutes of proceedings of any meeting of the Committee shall be kept by the Company at the registered office or the principal office of the Company, and shall be open for inspection of any member of the Committee and the Board of Directors.

- A circular resolution in writing signed by the members of the Committee who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting of the Committee duly convened. Any such resolution may consist of several documents in like form, each signed by one (1) or more members of the Committee.
- Any member of the Committee may participate in any meeting of the Committee via telephone conferencing, video conferencing or by means of any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

Authority

- The Committee is authorised by the Board to investigate any matter within the Committee's terms of reference. It shall have full and unrestricted access to any information pertaining to Axis-REIT or the Company (if required) and shall have the resources it requires to perform its duties. All employees of the Company are required to comply with the requests made by the Committee.
- The Committee is authorised by the Board to obtain outside legal or external independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, the expenses of which will be borne by the Company and/or Axis-REIT, where applicable.
- The Committee shall have direct communication channels with the external auditors and internal auditors.
- The Committee shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and management, whenever deemed necessary, in order to enable the Committee and the external auditors or the internal auditors or both, to discuss problems and reservations and any other matter pertaining to Axis-REIT or the Company (if any), the external auditors or internal auditors may wish to bring up to the attention of the Committee.

Functions and Duties

- The Committee shall, amongst others, discharge the following functions:
 - (a) Review the following and report the same to the Board of Directors of the Company:
 - with the external auditors, the audit plan of Axis-REIT, the nature and scope of work and ascertain that it will meet the needs of the Board, the unitholders and regulatory authorities;

- with the external auditors, their evaluation of the quality and effectiveness of entire accounting system and the adequacy and integrity of the internal control system of Axis-REIT;
- with the external auditors, their audit report;
- the assistance given by management to the external and internal auditors;
- the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- the internal audit programme, processes and results of the internal audit programme, processes, major findings of internal investigation and management's response and whether or not appropriate action is taken on the recommendations of the internal audit function;
- the quarterly results, annual and semi-annual financial statements of Axis-REIT prior to the approval by the Board of Directors, focusing particularly on:
 - i. changes in or implementation of major accounting policies and practices;
 - ii significant and unusual events;
 - iii significant adjustments arising from the audit;
 - iv compliance with accounting standards, other statutory and legal requirements and the going concern assumption;
 - v. the accuracy and adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of Axis-REIT;
 - vi. any related party transactions and conflict of interest situations that may arise within the Company and/or Axis-REIT including any transaction, procedure or course of conduct that raises questions of management integrity;
 - vii. any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external and internal auditors, particularly any comments and responses in management letters as well as the assistance given by the employees of the Company in order to be satisfied that appropriate action is being taken.

AUDIT COMMITTEE REPORT

viii. to review the Statement of Internal Control for recommendation to the Board of Directors for approval.

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

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

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

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

3. RESPONSIBILITIES OF AUDIT COMMITTEE

The role of the Audit Committee is to monitor and evaluate the effectiveness of the Manager's internal controls and financial management. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports and for its subsequent announcement. The Audit Committee is also responsible for the appointment of the external and internal auditors.

The Audit Committee's responsibilities also include:

- Reviewing external audit reports to ensure that where deficiencies in internal control has been identified, appropriate and prompt remedial action is taken by management;
- Monitoring legislation regulated by Securities Laws (as defined in section 2(1) of the SCA), the SC Guidelines on REITs, the Listing Requirements of Bursa Securities, the Rules of the Depository and taxation laws and rulings;

- Reviewing Internal Audit reports pertaining to risk management, the operational manual compliance and internal controls ensuring that changes recommended and agreed on are promptly implemented by the management;

- Reviewing the Statutory financial statements and audit report for quarterly, half yearly and annual reports and reporting the Board; and

- Monitoring the procedures established for related party transactions to ensure that compliance is strictly adhered to as laid out in the Securities Guidelines for REITs and the Deed.

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

(i) reviewed the quarterly reports and the audited financial statements of Axis-REIT to ensure adherence to legal and regulatory reporting requirements before recommending to the Board of Directors for approval;

(ii) reviewed and approved the draft Audit Committee Report and Internal Control Statement to be incorporated into the Annual Report of Axis-REIT;

(iii) reviewed the internal audit plan and internal audit reports with the Internal Auditors;

(iv) reviewed with External Auditors, their audit planning memorandum, audit approach and reporting requirements prior to the commencement of audit works;

(v) met with the External Auditors, in the absence of the Management, to discuss problems and reservations (if any) which the External Auditors may wish to highlight to the Committee.

5. RELATIONSHIP WITH THE EXTERNAL & INTERNAL AUDITORS

The Board via the Audit Committee maintains a formal and transparent relationship with the External Auditors as well as the Internal Auditors. The Audit Committee has direct and unrestricted access to the External and Internal Auditors and there are also meetings held between the Committee members and the External Auditors in the absence of executives and management during the financial year under review.

STATEMENT ON INTERNAL CONTROL PURSUANT TO PARAGRAPH 15.26(b) OF THE MAIN MARKET LISTING REQUIREMENTS

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

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

KEY ELEMENTS OF THE INTERNAL CONTROL SYSTEM ESTABLISHED

Internal Audit Function and Risk Management Policy

Risk management has been part of the Management's day-to-day operations and there is an Operations Manual which provides an overview of the Manager's responsibilities in relation to the management of Axis-REIT. This Operations Manual is a guide to daily activities and operations of Axis-REIT and it is subject to periodic review and updates. The Management team of the Manager is committed to be guided by the Operations Manual and this ensures consistency of operational procedures and practices within the organization.

In accordance with the *Statement on Internal Control - Guidance for Directors of Public Listed Companies*, Axis-REIT and the Manager have in place, an ongoing process for identifying, measuring and controlling the significant risks faced by Axis-REIT and the Manager and the Board through the Audit Committee reviews this process from time to time. With the assistance rendered by the outsourced Internal Auditors, Axis-REIT and the Manager have, during the year, formulated and developed a Risk Management Policy ("RMP"). The RMP was finalized at year end and the Manager is committed towards applying the mechanism under the RMP in order to identify, analyse, evaluate and treat risks facing Axis-REIT and the Manager, with the main focus areas being finance, lease and asset management, investor relations and facilities management.

Reporting and Review

The outsourced Internal Auditors report directly to the Audit Committee and reports are presented at the Audit Committee's meetings for review and discussion upon completion of each internal audit cycle or follow-up assignment. The Audit Committee will then report to the Board the findings, improvement recommendations and implementation outcomes accordingly.

Summary of Internal Audit Activities

In working towards the RMP, the outsourced Internal Auditors had assisted the Manager and reported the outcome to the Audit Committee of the Manager the following internal audit work carried out during the financial year ended 31 December 2009 of Axis-REIT:

1. internal audit review on property management and maintenance and insurance and its follow-up; and
2. internal audit review on financial controls in the areas of payment processing, billing and collection and car park management and its follow-up.

The costs incurred for the outsourced Internal Audit Function in respect of the financial year ended 31 December 2009 amounted to RM60,000.

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

STATEMENT ON DIRECTORS' RESPONSIBILITY FOR PREPARING THE ANNUAL AUDITED FINANCIAL STATEMENTS

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

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

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

FINANCIAL STATEMENTS

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Chevrolet Showroom at Axis-Vista

BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	2009 RM'000	2008 RM'000
Assets			
Non-Current Assets			
Investment properties	4	884,962	723,100
Current Assets			
Receivables, deposits and prepayments	5	6,822	2,752
Tax recoverable		154	154
Cash and cash equivalents	6	15,807	365
		22,783	3,271
Total assets		907,745	726,371
Liabilities			
Non-Current Liabilities			
Tenants' deposits	7	18,383	19,678
Borrowings/Financing	8	163,932	-
		182,315	19,678
Current Liabilities			
Payables and accruals	7	14,780	8,252
Borrowings/Financing	8	145,000	230,456
Provision for income distribution	9	15,293	20,139
		175,073	258,847
Total liabilities		357,388	278,525
Net asset value ("NAV")		550,357	447,846
Unitholders' funds			
Unitholders' capital	10	406,854	323,338
Undistributed income	10	143,503	124,508
Total unitholders' funds		550,357	447,846
Units in circulation ('000)		307,081	255,901
Net asset value ("NAV") per unit (RM)			
- Before income distribution		1.8420	1.8288
- After income distribution		1.7922	1.7501

The notes on pages 83 to 100 are an integral part of these financial statements.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 RM'000	2008 RM'000
Gross revenue	11	71,598	63,331
Property operating expenses	12	(11,661)	(9,876)
Net rental income		59,937	53,455
Interest/Profit income		272	111
Change in the fair value of investment properties	4	19,098	24,478
Total income		79,307	78,044
Manager's fees	1(b)	4,808	4,242
Trustee's fees	1(c)	236	212
Auditor's fees			
- Audit		88	78
- Other services		5	5
Tax agent's fees		12	11
Allowance for doubtful debts		54	158
Administrative expenses		719	1,063
Incidental cost of borrowings/financing		739	227
Conventional interest expenses		784	8,393
Islamic financing cost		9,693	-
Valuation fees		193	206
Total expenses		17,331	14,595
Net income before taxation		61,976	63,449
Tax expense	13	-	-
Net income for the year		61,976	63,449
Net income for the year is made up as follows:			
Realised		42,878	38,971
Unrealised			
- Change in the fair value of investment properties	4	19,098	24,478
		61,976	63,449
Earnings per Unit (sen)	14	22.81	25.18
Earnings per Unit (before manager's fee)			
- Gross (sen)		24.58	26.69
- Net (sen)		24.58	26.69

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 RM'000	2008 RM'000
Net income distribution			
Interim income distribution of 10.82 sen per unit paid on 29 May 2009, 28 August 2009 and 30 September 2009 (2008: 7.40 sen per unit paid on 20 February 2008 and 29 August 2008)		27,688	18,562
Proposed final income distribution of 4.98 sen per unit payable on 25 February 2010 (2008: 7.87 sen per unit paid on 27 February 2009)		15,293	20,139
	15	42,981	38,701
Income distribution per Unit			
- Gross (sen) - interim	15	10.82	7.40
- final	15	4.98	7.87
- Net (sen)* - interim	15	10.82	7.40
- final	15	4.98	7.87

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

		Withholding tax rate		
		2010	2009	2008
Resident corporate	-	Nil^	Nil^	Nil^
Resident non-corporate	-	10%	10%	15%
Non-resident individual	-	10%	10%	15%
Non-resident corporate	-	25%	25%	26%
Non-resident institutional	-	10%	10%	20%

^ to tax at prevailing rate

The notes on pages 83 to 100 are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE YEAR ENDED 31 DECEMBER 2009

	Unitholders' capital RM'000	Distributable Undistributed income		Total Unitholders' funds RM'000
		Realised RM'000	Unrealised RM'000	
At 1 January 2008	234,892	12	99,748	334,652
Operations for the year ended 31 December 2008				
Net income for the year	-	38,971	24,478	63,449
Increase in net assets resulting from operations	-	38,971	24,478	63,449
Unitholders' transactions				
Placement of units	90,000	-	-	90,000
Distribution to Unitholders - Paid and provision (Note 15)	-	(38,701)	-	(38,701)
Issuing expenses	(1,554)	-	-	(1,554)
Increase/(Decrease) in net assets resulting from Unitholders' transactions	88,446	(38,701)	-	49,745
Net assets as at 31 December 2008	323,338	282	124,226	447,846
	Note 10			
At 1 January 2009	323,338	282	124,226	447,846
Operations for the year ended 31 December 2009				
Net income for the year	-	42,878	19,098	61,976
Increase in net assets resulting from operations	-	42,878	19,098	61,976
Unitholders' transactions				
Placement of units	84,959	-	-	84,959
Distribution to Unitholders - Paid and provision (Note 15)	-	(42,981)	-	(42,981)
Issuing expenses	(1,443)	-	-	(1,443)
Increase/(Decrease) in net assets resulting from Unitholders' transactions	83,516	(42,981)	-	40,535
Net assets as at 31 December 2009	406,854	179	143,324	550,357
	Note 10			

The notes on pages 83 to 100 are an integral part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 RM'000	2008 RM'000
Cash flows from operating activities			
Net income before taxation		61,976	63,449
<i>Adjustments for:</i>			
Conventional interest expense		784	8,393
Islamic financing cost		9,693	-
Interest/Profit income		(272)	(111)
Change in fair value of investment properties		(19,098)	(24,478)
Operating income before changes in working capital		53,083	47,253
Receivables, deposits and prepayments/payments		(4,070)	7,895
Payables and accruals		6,528	(94)
Tenants' deposit		(1,295)	6,139
Cash generated from operation		54,246	61,193
Tax paid		-	-
Net cash from operating activities		54,246	61,193
Cash flows from investing activities			
Interest/Profit income received		272	111
Uplift of pledged deposits placed with licensed banks		-	270
Purchase of investment properties		(138,518)	(125,055)
Payment for enhancement of investment properties		(4,246)	(3,167)
Net cash used in investing activities		(142,492)	(127,841)
Cash flows from financing activities			
Conventional interest expense paid		(784)	(8,393)
Islamic financing cost paid		(9,693)	-
Proceeds from borrowings/financing		108,932	25,000
Distribution paid to Unitholders		(47,827)	(34,066)
Proceeds from issue of units		84,959	90,000
Issuing expenses		(1,443)	(1,554)
Net cash generated from financing activities		134,144	70,987
Net increase in cash and cash equivalents		45,898	4,339
Cash and cash equivalents at 1 January		(30,391)	(34,730)
Cash and cash equivalents at 31 December	(i)	15,507	(30,391)

(i) *Cash and cash equivalents*

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

	Note	2009 RM'000	2008 RM'000
Cash and bank balances	6	6,813	65
Bank overdraft	9	-	(30,456)
Shariah-based deposits placed with licensed banks	6	8,994	300
		15,807	(30,391)
Less: Shariah-based deposits placed with licensed banks - pledged		(300)	(300)
		15,507	(30,391)

The notes on pages 83 to 100 are an integral part of these financial statements.

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 the revised Deed dated 3 April 2009 between Axis REIT Managers Berhad ("the Manager") and OSK Trustees Berhad ("the Trustee"). The revised Deed is regulated by the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts, Securities Commission's Guidelines for Islamic Real Estate Investment Trusts, the Listing 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 revised 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 investing in a diverse portfolio of properties with the primary objective of achieving an attractive level of return from rental income and long-term capital growth. There has been no significant change in the nature of this activity during the year.

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

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

(a) Property management fees

The Property Manager, Axis Property Services, is entitled to a property management fee in respect of the management of the investment properties owned by Axis-REIT as provided in the revised 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 revised Deed, the Manager is entitled to receive a fee of up to a maximum of 1.00% (2008: 1.00%) per annum of the Net Asset Value of Axis-REIT, calculated based on a monthly accrual basis and payable monthly in arrears. The Manager's fees for the year ended 31 December 2009 of RM4,808,400 (2008: RM4,242,247) is 1.00% (2008: 1.00%) of the monthly net asset value.

The Manager is also entitled to receive an acquisition fee or a disposal fee of 1% or 0.5% of the acquisition price or the disposal price, respectively, of any investment property purchased or disposed directly or indirectly by Axis-REIT which is payable after the completion of the acquisition or the disposal. The acquisition fees for the year ended 31 December 2009 of RM1,367,500 (2008: RM1,230,000) is 1.00% (2008: 1.00%) of the acquisition price. The acquisition fees are included in the acquisition cost of the investment properties acquired (Note 4).

No disposal fees are paid or payable for the year ended 31 December 2009 (2008: Nil).

(c) Trustee's fees

Pursuant to the revised Deed, the Trustee is entitled to receive a fee of 0.05% (2008: 0.05%) per annum of the Net Asset Value of Axis-REIT calculated based on a monthly accrual basis and payable monthly in arrears. The trustee's fees for the year ended 31 December 2009 is RM236,445 (2008: RM212,112).

The financial statements were approved by the Board of Directors of the Manager on 12 February 2010.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION

(a) Statement of compliance

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

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

FRSs / Interpretations	Effective date
Amendments to FRS 1, <i>First-time Adoption of Financial Reporting Standards</i> and FRS 127, <i>Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	1 January 2010
FRS 1, <i>First-time Adoption of Financial Reporting Standards (revised)</i>	1 July 2010
Amendments to FRS 2, <i>Share-based Payment: Vesting Conditions and Cancellations</i>	1 January 2010
FRS 3, <i>Business Combinations (revised)</i>	1 July 2010
FRS 4, <i>Insurance Contracts</i>	1 January 2010
FRS 7, <i>Financial Instruments: Disclosures</i>	1 January 2010
FRS 8, <i>Operating Segments</i>	1 July 2009
FRS 101, <i>Presentation of Financial Statements</i>	1 January 2010
FRS 123, <i>Borrowing Costs (revised)</i>	1 January 2010
FRS 127, <i>Consolidated and Separate Financial Statements (revised)</i>	1 July 2010
Amendments to FRS 2, <i>Share-based Payment</i>	1 July 2010
Amendments to FRS 5, <i>Non-current Assets Held for Sale and Discontinued</i>	1 July 2010
Amendments to FRS 132, <i>Financial Instruments: Presentation</i> and FRS 101, <i>Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation</i>	1 January 2010
Amendments to FRS 138, <i>Intangible Assets</i>	1 July 2010
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
Amendments to FRS 139, <i>Financial Instruments: Recognition and Measurement</i> , FRS 7, <i>Financial Instruments: Disclosures</i> and IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
Amendments to FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
Improvements to FRSs (2009)	1 January 2010
IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
Amendments to IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 July 2010
IC Interpretation 10, <i>Interim Financial Reporting and Impairment</i>	1 January 2010
IC Interpretation 11, FRS 2 - <i>Group and Treasury Share Transactions</i>	1 January 2010
IC Interpretation 12, <i>Service Concession Agreements</i>	1 July 2010
IC Interpretation 13, <i>Customer Loyalty Programmes</i>	1 January 2010
IC Interpretation 14, FRS 119 - <i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction</i>	1 January 2010
IC Interpretation 15, <i>Agreements for the Construction of Real Estate</i>	1 July 2010
IC Interpretation 16, <i>Hedges of a Net Investment in a Foreign Operation</i>	1 July 2010
IC Interpretation 17, <i>Distribution of Non-cash Assets to Owners</i>	1 July 2010

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for Amendments to FRS 2, FRS 4, FRS 8, IC Interpretation 11, IC Interpretation 13, and IC Interpretation 14, which are not applicable to Axis-REIT; and
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2010, except for FRS 3, FRS 127, IC Interpretation 12, IC Interpretation 15, IC Interpretation 16, and IC Interpretation 17 which are not applicable to Axis-REIT.

The impact and disclosures as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors*, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs. The initial application of the other standards (and their consequential amendments) and interpretations mentioned above is not expected to have any material impact on the financial statements of Axis-REIT.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for investment properties as explained in Note 4.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of 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 year in which the estimate is revised and in any future years affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed 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 under a freehold interest or held under a leasehold interest to earn rental income or for capital appreciation or for both.

Investment property are measured initially at cost and subsequently at fair value with any change therein recognised in the income statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Investment properties (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 is then applied to the net annual cash flows to arrive at the property valuation.

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

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

(b) Leases

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

Other leases are operating leases and the leased assets are not recognised on Axis-REIT's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

(c) 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.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and Shariah-based 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.

(e) 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.

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) *Borrowings/Financing*

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. For Islamic financing, a similar approach is used to determine the same.

(g) *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 relates to any distribution that is determined by the Directors of the Manager but not distributed at the balance sheet date.

(h) *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.

(i) *Revenue*

(i) *Rental income*

Rental income consists of income from the letting of investment properties including lots and car parks and other associated income, and is recognised on a straight line basis over the term of the rental unless collectibility is in doubt, in which case, they are recognised on a receipt basis.

Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent dues remain outstanding for over six months, in which case recognition of rental income is suspended. Subsequent to the suspension, income is recognised on the receipt basis until all arrears have been paid.

(ii) *Interest/Profit income*

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

(j) *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) *Conventional interest expense/Islamic financing cost*

All conventional interest incurred in connection with borrowings are expensed using the effective interest method, in period in which they are incurred. For Islamic financing cost, a similar approach is applied to determine the same.

(v) *Lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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 unitholders' fund, in which case it is recognised in unitholders' fund.

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 the 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.

4. INVESTMENT PROPERTIES

	2009 RM'000	2008 RM'000
At 1 January	723,100	570,400
Acquisitions	138,518	125,055
Enhancement	4,246	3,167
Change in fair value	19,098	24,478
At 31 December	884,962	723,100
Included in the above are:		
Land and buildings at fair value	884,962	723,100

4. INVESTMENT PROPERTIES (CONTINUED)

Description of Property	Tenure of land	Term of lease	Remaining term of lease year	Location	Existing Use	Occupancy rates as at 31.12.2009 %	Fair value as at 31.12.2009 RM'000	Initial acquisition cost as at 31.12.2009 RM'000	Percentage of fair value to Net Asset Value as at 31.12.2009 %
Menara Axis*	Leasehold	99	56	Petaling Jaya	Commercial	93.4	93,000	71,440	16.9
Crystal Plaza*	Leasehold	99	50	Petaling Jaya	Commercial	94.0	89,800	56,400	16.3
Axis Business Park*#	Leasehold	99	51	Petaling Jaya	Office & Warehouse	98.3	105,900	84,600	19.2
Infinite Centre*#	Leasehold	99	56	Petaling Jaya	Office & Warehouse	93.4	34,700	25,450	6.3
Axis Plaza*	Freehold	-	-	Shah Alam	Office & Warehouse	81.8	29,500	22,500	5.4
Wisma Kemajuan^#	Leasehold	99	56	Petaling Jaya	Office & Warehouse	72.0	53,600	29,192	9.7
Axis North Port LC 1 ^	Leasehold	99	96	Klang	Warehouse	83.1	15,312	10,373	2.8
Kayangan Depot^#	Leasehold	99	77	Shah Alam	Office & Warehouse	76.2	22,000	16,224	4.0
Wisma Bintang^^^#	Leasehold	99	58/62	Petaling Jaya	Office & Workshop	100.0	38,750	32,681	7.0
Axis Shah Alam DC 1 *	Freehold	-	-	Shah Alam	Factory/Warehouse	100.0	18,500	18,783	3.4
Giant Hypermarket***#	Freehold	-	-	Sungei Petani	Warehouse	100.0	39,000	38,678	7.1
FCI Senai**	Leasehold	60	58	Senai, Johor	Office & Factory	100.0	14,000	12,538	2.5
Nestle Office & Warehouse***	Freehold	-	-	Shah Alam	Office & Warehouse	100.0	7,600	7,352	1.4
Nestle House***	Leasehold	99	63	Petaling Jaya	Office	0.0	38,000	40,376	6.9
Kompakar CRC HQ^#	Leasehold	99	59	Petaling Jaya	Office & Warehouse	100.0	40,000	37,549	7.3
BMW Centre PTP**	Leasehold	99	90	Tanjung Pelepas	Office & Warehouse	100.0	27,100	27,470	4.9
Niro Warehouse***	Leasehold	60	42	Pasir Gudang	Office & Warehouse	100.0	14,500	14,811	2.6
Delfi Warehouse***	Leasehold	60	58	Pasir Gudang	Office & Warehouse	100.0	13,500	12,743	2.5
Axis Vista^^	Leasehold	99	57	Petaling Jaya	Office & Warehouse	100.0	35,000	32,481	6.4
Axis Steel Centre^	Leasehold	99	93	Klang	Office & Warehouse	100.0	75,000	65,882	13.6
Bukit Raja Distribution Centre**	Freehold	-	-	Klang	Office & Warehouse	100.0	80,200	72,636	14.6
Investment properties							884,962	730,159	

* Menara Axis, Crystal Plaza, Axis Business Park, Infinite Centre, Axis Plaza and Axis Shah Alam DC 1 were valued on 4 June 2009, 10 December 2009, 10 December 2009, 10 December 2009, 10 December 2009, 10 December 2009 and 10 December 2009 respectively, 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, cost and investment methods of valuation.

** FCI Senai, BMW Centre PTP and Bukit Raja Distribution Centre were valued on 22 December 2009, 15 December 2009 and 4 November 2009 respectively, 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.

*** Giant Hypermarket, Nestle Office & Warehouse, Nestle House, Niro Warehouse and Delfi Warehouse and were valued on 7 December 2009, 8 December 2009, 8 December 2009, 9 December 2009 and 9 December 2009 respectively, by CB Richard Ellies (Malaysia) 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.

^ Wisma Kemajuan, Axis North Port LC 1, Kayangan Depot, Kompakar CRC HQ and Axis Steel Centre were valued on 15 December 2009, 2 March 2009, 14 December 2009, 14 December 2009 and 30 March 2009 respectively, by PA International Property Consultant (KL) Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.

^^ Axis Vista was valued on 13 August 2009, by Raine & Horne International Zaki + Partners Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.

^^^ Wisma Bintang was valued on 6 May 2009, by First Pacific Valuers Property Consultants Sdn Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.

The properties are charged to financial institutions for banking facilities granted to Axis-REIT (Note 8).

NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT PROPERTIES (CONTINUED)

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

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

The investment method considers income and expenses data relating to the property being valued and estimates value through a capitalisation process. The annual rental income presently received or expected to command over a period of time relating to the lease of the property is estimated to obtain the net annual rental value. This net annual income is then appropriately adjusted with a discounting rate to present value and then capitalised by an appropriate capitalisation rate or years purchase figure to adjust the income into the present capital value of the property. Valuation under this method may be significantly affected by the yield, occupancy rate, discount factor and capitalisation rate used. The yield applied to the net annual rentals to determine fair value of the property is approximately 7.0% (2008: 7.0%).

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

Included in the acquisition cost of investment properties are RM1,367,500 (2008: RM1,230,000) which relates to acquisition fees paid or payable to the Manager (Note 1(b)).

The following are recognised in the income statement in respect of investment properties:

	Note	2009 RM'000	2008 RM'000
Gross revenue (from investment properties)	11	71,598	63,331
Direct operating expenses	12	11,661	9,876

4. INVESTMENT PROPERTIES (CONTINUED)

Description of Property	Tenure of land	Term of lease year	Remaining lease year	Location	Existing Use	Occupancy rates as at 31.12.2008 %	Fair value as at 31.12.2008 RM'000	Initial acquisition cost as at 31.12.2008 RM'000	Percentage of fair value to Net Asset Value as at 31.12.2008 %
Menara Axis*#	Leasehold	99	57	Petaling Jaya	Commercial	100.0	91,700	71,440	20.5
Crystal Plaza*#	Leasehold	99	51	Petaling Jaya	Commercial	100.0	89,800	56,400	20.1
Axis Business Park*#	Leasehold	99	52	Petaling Jaya	Office & Warehouse	93.3	102,500	84,600	22.9
Infinite Centre*#	Leasehold	99	57	Petaling Jaya	Office & Warehouse	88.9	35,200	25,450	7.9
Axis Plaza*	Freehold	-	-	Shah Alam	Office & Warehouse	81.9	30,700	22,500	6.9
Wisma Kemajuan****#	Leasehold	99	57	Petaling Jaya	Office & Warehouse	83.1	52,500	29,192	11.7
Axis North Port LC 1*	Leasehold	99	97	Klang	Warehouse	100.0	11,600	10,373	2.6
Kayangan Depot****	Leasehold	99	78	Shah Alam	Office & Warehouse	75.0	22,000	16,224	4.9
Wisma Bintang*#	Leasehold	99	59/63	Petaling Jaya	Office & Workshop	100.0	38,000	32,681	8.5
Axis Shah Alam DC 1*	Freehold	-	-	Shah Alam	Factory/Warehouse	100.0	18,500	18,783	4.1
Giant Hypermarket***	Freehold	-	-	Sungei Petani	Warehouse	100.0	38,000	38,678	8.5
FCI Senai**	Leasehold	60	59	Senai, Johor	Office & Factory	100.0	14,000	12,538	3.1
Nestle Office & Warehouse***	Freehold	-	-	Shah Alam	Office & Warehouse	100.0	7,500	7,352	1.7
Nestle House***	Leasehold	99	64	Petaling Jaya	Office	100.0	40,000	40,376	8.9
Kompakar CRC HQ****	Leasehold	99	60	Petaling Jaya	Office & Warehouse	100.0	40,000	37,549	8.9
BMW Centre PTP**	Leasehold	99	91	Tanjung Pelepas	Office & Warehouse	100.0	27,100	27,470	6.1
Niro Warehouse***	Leasehold	60	43	Pasir Gudang	Office & Warehouse	100.0	14,500	14,811	3.2
Delifi Warehouse***	Leasehold	60	59	Pasir Gudang	Office & Warehouse	100.0	13,500	12,743	3.0
Axis Vista^	Leasehold	99	58	Petaling Jaya	Office & Warehouse	100.0	36,000	32,481	8.0
Investment properties							723,100	591,641	

* Axis Plaza, Infinite Centre, Menara Axis, Crystal Plaza, Axis Business Park, Axis Shah Alam DC 1, Wisma Bintang and Axis North Port LC 1 were valued on 25 November 2008, 25 November 2008, 26 November 2008, 26 November 2008, 26 November 2008, 2 December 2008, 3 December 2008 and 15 December 2008 respectively, 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, cost and investment methods of valuation.

** FCI Senai and BMW Centre PTP were valued on 10 December 2008, 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.

*** Nestle Office & Warehouse, Nestle House, Niro Warehouse, Delfi Warehouse and Giant Hypermarket were valued on 20 November 2008, 20 November 2008, 21 November 2008, 21 November 2008 and 1 December 2008 respectively, by REGROUP Associates, an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison and investment methods of valuation.

**** Wisma Kemajuan, Kayangan Depot and Kompakar CRC HQ were valued on 29 October 2008, 29 October 2008 and 28 November 2008 respectively, by PA International Property Consultant (KL) Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.

^ Axis Vista was valued on 13 August 2008, by Raine & Horne International Zaki + Partners Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.

The properties are charged to financial institutions for banking facilities granted to Axis-REIT (Note 8).

NOTES TO THE FINANCIAL STATEMENTS

5. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2009 RM'000	2008 RM'000
Trade		
Trade receivables	3,371	1,858
Less: Allowance for doubtful debts	(253)	(199)
	3,118	1,659
Non-trade		
Other receivables	54	55
Deposits	3,508	883
Prepayments	142	155
	3,704	1,093
	6,822	2,752

6. CASH AND CASH EQUIVALENTS

	Note	2009 RM'000	2008 RM'000
Shariah-based deposits placed with licensed banks	a	8,994	300
Cash and bank balances		6,813	65
		15,807	365

Note a

Included in Shariah-based deposits placed with licensed banks is an amount of RM300,000 (2008: RM300,000) which is pledged for banking facilities granted to Axis-REIT (Note 8).

7. PAYABLES AND ACCRUALS

	2009 RM'000	2008 RM'000
Non-Current		
Non-trade		
Tenants' deposits - payable after 12 months	18,383	19,678
Current		
Trade		
Trade payables	967	1,044
Non-trade		
Other payables and accrued expenses	4,415	3,354
Tenants' deposits - payable within 12 months	9,398	3,854
	14,780	8,252
	33,163	27,930

Included in other payables and accrued expenses are amounts due to the Manager and the Property Manager of RM474,527 (2008: RM4,129) and RM215,857 (2008: RM119,397) respectively which are unsecured, interest free and payable monthly in arrears.

8. BORROWINGS/FINANCING

	2009 RM'000	2008 RM'000
Non-Current		
Secured term financing	166,126	-
Transaction costs	(2,194)	-
	163,932	-
Current		
Secured revolving credit	145,000	200,000
Bank overdraft	-	30,456
	308,932	230,456

Terms and debt repayment/financing payment schedule

	Year of Maturity	Interest rate/profit changed %	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2009							
Term financing	2012	4.80 (a)	68,116	-	-	68,116	-
Term financing	2014	5.85 (a)	95,816	-	-	-	95,816
Revolving credit	2010	2.86-3.33	145,000	145,000	-	-	-
2008							
Revolving credit	2009	4.23-4.65	200,000	200,000	-	-	-
Bank overdraft	2009	4.35	30,456	30,456	-	-	-

Note (a)

Included in the average effective interest rate is the amortisation of incidental cost of borrowing/financing.

9. PROVISION FOR INCOME DISTRIBUTION

	2009 RM'000	2008 RM'000
At 1 January	20,139	15,504
Provisions made during the year	42,981	38,701
Payments made during the year	(47,827)	(34,066)
At 31 December	15,293	20,139

NOTES TO THE FINANCIAL STATEMENTS

10. TOTAL UNITHOLDERS' FUNDS

Unitholders' capital	2009 Number of Units '000	2008 Number of Units '000
Authorised:		
At 1 January	255,901	205,901
Increased during the year	51,180	-
At 31 December	307,081	255,901
Issued and fully paid up:		
At 1 January	255,901	205,901
Issued during the year	51,180	50,000
At 31 December	307,081	255,901
	RM'000	RM'000
At 1 January	323,338	234,892
Issue of new units:		
- 51,180,200 units @ RM1.66 per unit	84,959	90,000
Issuing expenses (Note 16)	(1,443)	(1,554)
At 31 December	406,854	323,338

Unitholdings of substantial unitholders, Directors and their related parties

As at 31 December 2009, the Manager did not hold any Units in Axis-REIT. However, the Directors of the Manager and their related parties held Units in Axis-REIT, details of which are as follows:

	2009		2008	
	Number of Units '000	Market value RM'000	Number of Units '000	Market value RM'000
Axis-REIT's substantial unitholders' direct Unitholdings in Axis-REIT:				
Baiduri Kemas Sdn. Bhd.	33,790	65,215	33,790	37,845
Tew Peng Hwee @ Teoh Peng Hwee	15,685	30,272	15,934	17,486
The Manager's Directors' direct Unitholdings in Axis-REIT:				
Dato' Abas Carl Gunnar bin Abdullah	9,410	18,161	9,410	10,539
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	10	19	10	11
Tew Peng Hwee @ Teoh Peng Hwee	15,685	30,272	15,934	17,846
George Stewart LaBrooy	95	183	95	106
Alex Lee Lao#	12,694	24,499	12,694	14,217
Yin-Yong Lee Lao	400	772	400	448

10. TOTAL UNITHOLDERS' FUNDS (CONTINUED)

	2009		2008	
	Number of Units '000	Market value RM'000	Number of Units '000	Market value RM'000
The Manager's Directors' indirect Unitholdings in Axis-REIT ¹ :				
Dato' Abas Carl Gunnar bin Abdullah*	36,040	69,557	36,040	40,365
Tew Peng Hwee @ Teoh Peng Hwee**	35,040	67,627	35,040	39,245
Alex Lee Lao***	36,440	70,329	36,440	40,813
Yin-Yong Lee Lao****	48,734	94,057	48,734	54,582
The direct Unitholdings of the related parties of the Manager's Directors in Axis-REIT:				
Crystal Properties Sdn. Bhd. (in Members' Voluntary Liquidation)	250	483	250	280
Prestigious Landmarks Sdn. Bhd. (in Members' Voluntary Liquidation)	1,000	1,930	1,000	1,120
Datin Kuyas Emiloglu	1,000	1,930	1,000	1,120
Leon Lee Lao	1,000	1,930	1,000	1,120
Tan Siew Geok	335	647	-	-

Notes;

¹ The breakdown of the indirect Unitholdings of the Manager's Directors can be obtained from the information on the direct Unitholdings of Baiduri Kemas Sdn Bhd, a substantial unitholder as well as the direct Unitholdings of the related parties of the Manager's Directors, the extent to which they have interest.

Alex Lee Lao is an Alternate Director to Dato' Abas Carl Gunnar Bin Abdullah.

* Deemed interested by virtue of his shareholdings in Baiduri Kemas Sdn Bhd, Crystal Properties Sdn Bhd (In Members' Voluntary Liquidation), Prestigious Landmarks Sdn Bhd (In Members' Voluntary Liquidation), all are unitholders of Axis-REIT as well as the unitholdings of his spouse, Datin Kuyas Emiloglu.

** Deemed interested by virtue of his shareholdings in Baiduri Kemas Sdn Bhd, Crystal Properties Sdn Bhd (In Members' Voluntary Liquidation), Prestigious Landmarks Sdn Bhd (In Members' Voluntary Liquidation), all are unitholders of Axis-REIT.

*** Deemed interested by virtue of his shareholdings in Baiduri Kemas Sdn Bhd, Crystal Properties Sdn Bhd (In Members' Voluntary Liquidation), Prestigious Landmarks Sdn Bhd (In Members' Voluntary Liquidation), all are unitholders of Axis-REIT as well as the direct unitholdings of his brothers, Yin-Yong Lee Lao and Leon Lee Lao.

**** Deemed interested by virtue of the direct and indirect unitholdings in Axis-REIT of his brother, Alex Lee Lao and Leon Lee Lao.

NOTES TO THE FINANCIAL STATEMENTS

10. TOTAL UNITHOLDERS' FUNDS (CONTINUED)

The market value of the Units was determined by multiplying the number of Units with the market price of RM1.93 (2008: RM1.12) as at 31 December 2009.

	Note	2009 RM'000	2008 RM'000
Undistributed income			
- Realised		179	282
- Unrealised	a	143,324	124,226
		143,503	124,508

Note a

This unrealised income relates to the cumulative net change arising from the fair value adjustment to the investment properties (Note 4).

11. GROSS REVENUE

	2009 RM'000	2008 RM'000
Rental income from investment properties	65,827	58,716
Car park income	2,946	2,905
Other income	2,825	1,710
	71,598	63,331

12. PROPERTY OPERATING EXPENSES

	2009 RM'000	2008 RM'000
Assessment	1,824	1,666
Service contracts and maintenance	3,415	2,770
Property management fees	1,497	1,341
Property management reimbursements	918	797
Utilities	2,912	2,354
Others	1,095	948
	11,661	9,876

13. TAX EXPENSE

	2009 RM'000	2008 RM'000
Reconciliation of effective tax expense		
Net income before taxation	61,976	63,449
Income tax using Malaysian tax rate of 25% (2008: 26%)	15,494	16,497
Non-deductible expenses	308	279
Effect of fair value adjustment of investment properties not subject to tax	(4,775)	(6,364)
Effect of income exempted from tax	(11,027)	(10,412)
	-	-

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

14. EARNINGS PER UNIT

The calculation of earnings per Unit is based on the net income for the year of RM61,976,000 (2008: RM63,449,000) and on the weighted average number of units in circulation during the year of 271,745,829 (2008: 251,939,251).

15. DISTRIBUTION TO UNITHOLDERS

Distribution to Unitholders is from the following sources:

	2009 RM'000	2008 RM'000
Net rental income		
- current year	59,937	53,455
- prior year portion (already subject to tax)	282	-
Interest/Profit income	272	111
	60,491	53,296
Less: Expenses	(17,331)	(14,595)
	43,160	38,971
Less: Undistributed income	(179)	(270)
	42,981	38,701
Gross distribution (paid and provision) per Unit (sen)	15.80	15.27
Net distribution (paid and provision) per Unit (sen)	15.80	15.27

NOTES TO THE FINANCIAL STATEMENTS

16. ISSUING EXPENSES

	2009 RM'000	2008 RM'000
Professional fees	1,388	1,512
Miscellaneous expenses	55	42
Total (Note 10)	1,443	1,554

17. PORTFOLIO TURNOVER RATIO

	2009	2008
Portfolio Turnover Ratio ("PTR") (times)	0.14	0.15

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

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

18. MANAGEMENT EXPENSE RATIO

	2009	2008
Management expense ratio ("MER") (%)	1.22	1.35

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

19. FINANCIAL INSTRUMENTS

Financial risks management objectives and policies

Exposure to credit, interest rate and liquidity risk arises in the normal course of Axis-REIT's business. These risks are monitored by the Manager on an on-going basis.

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 on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

The interest rate risks are uncertainties resulting from the effects of fluctuations in the prevailing level of the market interest rates on its financial position and cash flow. Interest rate risk exposure to Axis-REIT is in respect of short-term Shariah-based deposits and revolving credit facilities.

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

19. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

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

Effective interest/profit rates and repricing analysis

The following table indicates their average effective interest/profit rates at the balance sheet date and the periods in which they mature:

	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
2009						
Fixed rate instruments						
Financial liability						
Term financing						
- 3 years	4.80 (a)	68,116	-	-	68,116	-
- 5 years	5.85 (a)	95,816	-	-	-	95,816
Floating rate instruments						
Financial asset						
Deposits with licensed bank	1.80-2.10	8,994	8,994	-	-	-
Financial liability						
Revolving credit	2.86 - 3.33	145,000	145,000	-	-	-
2008						
Floating rate instruments						
Financial asset						
Deposits with licensed banks	Nil	300	300	-	-	-
Financial liability						
Revolving credit	4.23 - 4.65	200,000	200,000	-	-	-
Bank overdraft	4.35	30,456	30,456	-	-	-

Note (a)

Included in the average effective interest rate is the amortisation of incidental cost of borrowing/financing.

Fair values

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

NOTES TO THE FINANCIAL STATEMENTS

20. OPERATING LEASES

Leases as lessor

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

	2009 RM'000	2008 RM'000
Less than one year	61,163	58,175
Between one and five years	123,353	98,334
More than five years	88,625	42,440
	273,141	198,949

21. CAPITAL COMMITMENTS

	2009 RM'000	2008 RM'000
Capital expenditure commitments		
Investment properties		
Contracted but not provided for and payable:		
- Within one year	51,525	-

22. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

	Transaction value		Balance outstanding	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Tenancy agency commissions payable to a firm owned by a Director of the Manager	5	-	-	-
Acquisition cost of an investment property payable to a Company in which certain Directors of the Manager have interest	65,000	32,000	-	-

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

STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 78 to 100 are drawn up in accordance with the provisions of the revised Deed dated 3 April 2009, the Securities Commission's Guidelines on Real Estate Investment Trusts, Securities Commission's Guidelines for Islamic Real Estate Investment Trusts, applicable securities laws and Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of Axis Real Estate Investment Trust at 31 December 2009 and of its financial performance 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 of the Manager:



Stephen Tew Peng Hwee



George Stewart LaBrooy

Kuala Lumpur,

Date: 12 February 2010

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 78 to 100, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur on 12 February 2010.



George Stewart LaBrooy

Before me:



NO.656, TINGKAT 2,
BATU 4, JALAN IPOH,
51200 KUALA LUMPUR.

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

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

We also confirm that the income distributions declared and paid during the financial year ended 31 December 2009 are in line with and are reflective of the objectives of Axis-REIT. Four distributions have been declared for the financial year ended 31 December 2009 as follows:-

- 1) 1st interim income distribution of 3.90 sen per unit paid on 29 May 2009;
- 2) 2nd interim income distribution of 4.10 sen per unit paid on 28 August 2009;
- 3) 3rd interim income distribution of 2.82 sen per unit paid on 30 September 2009; and
- 4) Final income distribution of 4.98 sen per unit payable on 25 February 2010.

For and on behalf of the Trustee,
OSK Trustees Berhad



Woo Lai Mei
Director

Kuala Lumpur,

Date: 12 February 2010

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF AXIS REAL ESTATE INVESTMENT TRUST (ESTABLISHED IN MALAYSIA)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Axis Real Estate Investment Trust ("Axis-REIT"), which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 78 to 100.

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

The Directors of Axis REIT Manager Berhad (the "Manager") of Axis-REIT are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the revised Deed dated 3 April 2009, the Securities Commission's Guidelines on Real Estate Investment Trusts, Securities Commission's Guidelines for Islamic Real Estate Investment Trusts, applicable securities laws and Financial Reporting Standards in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

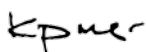
We believe that the audit evidence we have obtained is sufficient appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the provisions of the revised Deed dated 3 April 2009, Securities Commission's Guidelines on Real Estate Investment Trusts, Securities Commission's Guidelines for Islamic Real Estate Investment Trusts, applicable securities laws and Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of Axis-REIT as of 31 December 2009 and of its financial performance and cash flows for the year then ended.

Other Matters

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



KPMG
Firm Number: AF 0758
Chartered Accountants



Mohamed Raslan Abdul Rahman
Chartered Accountant
Approval Number: 1825/05/11 (J/PH)

Petaling Jaya,

Date: 12 February 2010

UNITHOLDERS' STATISTICS

ANALYSIS OF UNITHOLDINGS AS AT 31 DECEMBER 2009

Size of Holdings	Number of Unitholders	%	Number of Units Held	%
1 - 99	6	0.28	241	0.00
100 - 1,000	432	20.77	307,509	0.10
1,001 - 10,000	1,077	51.78	5,439,500	1.77
10,001 - 100,000	407	19.57	13,627,050	4.44
100,001 - 15,354,059 #	156	7.50	223,062,600	72.64
15,354,060 ## and above	2	0.10	64,644,300	21.05
Total	2,080	100.00	307,081,200	100.00

less than 5% of total issued units
5% and above of total issued unit

TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2009 AS LISTED IN THE REGISTER OF UNITHOLDERS

Ranking	Unitholder	No. of Units	% of Total Issued Units
1	Baiduri Kemas Sdn Bhd	33,790,000	11.00
2	Employees Provident Fund Board	30,854,300	10.05
3	Kumpulan Wang Persaraan (Diperbadankan)	14,476,900	4.71
4	Citigroup Nominees (Tempatan) Sdn Bhd Exempt an for American International Assurance Berhad	13,466,000	4.39
5	Alex Lee Lao	12,693,600	4.13
6	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Wawasan 2020	11,416,300	3.72
7	Valuecap Sdn Bhd	10,769,300	3.51
8	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Malaysia	9,594,600	3.12
9	Amanah Raya Nominees (Tempatan) Sdn Bhd Sekim Amanah Saham Nasional	8,740,400	2.85
10	Tew Peng Hwee @ Teoh Peng Hwee	8,634,000	2.81
11	HSBC Nominees (Tempatan) Sdn Bhd Nomura Asset Mgmt Malaysia for Employees Provident Fund	7,091,100	2.31
12	AMSEC Nominees (Tempatan) Sdn Bhd AmBank (M) Berhad for Tew Peng Hwee @ Teoh Peng Hwee	6,700,000	2.18
13	HSBC Nominees (Asing) Sdn Bhd Exempt an for The Bank of New York Mellon (BNYM as E&A)	5,900,400	1.92
14	Amsec nominees (Tempatan) Sdn Bhd AmBank (M) Berhad for Abas Carl Gunnar Bin Abdullah	5,600,000	1.82
15	Lim Kian Thiam	5,314,200	1.73

UNITHOLDERS' STATISTICS

TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2009
AS LISTED IN THE REGISTER OF UNITHOLDERS (CONTINUED)

Ranking	Unitholder	No. of Units	% of Total Issued Units
16	Permodalan Nasional Berhad	5,253,500	1.71
17	Uni.Asia General Insurance Berhad	5,100,000	1.66
18	Citigroup Nominees (Tempatan) Sdn Bhd ING Insurance Berhad (INV-IL PAR)	4,830,500	1.57
19	ABB Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Lim Kian Thiam	3,900,000	1.27
20	Abas Carl Gunnar Bin Abdullah	3,809,900	1.24
21	AmanahRaya Trustees Berhad Public Far-East Property & Resorts Fund	3,535,000	1.15
22	AmanahRaya Trustees Berhad Public Smallcap Fund	3,431,000	1.12
23	TM Asia Life Malaysia Bhd as beneficial owner (PF)	2,666,000	0.87
24	Amanah Raya Nominees (Tempatan) Sdn Bhd as 1 Malaysia	2,500,000	0.81
25	Amanah Raya Nominees (Tempatan) Sdn Bhd Skin Amanah Saham Bumiputera	2,500,000	0.81
26	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (DR)	2,000,000	0.65
27	Jerneh Insurance Bhd	1,900,000	0.62
28	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LGF)	1,895,000	0.62
29	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Public Ittikal Fund (N14011970240)	1,859,000	0.61
30	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LPF)	1,545,000	0.50

FREQUENTLY ASKED QUESTIONS (FAQ'S)

1. HOW OFTEN DOES AXIS-REIT MAKES AN INCOME DISTRIBUTION?

Since 1 January 2009, Axis-REIT has changed its current income distribution policy from semi annual payment to quarterly payment payable within 2 months from the close of the quarter ie income distribution for the 1st quarter will be payable no later than 31 May. However, in certain circumstances such as the issuance of New Units by Axis-REIT during the year, it may be necessary to make a special income distribution at different periods in order to attribute income distribution to existing Unitholders to avoid any income dilution from the enlarged Unitholders' capital.

2. HOW IS THIS INCOME DISTRIBUTION PAID?

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

3. ARE THERE DIFFERENT TYPES OF INCOME DISTRIBUTION?

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

- Current year's realized income before taxation;
- Current year's tax exempt income, if any;
- Portion of 'Accumulated Retained Earnings' that have been taxed;
- Portion of 'Accumulated Retained Earnings' that consist of tax exempt income.

4. WHAT IS THE TAX TREATMENT OF UNITHOLDERS?

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

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

Type of Unitholder	Withholding tax rate		
	2010	2009	2008
Resident corporate	Nil [^]	Nil [^]	Nil [^]
Resident non-corporate	10%	10%	15%
Non-resident individual	10%	10%	15%
Non-resident corporate	25%	25%	26%
Non-resident institutional	10%	20%	20%

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

5. HOW DO I CALCULATE MY DISTRIBUTION?

For the financial year ended 31 December 2009, the total distribution was 15.80 sen per unit of which 0.045 sen derived from utilization of capital allowances and tax exempt profit income will not be subject to tax.

Type of Unitholder	Assumption: 10,000 Axis-REIT units	
	Gross distribution	Net distribution to unitholders after deduction of withholding tax
Resident corporate	1,580.00	1,580.00 *
Resident individual/institutional	1,580.00	1,422.45
Foreign corporate	1,580.00	1,186.13
Foreign institution	1,580.00	1,422.45
Foreign individual	1,580.00	1,422.45

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

6. WHAT IS MY NET DISTRIBUTION YIELD FOR 2009?

For the financial year ended 31 December 2009, the total distribution was 15.80 sen per unit.

Type of Unitholder	Net Distribution based on IPO price of RM1.25	Net distribution based on closing price of RM1.93 on 31 December 2009
Resident corporate	12.64%	8.19%
Resident individual/institutional	11.38%	7.37%
Foreign corporate	9.49%	6.15%
Foreign institution	11.38%	7.37%
Foreign individual	11.38%	7.37%

7. WHERE CAN I VIEW THE TRUST DEED OF AXIS-REIT?

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

FREQUENTLY ASKED QUESTIONS (FAQ'S)

8. WHAT ARE THE TOTAL NUMBERS OF AXIS-REIT UNITS CURRENTLY IN ISSUE?

A total of 307,081,200 Units are in circulation.

9. HOW CAN NEW UNITS BE ISSUED?

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

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

10. WHAT ARE MY RIGHTS AS A UNITHOLDER?

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

11. HOW CAN THE TRUST DEED BE AMENDED?

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

12. UNDER WHAT CIRCUMSTANCES CAN A MEETING OF UNITHOLDERS BE CALLED?

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

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

- (a) where an ordinary resolution only is to be proposed, at least five persons holding or representing by proxy at least 10% of all the Units and carrying the right to vote at the meeting; and
- (b) where a special resolution is to be proposed, at least five persons holding or representing by proxy at least 15% of all the Units and carrying the right to vote at the meeting.

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

- (a) it is required by the Deed or by law that the question be decided by a majority which is to be measured by a percentage of the votes of those present; or
- (b) it is demanded either before or immediately after any question is put to a show of hands by Unitholders present, holding (or representing by proxy) between them not less than 5% of the Units issued.

13. CAN THE MANAGER VOTE AT UNITHOLDERS' MEETINGS?

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

14. WHY WAS AXIS-REIT RECLASSIFIED INTO AN ISLAMIC REIT?

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

15. WHAT ARE THE SECURITIES COMMISSION'S GUIDELINES FOR ISLAMIC REITS

The salient compliance requirements are:-

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

16. IS AN ISLAMIC REIT PERMITTED TO OWN (PURCHASE) REAL ESTATE IN WHICH THE TENANT(S) OPERATES MIXED ACTIVITIES THAT ARE PERMISSIBLE AND NON-PERMISSIBLE ACCORDING TO THE SYARIAH?

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

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

17. WHAT ARE THE ADDITIONAL COMPLIANCE ASSESSMENTS?

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

For example, if the total rental from non-permissible activities is RM210,000 and the total turnover of the Islamic REIT for that financial year is RM1,000,000, then the percentage of rental from non-permissible activities is 21%, which exceeds the 20% benchmark that has been determined by the SAC. In this situation, the Shariah Adviser shall advise the Islamic REIT fund manager not to invest in the said real estate.

18. WHAT ARE NON-PERMISSIBLE ACTIVITIES??

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

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

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

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

19. CAN AN ISLAMIC REIT OWN REAL ESTATE IN WHICH ALL THE TENANTS OPERATE NON-PERMISSIBLE ACTIVITIES?

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

20. WHAT IF AN ISLAMIC REIT OWNS REAL ESTATE THAT IS VACANT AND PLANS TO RENT IT OUT TO A NEW TENANT(S)? IS IT BOUND BY THE APPLICATION OF THE 20% BENCHMARK AS MENTIONED IN THE ANSWER FOR QUESTION 2 ABOVE?

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

21. WHAT IS THE METHOD OF CALCULATING THE PORTION OF RENTAL OF NON-PERMISSIBLE ACTIVITIES FROM THE TOTAL RENTAL PAYMENT PAID BY A TENANT(S) OPERATING MIXED ACTIVITIES. FOR EXAMPLE, SAY THE ISLAMIC REIT RECEIVES A RENTAL OF RM3,000 A MONTH FROM A SUPERMARKET. THE SUPERMARKET SELLS HALAL GOODS AND ALCOHOLIC BEVERAGES. THE QUESTION IS, HOW DO YOU DETERMINE THE RENTAL THAT IS CONSIDERED AS NON-PERMISSIBLE FROM THE TOTAL RENTAL THAT IS PAID BY THE SUPERMARKET (RM3,000)?

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

For example, in a supermarket, if the total area rented out is 1,000 square feet and the area allocated for the sale of alcoholic beverages is 100 square feet, then the ratio of area used for the sale of alcoholic beverages is 10%. Therefore, the rental from non-permissible activities (sale of alcoholic beverages) is 10% of the total rental paid by the supermarket, that is RM300 a month (10% x RM3,000).

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

FREQUENTLY ASKED QUESTIONS (FAQ'S)

22. IS AN ISLAMIC REIT REQUIRED TO USE INSTRUMENTS THAT COMPLY WITH THE SHARIAH PRINCIPLES FOR PURPOSE OF INVESTMENT, DEPOSIT AND FINANCING?

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

23. IS AN ISLAMIC REIT REQUIRED TO USE INSURANCE SCHEMES THAT COMPLY WITH THE SHARIAH PRINCIPLES?

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

24. IS AN ISLAMIC REIT PERMITTED TO PARTICIPATE IN THE FORWARD SALES OR PURCHASES OF CURRENCY FOR RISK MANAGEMENT?

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

** *wa'ad* means promise

25. WOULD THE ISLAMIC REIT GUIDELINES SUPERCEDE THE GUIDELINES ON REAL ESTATE INVESTMENT TRUSTS ISSUED IN JANUARY 2005?

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

GLOSSARY

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

CORPORATE DIRECTORY

MANAGER

Axis REIT Managers Berhad

MANAGER'S PRINCIPAL PLACE OF BUSINESS

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

YAM Tunku Dato' Seri Shahabuddin
Independent Non-Executive
Chairman

George Stewart LaBrooy
Chief Executive Officer /
Executive Director

Dato' Abas Carl Gunner bin Abdullah
Non-Independent Executive
Deputy Chairman

Stephen Tew Peng Hwee
Non-Independent Non-Executive
Director

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

Mohd Sharif bin Haji Yusof
Independent Non-Executive Director

Yin-Yong Lee Lao
Non-Independent Non-Executive
Director

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

AUDIT COMMITTEE :

YAM Tunku Dato' Seri Shahabuddin
(Chairman)
Mohd Sharif bin Haji Yusof
Yin-Yong Lee Lao

EXECUTIVE COMMITTEE :

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

NOMINATION AND REMUNERATION COMMITTEE :

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

COMPANY SECRETARY OF THE MANAGER :

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

SHARIAH ADVISER:

Islamic Banking and Finance
Institute Malaysia
3rd Floor, Dataran Kewangan
Darul Takaful
Jalan Sultan Ismail
50000 Kuala Lumpur
Tel : +603-2031 1010
Fax : +603-2078 4857

PROPERTY MANAGER :

Axis Property Services
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Selangor Darul Ehsan
Tel : +603-7958 5928
Fax : +603-7958 3882

TRUSTEE :

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

PRINCIPAL BANKERS OF THE FUND :

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

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

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

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

AUDITORS :

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

INTERNAL AUDITOR :

Baker Tilly Monteiro Heng
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur

TAX AGENT :

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

REGISTRAR :

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

BURSA SECURITIES NAME AND STOCK CODE :

AXREIT 5106

2010 CALENDAR

January 2010						
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
28	29	30	31	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

February 2010						
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

March 2010						
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4

April 2010						
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	1	2

May 2010						
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
27	28	29	30	31	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31	1	2	3	4	5	6

June 2010						
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
31	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	1	2	3	4

July 2010						
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
28	29	30	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	1

August 2010						
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
26	27	28	29	30	31	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31	1	2	3	4	5

September 2010						
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	1	2	3

October 2010						
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
27	28	29	30	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

November 2010						
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	1	2	3	4	5

December 2010						
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
29	30	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31	1	2

PROPOSED FINANCIAL CALENDAR OF FINANCIAL EVENTS 2010

January 2010

- Announcement of Unaudited Results for Financial Year 09
- Announcement of the 4Q09 Final Income Distribution

February 2010

- Book Closure date to determine the entitlement to 4Q09 Final Income Distribution.
- Payment of the 4Q09 Final Income Distribution
- Release of the 2009 Annual Report

April 2010

- Announcement of Unaudited Results for 1Q10
- Announcement of the 1Q10 Interim Income Distribution

May 2010

- Book closure date to determine the entitlement to 1Q10 Interim Income Distribution
- Payment of 1Q10 Interim Income Distribution

July 2010

- Announcement of the Unaudited Results for 2Q10
- Announcement of the 2Q10 Interim Income Distribution

August 2010

- Book Closure date to determine the entitlement to 2Q10 Interim Income Distribution
- Payment of 2Q10 Interim Income Distribution

October 2010

- Announcement of the Unaudited Results for 3Q10
- Announcement of the 3Q10 Interim Income Distribution

November 2010

- Book Closure date to determine the entitlement to 3Q10 Interim Income Distribution
- Payment of 3Q10 Interim Income Distribution

January 2011

- Announcement of the Unaudited Results for Financial Year 2010
- Announcement of the 4Q10 Interim Income Distribution



AXIS REIT MANAGERS BERHAD

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