



ON TARGET

ANNUAL REPORT 2010

Malaysia's 1st Islamic Office/Industrial REIT



Quattro West

“Axis-REIT is the first Islamic Office/ Industrial REIT listed globally. It has currently manages an asset portfolio worth RM1.2 billion spread over 26 properties and continues to reward its investors with strong capital and dividend growth.”

CONTENTS

01	Our Mission and Vision	64	CBRE Property Market Overview 2010
02	Salient Features of Axis-Reit	73	Corporate Social Responsibility
03	The Axis-REIT Structure	76	The Proposed Income Distribution Reinvestment Plan
04	Financial Highlights	80	Corporate Governance
06	Board of Directors	88	Audit Committee Report
10	Letter From The Chairman	91	Statement on Internal Control
14	Manager's Report	92	Statement on Directors' Responsibility
52	The Axis-REIT Team	93	Financial Statements
55	The Property Manager's Report	128	Unitholders' Statistics
56	Shariah Advisor's Report	130	FAQ's
57	The Investment Property Portfolio	134	Glossary
60	Portfolio Details	135	Corporate Directory

This annual report for the year ended 31 December 2010 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 2011.

About Axis-REIT

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

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

Having started with a modest portfolio of 5 properties the Fund now boasts 26 properties leading the industry in the growth of its portfolio.

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

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

These properties primarily house multinational and local public listed companies many of whom have been tenants of the Axis Group for numerous years. They are involved in the Imaging, Medical, Home Appliances, Automotive, Pharmaceutical, 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; and
- 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 and risk management and preserving capital values.

Vision

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

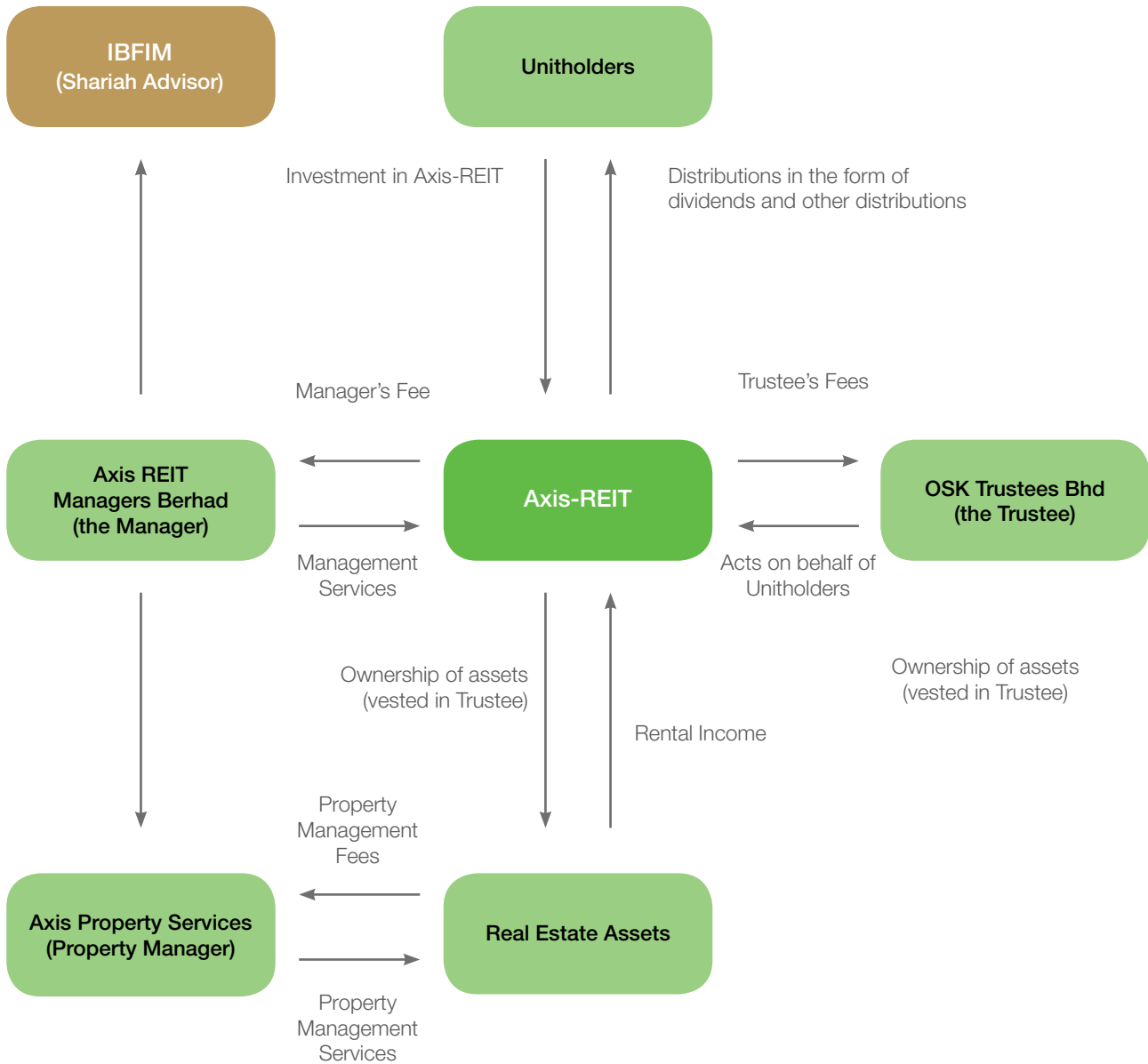


Salient Features of Axis-REIT

Fund category	Real Estate Investment Trust
Fund type	Income and Growth
Mission of the Fund	To provide consistent distributions to Unitholders through growing the property portfolio, displaying the highest level of corporate governance, excellent capital and risk management and preserving 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	375,901,000 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. 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
Financing 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	Minimum of 100 Units
Quotation	Main Market of Bursa Malaysia Securities Berhad
Bursa Securities Stock Number	AXREIT 5106



Axis-REIT Structure



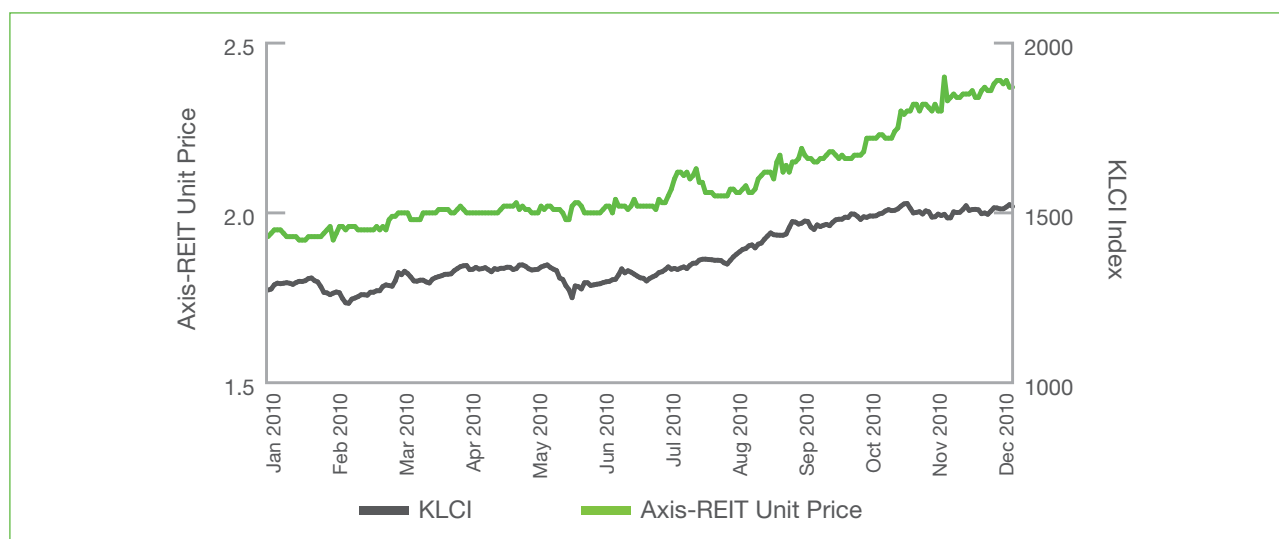
Financial Highlights

A Quick Snapshot

Total Net Income (RM'000)	101,349
Income available for Distribution ("Realised") (RM'000)	52,598
Earnings per Unit ("EPU") ("Realised") (Sen)	16.06
Income Distribution* (RM'000)	52,746
Distribution per Unit* ("DPU")(Sen)	16.0 sen
Number of Investment Properties	26
Units in Circulation (Units)	375,901,000
Assets Under Management (RM'000)	1,178,682
Total Financing (RM'000)	416,609
Total Financing to Total Assets (%)	34.46
Total Unitholder's Fund (RM'000)	755,230
Market Capitalization (RM'000)	890,885
Net Asset Value per Unit (RM)	2.01
IPO Retail Unit Price	1.25
Unit Price as at 31 December 2010 (RM)	2.37
Number of Unitholders	2,420
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

* Including the Final 2010 income distribution payable on 28 February 2011

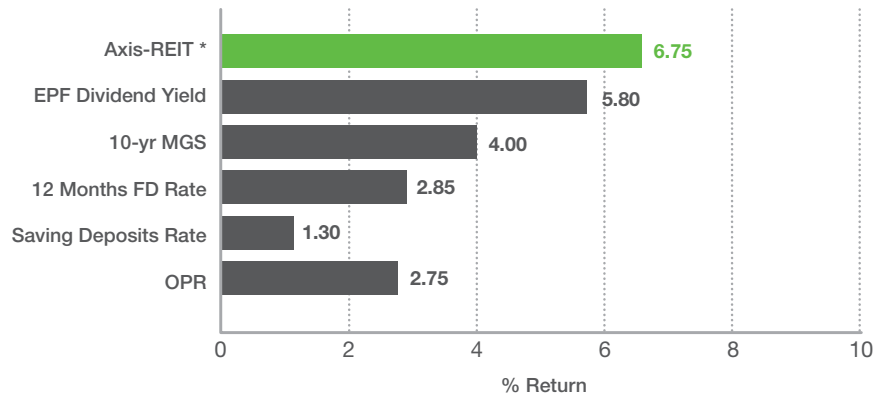
Monthly Trading Performance



Trading Statistics for 2010

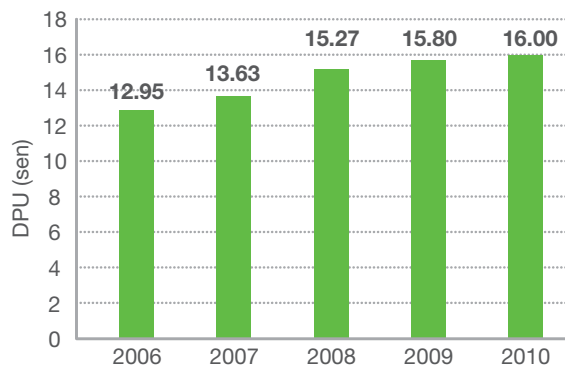
Closing Price – 31 Dec 2009	RM1.93
Closing Price – 31 Dec 2010	RM2.37
High – 29 Nov 2010	RM2.40
Low – 15 Jan 2010	RM1.92

Comparable Returns

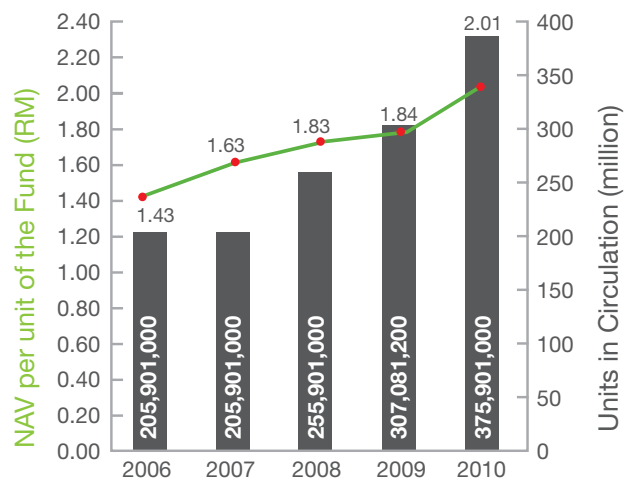
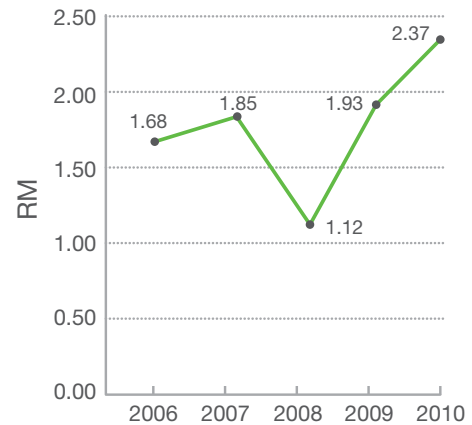


* based on closing price of RM2.37 on 31 December 2010

Distribution since Listing



Unit Price Performance



Board of Directors



From left to right:

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

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

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

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

Mohd Sharif Bin Hj Yusof
Independent Non-Executive Director

George Stewart LaBrooy
Chief Executive Officer/Executive Director

Stephen Tew Peng Hwee
Non-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 75, 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. Effective year 2011, Tunku was appointed as the Chairman of the Nomination Committee. Tunku has a vast and illustrious career in the local administrative and business arena with various roles in multi-national 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 Strateq Sdn Bhd (formerly known as Kompakar Inc Berhad) and Strateq Systems Sdn Bhd (formerly known as Kompakar E system Sdn Bhd) and also sits on the Board of Iris Corporation Berhad.

Tunku Shahabuddin is Chairman of Berjaya Assets Berhad, 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 now the immediate Past Chairman/Chairman International Relations of the Selangor Turf Club. 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 51, is a Norwegian and 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 a member of the Executive and the Remuneration Committees 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 49, 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 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 58, 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 publicly 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, 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 Bhd.



Mohd Sharif Bin Hj Yusof
Independent Non-Executive Director

Mohd Sharif Bin Hj Yusof, age 71, 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 and Nomination Committee of Axis REIT Managers Berhad.

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

He currently serves on the Boards of the following Public Companies; Ireka Corporation Bhd, 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 42, a Malaysian, was appointed as an Independent Non-Executive Director and the Chairman of the Remuneration and Nomination Committees 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 market 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 the 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 immediate Past 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 the vice Chairman 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 have 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 59, a Malaysian, has been the Director of Axis REIT Managers Berhad since 25 October 2004, and was appointed by the Board of Directors of the Manager as Executive Director on 22 March 2005. On 18 September 2007, he was redesignated 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 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 market 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 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, Jeddah, 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.





**Letter
from the
Chairman**



Letter from the Chairman



Dear Unitholders,

On behalf of the Board, I am pleased to present Axis-REIT's sixth annual report for the financial year ended 31 December 2010.

OVERVIEW

Year 2010 saw the Global economy emerge from a prolonged recession triggered off by the Global Financial Crisis of 2008. Banks have recapitalised their balance sheets and are lending again and the US second round of Quantitative Easing ("QE 2") has led to a very liquid capital market.

Malaysia saw its growth spurt to 7% for the year although we saw moderating growth in the 4th Quarter of 2010 to 5%. However uncertainty remains over the strength and staying power of US recovery, hence the extension and expansion of monetary and fiscal stimulus. Eurozone sovereign debt turmoil persists amid concerns over the vulnerability of the peripheral economies and contagion to other countries, financial institutions exposure via intra-regional loans and holdings of government papers,

as well as the public and banking sectors funding gaps. For emerging markets, namely Asia Pacific (ex-Japan) and BRIC, the issue is that of macroeconomic and financial stability as they grapple with "bubblenomy" risk arising from the combination of hot money inflows, excessive currency movements as well as general and asset price inflation.

Global headwinds mean slower global economic and world trade growth, hence external demand, and together with the consolidation in domestic public spending and slowdown in restocking, is expected to result in Malaysia's real GDP growth moderating to +5.5% in 2011 after the estimated +7% stimulus-driven recovery in 2010. Sustaining the growth momentum is domestic private sector spending, with consumer spending underpinned by healthy job markets, gradual subsidy cuts and positive wealth/income effect from asset market reflation and currency appreciation, while private investment will be buoyed by the Economic Transformation Programme ("ETP") execution, Foreign Direct Investment ("FDI") upswing, ramp up in GLCs "capex and GLICs" direct investments, together with tax and non-tax incentives.

Business spending upcycle will be the main theme for the Malaysian economy in 2011, mainly on the roll out of major infrastructure projects and entry-point

projects (EPPs) under the ETP. At the time of writing, the Government has already confirmed 18 or 13.7% of the 131 EPPs with investment value of at least RM75.6b or 9.5% of the targeted RM794.5b total investment in EPPs.

In the midst of this uncertainty I am pleased to report that Axis-REIT has recorded another successful year.

"ON TARGET"

The Fund has now completed five (5) years of strong growth and looking back I can proudly say that we have been consistently on target since listing in meeting and even exceeding the expectations of our unitholders. Hence the title of this year's annual report-"ON TARGET"- sums up the performance of Axis-REIT.

For the year ending 31 December 2010 the net rental income of the Fund grew from RM59,937,000 in 2009 to RM76,252,000 in 2010, an increase of 27.22%. Income available for distribution increased from RM42,878,000 in 2009 to RM52,598,000 in 2010, an increase of 22.67%.

The Fund's financial performance was further enhanced by record revaluation gains of RM45,593,000 as of 31 December 2010 compared to gains of RM19,098,000 for 2009. This has resulted in an increase of our Net Asset Value ("NAV") of the fund to RM2.01 and increase of 17 sen over the 2009 NAV of RM1.84 as of 31 December 2009.

We witnessed the growth of our portfolio from twenty one (21) properties at the beginning of the year to twenty six (26) as of 31 December 2010. Total assets under management rose from RM907,745,000 in 2009 to RM1,208,897,000 as of 31 December 2010 and breaching the RM 1 billion mark for the first time since listing. This represents a record increase of 33.2%, having reached RM1.209 Billion Assets Under Management ("AUM") we will now set a target of reaching the RM2 billion mark.

Letter from the Chairman

DISTRIBUTIONS TO UNITHOLDERS

The Board of Directors of the Manager is pleased to declare a final income distribution of 5.25 sen for the financial year 2010. This brings the total Distribution per Unit ("DPU") for 2010 to 16.00 sen up from 15.80 sen in 2009, representing a modest increase of 1.27%. This result was remarkable in that it was achieved despite an sharp increase of Units in circulation by 22.4% in September 2010, our largest placement to date. We now have 375,901,000 Units in circulation.

UNITHOLDERS MET IN 2010

On 25 August 2010, a Unitholders meeting was held to seek approval in relation to the following:

- The proposed placement of 68,819,800 new Units representing approximately 22.4% of existing Units in circulation
- The proposed increase in fund size from 307,081,200 to 375,901,000 Units
- The proposed acquisitions from related parties ie Axis Technology Centre for RM49.0 million and Axis PDI Centre for RM85.0 million.

I am pleased to report that the Unitholders unanimously approved all resolutions.

The Manager successfully placed out the new Units on 26 August 2010 and these were listed on Bursa Malaysia on 15 September 2010 resulting in an increase of our fund size to 375,901,000 units. The new Units were priced at RM 1.97 representing a discount of 4.37% to the five (5) day Volume Weighted Average Market Price ("VWAMP") up to 25 August 2010 and were 2.15 times oversubscribed. The proceeds from the proposed placement were used to pare down borrowings as well as to provide Axis-REIT with sufficient headroom to fund the new acquisitions in 2010.

MALAYSIAN ECONOMY 2011 - GROWTH SLOWS RATHER THAN STALLS

It is expected that the global and local economic growth will decelerate after the earlier recovery surge. It is estimated that the world's real GDP growth eased to around 4% YoY in 4Q10 from 4.6% YoY in 3Q10, after it peaked at 4.9% in 2Q10. Similarly, we estimated that the Malaysian economy grew by 4% YoY last quarter, continuing the quarterly growth slowdown that began in 2Q10. Needless to say, the slowdown partly reflects the fading low base effect from the 2009 recession.

As the effects of 2008-2009 monetary and fiscal stimulus worldwide diminished, with the key trends being fiscal consolidation in Eurozone and monetary policy normalization/tightening in Asia Pacific (ex-Japan) and large emerging economies. In US and Malaysia, almost ¾ of the fiscal stimulus put in place in late-2008 and early-2009 have been spent. Our weighted average global benchmark interest rate has inched higher to 2.18% currently from the low of 1.92% back in Dec 2009, mainly on the rise in the Asia Pacific's component (4.89% latest vs the low of 4.28% in Aug-Sep 09) against the prolonged near-zero interest rates in major economies.

By end-2010, only US and Japan that notably extended and expanded their stimulus, particularly via the central banks balance sheets i.e. the second quantitative easing (QE2: USD600b; QE1: USD1.7tr) by the Fed and Bank of Japan's Yen 10tr addition to its short-term lending facility to banks plus the Yen 5tr asset purchase programme. The US Congress also gave the nod for the two-year USD 858 billion tax package in Dec 2010, marking the third fiscal stimulus package in as many years after President Obama's two-year USD787b package announced in early-2009 soon after his election into White House, and President Bush's USD168b package in early-2008.

Current soft patch in growth is expected to persist in 1H 2011, based on the short-term forward-looking signals such as the indices of leading

economic indicators and the global purchasing manufacturing index (PMI). In particular, the global PMIs downtrend in 2Q-3Q 2010 stabilised in 4Q 2010 and stayed above 50 throughout, indicating sustained expansion in global manufacturing and services activities in the following 3-6 months. Besides this indication that the global economy is not stalling, the threat of double-dip recession has receded significantly, with the probability of it happening in the US now considered very low at just 12.5% relative to 20% not so long ago.

GOVERNMENT RAMPS UP THE ECONOMIC TRANSFORMATION PROGRAM BY LAUNCHING THE ETP ROADMAP

Targets and programmes are now cast in stone with the Government reaffirming the core macroeconomic targets for the next 10 years in the Roadmap remain as follows:

- 6% p.a. real GDP growth target for 2011-2020;
- to raise the Gross National Income (GNI) to RM1.7tr (USD523b) by 2020 from RM661b (USD188b) in 2009; and
- lift per capita income to USD15,000 (RM48,000) by 2020 from USD6,700 (USD23,770) in 2009.

The Government has also pledged that there will be no change in the ETP's other key facts and figures, namely:

12 National Key Economic Areas (NKEAs) as the drivers and catalysts for Malaysia's entry into the high-income and developed economy club.

These NKEAs are 1) Electrical & Electronics; 2) Oil, Gas & Energy; 3) Palm Oil; 4) Financial Services; 5) Tourism; 6) Wholesale & Retail; 7) Education; 8) Healthcare; 9) Agriculture; 10) Business Services; 11) Communications Content & Infrastructure; and 12) Greater Kuala Lumpur/Klang Valley.

RM1.4tr in investments that is required to achieve the above macroeconomic targets. Of this total, 92% will be private investment with a 73:27 split between

domestic direct investment (DDI) and FDI, and a 65:35 split between non-GLCs and GLCs. The 8% balance is public sector investment.

131 Entry Point Projects (EPP) to kick start the ETP with 60 Business Opportunities (BO) to be realized over the next 10 years arising from the EPPs and investments.

3.3m new jobs will be created in the next decade, of which 63% will be in middle- and high-income jobs. The overall effect on the job market will be to almost triple the percentage of the workforce in the high-income bracket to 11% by 2020 from 4% in 2009, while those in the middle-income category will increase to 46% from 39% over the same period.

Growth to be slower in 1H 2011 before re-accelerating in 2H 2011. Taking cue from the leading economic indicators, we expect the soft patch on global and local economic growth in 2H 2010 to continue into 1H 2011. For Malaysia, we expect real GDP growth to be at +4.7% in the first six months of 2011, maintaining the estimated pace in 2H 2010. This will be followed by a stronger growth of +6.2% in 2H 2011 on the back of higher domestic activities and business spending pick up with the roll out of major infrastructure projects and corporate investment.

The banks are of the view that our inflation rate forecast is that of a gradual rise to 2.5% in 2011 (2010: +1.7%), which is below the long-term average of 3.7% and 5.4% peak in 2008. Further – but more gradual – currency appreciation will also help to keep inflation in check, with Ringgit/US Dollar expected to end 2011 at RM3.00-RM3.05 (2010E: RM3.10-RM3.15).

AXIS-REIT - WINNER IN CORPORATE GOVERNANCE

In September 2010 Axis-REIT won the APREA Award for Best Practices For Emerging Markets Category. The award was based on APREA's Best Practices Handbook for the management of Property Funds and REIT across Asia Pacific and Axis-REIT emerged a clear

winner underpinning the high level of corporate governance practiced by the Manager and the Board.

PROPOSED INCOME DISTRIBUTION REINVESTMENT PLAN

Axis-REIT is now the third listed entity and the first REIT in Malaysia to introduce the Income Distribution Reinvestment Plan for the benefit on Unitholders. Under the scheme Unitholders will be offered the choice of taking their Income Distributions in cash or have them converted into new Units. This will enable Unitholders to buy new Units at a discount and at the same time enabling the Manager to raise funds to enhance the assets in the portfolio.

More details of this scheme is featured in this Annual report.

ASSET DISPOSAL TAKES PLACE.

The Board continues to focus on improving the returns of the assets in the portfolio and when assets are deemed as peaked in performance the Board is of a view to dispose the asset and reinvest it in better performing assets.

In 2010 the Manager recommended to the Board and Trustee that the Axis North Port LC 1 be disposed for a gain of RM 800,000. This gain will be distributed to Unitholders when the sale is completed in the coming year.

CORPORATE SOCIAL RESPONSIBILITY

Axis-REIT continues its program for sustainable improvement of orphanages, schools and homes in Malaysia. This year the Fund donated RM 70,000 to the Selangor and Federal Territory Association For The Mentally Handicapped Klang Special School in order for them to complete the construction of their Vocational Centre which was stalled due to a lack of funds.

The Selangor and Federal Territory Association for the Mentally Handicapped was established in 1964 as a non-profit voluntary organization.

Its headquarters, Wisma Harapan is located in Kuala Lumpur. It was initiated by a group of concerned parents and voluntary workers under the sponsorship of the then Rotary Club of Klang and Port Swettenham. From a humble beginning of 4 children and one teacher, the Association now has 12 special schools and centres catering to more than 530 children with varying mental disabilities.

I am please to report that the Vocational Training centre is now fully operational and benefitting many of the student to attend classes everyday.

IN APPRECIATION

As we complete five (5) full years as Malaysia first REIT we can look back with pride as to what we have achieved. Our success is a team effort and let me thank each and everyone involved with our success. First I wish to thank my fellow Board members for their advice and contributions throughout the year. Secondly my appreciation also extends to the Manager who has done a remarkable job of delivering five (5) years of remarkable year of growth, excellence and innovation.

Finally I would like to acknowledge our tenants and business partners for their support over the past years 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 years by providing our Unitholders with stable returns and continued growth of the Fund.



YAM TUNKU DATO' SERI SHAHABUDDIN BIN TUNKU BESAR BURHANUDDIN
Chairman

17 February 2011



Manager's Report

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

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 2010.

Highlights for 2010

- Increase in DPU to 16.00 sen despite an increase of 68,819,800 additional Units being listed on 15 September 2009.
- Total revenue increased to RM89,213,000 in 2010 from RM71,598,000 in 2009, an increase of 25%.
- Income available for distribution increased to RM52,598,000 in 2010 from RM42,878,000 in 2009, an increase of 23%.
- Held a Unitholders' meeting to approve two Related Party Transactions ("RPT"), a specific mandate to place out via private placement 68,819,800 new Units and increase in Fund size to 375,901,000 Units.
- Successfully raised RM133,427,000 through the placement of the new Units at a price of RM 1.97 each, a discount of 4.37% from VWAMP.
- Unit price improved from RM1.93 on 31 December 2009 to RM2.37 on 31 December 2010, an increase of 23%.
- Provided a total return¹ to unitholders of 30% for the year.
- Successfully concluded the purchase of five (5) new properties worth RM237,269,000.
- Increased the value of investment properties to RM1,178,682,000 as of 31 December 2010 from RM884,962,000 as of 31 December 2009, an increase of 33%.



- Introduced an Income Distribution Reinvestment Plan ("IDRIP") for Unitholders to have the option to convert their income distributions into units in Axis-REIT.
- Won the Asia Pacific Real Estate Association ("APREA")'s Best Practices Award for Emerging Markets Category for year 2010.

¹ Total return is based on movement in Unit price in 2010 and total income distribution of 16.00 sen in 2010.

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 five (5) properties during the year that would further enhance the portfolio and distributions to Unitholders as well as provide diversity in the property portfolio. The performance of the year demonstrates the commitment of the Manager to deliver a superior performance for the benefit of Unitholders.

Manager's Report

PRINCIPAL ACTIVITY AND OBJECTIVES OF AXIS-REIT

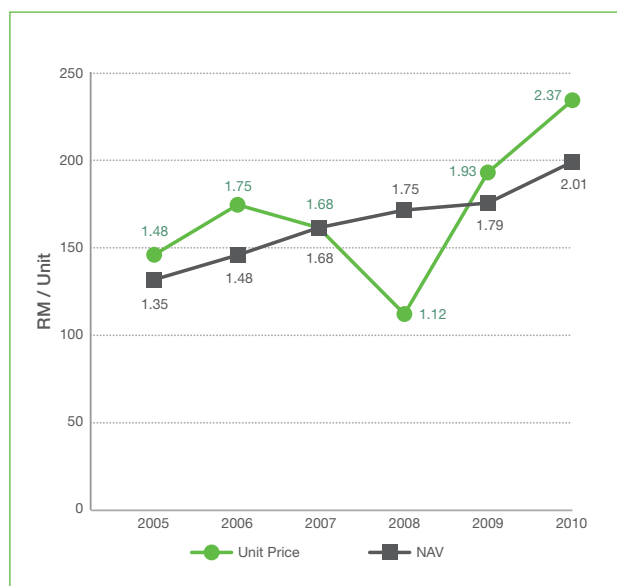
Axis-REIT is a real estate investment trust constituted by the Deed and principally regulated by Securities Laws (as defined in section 2(1) of the SCA), the SC's Guidelines on REITs, the Listing Requirements of Bursa Securities, the Rules of the Depository and taxation laws and rulings (collectively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

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

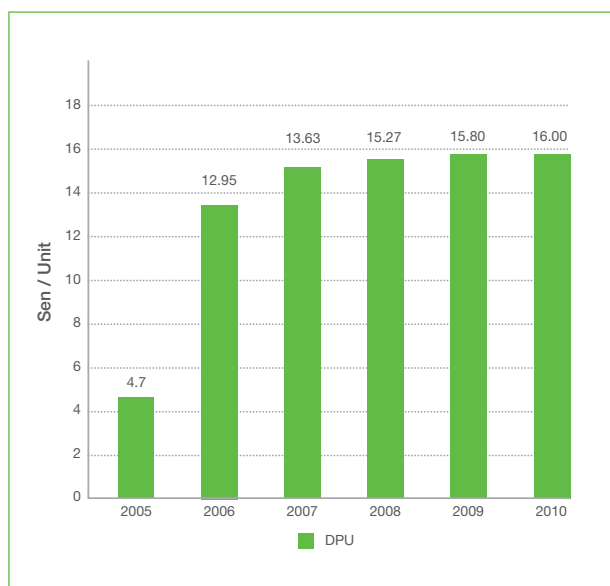
Axis-REIT was formed to own and invest primarily in commercial, office and office/industrial real estate. The primary objectives of the Fund are:

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

MAINTAINING MOMENTUM



Performance of the Fund



Distribution Per Unit

Axis-REIT is the largest Office/Industrial REITs listed on Bursa Securities with 4,288,055 sq ft of space under management spread over 26 properties and 5 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:

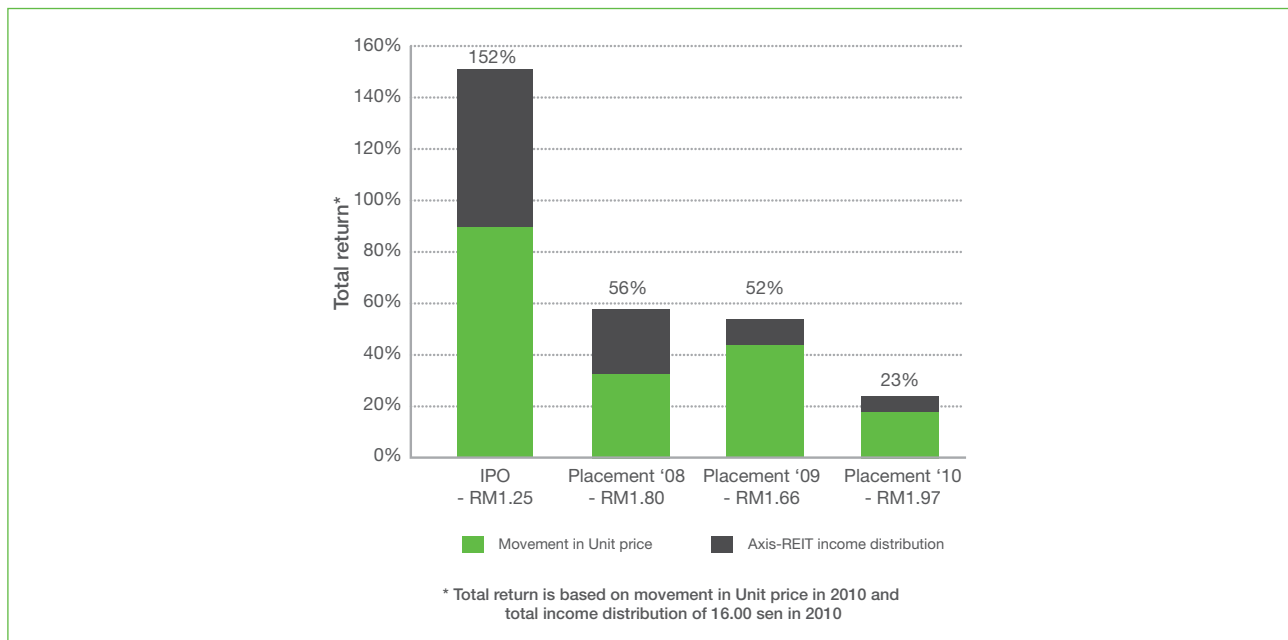
- Prudent capital and risk management;
- Yield accretive asset purchases;
- Excellent investor relations; and
- Proactive asset and tenant management.

In 2009 which saw many REIT's 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 of 51,180,200 new Units in August 2009 at a discount of 5.3% to the 5-day VWAMP and repeated the performance with a placement of 68,819,800 units in August 2010 raising RM133 million.

Both placements were very well received with orders of 3.03 times book in 2009 and 3.15 times book in 2010, underlining the confidence our investors have in our Fund.

The funds raised were used to pare down borrowing/financing thereby allowing the Manager to start acquiring assets quickly which were yield accretive. By managing this process we were able to effectively put the funds raised to work almost immediately thereby eliminating the risk of diluting investor returns though having a larger number of units in circulation.

The result of this careful capital management was that Axis-REIT rewarded Unitholders a final income distribution of 5.25 sen for the financial year 2010 and an annual DPU of 16.00 sen up 1.27% from a year ago. In total the Manager has successfully placed out 170,000,000 new Units since listing and has provided Unitholders steadily increasing income distributions and capital gains. An Unitholder who invested at initial public offering ("IPO") of Axis-REIT, would have today realised a total return of 152%. Similarly Unitholders who have participated in our placements have gained as follows:



These strategies has led to Unit price rising by 23% as at 31 December 2010 to RM2.37 and trading at a 18% premium over the NAV of the Fund.

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

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

Manager's Report

FINANCIAL REVIEW

SUMMARY OF PERFORMANCE

	2010	2009	2008	2007	2006
Total Asset Value (RM'000)	1,208,897	907,745	726,371	581,857	411,781
Total Net Asset Value (RM'000)	755,230	565,650	467,985	334,652	294,109
Units in Circulation (Units)	375,901,000	307,081,200	255,901,000	205,901,000	205,901,000
Net Asset Value per Unit (RM)					
- As at 31 December	2.01	1.84	1.83	1.63	1.43
- Lowest NAV during the year	1.79	1.74	1.63	1.43	1.35
- Highest NAV during the year	2.01	1.84	1.83	1.63	1.43
Closing Market Price per Unit (RM)	2.37	1.93	1.12	1.85	1.68
Highest Traded Price for the year (RM)	2.40	2.07	1.91	2.28	1.83
Lowest Traded Price for the year (RM)	1.92	1.08	1.00	1.60	1.63

SUMMARY OF RESULTS

	2010	2009	2008	2007	2006
Total Gross Income (RM'000)	89,213	71,598	63,331	46,819	40,931
Total Property Expenses (RM'000)	(12,961)	(11,661)	(9,876)	(8,639)	(7,802)
Net Rental Income (RM'000)	76,252	59,937	53,455	38,180	33,129
Interest/Profit Income (RM'000)	638	272	111	8	37
Changes in fair value of investment properties (RM'000)	45,593	19,098	24,478	40,613	16,517
Net gain on financial liabilities measured at amortised cost*	3,210	-	-	-	-
Total Income (RM'000)	125,693	79,307	78,044	78,801	49,683
Total Non-Property Expenses (RM'000)	(24,292)	(17,331)	(14,595)	(10,197)	(6,501)
Taxation**	(52)	-	-	-	-
Total Net Income (RM'000)	101,349	61,976	63,449	68,607	42,922
Consisting of:					
- Realised income after taxation (RM'000)	52,598	42,878	38,971	27,994	26,405
- Unrealised Income after taxation (RM'000)	48,751	19,098	24,478	40,613	16,517
Earnings per Unit (Realised) (sen)	16.06	15.77	15.46	13.60	12.82
Earnings per Unit (Realised + Unrealised) (sen)	30.95	22.81	25.18	33.32	20.85
Distribution per Unit (DPU) (sen)	16.00	15.80	15.27	13.63	12.95
Distribution yield (based on closing market price) (%)	6.75	8.19	13.63	7.37	7.71
EPU yield (based on closing market price) (%)	13.06	11.82	22.48	18.01	12.41
MER (%)	1.14	1.22	1.35	1.38	0.99
Annual total return*** (%)	35.86%	84.14	(16.98)	28.13	9.52
Average total return (3 years) (%)	34.34%	31.76	6.89	27.60	Not Applicable

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

** Provision of deferred tax on potential real property gain tax arises on the proposed disposal of Axis North Port LC 1.

*** 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 five (5) properties - Seberang Prai Logistic Warehouse 1, Seberang Prai Logistic Warehouse 2, Tesco Bukit Indah, Axis PDI Centre and Axis Technology Centre and with the increase in the number of properties during the year from twenty one (21) to twenty six (26), Axis-REIT's gross income grew by 24.6% from RM71,598,000 in 2009 to RM89,213,000 in 2010. The other factor which contributed to the increase in gross income is the 8.9% positive rental reversions recorded for the year 2010.

A summary of our gross income, property expenses and net rental income per property for the year 2010 is tabled below:

Property Description	Gross Income RM	Property Expenses RM	Net Rental Income RM
Axis Plaza	2,707,427	802,118	1,905,309
Axis Business Park	11,352,975	1,599,030	9,753,945
Crystal Plaza	9,850,500	1,255,020	8,595,480
Menara Axis	9,833,115	1,633,589	8,199,526
Infinite Centre	3,577,798	646,747	2,931,051
Wisma Kemajuan	5,251,814	1,594,675	3,657,139
Axis North Port LC1	1,112,007	506,571	605,436
Kayangan Depot	1,813,144	620,757	1,192,387
Wisma Bintang	2,860,000	350,698	2,509,302
Axis Shah Alam DC 1	1,381,315	217,891	1,163,424
Giant Hypermarket	3,130,374	269,298	2,861,076
FCI Senai	1,311,542	78,223	1,233,319
Nestle Office & Warehouse	625,030	68,918	556,112
Quattro West	2,025,370	624,786	1,400,584
Kompakar CRC HQ	3,437,676	212,412	3,225,264
Niro Warehouse	1,560,000	158,221	1,401,779
BMW Centre PTP	3,448,755	279,274	3,169,481
Delfi Warehouse	1,306,368	176,914	1,129,454
Axis Vista	3,501,143	749,953	2,751,190
Axis Steel Centre	7,055,700	538,250	6,517,450
Bukit Raja Distribution Centre	5,976,837	286,361	5,690,476
Seberang Prai Logistic Warehouse 1 ^	1,193,094	55,253	1,137,841
Seberang Prai Logistic Warehouse 2 ^	471,121	23,492	447,629
Tesco Bukit Indah ^^	1,541,620	100,997	1,440,623
Axis PDI Centre ^^^	2,186,625	76,881	2,109,744
Axis Technology Centre ^^^^	701,954	34,195	667,759
	89,213,304	12,960,524	76,252,780

^ Acquired on 5 March 2010

^^ Acquired on 1 October 2010

^^^ Acquired on 15 October 2010

^^^^ Acquired on 15 November 2010

PROFIT INCOME

This year we registered a profit income of RM638,000 from placement of funds under Islamic REPO. This arose from the RM133.4 million net proceeds received from the listing of 68,819,800 new Units in September 2010, prior to payment of financing amount due 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 RM45,593,000.

Manager's Report

TOTAL NON-PROPERTY EXPENSES

Details of total non-property expenses are as follows:

	2010 (RM'000)	2009 (RM'000)	2008 (RM'000)	2007 (RM'000)	2006 (RM'000)
Administrative and professional fees *	7,334	6,061	5,817	4,124	3,078
Bad debts written off/(Bad debts recovered)	(108)	-	-	144	119
Allowance for/(Reversal) of doubtful debts	213	54	158	(125)	167
Financing/borrowing cost	-	739	227	600	65
Islamic financing cost/conventional interest expense	16,853	10,477	8,393	5,454	3,072
Total non-property expenses	24,292	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 21% increase in administrative and professional fees for year 2010 as compared to year 2009 are mainly due to the RM70,000 Corporate Social Responsibility Expenses expenses and the increase in Manager's fee as a result of the increase in the NAV of Axis-REIT.

Bad debts recovered

During the year, Axis-REIT has successfully recovered RM108,000 from bad debts that were written off in year 2006.

Allowance for doubtful debts

Allowance for doubtful debts for year 2010 rose to RM213,000 from RM54,000 in 2009.

Islamic financing cost/ conventional interest expense

The increase in the interest/ Islamic financing cost for 2010 as compared to 2009 is due to the increase in the borrowings/ financing of the Fund.

However the effective Islamic financing cost for year 2010 rose to 4.48% from 4.11% for the year 2009 due to the 75 basis point increase in the Overnight Policy Rate ("OPR") imposed by Bank Negara during 2010.

EARNINGS PER UNIT ("EPU")

The EPU (realised) for 2010 increased to 16.06 sen from 15.77 sen in 2009. This is based on the weighted average of the number of Units in issue.

DISTRIBUTION PER UNIT ("DPU")

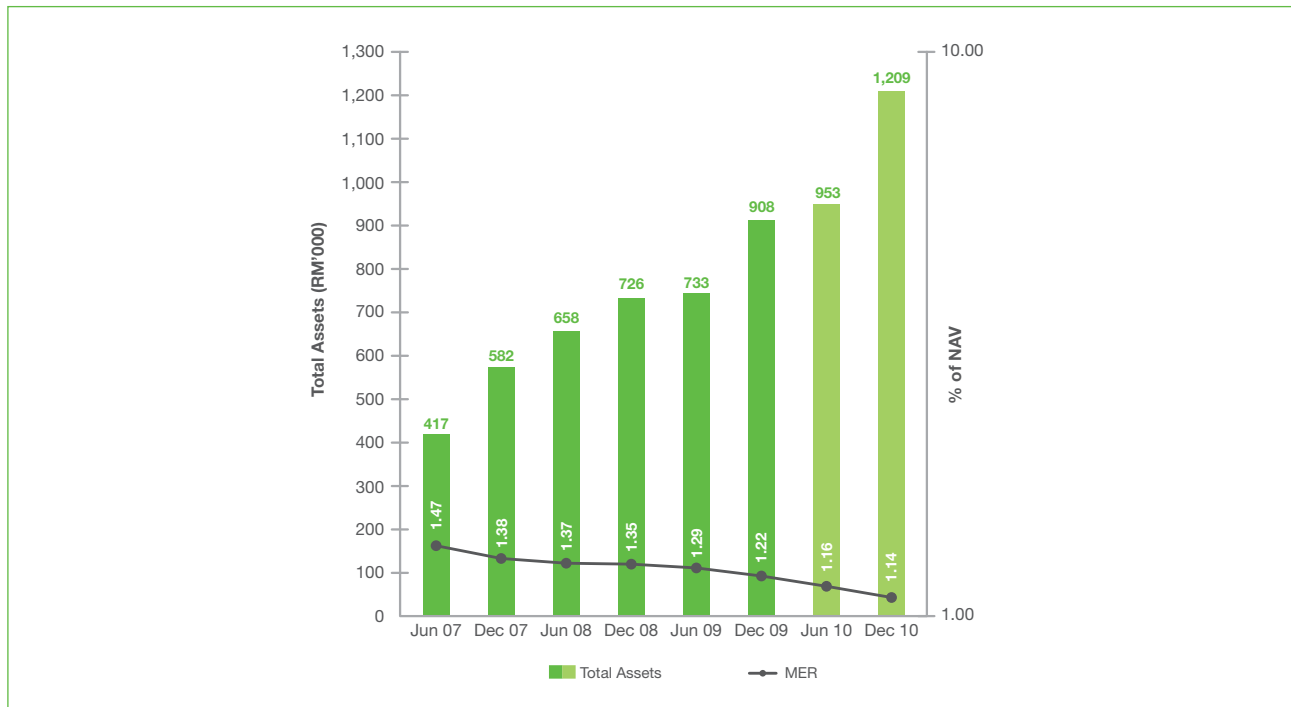
The DPU for 2010 increased to 16.00 sen from 15.80 sen in 2009. Axis-REIT had in year 2008, 2009 and 2010 placed out 50,000,000, 51,180,200 and 68,819,800 new Units respectively. Notwithstanding total the increase of 170,000,000 Units over the past three years, Axis-REIT has not only been able to prove 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 Distribution Per Unit

MANAGEMENT EXPENSE RATIO ("MER")

The MER for 2010 has reduced to 1.14% of NAV as compared to 1.22% in year 2009. 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. For the year 2010 through the careful execution of our capital management strategy we have managed to successfully raise capital, acquire assets and keep our gearing within our own benchmark of 35%.

The three Key milestones in Capital Management for the year 2010 are:

1. Continuing to maintain a balance between our Short to Medium-Long Term Financing Profile

In late November 2008 to the first half of year 2009 we witnessed a series of aggressive cuts by the Bank Negara Malaysia on the Overnight Policy Rate 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 financing due into a RM170.4 million 3 and 5-year Islamic term financing ("Term Financing") and retained only 50% of our financing due in short term revolving credits facilities with the banks.

The Term Financing 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 one of the top three financial institutions in Malaysia into the Fund's panel of bankers.

The Term Financing has the following maturity tenures with bullet payments of the principal at the end of the respective tenures:

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

50% of the Term Financing is on a fixed rate basis whilst the remaining 50% is on a variable rate basis. To hedge against possible fluctuations of the interest rate on the variable portion, Axis-REIT entered into an Islamic Profit Rate Swap arrangement thereby taking advantage of the favourable interest rate environment to lock-in fixed rates over the entire tenure of the RM170.4 million Term Financing.

In 2010 we had to raise further funds to acquire the new investment properties and the following fund strategies were adopted:

1. Accepted a new RM50.0 million 3-year floating rate term financing facility from Standard Chartered Saadiq Berhad. Axis-REIT has entered into an Islamic Profit Rate Swap arrangement with the same bank to hedge against fluctuation in profit rate and also to ensure Axis-REIT's exposure on floating rate is maintaining at approximately 50% of its total financing.

Manager's Report

- Accepted a new RM60.0 million short term bridger facility jointly offered by CIMB Islamic Bank Berhad and Public Islamic Bank Berhad. The short term facility provides flexibility to Axis-REIT in meeting its funding needs. Due to its short term tenure, Axis-REIT can utilise the facility to acquire new investment properties and later redeem the facility with placement of equity once gearing hits above 35%.

Maintaining this strategy in managing our financing maturity and Islamic profit rate exposure were an integral part of Axis-REIT's strategy for 2010. Details of the historical level of borrowings/financing and the interest/ Islamic profit rate is shown below:

	2010	2009	2008	2007	2006
Total Borrowings/financing (RM'000)	416,009	308,932	230,456	209,816	88,089
Total Assets (RM'000)	1,208,897	907,745	726,371	581,857	411,781
Gearings	34.46%	34.03%	31.73%	36.06%	21.39%
Effective Interest/profit Rate*	4.48%	4.11%	4.28%	4.39%	4.38%
Percentage of short term borrowings/financing	48%	47%	100%	100%	100%
Percentage of medium/long term borrowings/financing	52%	53%	-	-	-

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

2. Capital Raising - Successful Placement and Listing of 68,819,800 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 ("the Initial Placement Size") 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 per Unit. 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 2009 Placement").

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 Malaysia on 10 September 2009. The 2009 Placement received a strong response from the capital market and was oversubscribed by 2.03 times. The placement price was based on a 5-day VWAMP up to 24 August 2009 of RM1.75. The Placement was issued at RM1.66 per Unit representing a 5.14% discount to the 5-day VWAMP in sharp contrast to the very large discounts offered by other REITs around the region in their attempts to raise capital.

Given the success of the 2009 Placement and the strong pipeline of investment properties that Axis-REIT will be acquiring, in early 2010 the Manager has sought

the approval of SC to allow Axis-REIT to place out the balance of the unissued Units out of the 120,000,000 Units initially approved by the SC in 2008 of 68,819,900 new Units ("the 2010 Placement") which represent 22.4% of the Units in issuance under section 14.04 of the SC's Guidelines on REIT ("Specific Approval"). The approval from SC was granted on 12 March 2010 and on 25 August 2010 Axis-REIT has obtained the approval from the Unitholders to proceed with the 2010 Placement.

The response was overwhelming and was oversubscribed by 2.15 in August 2010 - a record for all our placements to date. The 2010 Placement's price of RM1.97 sen per Unit represents a 4.37% discount to the 5-day VWAMP up to 26 August 2010 of RM2.06.

The new Units were successfully listed on 15 September 2010 and the proceeds raised RM133 million which was used to pare down financing and enabled the Manager to gear up to purchase the assets contracted in the last quarter of 2010.



3. Introducing the Income Distribution Reinvestment Plan

On February 2011 the Manager announced the proposal to allow Unitholders to convert their Income Distributions into Units in the Fund under a program that will be rolled out in 2011.

Axis-REIT will be the third listed entity on Bursa Malaysia to do so. It was introduced to allow Unitholders to purchase Axis-REIT Units on the same terms that the Manager places out to institutions and funds during their placement exercises, thereby allowing Unitholders to benefit from the discounts offered.

In addition the funds raised will be managed in order not to be dilutive in nature and will be targetted to be used for the Funds enhancements projects on the portfolio.

A more complete briefing on the IDRP is included in this Annual Report.

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 financing from 5 major banks. With this diversity we have lowered the concentrations of risk amongst the

banks and provided each bank with adequate collateral to the financing they are providing. In addition, as at 31 December 2010, 52% of the total financing of the Trust are medium/long term i.e. 3 to 5 years tenure.

The Fund currently has 11 out of its 26 properties unencumbered, leaving room for further fund raisings in future.

2. Interest Rate Risk

As at 31 December 2010, we had a total fund facility of RM450.4 million of which we have utilized RM416,609,000 or 34.5% of total assets.

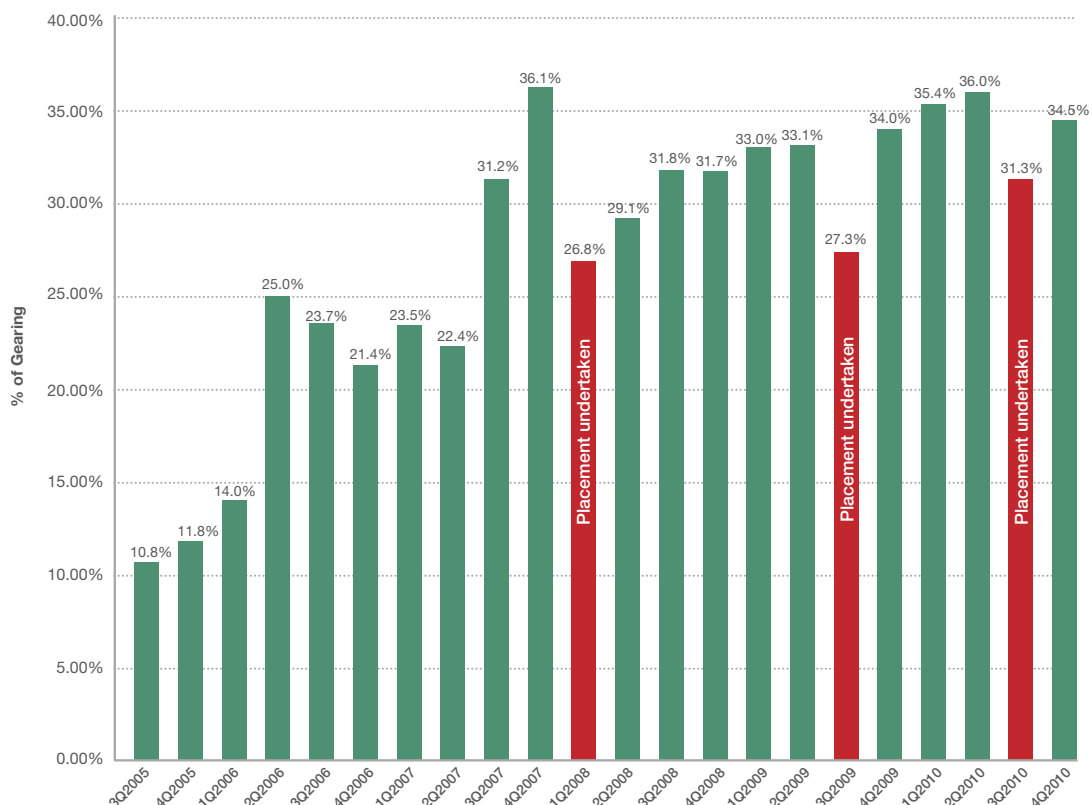
Of this amount, RM218,609,000 is in 3-5 year term financing with profit rates fully hedged. We are aware that there could be a further rise in profit rates in 2011 and the Manager is looking at locking in further tranches of revolving credits into fixed rate term financing.

Currently, the Fund enjoys an effective average profit rate of 4.48% as at 31 December 2010.

3. Gearing Risk

Having learnt from the risks the global financial crisis impacted bank lending, the Manager will continue to maintain its maximum gearing threshold of 35% as part of its long term strategy for prudent capital management.

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



Manager's Report

Debt Expiry Profile

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

	2010	2009	2008	2007
Total borrowings/financing (RM'000)	416,009	308,932	230,456	209,816
Fixed rate borrowings/financing (RM'000)	218,609	163,932	-	-
Fixed as a Percentage of total borrowings/financing	52%	53%	-	-
Effective Interest/profit Rate	4.48%	4.11%	4.28%	4.39%
Weighted average term for borrowings/financing	2 to 3 years	2 to 3 years	< than 1 year	< than 1 year
Interest/profit cover ratio	4.12	5.09	5.64	6.13

4. 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:

No	Property	NBV before Revaluation RM	Market Value* RM	Unrealised gain/(loss) RM
1	Axis Plaza	29,500,000	31,000,000	1,500,000
2	Axis Business Park	105,971,990	107,000,000	1,028,010
3	Crystal Plaza	89,805,375	96,000,000	6,194,625
4	Menara Axis	94,119,394	95,800,000	1,680,606
5	infinite Centre	34,701,630	36,000,000	1,298,370
6	Wisma Kemajuan	53,613,980	53,630,000	16,020
7	Axis North Port LC 1	15,413,483	14,300,000	(1,113,483)
8	Kayangan Depot	22,059,300	20,000,000	(2,059,300)
9	Wisma Bintang	38,770,000	47,000,000	8,230,000
10	Axis Shah Alam DC1	18,935,680	19,000,000	64,320
11	Giant Hypermarket	39,000,000	39,000,000	-
12	FCI Senai	14,000,000	14,000,000	-
13	Nestle Office & Warehouse	7,600,000	8,200,000	600,000
14	Quattro West	44,940,038	52,000,000	7,059,962
15	Kompakar CRC HQ	40,000,000	40,000,000	-
16	Niro Warehouse	14,500,000	15,600,000	1,100,000
17	BMW Centre PTP	27,149,600	28,500,000	1,350,400
18	Delfi Warehouse	13,500,000	13,500,000	-
19	Axis Vista	35,561,190	35,600,000	38,810
20	Axis Steel Centre	75,000,000	75,000,000	-
21	Bukit Raja Distribution Centre	80,200,000	80,600,000	400,000
22	Seberang Prai Logistic Warehouse 1	17,695,315	18,990,000	1,294,685
23	Seberang Prai Logistic Warehouse 2	6,980,902	7,490,000	509,098
24	Tesco Bukit Indah	76,749,821	85,000,000	8,250,179
25	Axis PDI Centre	86,145,797	92,000,000	5,854,203
26	Axis Technology Centre	49,703,287	52,000,000	2,296,713
TOTAL		1,131,616,782	1,177,210,000	45,593,218

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

All valuations are conducted by independent registered valuers approved by the SC. Axis-REIT currently has a panel of seven (7) 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 RM'000	Market Value RM/psf	Total Investment Outlay (including enhancements) RM psf
Axis Plaza	31,000,000	263	191
Axis Business Park	107,000,000	314	249
Crystal Plaza	96,000,000	472	278
Menara Axis	95,800,000	548	430
Infinite Centre	36,000,000	246	175
Wisma Kemajuan	53,630,000	267	165
Axis North Port LC1	14,300,000	107	99
Kayangan Depot	20,000,000	122	102
Wisma Bintang	47,000,000	272	189
Axis Shah Alam DC 1	19,000,000	172	177
Giant Hypermarket	39,000,000	283	280
FCI Senai	14,000,000	102	92
Nestle Office & Warehouse	8,200,000	298	267
Quattro West	52,000,000	498	471
Kompakar CRC HQ	40,000,000	381	358
Niro Warehouse	15,600,000	93	89
BMW Centre PTP	28,500,000	176	170
Delfi Warehouse	13,500,000	103	98
Axis Vista	35,600,000	302	280
Axis Steel Centre	75,000,000	204	180
Bukit Raja Distribution Centre	80,600,000	177	159
Seberang Prai Logistic Warehouse 1	18,990,000	179	167
Seberang Prai Logistic Warehouse 2	7,490,000	179	167
Tesco Bukit Indah	85,000,000	364	329
Axis PDI Centre	92,000,000	44	41
Axis Technology Centre	52,000,000	305	291
	1,177,210,000		

Manager's Report

5. Tenant and Credit Risk

We continue to closely monitor our tenants performance as it is key to the management of our income. We have in place strict procedures in evaluating our tenants' creditworthiness and we do not hesitate to take steps to minimise any lapse in payment performance.

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

As of today, Axis-REIT has 26 properties and 106 tenants many whom are multinationals and local public listed companies with strong financial credentials.

Our Top Ten Tenants

1. Konsortium Logistik Bhd
2. IDS Logistics Services (M) Sdn Bhd
3. Fuji Xerox Asia Pacific Pte Ltd
4. Tenaga Nasional Bhd
5. Strateq Data Centre Sdn Bhd (formerly known as Kompakar CRC Sdn Bhd)
6. BMW Asia Technology Centre Sdn Bhd
7. Scope International (M) Sdn Bhd
8. GCH Retail (M) Sdn Bhd
9. Cycle & Carriage Bintang berhad
10. Fujifilm (M) Sdn Bhd

The Top Ten tenants account for 52% of the total revenue of the Trust which in 2010 accounted for RM46,459,000. It has risen in 2010 as there have been new large single tenants who contribute significantly to the income of the Fund.

	2010	2009	2008	2007	2006
Top ten tenant contribution to total gross income	5.2%	47%	52%	51%	56%

Doubtful Debt Provision

The provision for doubtful debt as of 31 December 2010 was RM105,000 an increase of RM51,000 as compared to 2009 and represents 0.12% of the annual gross revenue 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	2010	2009	2008	2007	2006
Doubtful Debt Provided/ Bad debt write off/ [write back]	105	54	158	19	286
Trade Receivables	3,893	3,371	1,858	1,889	991
Total Annual Gross Revenue	89,213	71,598	63,331	46,819	40,931
Total debt provisions/ Bad Debt Write offs / [write backs] as % of gross revenue	0.12	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 operation of the Fund and Manager.

During 2010 our Internal Auditors, Baker Tilly Monteiro Heng, has conducted a review every quarter on internal practices checking compliance with the Corporate Governance Code as well as the APREA Best Practices Codes. These reports are made available to the Audit Committee as well as the Board. The Manager has taken steps to deal with the risks identified.

REPORT ON OUR SHARIAH COMPLIANCE



Standing from left to right : Encik Mohd Nasir Ismail, Ustaz Mohd Bakir Hj Mansor & Encik Razli Ramli of IBFIM

On 11 December 2008, Axis-REIT became the world's first Islamic Office/ Industrial REIT. In the span of two (2) years since its successful reclassification, we have seen a strong participation by Islamic investors from both institutional and retail sectors.

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 new property to be acquired by Axis-REIT to ensure that all the activities of the new tenant(s) and/or composition/ contribution of non-permissible 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, currently being reported at 6%, is being maintained well below the level of 8.2% in December 2008, when the Funds was granted Shariah Compliant status.



Non-permissible activities level

The increase of non-permissible level in 2010 to 6.00% from 5.50% in 2009, is due to the new lease by Kenanga Investment Bank ("Kenanga") in Quattro West. Kenanga will be using the space at Quattro West for its stocks broking arm and its related activities. As there are only 12% of the securities traded on Bursa Securities are deemed non-shariah compliant (based on list of Shariah-Compliant Securities as at 26 November 2010), therefore Kenanga is an acceptable tenant to Axis-REIT but Axis-REIT will need to classify Kenanga as a mixed activities tenant. However the Manager is confident that the level of non-permissible activities will reduce with the addition of the two (2) new properties that will be completed in year 2011, PTP D8 and Axis Eureka.

Manager's Report

BUSINESS DEVELOPMENT REPORT

ACQUISITIONS 2010

The Manager is pleased to report that we have achieved our first growth target and which to achieve an asset size to over RM1 billion - in fact the investment properties under management now stands at RM1.18 billion as of 31 December 2010. The Fund now has 26 properties with 2 more properties contracted to complete in the 1H 2011.

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.

To fund these acquisitions the Managers successfully placed out 68,819,800 new Units in August 2010 and these were listed on 15 September 2011. The placement enabled the Fund to raise RM133 million which was used to acquire and expand the property portfolio.

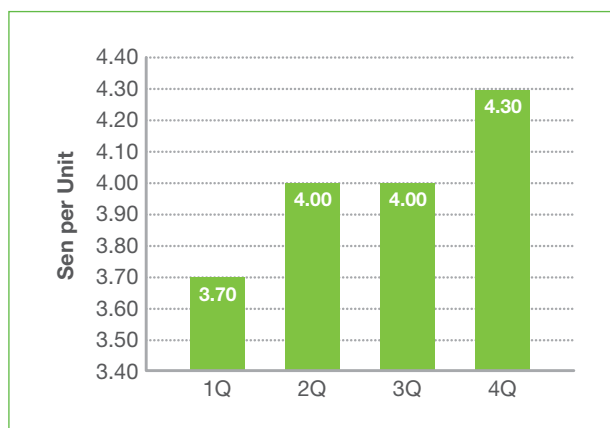
2010 saw Axis-REIT complete the acquisition of 5 assets with a value of RM237.3 million and announced further purchase RM83 million worth of assets in 2011.

We are pleased to report that we have managed to balance the raising of capital through the placement of new Units and timing the injection of our yield accretive acquisitions to minimise the negative carry that can result from delays in acquisition. This is reflected in the spurt in 4Q DPU despite the listing of the new Units in September.

Our focus continues to be on:

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

Axis-REIT has successfully added to the scale and value of our portfolio by acquiring the following assets in 2010.



Distribution per Unit per Quarter 2010

Acquisition 1&2

Seberang Prai Logistic Warehouses 1&2



Seberang Prai Logistic Warehouse 1



Seberang Prai Logistic Warehouse 2

We successfully negotiated a Sale & Leaseback Agreement ("Agreement") to acquire the IDS Logistics Services (M) Sdn Bhd's logistics assets and signed the agreement on 19 November 2009.

The Agreement covered the purchase of 3 assets - the Bukit Raja Distribution Center as well as the 2 logistics warehouses in Seberang Perai, Pulau Pinang. The acquisition of the Bukit Raja Distribution Center 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 2 Seberang Prai properties were completed on 5 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 step-up for the first 9 years of the first term.

Acquisition 3

Tesco Bukit Indah, Johor Bahru



The acquisition of Tesco Bukit Indah hypermarket in Johor Bahru is the second retail warehouse to join the portfolio. What makes this such an attractive acquisition for the Fund is its 30-year lease with fixed rent step ups every 3 years. It will provide the Fund with a stable growing income for the period of the lease and this freehold property will provide Unitholders exposure in the rapidly growing real estate market in Johor.

Key features of the acquisition are

Land Area	: 9.69 acres (422,370 sq ft)
Gross Built Up	: 308,128 sq ft
Land Tenure	: Freehold
Tenant	: Tesco Stores (Malaysia) Sdn Bhd
Lease Tenure	: 30-year lease ; fixed 3-year step-ups
Occupancy	: 100%
Purchase Price	: RM75.60 million
Acquisition Price	: RM76.75 million
Valuation	: RM85.00 million
Gain	: RM8.25 million
Triple Net Yield	: 7.5% upon acquisition

The Acquisition was completed on 1 October 2010 and had a capital gain of RM8.25 million or a 9.5% discount to market value.

Manager's Report

Acquisition 4 Axis PDI Centre



Axis PDI Centre is a massive 50.0 acre development located directly on the Jalan Banting/ Klang and the 3rd related party acquisition since Axis-REIT was listed.

The property is located 4.5 kilometres from the KESAS Highway which leads to the West & North Port, Shah Alam, Federal Highway, NKVE and Elite Highway systems.

It is in a rapidly expanding industrial and housing area and is located very near to the AEON Bukit Tinggi and the related WCT and Gamuda developments in the area.

Key features of the acquisition are

Land Area	: 50.0 acres (2,103,395 sq ft)
Gross Built Up	: 51,504 sq ft
Land Tenure	: Leasehold land with 81 years expiring August 2091
Tenant	: Konsortium Logistik Berhad
Lease Tenure	: 5-year lease with a 5-year option
Occupancy	: 100%
Purchase Price	: RM85.00 million
Acquisition Price	: RM86.15 million
Valuation	: RM92.00 million
Gain	: RM5.85 million
Net Yield	: 9.5%

The Acquisition was completed on 15 November 2010 and came with a capital gain of RM5.85million or a 6.4% discount to market value. The description of the related parties are:

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

Acquisition 5 Axis Technology Centre



This was the 4th Related Party Transaction since listing. The property fronts Jalan 225 in Section 51A Petaling Jaya and is 12 kilometres from Kuala Lumpur and 2 kilometres from the CBD of Petaling Jaya. It is readily accessible from the Federal Highway, Jalan 222 and Jalan 225 and has enhanced accessibility to the LDP, NPE and SPRINT Highways.

The property sits on a 4.13 acre site and houses a modern office /Warehouse complex with multinational tenants such as Sigma Elevators, Fresenius Medical, Fresenius Kabi, Green Packet.

Key features of the acquisition are:

Land Area	:	4.13 acres (179,897 sq ft)
Gross Built Up	:	214,868 sq ft
Land Tenure	:	leasehold land with 57 years expiring January 2067
Tenants	:	Sigma Elevators, Fresenius Medical, Fresenius Kabi and Green Packet
Tenancy/lease period	:	ranging from 2 – 6 years
Occupancy	:	100%
Purchase Price	:	RM49.00 million
Acquisition Price	:	RM49.70 million
Valuation	:	RM52.00 million
Gain	:	RM2.3 million
Net Yield	:	8.1%

The acquisition was completed on 15 November 2010 and came with a capital gain of RM2.3 million or a 4.4% discount to market value. The description of the related parties are:

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

For acquisitions 4 and 5, the Audit Committee had reviewed the acquisitions and was satisfied that it was undertaken at arms length and at commercial terms that were not detrimental to the interest of the Unitholders.

A Unitholder's meeting was held on 25 August 2010 to approve the acquisitions at which the resolutions tabled were unanimously passed.

Manager's Report

Future Acquisitions

The Manager is pleased to report that the finalization of the purchase of D8, a logistics distribution centre in Port of Tanjung Pelepas ("PTP") contracted in April 2010 will be concluded by the 1Q 2011 and that the Trustee has entered into a sale and purchase agreement to acquire Axis Eureka, a property in Cyberjaya, from FSBM Holdings Bhd for a sum of RM51.25 million on 30 December 2010.

Details of the 2011 acquisitions are as follows:

Acquisition 1 – D8 Logistics Warehouse, Port of Tanjung Perlepas Johor



D8 will be our second property located in the rapidly growing Port of Tanjung Perlepas Johor.

PTP was accorded Free Zone status in March 1998. The Malaysian government also appointed PTP as a Free Zone Authority ("FZA") on June 16, 1999, to administer both the Commercial Free Zone and the Industrial Free Zone. This administration of the FZA functions within PTP ensures smooth and efficient transactions.

Pelepas Free Zone is situated adjacent to the port and terminal and covers an area of about 1,000 acres. This is segmented into different zones depending on the type of activities carried out. Of this, approximately 400 acres has been designated as Free Commercial Zone reserved for distribution, logistics, and warehousing activities ideal for consolidation, International Procurement Centres, regional distribution centers, and distribution services. The remaining 600 acres of Free Industrial Zone is reserved for light, medium and heavy manufacturing industries.

It is in this free zone that D8 is located and houses one of Japan's largest logistic companies - Nippon Express (M) Sdn Bhd

Key features of the acquisition are:

Land Area	: 6.12 acres (266,587 sq ft)
Gross Built Up	: 187,000 sq ft
Land Tenure	: leasehold land with 47 years sub-lease expiring March 2055
Tenant	: Nippon Express (M) Sdn Bhd
Occupancy	: 100%
Lease Tenure	: 10-year lease with a 3 year option
Purchase Price	: RM30.00 million
Acquisition Price	: RM30.50 million
Valuation	: RM31.00 million
Gain	: RM0.5 million
Net Yield	: 9.16%

Acquisition 2 Axis Eureka

On 30 December 2010, the Trustee entered into a Sale and Purchase agreement to acquire the Fund's first property in Cyberjaya.

The subject property is a purpose built four (4)-storey office building with a lower roof floor together with a lower ground floor and a basement car park bearing the postal address as FSBM Plaza, No. 3539, Jalan Technokrat 7, 63000 Cyberjaya, Selangor.

The property will be renamed as Axis Eureka and will be refurbished when the acquisition is completed towards the end of 1Q 2011.

Key features of this acquisition are

Land Area	: 2.06 acres (89,760 sq ft)
Gross Built Up	: 218,662 sq ft
Land Tenure	: Freehold
Occupancy	: 100% upon completion of acquisition
Tenants	: SCICOM (MSC) Berhad, Woltes Klumer Enterprise Service Sdn Bhd, Multimedia Development Corporation
Tenancy/lease period	: ranging from 1 – 6 years
Purchase Price	: RM51.25 million
Acquisition Price	: RM52.02 million
Valuation	: RM52.20 million
Gain	: RM0.18 million
Net Yield	: 8.0%



As part of our ongoing strategy, we will continue to seek yield accretive assets for the Trust as growth through acquisition is the main growth driver of the Fund. We will also continue to focus on the following criteria when we select assets:

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

First Asset Disposal – Axis North Port LC 1



The Manager announced on the 17 January 2011 that the Trustee for Axis-REIT, had entered into a sale and purchase agreement in relation to the disposal of Axis North Port LC 1 for a total lump sum cash consideration of RM14.5 million to Freight Management (M) Sdn Bhd .

Salient points of the disposal are as follows:

Proposed Disposal Price	=	RM14,500,000
Estimated net gain on disposal	=	RM803,000
Estimated real property gain tax	=	RM41,000
Estimated net gain available for distribution	=	RM762,000

Rationale

In less than 5 years of ownership , the Manager believes it has optimized the potential of Axis North Port LC 1. The Manager also felt that there was a limited upside to future rental growth and therefore this was an opportune time to sell the asset and re-deploy the capital for more yield accretive properties.

The Manager intends to distribute the net gain (estimated to be RM762,000) on the disposal (after 5% real property gains tax) to unitholders in 2011 by way of tax exempt income distribution. The balance will be used to reduce gearing to provide Axis-REIT with headroom for future acquisition. The Proposed Disposal of Axis North Port LC1 will translate to a distribution of approximately 0.20 sen per Unit.

This is part of our strategy to optimize the Fund's portfolio in order to maximize returns to the Unitholders.

The disposal is expected to be completed before the end of the 2Q 2011.

INVESTOR RELATIONS REPORT

Unitholders' Meetings

In 2010, the Board unanimously resolved that the Manager will hold one Unitholders meeting every financial year, irrespective if there were resolutions to be tabled for approval or not. This is in line with the best practice on global REITs where a Unitholders' meeting is held every year. Having said that, since listing the Fund the Manager has met with their Unitholders every year. Although the Unitholders' Meetings were for specific approvals for certain resolutions, the Manager always takes the opportunity to provide the Unitholders with a comprehensive briefing of the Fund's activities and performance as part of our good corporate governance.

This year a Unitholders' meeting was held on the 25 August 2010 to approve the following resolutions.

- (i) The proposed acquisition of Axis PDI Centre and Axis Technology Centre, two Related Party Transactions;



- (ii) The proposed placement of 68,819,800 new Units, and

- (iii) The proposed increase in Fund size to 375,901,000 Units

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

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 the fund managers, analysts and Unitholders to disseminate information. This bodes well with our corporate culture of having an effective corporate governance framework.

In 2010, we held the following fund managers' and analysts' briefings;

- 21 January 2010
- 20 July 2010

We are also 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
- ECM Libra Investment Research



Manager's Report

Media Relations

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

This helps in keeping our current and future Unitholders well informed about our Fund and its performance.



Axis REIT announces trust's 2Q10 results



NEWS CONFERENCE: The ARMH team comprising Chairman (left) chief financial officer Leong Keng, senior advisor and business development manager, Chai Wai Lay, Axis REIT head of real estate...

Pendapatan meningkat

Pendapatan Axis Real Estate Investment Trust bagi suku kedua berakhir 30 Jun 2010 meningkat 21 peratus kepada RM21.021 juta sebelumnya.



Axis-REIT 2010

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Axis REIT placement oversubscribed

PETALING JAYA: Axis Real Estate Investment Trust's (Axis REIT) placement of 68.82 million new units, representing 22.4% of the existing approved fund size of 307.08 million units, has been oversubscribed "several times" over the offer size, Axis Managers Bhd said yesterday.



Unit baru Axis REIT

Pemegang unit Axis REIT Managers Bhd telah meluluskan cadangan penempatan sehingga 68.819 juta unit baru dalam Axis-REIT.

Dalam satu kenyataan, Axis REIT, Pengurus Amanah Pelaburan hartanah Axis (Axis-REIT), berkata mesyuarat pemegang unit turut meluluskan cadangan meningkatkan saiz dana sedia ada yang diluluskan dan pengambilalihan dua bidang tanah.

"Cadangan penempatan saham baru itu akan membolehkan Axis-REIT memperuntukkan dan menerbitkan unit baru untuk mendapatkan dana jika pengurusan menjangka pinjaman akan melebihi 35 peratus daripada aset keseluruhan Axis-REIT berikutan cadangan pengambilalihan dan pengambilalihan akan datang," katanya.

Quattro West wins award

QUATTRO West, formerly Nestle House, has won the best redevelopment award for Malaysia at the Asia Pacific Commercial Property Awards 2010 in Hong Kong on April 16. Axis REIT Managers Bhd bought the building for RM39.8 million in 2007 and budgeted RM7 million for its makeover. "Winning this... underscores Axis REIT's ability to continue to enhance the buildings within its portfolio to a standard that is recognised by the industry."

Unit baru Axis REIT

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Left: Aprea CEO Peter Mitchell, Axis-REIT Managers board chairman Datuk Seri Tunku Shahabuddin Tunku Burhanuddin, Axis-REIT Managers Bhd, CFO Leong Y and Axis-REIT Managers Bhd CEO Stewart LaBrooy

Asia Pacific Real Estate Association's Best Practices 2010 award on Sept 15.

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.

INVESTORS OUTREACH PROGRAM

Retail Roadshows across Malaysia

In 2010, we continued with 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.

In total 3 roadshows were conducted - in Melaka, Kuching and Johor. The first two were done in collaboration with AmFirst REIT, AmanahRaya REIT, CBRE and Maybank Investment Bank and CIMB Investment Bank. The last one was sponsored by the Malaysian REIT Managers Association ("MRMA") and for the first time Sunway REIT joined us in presenting.

We plan to continue with the Investors Outreach Program in 2011 through MRMA by targeting other major town/cities such as Kota Kinabalu, Penang, Ipoh and Kuantan.



Conferences and Speaking Engagements



Investor Expo 2010

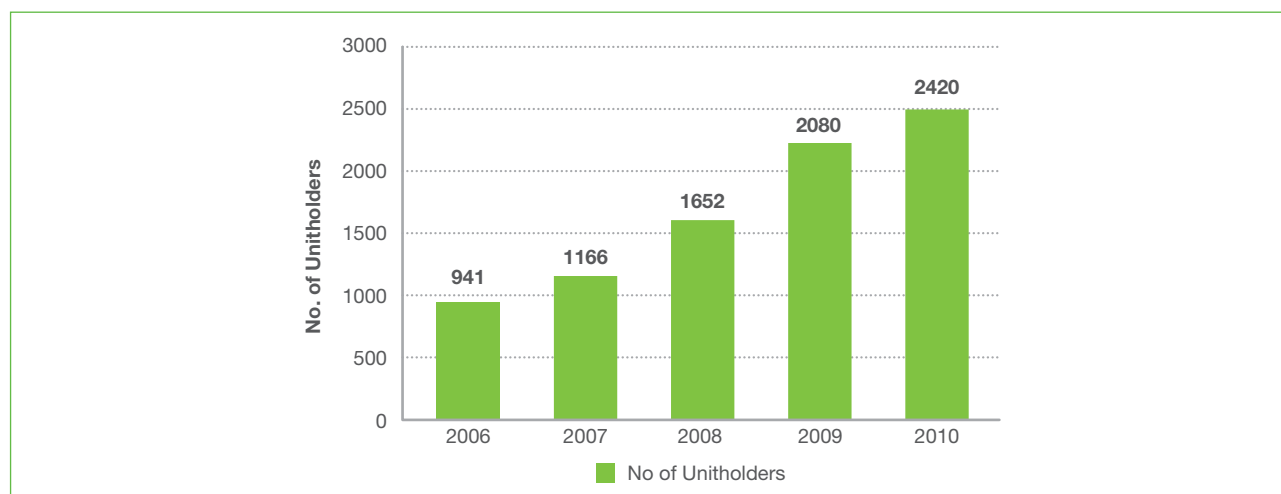
In addition to the above, the Manager actively participated in conferences and speaking engagements throughout 2010. CEO Stewart LaBrooy was invited as a speaker in various conferences and forums on the subject of REITS.

For 2009, Axis-REIT produced its second issue of the Annual Report in Mandarin which was made available via our website. We will continue to maintain the availability of a Mandarin version for all our 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.

Date	Venue	Topic
19 March	Penang	PISA - REITs - An Alternative Investment Tool for your Wealth Creation
20 March	Kuala Lumpur	KLCC - REITs - An Alternative Investment Tool for your Wealth Creation
21 April	Kuala Lumpur	APREA - Property Leaders Forum 2010
28 April	Kuala Lumpur	Bursa - MSWG Seminar on Dividend Policy and Practices and Launching of Dividend
8 May	Kuching	Retail Reit Roadshow
20 May	Singapore	Cityscape Asia - Maximising returns from the Development and Growth of Asian Real Estate Investment Trusts
9 June	Jeddah, Saudi Arabia	Cityscape Saudi Arabia - Assessing the role of Sukuk for raising finance in the current economic climate
23 Jun	Melaka	Retail Reit Roadshow
17 and 18 July	Kuala Lumpur	Investor Expo 2010 - Why Invest in Reits
28 July	Philippines	Reit Asia Pacific Philippines Summit 2010 - Strengthening, Deepening, Sustaining
3 August	Kuala Lumpur	Asia Business Forum - Expanding and Growing your Reits business
23 October	Johor Bahru	Retail Reit Roadshow
11 November	Hong Kong	MIPI Asia - The World's Property Market in Asia Pacific

Manager's Report

Increase In The Number Of Unitholders



Number of Unitholders of Axis-REIT

Axis-REIT witnessed an increase in the number of Unitholders for year 2010 by 16.3% to 2,420 as compared to 2009. In addition, we have through the September 2010 placements increased the number of Units in circulation. However total transactions in 2010 remained flat over 2009, with a total volume transacted of 47.95 million Units as compared to 48.02 million in 2009.

As at end 2010, the largest unitholder (non-related party) is Permodalan Nasional Berhad (PNB) (in aggregate of all funds held by them above 1 million Units) with 63.3 million units or approx 17%. Followed by Employee Provident Fund (EPF) with 39.9 million units or approx 11%. Kumpulan Wang Persaraan has 21.1 million units followed by AIA with 15.8 million units.

Contact Information

To find out more about Axis-REIT please contact:

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Unit Registrar

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MALAYSIAN REIT MANAGERS ASSOCIATION (MRMA)



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.

On 26 November 2009, the Managers of 11 MREITs joined hands to endorse the formation of the MRMA.

The objects of MRMA are:

- 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 both 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 the Malaysian Government and regulators for functional regulations, viable structures and tax harmonization in order to make MREIT's competitive within the region and internationally.
- Encourage and promote the listed property funds industry.
- Provide insightful market research and data bases 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

Currently, the MRMA'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 MRMA received its approval for registration from the Registrar of Societies on 21 May 2010 and held its Annual General Meeting on the 22 July 2010 where it duly elected its Board of Directors and Executive Board for 2010- 2011.

The members of the Board of MRMA are

- Chairman - Stewart LaBrooy
(Axis REIT Managers Bhd)
- Vice Chairman - Lim Yoon Peng
(Am ARA)
- Vice Chairman - Adenan Md Yusof
(Amanahraya REIT Managers)
- Secretary - Mr Chan Wan Leong
(GLM REIT Managers)
- Treasurer - Zalila Mohd Toon
(Hektar REIT)

The Association now has 11 REIT Managers as members and form a strong lobby group for initiating change in the industry.

Two sub-committees have been formed

Finance Committee – to look into tax financial reporting issues

Regulatory Committee – to work closely with the SC on bringing changes to the REIT Regulations

The Regulatory Committee met on 15 November 2010 and following our discussion obtained approval from the Board of MRMA to propose to the SC several amendments to the SC's Guidelines on REITs in order to improve the performance of the industry.

The Financial Sub Committee met prior to the Budget and sent in a memorandum to the Ministry of Finance outlining proposals from the MRMA on the tax reform required to spur further growth of MREITs.

The MRMA will be taking on the responsibility of managing the Investor roadshows in 2011 as well setting up dialogues with the Ministry of Finance and the regulators.

Manager's Report

PROPERTY REPORT

Overview

The strategy of the Managers has always been to adopt a 'hands on' approach to the management of assets with leasing / marketing, facilities management and projects are all run in house. We believe that this strategy enhances our ability to deliver results in terms of enhanced asset performance. To that end in 2010 we have strengthen our Facilities Management team with a view to building a platform that will provide improved capability moving forward.

In 2010 the asset performance team focused on three key areas:

1. Income Growth

The Key Drivers of Income Growth are

- Growth through acquisitions
- Improving rents
- Filling vacancies
- Improving efficiency

The Fund has had a very successful year in acquisitions and so the other major focus area was on retention of tenants, letting out vacant spaces and improving operational efficiency.

To achieve this we have strengthened the Real Estate team with two new specialists joining the Management.

- i) Sinnasamy Raman – as Head of Facilities Management
- ii) Joey Lim – Marketing and Research Executive

2. Risk Management

Careful screening of new Tenants and ensuring all lease covenants are fully covered at all times. We have a very proactive policy in place for the management of all lease expiries to ensure that vacancies are kept to a minimum.

In addition we ensure that all safety and health issues are promptly addressed.

3. Asset Enhancement

We continue to invest on our assets in a timely manner. Some assets are given regular upgrades while others may undergo major renovations to reposition them in a competitive environment.

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.

INCOME GROWTH

1. Growth through acquisitions

THE PORTFOLIO AT A GLANCE

Number of Buildings	26
Total Area under Management	4,288,054 sf.
Number of Tenants	106
Occupancy at 31st December, 2010	95.73%



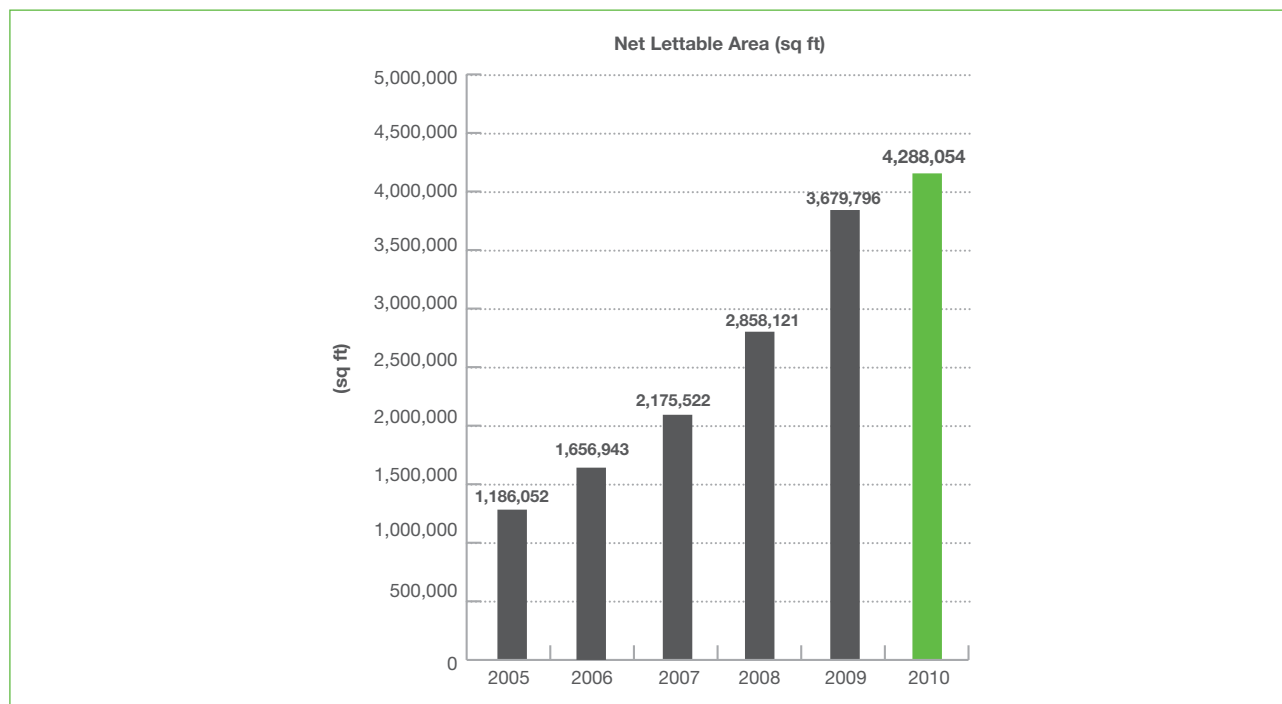
PORTFOLIO BY VALUE AND DATE OF ACQUISITION

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	8,498	31,000	2.63%
Axis Business Park	03/08/05	84,600	85,122	21,883	107,005	9.08%
Crystal Plaza	03/08/05	56,400	56,578	39,458	96,036	8.15%
Menara Axis	03/08/05	71,440	75,246	20,766	96,012	8.15%
Infinite Centre	03/08/05	25,450	25,647	10,353	36,000	3.05%
Wisma Kemajuan	16/12/05	29,192	33,228	20,402	53,630	4.55%
Axis North Port LC 1	22/05/06	10,373	13,257	1,043	14,300	1.21%
Kayangan Depot	30/06/06	16,224	16,679	3,321	20,000	1.70%
Wisma Bintang	30/06/06	32,681	32,704	14,296	47,000	3.99%
Axis Shah Alam DC 1	01/08/07	18,783	19,580	(499)	19,081	1.62%
Giant Hypermarket	07/09/07	38,678	38,678	322	39,000	3.31%
FCI Senai	15/11/07	12,538	12,551	1,449	14,000	1.19%
Nestle Office & Warehouse	16/11/07	7,352	7,351	849	8,200	0.69%
Quattro West	30/11/07	40,376	49,140	3,998	53,138	4.51%
Kompakar CRC HQ	25/01/08	37,549	37,557	2,443	40,000	3.39%
Niro Warehouse	30/04/08	14,811	14,811	789	15,600	1.32%
BMW Centre PTP	30/04/08	27,470	27,520	980	28,500	2.42%
Delfi Warehouse	04/08/08	12,743	12,754	746	13,500	1.15%
Axis Vista	09/12/08	32,481	33,067	2,533	35,600	3.02%
Axis Steel Centre	20/10/09	65,882	65,882	9,118	75,000	6.36%
Bukit Raja Distribution Centre	14/12/09	72,635	72,636	7,964	80,600	6.84%
Seberang Prai Logistic Warehouse 1	05/03/10	17,695	17,695	1,295	18,990	1.61%
Seberang Prai Logistic Warehouse 2	05/03/10	6,981	6,981	509	7,490	0.63%
Tesco Bukit Indah	01/10/10	76,750	76,750	8,250	85,000	7.21%
Axis PDI Centre	15/10/10	86,146	86,146	5,854	92,000	7.81%
Axis Technology Centre	15/11/10	49,697	49,703	2,297	52,000	4.41%
TOTAL		967,427	989,765	188,917	1,178,682	100.00%

2010 witnessed the value of the property portfolio cross the RM1 billion mark as well the 4 million sq ft of space under management. This expansion of the portfolio translated in an revenue growth for the fund of 25% for the year 2010.

The Manager will continue to pursue its acquisition strategy moving forward with a RM2 billion target next.

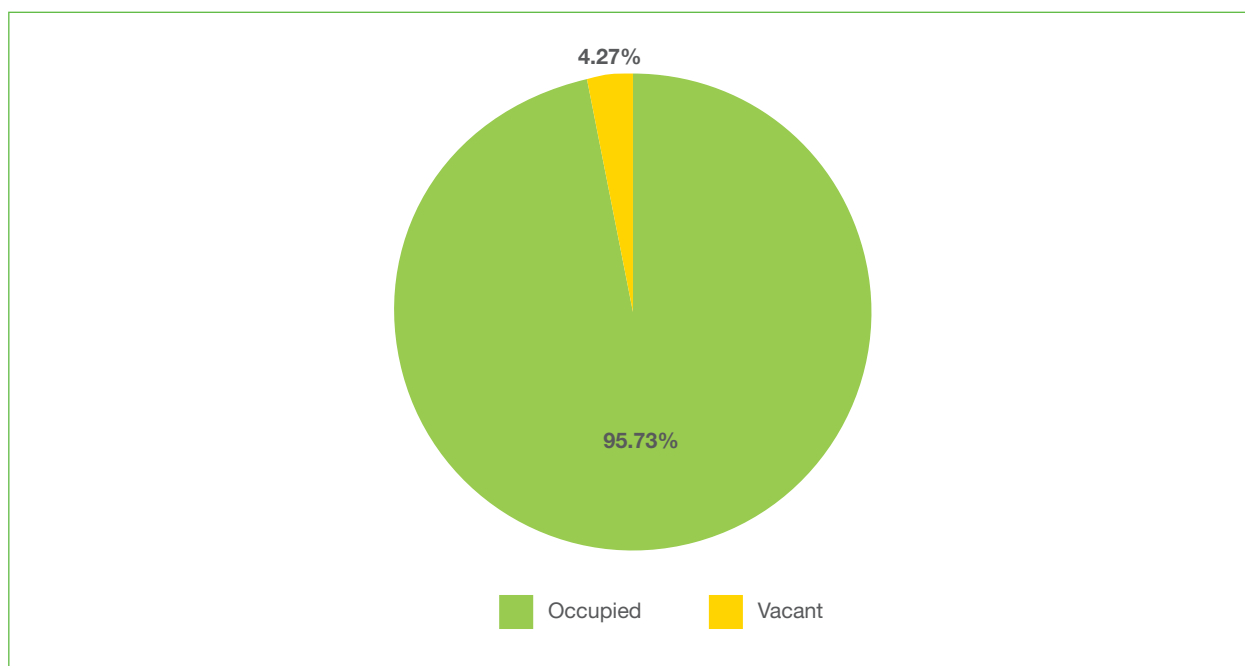
Manager's Report



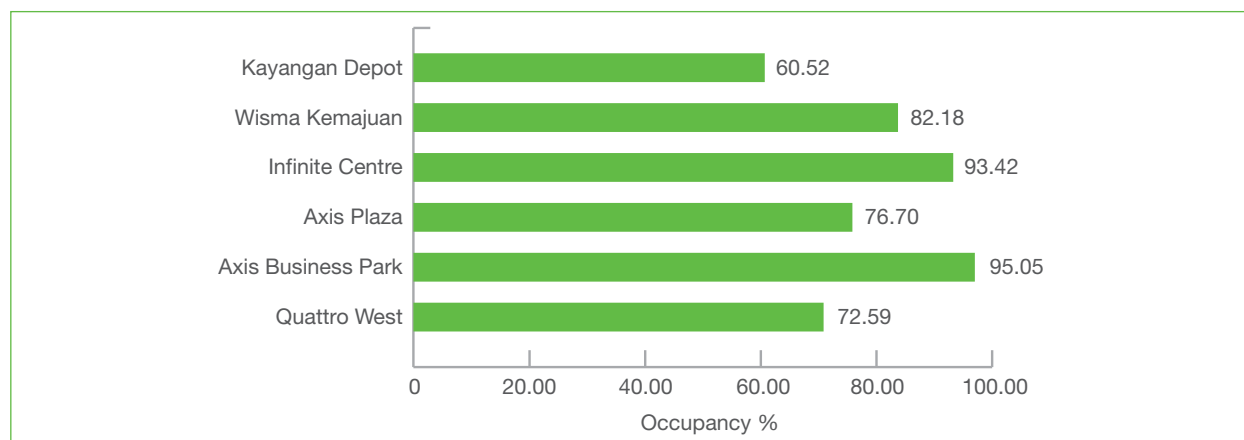
1. Organic growth through increasing occupancy rates and positive rental reversions

Increasing Occupancy Rates Proactive Leasing Strategies

The leasing team has focused on tenant retention and improving occupancy in 2010 we have seen that occupancy has now risen to 95.73% in 31 December 2010 when compared to an occupancy of 92.27% at the end of 2009, largely led by the fact that Nestle Products Sdn Bhd moved out of Nestle House; now known as Quattro West at the end of November 2009 and it was left vacant for 7 months in order to refurbish and reposition the asset for 2010.



As at 31 December 2010 we have only 6 of our 26 properties that carry any vacancy. This is only 4.27% of NLA. These 6 properties are:



Improved Marketing and Research

Recognizing the growing competition in the leasing markets, we have recruited a dedicated marketing and research executive to introduce a number of marketing initiatives with a view to increase our profile in the market, engage with the real estate professionals and more effectively tap into channels that will bring tenants to our properties. These include direct contact with prospective tenants, better marketing collaterals and active networking amongst the real estate agency community.

Managing Lease Expiry Profiles 2010-2012

Analysing the lease expiry profile of the portfolio, the percentage coming up for renegotiation will fall from 22.68% of Net Lettable Area ("NLA") in 2010 to 12.67% of NLA in 2011 and further drop to 11.50% of NLA in 2012. This reduces the risk of the portfolio having vacancy issues over the next 2 years.

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	1.35	2.44	15,931	0.37	0.99	-	-	0.03
Crystal Plaza	169,146	3.94	6.46	9,118	0.21	0.40	12,433	0.29	0.55
Axis Business Park	40,189	0.94	0.96	261,017	6.09	7.95	21,996	0.51	0.58
Infinite Centre	77,753	1.81	1.77	38,933	0.91	0.87	31,282	0.73	0.65
Axis Plaza	38,812	0.91	0.95	57,439	1.34	1.37	-	-	0.00
Wisma Kemajuan	111,373	2.60	2.63	28,055	0.65	0.69	23,146	0.54	0.79
Axis North Port LC 1	98,510	2.30	0.74	13,000	0.30	0.12	-	-	-
Kayangan Depot	105,942	2.47	1.46	19,465	0.45	0.23	-	-	-
Wisma Bintang	-	-	-	-	-	-	172,967	4.03	2.63
Axis Shah Alam DC 1	-	-	-	-	-	-	-	-	-
Kompakar CRC HQ	104,903	2.45	2.95	-	-	-	-	-	-
Axis Vista	57,617	1.34	1.49	60,400	1.41	1.05	-	-	-
FCI Senai	-	-	-	-	-	-	136,619	3.19	1.20
Quattro West	-	-	-	-	-	-	16,489	0.38	0.73
Axis Technology Centre	-	-	-	40,052	0.93	1.01	78,366	1.83	1.89
Shah Alam DC 1	110,406	2.57	1.35	-	-	-	-	-	-
	972,653	22.68	23.20	543,410	12.67	14.69	493,298	11.50	9.04

Manager's Report

Continuing Customer Service Focus

We have increased additional 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.

Positive Rental Reversions

For 2010, the Manager has successfully renegotiated 791,386 sq ft of space in 2010 accounting 18.5% of total NLA of the portfolio and achieved a positive rental reversions of 8.9%.

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. An example of some of the leases renewed are:

Properties	Space Negotiated (Sq Ft)	% Movement
Menara Axis	55,970	+ 5.6%
Crystal Plaza	169,146	+ 8.4%
Axis Business Park	40,189	+ 3.2%
Infinite Centre	77,753	+ 7.2%
Axis Plaza	32,873	No change
Wisma Kemajuan	78,147	+ 5.6%
Kayangan Depot	76,278	No change
Axis North Port LC 1	98,510	+44.5%
Kompakar CRC HQ	104,903	+13.4%
Axis Vista	57,617	+7.4%

2. Improved efficiency

The Manager has put in place a program to reduce the operating costs of our buildings. The new facilities management division in the group works closely with the property manager to constantly find ways to improve the efficiency of our buildings and manage the fixed costs.

Measures to improve operational efficiency include:

- Life cycle management of assets
- Vendor / contractor management and benchmarking
- Improved building operations controls

We have witnessed an improvement in the Weighted Efficiency of our portfolio when compared to 2009

As at December 2009 15.5%

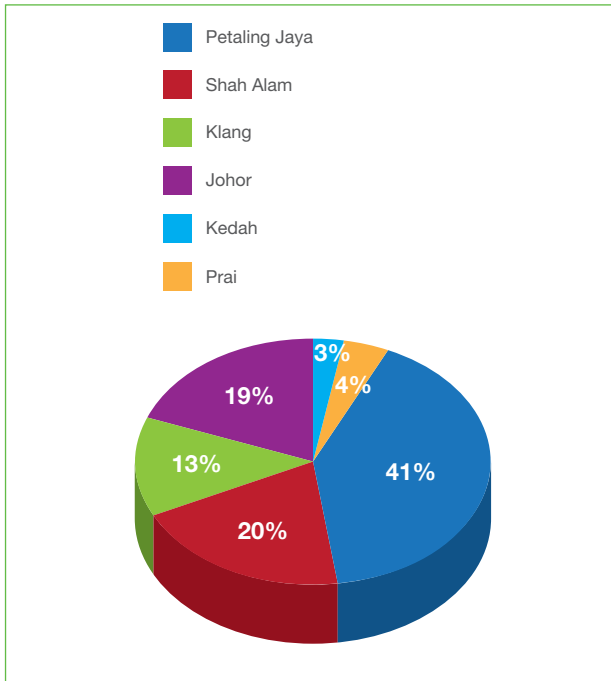
As at December 2010 14.2%

An improvement of 8.4%

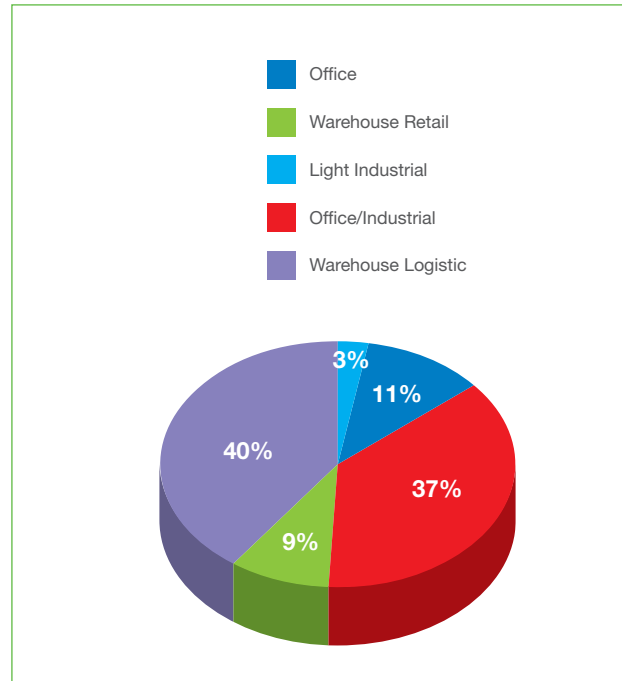
RISK MANAGEMENT

Structure and size of the portfolio lowers risk concentration

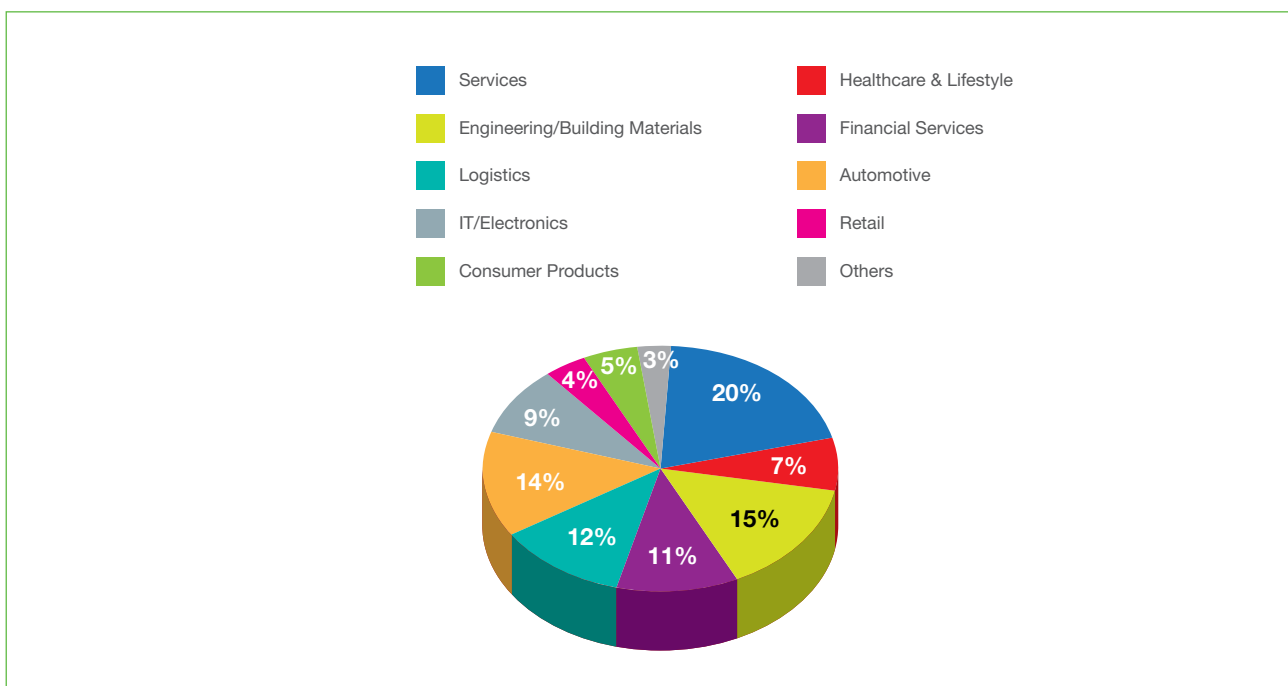
Our portfolio is a diversified portfolio of 26 properties with a balanced mix of property types and locations. In addition the tenant population is very well diversified across a good range of industry sectors, thus avoiding exposure to a downturn in any one sector.



Portfolio Diversification by Geographical and Net Lettable Area



Portfolio Diversification by Type and Net Lettable Area



Portfolio Diversification by Sector and Net Lettable Area

Manager's Report

Top Ten Tenants keep changing

As of 31 December 2010 our roster of largest tenants are:

1. Konsortium Logistik Bhd
2. IDS Logistics Services (M) Sdn Bhd
3. Fuji Xerox Asia Pacific Pte Ltd
4. Tenaga Nasional Bhd
5. Strateq Data Centre Sdn Bhd (formerly known as Kompakar CRC Sdn Bhd)
6. BMW Asia Technology Centre Sdn Bhd
7. Scope International (M) Sdn Bhd
8. GCH Retail (M) Sdn Bhd
9. Cycle & Carriage Bintang berhad
10. Fujifilm (M) Sdn Bhd

The Top Ten tenants account for 52% of the total revenue of the Trust which in 2010 accounted for RM46,459,000.

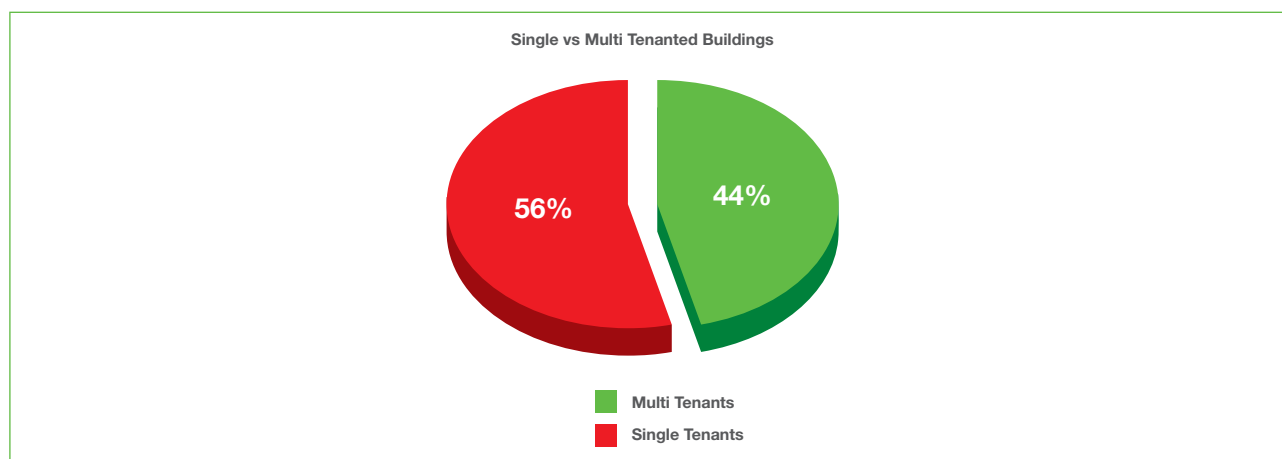
This year we see the following new entrants -Konsortium Logistik Bhd and IDS Logistics Services (M) Sdn Bhd move to the top of the table. We expect Tesco Stores (M) Sdn Bhd to join this list in 2011.

Our current diverse tenant base includes a good mix of MNC's, large local firms and government GLC's with strong covenants which minimise risk of a default.

With the large single tenant assets entering our portfolio in 2010 we have witnessed an increase in the proportion of single tenant vs multi tenanted buildings in 2010. The single tenanted buildings have risen to 56% of the portfolio as compared to 54% in 2009.

We are constantly reviewing the portfolio mix in order to achieve an optimal mix as it provides the Fund with a stable earnings platform.

All our single tenanted buildings 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 buildings provide a more current and vibrant tenant base with smaller tenants that can quickly reflect any movement in the rental market. The mix provides the Fund with an efficient low risk portfolio that will benefit the unitholders in the long run.



Tenant Type by Assets Leased

ASSET ENHANCEMENT

As an asset team, we are constantly re-evaluating our portfolio with an eye to not just the current performance but also the future potential of our assets. 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 enhancements in the years to come. We see this as an essential 'secret sauce' that will allow us to maintain our performance in the years to come.

PROJECTS COMPLETED IN 2010

Quattro West



The refurbishment of Nestle House started in November 2009 and was ready for occupation in June 2010. The final cost of RM9 million was higher than the initial budget estimates of RM7 million due to requests from tenants for upgrades in the electrical system and other areas due to operational reasons.

Now that it has been completed the building has been renamed to Quattro West and represents how skilful refurbishments can transform an old 1970's design to a modern corporate building. Since opening it has become a much talked about landmark in Petaling Jaya.

The Manager is now pleased to announce that as of the date of this report, 80% of the building has been successfully leased and secured with a higher rental reversion of 25%. Quattro West has seen its value rise by 37% from RM38 million to RM 52 million as a result of the enhancement.

Quattro West was awarded the Bloomberg, Asia Pacific Commercial Property Awards - "Best Redevelopment Malaysia" category for 2010.



Manager's Report

PROJECTS IN PROGRESS FOR 2011

Menara Axis

A New Penthouse Level to be launched

Planning permission has been obtained to convert a previously unused area on level 13 comprising 7,000 sq ft, into Grade A office space. This penthouse level office will feature lofted ceilings, high specification toilets and fittings and lobby finishes.

The project is currently underway and we expect completion before the end of 2Q 2011. The additional floor space will provide the property with an additional gross property income of approximately RM420,000 per annum.



Crystal Plaza Refurbishment plan in place

Crystal Plaza is now approaching its 17th year and the having obtained approval from the local authorities an extensive planned upgrade has commenced.

This will further improve tenant access and feature a much improved appearance through changes to the external cladding and lobby finishes. This design upgrade will feature:

- New drop off area
- New toilets and lobbies
- Improvements to M&E systems
- New restaurants at ground floor

It will provide the asset to position itself competitively with its peers and result with better tenant retention and rental growth.

The planned works is expected to complete by 4Q 2011.



OTHER MAJOR ASSET ENHANCEMENTS PLANNED FOR 2011

Axis Business Park

Although this asset is 100% leased, in 2011 we will undertake improvements involving new passenger lifts, upgraded common areas, lift lobbies and amenities.

Infinite Centre

This property in Section 13, Petaling Jaya will have common areas upgraded and improvements to lifts and other building mechanical and electrical systems.

The Manager is planning further changes to the following assets in 2011-2012.

- **Kayangan Depot**
The property is underperforming and plans are being drawn up to reposition the building to face the Section 15, Shah Alam roundabout. Improve building cladding systems and power upgrade.

The marketing team is currently canvassing new potential tenants for a build to suit program.

- **Wisma Bintang**
The property is due for an upgrade and plans are underway to refurbish the existing buildings, enhanced the exteriors, add new space and reposition to suit highest and best use.

STRATEGIC DIRECTION

Axis-REIT celebrated its 5th anniversary on 3 August 2010. In that period we have grown the Funds assets under management, its profitability and gave our Unitholders much to cheer about.

We continue to keep the Fund transparent and execute and articulated strategy plan.

However more than ever we realise that we have to be resilient and careful in the light of what is seen as a period of volatility in the global capital markets.

As a result the Manager meets annually in December for a series of closed door meetings to review our strategic direction and make adjustments to the existing strategic plan to accommodate the possible changes to the capital and property markets.

We wish to share with you the direction our Fund we will be taking in the next 5 years.

Our Vision and Mission statement remains unchanged as follows:

Mission

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

Vision

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

To achieve this we have resolved to take the following steps

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.
- Examine the possible conversion of our commercial assets to MSC compliant buildings and apply for status.
- Look at the redevelopment potential of our assets in Section 13 Petaling Jaya.
- Upgrading our buildings to include a Green agenda as a way of fetching premiums.

Create New Deal Flows

- We have commenced to start to work with the SC through the MRMA to enable MREITs to do development provided there is a sale and leaseback in place.
- 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 business associations, MPI, MDEC and MIDA as agencies to introduce us a potential space providers for new investors to Malaysia.

Capital Management

- We will continue to examine sukuk as part of our funding model.
- However we will continue optimise the use of long term financing and short term funding as part of our business model.
- To target an average cost of funds at 4.5%.
- We will continue to use the model of raising equity to pare down financing 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 and keep close with our financiers.

Manager's Report

Raise Capital and Grow the Fund

- Through the MRMA to lobby with the SC to allow REITs with AUM's under 2 Billion Ringgit to have multiple placements to grow their market capitalization. To enforce the 20% ruling if the AUM exceeds RM2 Billion.
- For Related Party Transactions ("RPT") to examine the possibility of exchanging assets for units in lieu of payment to maintain their equity in the fund at levels that provide comfort to investors that there is an alignment of profit change.
- Request for faster rights issues programs for REITs taking a cue from Singapore.
- Leverage on our Islamic credentials to attract foreign Islamic capital.

Corporate Governance

- To work with our internal auditors to continuously benchmark our management practices against the Corporate Code of Governance and the APREA Best Practices Handbook.
- To be as transparent in all our dealings with our stakeholders.
- To continuously educate the Board of Directors to ensure that they have the requisite skill sets in a rapidly evolving and sophisticated capital market.

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.

Excellence in Lease and Facilities 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.

Development of Human Capital

- The Manager recognizes the importance in developing the skills of its workforce and is investing heavily in the training of its workforce at all levels.
- It is also looking at attracting the best and brightest when we recruit for new positions.
- Productivity of all members of staff is a key metrics that we benchmark our performance as a Manager.

Directors Benefits

For the year ended 31 December 2010, 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 23 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 RM6,042,624, representing 1.0% per annum of the NAV of Axis-REIT for the period 1 January 2010 to 31 December 2010. 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 five (5) acquisitions successfully completed which resulted in a fee of RM2,338,500 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.

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 2010 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.

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 17 February 2011

The Axis-REIT Team



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

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 and REIT conferences.

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

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 Bhd 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 headed the project to convert Axis-REIT into the first Islamic Office/Industrial REIT in the world .

She graduated with a Bachelor of Business (Accountancy) from RMIT Australia and is a member of Malaysian Institute of Accountants and Certified Practicing Accountants of Australia. She is responsible for treasury, equity and capital

management, financial reporting and compliance. She has also been designated the Risk Management Officer in charge of risk management in the company. Kit May has also been an invited speaker in the area of Islamic 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.

Chan Wai Leo

Head, Business Development and Investor Relations

Chan Wai Leo was appointed Manager, Business Development and Investor Relations on 5 August 2008. As of 1 January 2010 he was re designated Head, 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 investment properties.

His role includes assets acquisitions, capital raising and investor relations for the Fund. On the asset acquisitions, Leo covers the identification, evaluation of acquisition opportunities and the documentations for the closing of the transaction. Leo and Kit May are jointly responsible for the equity capital raising for the Fund. In addition, he is responsible for the investor relations function ie. liaising with investors, fund managers, analysts and potential new investors.

He currently is a Fellow Member of The Chartered Association of Certified Accountants, UK and a member of the Malaysian Institute of Accountants.

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 which includes the management reporting and budgeting processes. 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.

Sinnasamy Raman

Head of Facilities Management

Sinnasamy Raman was appointed as the Head of Facilities Management effective from 1 September 2010 where he is responsible for facilities management and asset enhancement of entire Axis-REIT portfolio. Sinnasamy holds Bachelor of Surveying (Property Management & Valuation), University of Technology, Malaysia and Msc Project Management (Construction), Southern Pacific University, KL. Currently, he is a Probationary Valuer (Board of Valuers, Appraisers and Estate Agents) and Member of Institution of Surveyors Malaysia (MISM).

Prior to joining Axis-REIT, he was Senior Vice President with Cheston International (KL) Sdn Bhd (1999-2010), where he was involved in Property & Facilities functions, Valuation and Estate Agency practices. He was also attached with AIG Global Real Estate Inc as Regional Vice President (1996-1999), where he was responsible of facilities planning and facilities management of 900 offices across Malaysia, Singapore, Indonesia, India and Brunei, supporting multiple AIG companies involved in Insurance, Asset Management, Investment, Consumer Finance, BPO, Data Centre, System Solutions and Support.

He was also attached to AIA Berhad as Vice President-Property (2000-2005), where he was managing entire property portfolio and mainly providing support to Insurance sector. He also worked with EAC Holdings Sdn Bhd as Property & Projects Senior Manager (1997-2000) and Appraisal (Malaysia) Sdn Bhd as a Valuation Executive.

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

The Axis-REIT Team

Jackie Law

Head, Leasing and Property Management

Jackie Law Chong Lian was appointed as Head of Leasing and Property Management on 1 January 2009. Prior to this she served as Marketing and Leasing Executive since 1 February 2007

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

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

Jackie holds a Master of Science in Facilities Management from the Heroit-Watt University, United Kingdom.

Nikki Ng

Accountant

Nikki Ng was appointed as the Accountant effective on 15th September 2008 where her responsibilities involve 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.

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

Rebecca Leong

External Company Secretary from Archer Corporate Services Sdn Bhd

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

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



The Property Manager's Report



From left to right : Jackie Law, James Georgy, Sinnasamy Raman, Selina Khor , Zulkifly Aziz , David Aboud and Joey Lim

In this type of market-driven environment, the key to profitability growth of the company hinges to delivering quality property management services to our customers and tenants. Tenant's loyalty and retention, which is ultimately depends on their satisfaction of our services and quality of the building environment.

Our objectives in 2010 remained focused on enhancing Axis-REIT's assets, improving our property management services and building close relationship with our service providers and tenants. We have adopted a Life Cycle Management and a 10 year Capital Expenditure program for the entire portfolio and will be implemented in 2011. The main aim of this program is to achieve effective and efficient performance of all our buildings and to reduce facilities operating costs.

To achieve effective and efficient building management functions and to provide superior customer services, we have initiated a new Facilities Management Manpower Plan in 2010 and this will be implemented at the start of 2011. The aim is to completely transform conventional property management functions to new era of facilities management services which is at par with international facilities management practises. Facilities Management services cover holistic approach in managing facilities with

4 main guiding principles of Place, People, Process and Technology. We intend to increase the size of our team with the addition of 10 new facility management personnel in 2011 to achieve the overall objective of manpower plan. In addition we have planned an extensive training program for entire facilities management team throughout the year in order to further improve and enhance the knowledge of technical and non-technical areas amongst the team members.

In 2010 we have achieved an average efficiency of 14.53% which is 1.97% lower than an average of 16.50% achieved in 2009. This is a remarkable achievement in an environment of rising costs and salaries. To further maintain and improve on these figures we have embarked on continuous improvement exercise in 2011. We now have in place a plan to monitor buildings performances by re-engineering the facilities with the aim of providing a conducive working environment for our tenants.

As technology plays a very important role in our daily property management functions and reporting, in 2011 we will continue with the computerization of our operations. As we embark on a new era in facilities management we use technology to roll out our new processes and procedures.

Shariah Advisor'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 revised Deed dated 3 April 2009 are in accordance with Shariah principles.

In our opinion, **AXIS REIT Managers Berhad** has managed and administered **AXIS-REIT** in accordance with Shariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Shariah matters for the financial year ended 31 December 2010.

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 2010



1. **MENARA AXIS**
No. 2, Jalan 51A/223
46100 Petaling Jaya
Selangor.

2. **CRYSTAL PLAZA**
No. 4, Jalan 51A/223
46100 Petaling Jaya
Selangor.

3. **AXIS BUSINESS PARK**
No. 10, Jalan Bersatu 13/4, 46200
Petaling Jaya
Selangor.

4. **INFINITE CENTRE**
Lot 1, Jalan 13/6
46200 Petaling Jaya
Selangor.

5. **WISMA KEMAJUAN**
No. 2, Jalan 19/1B
46300 Petaling Jaya
Selangor.

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

7. **AXIS NORTH PORT LC 1**
Lot 24, Jalan Lebu 1
Kawasan Perindustrian
Sultan Sulaiman, North Port
42000 Port Klang.

8. **KAYANGAN DEPOT**
No. 3, Jalan 15/16
Section 15, 40000 Shah Alam
Selangor.

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.

The Investment Property Portfolio

as at 31 December 2010

10



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10. **WISMA BINTANG**
Lot 13A & 13B, Jalan 225,
Section 51A, 46100 Petaling Jaya
Selangor.

11. **QUATTRO WEST**
No. 4, Lorong Persiaran Barat
46100 Petaling Jaya, Selangor.

12. **NESTLE OFFICE & WAREHOUSE**
Lot 14, Jalan Delima 1/1
Subang Hi-Tech Industrial Park,
Batu Tiga, 40000 Shah Alam
Selangor.

13. **FCI SENAI**
PLO 205, Jalan Cyber 14
Senai IV Industrial Area
Johor Bahru, 81400 Johor.

14. **BMW ASIA TECHNOLOGY CENTRE**
PTP JOHOR
Lot D21, Jalan Tanjung A/3
Port of Tanjung Pelepas
81560 Johor.

15. **NIRO WAREHOUSE**
PLO 419-421, Jalan Emas 2
Pasir Gudang Industrial Estate,
81700 Pasir Gudang, Johor.

16. **GIANT HYPERMARKET**
Jalan Lencongan Barat 8
08000 Sungei Petani
Kedah.

17. **KOMPAKAR CRC HQ**
No. 12 Jalan Bersatu 13/4,
Section 13, 46200 Petaling Jaya
Selangor.

18. **DELFI WAREHOUSE**
PLO 563, Jalan Keluli 8
Pasir Gudang Industrial Estate,
81700 Pasir Gudang, Johor.



19. **AXIS VISTA**
No. 11, Jalan 219
Section 51A, 46100 Petaling Jaya
Selangor.

20. **AXIS STEEL CENTRE**
Lot 19, Lebuhraya Hishamuddin 1,
Kawasan 20, Selat Klang Utara,
42000 Pelabuhan Klang

21. **BUKIT RAJA DISTRIBUTION CENTRE**
No. 43 & 44, Lengkok Keluli 1,
Kawasan Perindustrian,
Bukit Raja Selatan, Sek 7,
40000 Shah Alam, Selangor

22. **SEBERANG PRAI LOGISTIC WAREHOUSE 2**
Plot 23, Tingkat Perusahaan 6
Kawasan Perusahaan Prai Phase 4
Seberang Prai Tengah,
Pulau Pinang

23. **SEBERANG PRAI LOGISTIC WAREHOUSE 1**
Plot 24, Tingkat Perusahaan 6
Kawasan Perusahaan Prai Phase 4
Seberang Prai Tengah,
Pulau Pinang

24. **TESCO BUKIT INDAH HYPERMARKET**
No. 1, Jalan Bukit Indah,
81200 Johor Bahru
Johor

25. **AXIS PDI CENTRE**
Lot 7316, Off Jalan Klang/Banting,
Locality of Sijangkang,
42500 Telok Panglima Garang,
Selangor

26. **AXIS TECHNOLOGY CENTRE**
No. 13, Jalan 225, Section 51A,
46100 Petaling Jaya,
Selangor

Portfolio Details

	Property Name	Acquisition Date	Purchase Price (RM'000)	Total Investment Outlay including enhancement as of 31-12-10 (RM'000)	Book Value based on latest valuation (RM'000)	Net Lettable Area (sq ft)
1	Menara Axis	3/8/2005	71,400	75,246	96,012	174,820
2	Crystal Plaza	3/8/2005	56,400	56,578	96,036	203,212
3	Axis Business Park	3/8/2005	84,600	85,122	107,005	341,215
4	Infinite Centre	3/8/2005	25,450	25,647	36,000	146,364
5	Axis Plaza	3/8/2005	22,500	22,502	31,000	117,745
6	Wisma Kemajuan	16/12/2005	29,000	33,228	53,630	200,930
7	Axis North Port LC 1	22/5/2006	10,300	13,257	14,300	134,155
8	Kayangan Depot	30/6/2006	16,100	16,679	20,000	163,769
9	Wisma Bintang	30/6/2006	32,500	32,704	47,000	Lot 13A - 65,816 Lot 13B - 107,151
10	Axis Shah Alam DC1	1/8/2007	18,500	19,580	19,081	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

Address	Gross Revenue for the period ended 31-12-10 (RM '000)	Occupancy Rate as at 31-12-10	Major Tenants
No. 2, Jalan 51A/223, 46100 Petaling Jaya, Selangor.	9,833	100%	Fujifilm (M) Sdn Bhd American International Assurance Berhad Sportathlon (M) Sdn Bhd Philips Malaysia Sdn Bhd DHL Asia Pacific Shared Services Sdn Bhd
No. 4, Jalan 51A/223, 46100 Petaling Jaya, Selangor.	9,850	100%	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.	11,353	95.05%	Fuji Xerox Asia Pacific Pte Ltd Invida (Singapore) Pte Ltd eBworx Berhad Honeywell Engineering Sdn Bhd Johnson & Johnson Sdn Bhd
Lot 1, Jalan 13/6, 46200 Petaling Jaya, Selangor.	3,578	93.42%	UTAR Konica Minolta Business Solutions (M) Sdn Bhd FJ Benjamin (M) Sdn Bhd C Melchers GmbH & Co
Lot 5, Jalan Penyair U1/44, Off Jalan Glenmarie, Temasya Industrial Park, Batu Tiga, 40150 Shah Alam, Selangor.	2,707	76.70%	Ricoh (Malaysia) Sdn Bhd CSE Automotive Technologies Sdn Bhd Electrolux Commercial Products Sdn Bhd EMS Asia Group Sdn Bhd
No. 2, Jalan 19/1B, 46300 Petaling Jaya, Selangor.	5,252	82.18%	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.	1,112	100%	Freight Management (M) Sdn Bhd ITS Testing Services (M) Sdn Bhd
No. 3, Jalan 15/16, Section 15, 40000 Shah Alam, Selangor.	1,813	60.52%	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.	2,860	100%	Cycle & Carriage Bintang Berhad
Lots 2-22,2-24,2-26,2-28, Jalan SU 6A Taman Perindustrian Subang, (Lion Industrial Park), Section 22, 40300 Shah Alam, Selangor.	1,381	100%	Upeca Nerotech Sdn Bhd
Jalan Lencongan Barat, 08000 Sungai Petani, Kedah.	3,130	100%	GCH Retail (Malaysia) Sdn Bhd
PLO 205, Jalan Cyber 14, Senai IV Industrial Area, 81400 Johor Bahru.	1,312	100%	FCI Connectors Malaysia Sdn Bhd

Portfolio Details

Property Name	Acquisition Date	Purchase Price (RM'000)	Total Investment Outlay including enhancement as of 31-12-10 (RM'000)	Book Value based on latest valuation (RM'000)	Net Lettable Area (sq ft)
13 Nestle Office & Warehouse	16/11/2007	7,200	7,351	8,200	Office - 19,288 W/hse - 8,266
14 Quattro West	30/11/2007	39,800	49,140	53,138	104,392
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	27,520	28,500	161,474
17 Niro Warehouse	30/4/2008	14,500	14,811	15,600	167,193
18 Delfi Warehouse	4/8/2008	12,500	12,754	13,500	130,743
19 Axis Vista	9/12/2008	32,000	33,067	35,600	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	80,600	456,435
22 Seberang Prai Logistic Warehouse 1	5/3/2010	17,390	17,695	18,990	106,092
23 Seberang Prai Logistic Warehouse 2	5/3/2010	6,860	6,981	7,490	41,893
24 Tesco Bukit Indah	1/10/2010	75,600	76,750	85,000	233,579
25 Axis PDI Centre	15/10/2010	85,000	86,146	92,000	58,009
26 Axis Technology Centre	15/11/2010	49,000	49,703	52,000	170,730

Address	Gross Revenue for the period ended 31-12-10 (RM '000)	Occupancy Rate as at 31-12-10	Major Tenants
Lot 14, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, Batu Tiga, 40000 Shah Alam, Selangor.	625	100%	Nestle Products Sdn Bhd
No. 4 Lorong Persiaran Barat, 46100 Petaling Jaya, Selangor.	2,025	72.59%	Mangosteen Beverages (M) Sdn Bhd Kenanga Investment Bank Bhd Vads Business Process Sdn Bhd
No. 12 Jalan Bersatu 13/4, Section 13, 46200 Petaling Jaya, Selangor.	3,438	100%	Strateq Data Centre Sdn Bhd (formerly known as Kompakar CRC Sdn Bhd)
Lot D21, Jalan Tanjung A/3, Port of Tanjung Pelepas, 81560 Johor	3,449	100%	BMW Asia Technology Centre Sdn Bhd
PLO 419-421, Jalan Emas 2, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	1,560	100%	Niro Ceramic (M) Sdn Bhd
PLO 563, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	1,306	100%	Delfi Cocoa (Malaysia) Sdn Bhd
No. 11, Jalan 219, Section 51A 46100 Petaling Jaya Selangor.	3,501	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	7,056	100%	Konsortium Logistik Berhad
No. 43 & 44, Lengkok Keluli 1, Kawasan Perindustrian, Bukit Raja Selatan, Sek 7, 40000 Shah Alam, Selangor	5,977	100%	IDS Logistics Services (M) Sdn Bhd
Seberang Prai Logistic Warehouse 2, Plot 23, Tingkat Perusahaan 6, Kawasan Perusahaan Prai Phase 4, Seberang Prai Tengah, Pulau Pinang	1,193	100%	IDS Logistic Services (M) Sdn Bhd
Seberang Prai Logistic Warehouse 1, Plot 24, Tingkat Perusahaan 6, Kawasan Perusahaan Prai Phase 4, Seberang Prai Tengah, Pulau Pinang	471	100%	IDS Logistic Services (M) Sdn Bhd
Tesco Bukit Indah Hypermarket No 1, Jalan Bukit Indah, 81200 Johor Bahru, Johor Darul Takzim	1,542	100%	Tesco Stores (M) Sdn Bhd
Axis PDI Centre Lot 7316, Off Jalan Klang / Banting, Locality of Sijangkang, 42500 Telok Panglima Garang, Selangor Darul Ehsan	2,187	100%	Konsortium Logistik Bhd
Axis Technology Centre No 13, Jalan 225, Section 51A, 46100 Petaling Jaya, Selangor Darul Ehsan	702	100%	Packet One Networks (M) Sdn Bhd Fresenius Kabi Malaysia Sdn Bhd Fresenius Medical Care Malaysia Sdn Bhd Sigma Elevator (M) Sdn Bhd



CBRE Property Market Overview

Property Market Overview 2010



1.0 Klang Valley

1.1 MARKET OVERVIEW

The Kuala Lumpur property market reported a total transaction value of RM20.03 billion for 27,373 property units in 2010, an increase of 45.3% in terms of value against RM13.79 billion (25,322 units) recorded in 2009. The Selangor property market saw 90,428 property units transacted at a total value of RM36.61 billion in 2010, compared to RM28.04 billion (81,879 units) in 2009. The Klang Valley property market was comparatively active after the economic downturn in 2008/2009, evidenced by the 35.4% growth in total transaction values in 2010 across Kuala Lumpur and Selangor (Source: JPPH).

The Klang Valley property market was recently thrust into the limelight with the Federal Government's announcement to go ahead with the Mass Rapid Transit (MRT) project, the biggest infrastructure project in the country. Expected to have a multiplier effect and boost property prices along its 51km stretch from Sungai Buloh to Kajang, the first MRT line is expected to be completed in 2016, enhancing accessibility to major parts of the Klang Valley from Sungai Buloh to Kajang.

1.2 PURPOSE BUILT OFFICES

The Klang Valley office market has remained stable as business sentiments received a boost from strong economic growth in 2010 with GDP growth recorded at 7.2%. The rental rates in high grade office buildings remained stable with no significant adjustment.

Office developments are expected to continue to grow, with new supply anticipated to increase sharply over the coming three years.

On the investment front, the majority of investment transactions in 2010 were observed to involve local institutional funds, particularly real estate investment trusts (REITs).

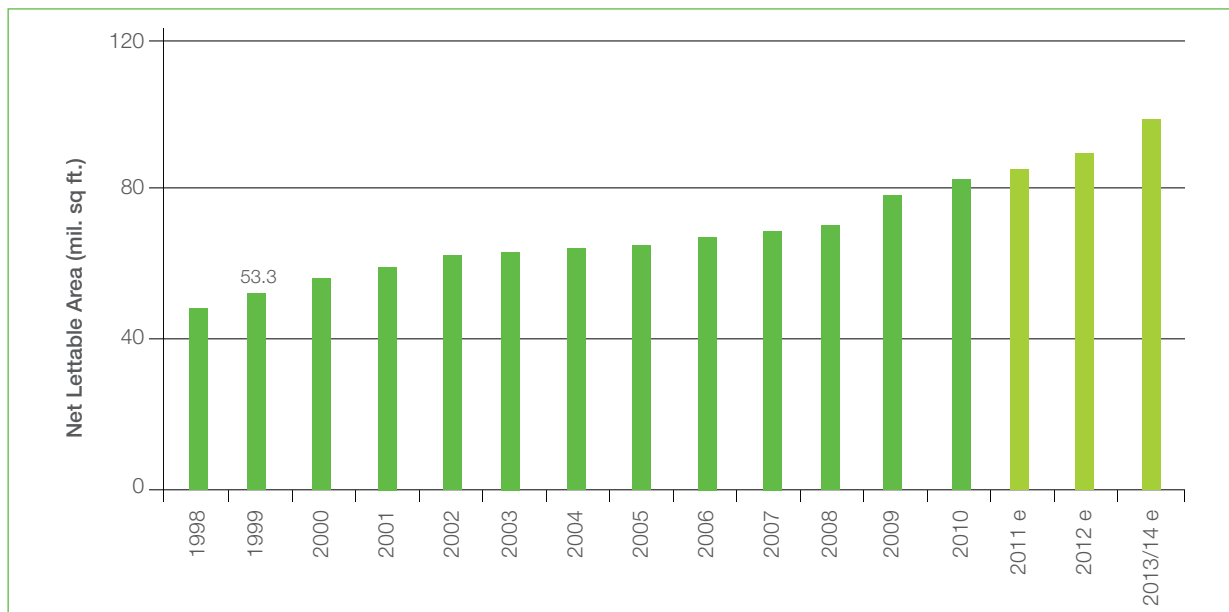
CBRE Research analysis shows the average transaction price of purpose built office space in Kuala Lumpur rising to RM870 per sf in 2010, from RM814 per sf in 2009. This shows a recovery in capital values of office space in Kuala Lumpur, fuelled mainly by the interest from local funds and general improvement in the economy.

1.2.1 Existing Supply

The cumulative supply of purpose built office space was 79.21 million sf as at end-2010, of which 63.47 million sf is located in Kuala Lumpur. Eleven (11) office buildings were completed during the year with seven (7) in Kuala Lumpur and four (4) in Selangor totalling 2.9 million sf. The new buildings include Capital Square Office Tower 2, Quill 6, Menara 1 Mont' Kiara 1&2, BRDB Tower, Subang Square, Oasis Ara Damansara Capital 1&2 and Dana 13.

Property Market Overview 2010

Cumulative Supply of Office Space in the Klang Valley



Source: CBRE Research

1.2.2 Future Supply

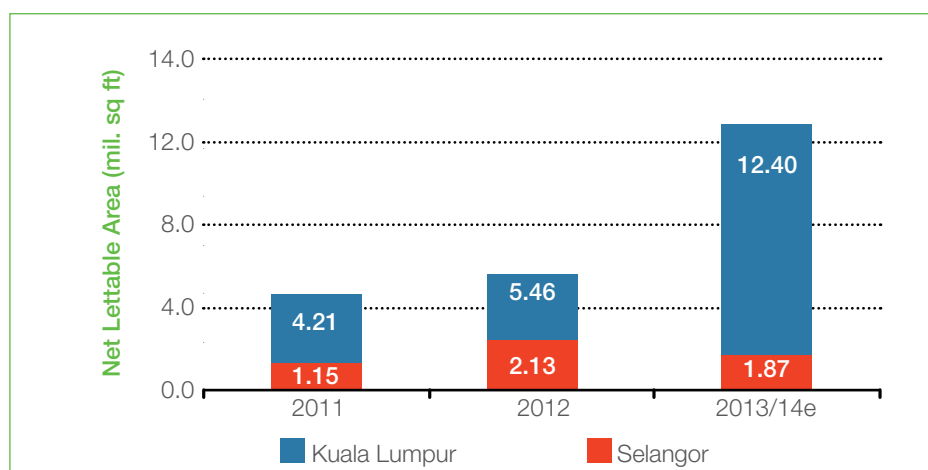
There are a total of 73 office buildings identified which will potentially offer more than 27.23 million sf of net lettable office space in Klang Valley. Of this total, 12.75 million sf of office space within 41 office buildings are currently under construction.

The year 2011 will see an estimated 5.36 million sf of office space completing in the Klang Valley, of which 78.54% (4.21 million sf) will be located in Kuala Lumpur, and the remaining 21.46% (1.15 million sf) in Selangor. The expected new completions will include Hampshire Place Office Tower, Menara Worldwide, and Menara Carigali in Kuala Lumpur, as well as First Subang, PJ Exchange, Menara Taragon and Menara Mudajaya in Selangor.

Barring any further delays to construction, a further 7.59 million sf of office space is expected to be added to supply by the end of 2012.

Office building developments in Klang Valley which were still at planning stage as at December 2010 may bring another 14.48 million sf by year 2013/2014 if the developers start construction within 2011.

Future Supply of Office Space in the Klang Valley

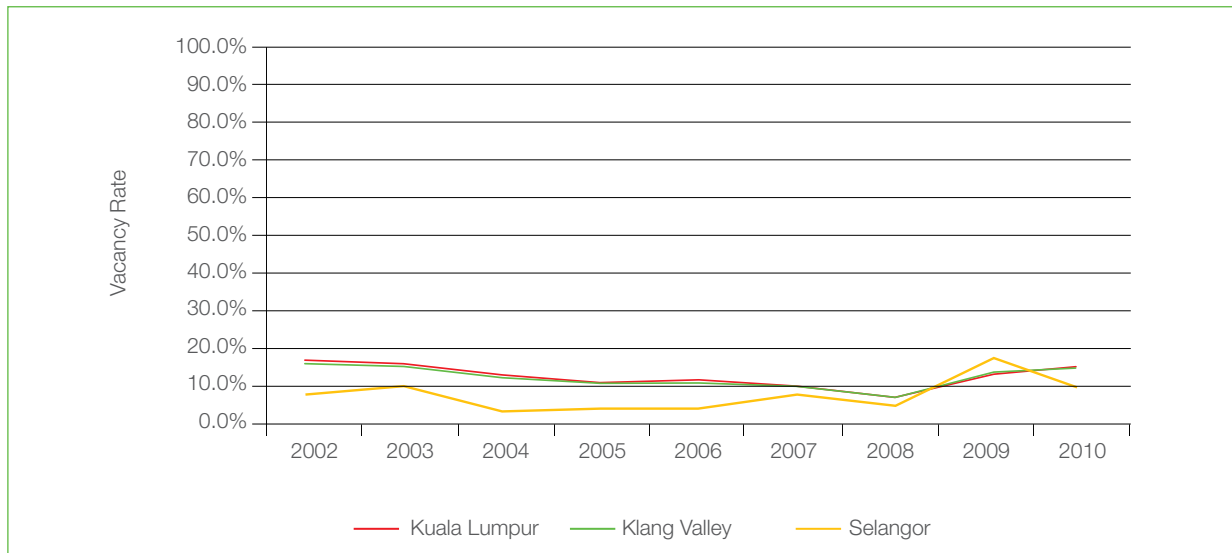


Note: Year 2013/14 indicates projects at planning stage
Source: CBRE Research

1.2.3 Average Asking Rental Rates

Average vacancy rates in the Klang Valley rose to 14.8% in 2010 compared with 14.1% in 2009. The occupancy rates was affected by the late-quarter completions (and subsequent low occupancy) of Cap Square Tower 2 as well as 1 Mont' Kiara Towers One and Two.

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



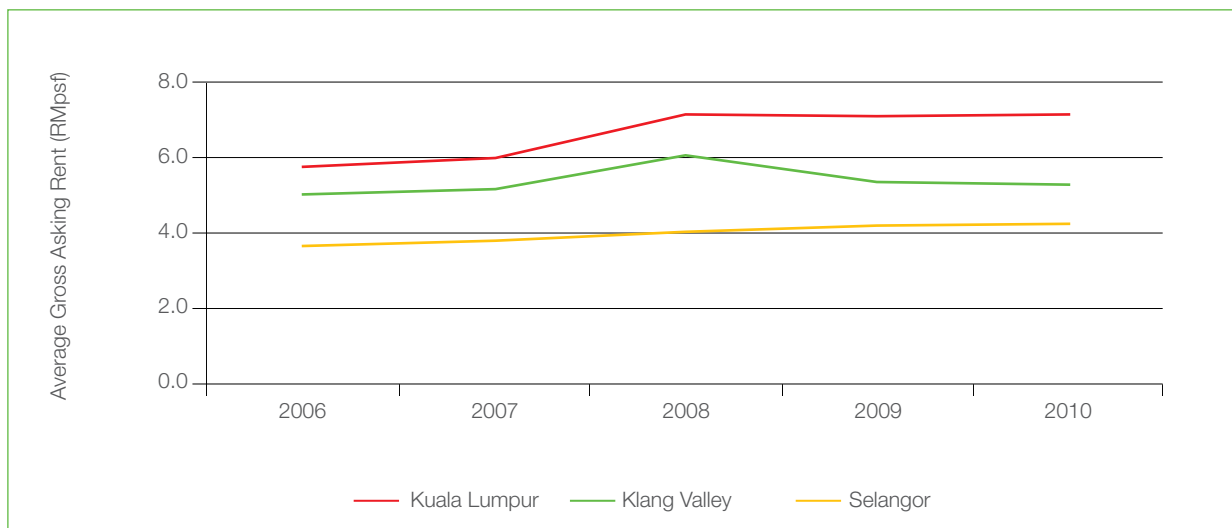
Source: CBRE Research

1.2.4 Average Asking Rental Rates

Average gross asking rents for selected high grade buildings in the Klang Valley has marginally increased by 0.4% to RM5.36 per sf in 2010 on the back of perceived signs of economic recovery since the last quarter of year 2009. Average asking prime rents in the Kuala Lumpur city centre registered RM7.14 per sf and suburban Selangor areas at RM4.30 per sf in 2010.

Prime rents in Kuala Lumpur currently range between RM5.00 to RM14.00 per sf. In Petaling Jaya, prime office buildings generally average between RM3.20 to RM4.80 per sf with MSC status buildings achieving up to RM5.50 per sf.

Vacancy Gross Asking Rents for Prime Office Space in Klang Valley



Source: CBRE Research

Property Market Overview 2010

1.2.5 Major Transactions

16 major purpose-built office building transactions were reported in 2010, the majority of which involved acquisition by real estate investment trusts (REITs). Significant deals involving REITs include the sale of Menara UOA Bangsar Tower, Wisma UOA Damansara II, Sunway Tower, Menara Sunway, Dana 13, Menara PKNS, and FSBM Plaza.

Major Transactions of Purpose Built Office Buildings in Klang Valley in 2010

Buildings	Location	NLA (sf)	Consideration	
			RM mil	RM per sf
Kuala Lumpur				
Menara UOA Bangsar Tower	Jalan Bangsar	312,298	289.00	925
Wisma UOA Damansara II	Damansara Heights	296,850	211.00	711
Wisma Time	Jalan Tun Razak	171,611	78.00	455
Sunway Tower ¹	Jalan Ampang	268,412	171.49	639
Menara Olympia	Jalan Raja Chulan	454,828	202.65	446
Menara PanGlobal (Office/Hotel) ²	Lorong P. Ramlee	250,000	160.00	-
Wisma Volkswagen	Off Jalan Bangsar	43,743	40.00	914
1 Mont' Kiara (Office/Retail) ³	Mont' Kiara	185,405	333.00	-
Wisma KLIH ⁴	Jalan Bukit Bintang	55,200	58.00	1,051
Selangor				
Dana 13	Subang	GFA: 333,438	99.00	-
Laman Seri Business Park office tower	Shah Alam	GFA: 130,000	60.00	-
Menara Sunway ⁵	Bandar Sunway	268,978	127.92	476
Menara PKNS	Shah Alam	244,316	91.00	372
Wisma Goodyear Block B Kelana Centre Point	Kelana Jaya	114,286	38.00	332
FSBM Plaza	Cyberjaya	116,388	51.25	440
Bangunan Emerio	Cyberjaya	GFA:52,291	35.19	-

Notes:

^{1&5} The sale price for Sunway Tower and Menara Sunway represent the final acquisition price of Sunway REIT as at 8 July 2010.

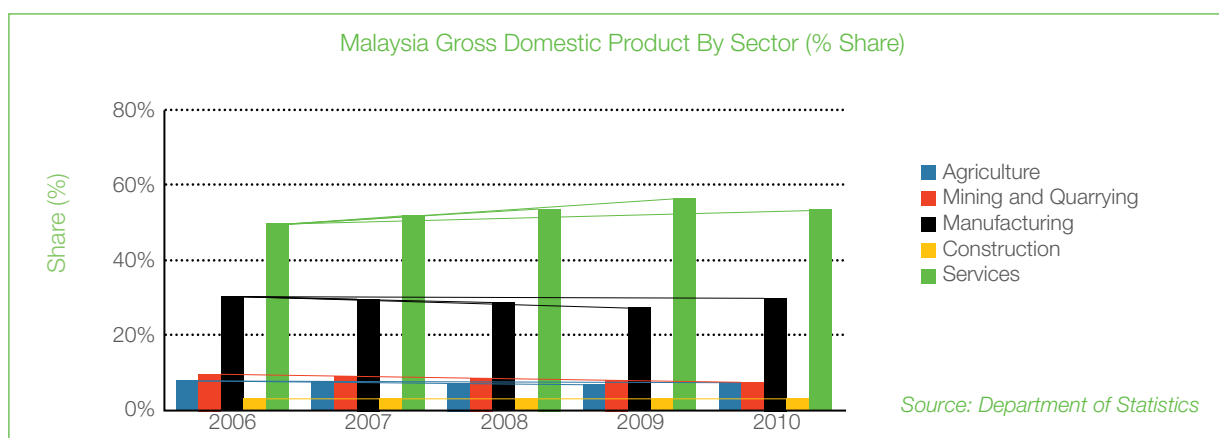
² Menara PanGlobal is a 38-storey building with 18 floors of office space (NLA 250,000 sf), 9 floors of hotel rooms operated by Pacific Regency and 8 levels of parking space.

³ The 1 Mont' Kiara properties were sold for RM333 million, consisting of a 20-storey office tower block and a 5-storey retail mall, inclusive of carpark.

⁴ Wisma KLIH was sold for RM58.00 million, consisting of RM48.00 million for the property and an option for renovation and refurbishment of the property amounting to RM10.00 million.

Source: Annual Reports, Bursa Malaysia & CBRE Research

1.3 INDUSTRIAL PROPERTY



Malaysia saw a year of recovery in 2010 after the economic downturn in 2008/2009, with GDP for Q1 2010 and Q2 2010 registered at 10.1% and 8.9% growth respectively, before moderating to 5.3% in Q3 2010 and 4.8% in Q4 2010. This analyzes to a full-year average of 7.2% for 2010.

The Industrial Production Index (IPI) in 2010 registered 7.5% growth to 107.2 against the preceding year. The strong growth is mainly contributed by the Manufacturing (+11.0%) and Electricity Outputs (+8.8%).

The Department of Statistics Malaysia reported that the total trade in 2010 was valued at RM1.169 trillion, compared to RM988.24 billion in 2009. Malaysia also recorded a trade surplus of RM110.23 billion in 2010 with the total exports and imports at RM639.43 billion and RM529.19 billion respectively.

The country also attracted RM47.18 billion total proposed capital investment in the manufacturing sector in 2010, against RM32.64 billion recorded in 2009. Foreign investments were reported at RM29.06 billion, representing 31.2% growth against RM22.14 billion in 2009.

1.3.1 Existing Supply

The total existing supply of industrial properties in Kuala Lumpur and Selangor stands at about 5,130 and 34,321 units respectively. The total has remained unchanged in Kuala Lumpur since 2009 and increased by 95 units in Selangor. The existing industrial properties are largely terraced factories comprising 74.2% of the combined supply in Kuala Lumpur and Selangor.

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

State	Type of Property	Existing Supply					Future Supply	
		2006	2007	2008	2009	2010e	Incoming Supply	Planned
Kuala Lumpur	Terraced	2,975	2,975	2,975	2,975	2,975	14	111
	Semi-Detached	457	457	457	471	471	16	0
	Detached	553	553	553	554	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	5,130	5,130	30	153
Selangor	Terraced	25,049	25,599	26,277	26,310	26,310	2,195	586
	Semi-Detached	3,141	3,227	3,313	3,323	3,399	403	209
	Detached	3,514	3,956	4,199	4,218	4,236	72	633
	Flatted Factory	270	270	270	270	270	0	7
	Industrial Complex	94	101	104	105	106	3	17
	Total	32,068	33,153	34,163	34,226	34,321	2,673	1,452

Property Market Overview 2010

1.3.2 Future Supply

The future supply of industrial properties in the Klang Valley is largely in Selangor, with terraced factories making up the bulk of supply. A total of 2,673 units are currently under construction in Selangor and another 1,452 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.

1.3.3 Rental

Generally, quality industrial premises sited in prime locations within the Klang Valley commanded stable rents throughout 2010, with demand largely for logistics / warehousing facilities.

The asking monthly rentals for detached factories / warehouses in Klang Valley have remained stable in 2010, ranging between RM0.55 – RM2.00 per sf, with asking rents in traditional prime areas like Petaling Jaya (Sections 13, 51 and 51A) at the higher end of RM1.50 – RM2.00 per sf. Rents for other industrial premises which are used as showrooms can be as high as RM2.50 per sf.

2.0 JOHOR

2.1 MARKET OVERVIEW

The Johor property market recorded a total transaction value of RM12.45 billion for 51,329 property units in 2010, against RM9.08 billion (44,525 units) recorded in the preceding year. This shows that the Johor property market was rather active in 2010, registering an increase of 15.28% and 37.14% in terms of volume and value of property transactions, with the average property transaction increasing 18.96% in value from RM203,960 to RM242,636. (Source: JPPH).

A highlight within the Johor property market is Iskandar Malaysia which has attracted a total cumulative investment value of RM67.68 billion since its inception in 2006, having surpassed its initial target of RM47.00 billion for the period of 2006 – 2010. Over the 20-year development lifespan of Iskandar Malaysia, an estimated investment value of RM382.00 billion is anticipated (Source: The Star Business).

The recent merger between Sunrise Bhd and UEM Land Bhd also signals a new spur of interest in Iskandar Malaysia. Additionally, the Iskandar Regional Development Authority (IRDA) plans to unveil a master plan for the multi-billion ringgit Johor Bahru city centre transformation project in 2Q 2011. With the federal and state governments continuing to encourage and stimulate investments in Iskandar Malaysia, and new infrastructures nearing completion, the Johor property market looks promising and is expected to continue to see growth in the medium to long-term.

2.2 PURPOSE BUILT OFFICES

Based on government data, there was a cumulative supply of about 8.15 million sf of purpose-built office space in 103 office buildings in the Johor Bahru district in 2010. The 10 buildings that are currently under construction are expected to add another 1.81 million sf of office space to the market upon completion. In the longer term, 14 approved buildings will bring in another 6.31 million sf office space once construction has commenced.

The average occupancy rate for all office buildings in the district of Johor Bahru in 2010 remained stable at 75.1%, slightly improved against 74.6% in 2009. In general, prime office space in the city centre is let at a monthly gross rental of between RM2.00 to RM3.00 per sf, with other city offices asking between RM1.60 to RM2.00 per sf.

A notable event in the local office market was the relocation of government offices from Johor Bahru city centre to Kota Iskandar, Johor's new State Administrative Centre in Nusajaya. With growth in Johor directed towards Nusajaya in the next decade, and the subsequent migration of government linked offices and other office occupiers into Nusajaya, it is likely that investment potential for the office sector will be concentrated in the Nusajaya zone.



2.3 INDUSTRIAL PROPERTIES

State	Type of Property	Existing Supply					Future Supply	
		2006	2007	2008	2009	2010e	Incoming Supply	Planned
Johor	Terraced	7,440	7,466	7,459	7,459	7,469	264	495
	Semi-Detached	2,701	2,700	2,745	2,779	2,779	174	700
	Detached	2,575	2,653	2,688	2,712	2,734	171	1,286
	Flatted Factory	0	0	0	0	0	0	0
	Industrial Complex	468	468	470	470	470	10	23
	Total	13,184	13,287	13,362	13,420	13,452	619	2,504

Source: JPPH, Ministry of Finance

Johor is the second largest supplier of industrial units in the country, ranked after Selangor and followed by Penang and Perak. Johor has a total of 13,452 industrial units, which make up 14.44% of the total in Malaysia. In 2010, the state recorded only 32 additional units of industrial properties, made up of detached factories in Johor Bahru, Batu Pahat and Kulaijaya.

Total proposed capital investments in Johor for the year 2010 was encouraging at RM7.46 billion, against RM4.06 billion in 2009. A total of 172 projects were approved of which 34.9% (RM2.6 billion) were foreign investments. (Source: MIDA)

Rents for good industrial locations in Johor remained relatively stable in 2010. The ports and free trade areas such as Pasir Gudang and Port of Tanjung Pelepas continues to achieve average rents ranging between RM1.20 to RM2.00 per sf, whereas other active non-port industrial areas such as SiLC, Nusa Cemerlang and Tampoi are asking for rents between RM0.80 to RM1.20 per sf.

3.0 PENANG

3.1 MARKET OVERVIEW

The transactional activities in Penang property market paced up in 2010, with transactions amounting to RM9.37 billion for 25,987 property units against RM6.53 billion for 22,724 property units in 2009. This indicates an increase of 14.36% and a substantial 43.42% in terms of volume and value of property transactions in Penang, since 2009. The average property transaction value also increased significantly from RM287,469 to RM360,525 per transaction in 2010.

Penang's office market remained relatively less active than the other sectors in 2010, however the industrial market saw increased interest, which is evidenced by high foreign direct investments in 2010.

3.2 PURPOSE BUILT OFFICES

The total supply of purpose built office space in Penang remained stable at 11.60 million sf in 2010, with 78% of the office space located on the Penang island. No new supply was added to the market during the year, with the CEO in Bukit Jambul expected to be completed in early 2011. The bulk of supply is located in Georgetown (i.e. 151 office buildings out of the total 235 buildings in Penang). Occupancy rates of office buildings in Penang averaged at 78.5% in 2010.

Rents for high grade office buildings remained stable, and office buildings along Jalan Sultan Ahmad Shah did not see major changes in rents ranging between RM2.00 to RM3.50 per sf, however, office buildings within the MSC Zone are asking for RM3.50 per sf and supply is currently limited.

Property Market Overview 2010

3.3 INDUSTRIAL PROPERTIES

State	Type of Property	Existing Supply					Future Supply	
		2006	2007	2008	2009	2010e	Incoming Supply	Planned
Penang	Terraced	4,794	4,794	4,794	4,817	4,862	98	217
	Semi-Detached	1,109	1,109	1,109	1,109	1,109	78	30
	Detached	1,208	1,279	1,279	1,320	1,333	3	325
	Flatted Factory	333	333	333	333	333	59	0
	Industrial Complex	42	42	42	42	42	0	0
	Total	7,486	7,557	7,557	7,621	7,679	238	572

Source: JPPH, Ministry of Finance

Penang has the third highest number of industrial units in the country, after Selangor and Johor. The state of Penang has a total of 7,679 industrial units or 8.24% of total industrial properties in Malaysia. In 2010, Penang registered only 58 units of new industrial properties, with most of the new units being terraced factories in Seberang Perai.

Gross monthly rental for detached factories/ warehouses in Penang remained stable at RM1.20 – RM1.50 per sf.

Penang saw a year of increased investment interest by attracting the highest proposed capital investment in the country at RM12.2 billion in 2010. The state also captured the largest foreign interest with a total of RM10.5 billion out of the RM29.1 billion total foreign investment in Malaysia. Major foreign investors include Western Digital Corp, Jabil and B. Braun. (Source: Business Times).

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



Christopher Boyd
Executive Chairman
February 2011



**Corporate
Social
Responsibility**



Corporate Social Responsibility

At Axis-REIT our Corporate Social Responsibility Programme focuses on bringing our skills as asset manager to assist homes and centres run by NGO's through refurbishment programs.

In 2010 we identified the Selangor and Federal Territory Association for Mentally Handicapped Children ("SAMH") as a recipient of our CSR program.

The Selangor and Federal Territory Association for Mentally Handicapped Children was established in 1964 as a non-profit voluntary organization. Its headquarters, Wisma Harapan is located in Kuala Lumpur. It was initiated by a group of concerned parents and voluntary workers under the sponsorship of the then Rotary Club of Klang and Port Swettenham. From a humble beginning of 4 children and one teacher, the Association now has 14 special schools and centre's catering to more than 650 children with varying mental disabilities.

Their primary aim is to provide education and training to mentally handicapped children and young adults so that they may realize their full potential and their special schools are equipped to provide training in living skills that are needed to help those who are mentally challenged to become independent and useful individuals.




The 3Rs are also taught to the extent of each child's ability to learn. The teaching and learning programmes are individualized, systematic and structured. They are conducted by specially trained teachers. Parents and care-providers are encouraged to participate in the class so that they can reinforce the learning at home.




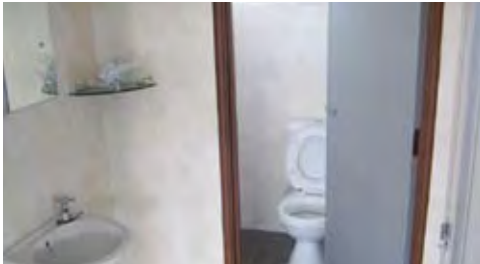
Children who have been certified 'mentally handicapped' by a child specialist may apply for admission to Wisma Harapan. Their parents have to make the application on the prescribed form. The form is available from Wisma Harapan, the offices of the Social Welfare Department and the Pediatric Departments of University Malaya and University Kebangsaan Malaysia.

Maintaining and developing all these programmes at the 14 schools and centre's require staggering sum of close to RM2 million annually. Part of this budget is met by grants from the Ministry of National Unity and Social Development. The remaining amount has to be made up by contributions from supportive corporations, generous individuals and through fund-raising projects. Apart from financial assistance, caring individuals and groups can volunteer their services towards the development and delivery of the programmes.

The SAMH had embarked on the building of a Vocational Training Centre at their school in Klang. In this project they had the assistance of the Apex Club of Klang - an NGO involved with community service which provided the bulk of the funding for the structure.

However the project had run out of funds and though the structures are completed the interior fit out needs to be done to make the centre habitable. A short approach road needed to be built as well.

BEFORE	AFTER	REMARK
		Building was completed and official opening on 5 August 2010
		Roads needed to be tarmaced but now completed

BEFORE	AFTER	REMARK
		Floor finishes, fans and windows are now fitted
		There were incomplete toilets but these are now complete

The SAMH owns the building on the site and have unrestricted use on the land as it is a welfare reserve and so ownership is not an issue. The Association has been a very long established one and we believed a worthy recipient of our 2010 CSR project.

A sum of RM70,000 was approved to be donated towards the completion of the schools interior fitout and with it the school was completed in time for its opening in September 2010.



Presenting a cheque to the SAMH on the 30 May 2010



***The Proposed
Income Distribution
Reinvestment Plan***



The Proposed Income Distribution Reinvestment Plan

On 9 February 2011 the Manager announced proposed recurrent and optional income distribution reinvestment plan that allows unitholders of Axis-REIT to reinvest their income distribution in new Units through a Income Distribution Reinvestment Plan ("IDRP");

The Proposed Income Distribution Reinvestment Plan is an initiative undertaken by the Board to provide an opportunity to all Unitholders (including retail investors) to invest in the new Units at a discount. This enables the Unitholders to enhance and maximise the value of their unitholdings in Axis-REIT through the subscription of the new Units under the Proposed IDRP.

Furthermore, the Proposed Income Distribution Reinvestment Plan will provide the Unitholders with greater flexibility in meeting their investment objectives, as they would have the choice of receiving cash and/or reinvesting into Axis-REIT through the subscription of additional new Units without having to incur material transaction or other related costs.

Axis-REIT will also benefit from the participation by the Unitholders in the Proposed Income Distribution Reinvestment Plan to the extent that if the Unitholders elect to reinvest the Electable Portion in new Units, the cash which would otherwise be payable by way of Income Distribution will be retained to refurbish and/or renovate the properties held by the Trustee, and/or for any other purpose that the Manager and the Trustee deem fit and in the best interest of the Unitholders. The refurbishment and/or the renovation of the properties held by the Trustee is expected to enhance the future income to be generated from the said properties moving forward.

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

1. How does it work?

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

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

- (i) choose to receive the Electable Portion in cash; or
- (ii) choose to reinvest the entire Electable Portion in new Units credited as fully paid-up at an issue price to be determined on a Price-Fixing Date subsequent to the receipt of all relevant regulatory approvals for the Proposed IDRP; or
- (iii) choose to receive part of the Electable Portion in cash, and to reinvest the remaining part of the Electable Portion in new Units credited as fully paid-up at an issue price to be determined on the Price-Fixing Date.

2. Will I still have withholding tax deducted?

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

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

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

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

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

4. When will I get my units?

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

Subsequently, copies of the notice of election in relation to the Proposed IDRP and information memorandum will be despatched to the Unitholders. The Expiry Date will be stated in the Notice of Election.

Within 8 market days from the Expiry Date or such date as may be prescribed by Bursa Malaysia Securities Berhad, Axis-REIT will allot and issue the new Units on the Allotment Date and despatch notices of allotment to the Unitholders who elect to participate in the Proposed IDRP. Concurrently on the Allotment Date, the Remaining Portion and the Electable Portion (where the Unitholders choose to receive the Income Distribution in cash), as the case may be, will be paid to the respective Unitholders in the usual manner. An announcement will also be made on the listing of and quotation for the new Units to be issued under to the Proposed Income Reinvestment Plan on the Main Market of Bursa Securities.

The Proposed Income Distribution Reinvestment Plan

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

Under the Proposed IDRP, Unitholders who elect to participate shall be entitled to fractional Units and such fractional entitlements will be paid in cash to the Unitholders in the usual manner.

5. Boards Authority

The Board of the Manager has full authority to determine if the Proposed IDRP will apply to a particular Income Distribution. If the Board decided not to apply the Proposed IDRP to a particular Income Distribution then the Income Distribution declared in that quarter concerned will be paid in cash to the Unitholders in the usual manner.

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

6. What happens if I elect not to participate?

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

7. Can the Board cancel the availability of the Proposed IDRP after it is announced?

Notwithstanding any provision of the Proposed IDRP, if at any time after the Board has determined that the Proposed IDRP shall apply to any Income Distribution and before the Allotment Date in respect of the Electable Portion, the Board shall consider that by reason of any event or circumstance (whether arising before or after such determination) or by reason of any matter whatsoever, it is no longer expedient or appropriate to implement the Proposed IDRP in respect of the Electable Portion, the Board may, in its absolute discretion and as it deems fit in the interest of the Fund and without assigning any reason thereof, cancel the application of the Proposed IDRP in relation to the Electable Portion. In such an event, the Electable Portion shall be paid entirely in cash to Unitholders in the usual manner.

8. Who is Eligible to participate?

All Unitholders are eligible to participate in the Proposed IDRP, subject to the restrictions on the Unitholders with registered addresses outside Malaysia as at the relevant Book Closure Date for the Income Distribution to which the Proposed Income Distribution Reinvestment Plan applies.

This is also subject to the requirement that such participation by the Unitholder will not result in a breach of any other restriction on such Unitholder's unitholding in Axis-REIT which may be imposed by any statute, law or regulation in force in Malaysia or any other relevant jurisdiction, as the case may be, or prescribed in the Deed.

9. What about Odd lots?

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

10. Can the IDRP be Terminated?

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

11. Other issues relating to the Proposed IDRP

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

Axis-REIT will be seeking a blanket approval from the Unitholders' for allotment and issuance of the new Units under the Proposed IDRP, together with the proposed increase in the existing approved fund size of Axis-REIT to accommodate the issuance of the new Units for the implementation of the Proposed IDRP, at the forthcoming Unitholders' meeting in 2011.

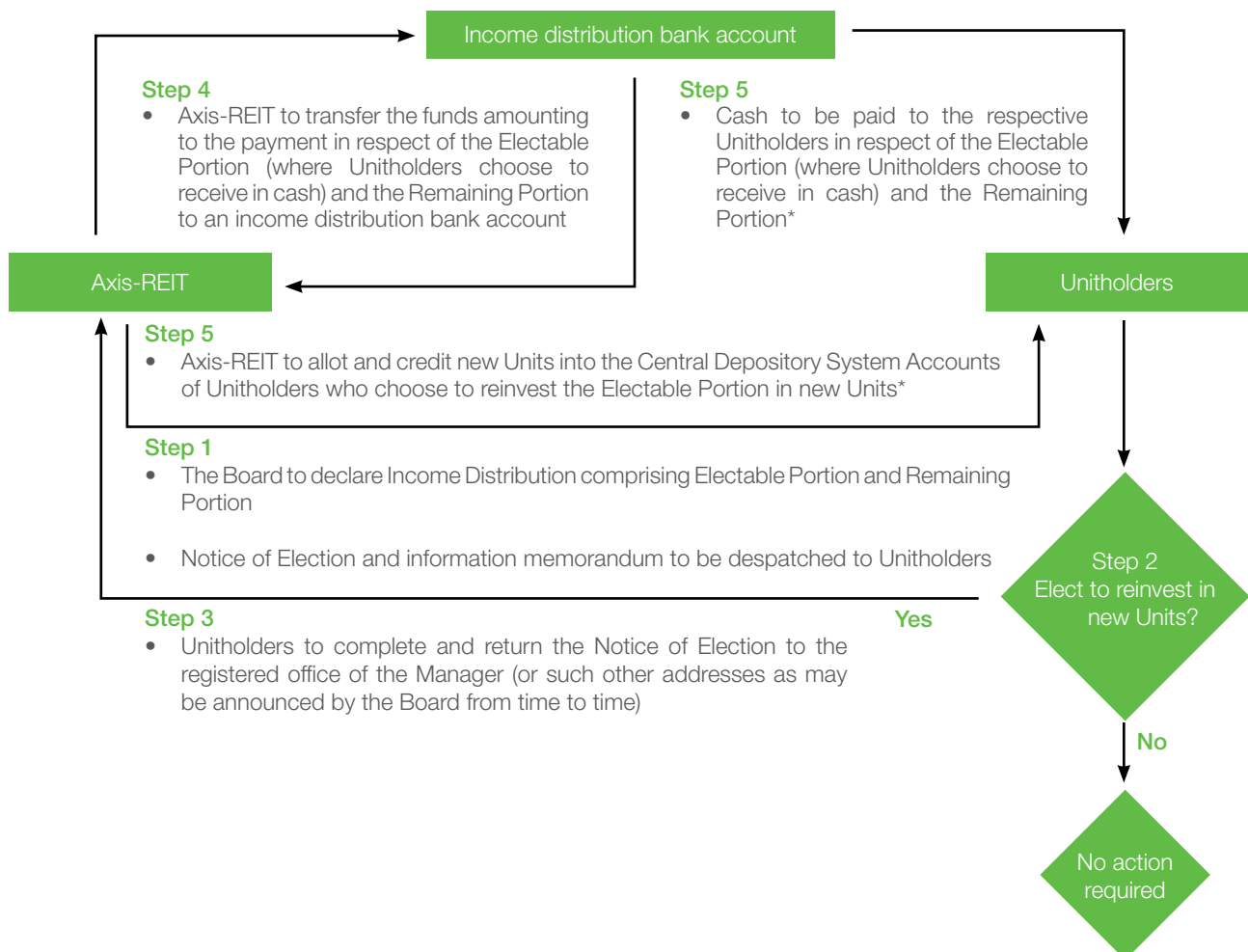
If the Unitholders blanket approval is given, no approval from Unitholders for subsequent allotment and issuance of new Units under the Proposed Income Distribution Reinvestment Plan and any proposed increase in the existing approved fund size of Axis-REIT to accommodate the issuance of the new Units for the implementation of the Proposed IDRП will be sought.

The proceeds from the Proposed IDRП cannot be ascertained at this juncture and as such, the timeframe for full utilisation of such proceeds cannot be determined. Nevertheless, the net proceeds from the Proposed IDRП (after deducting estimated expenses for the Proposed Income Distribution Reinvestment Plan) will be utilised to refurbish and/or renovate the properties held by the Trustee and/or for any other purpose that the Manager and the Trustee deem fit and in the best interest of the Unitholders. The refurbishment and/or the renovation of the properties held by the Trustee is expected to enhance the future income to be generated from the said properties moving forward.

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

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

The process flow chart in relation to any proposed Income Distribution and the Proposed IDRП is set out below:





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 Real Estate Investment Trust ("Axis -REIT" of "the Fund").

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

The following sections describe the Manager's main Corporate Governance Practices and Policies. They are designed to ensure that applicable securities laws and regulations, the SC's Guidelines on REITs 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 of Axis-REIT on acquisitions, divestments and enhancements in line with the agreed strategy.

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

- Using its best endeavors to carry on and conduct its business in a proper and efficient manner and conduct all transactions of the Fund in a transparent manner and at arm's length.

- Preparing reports to the Board of Directors ("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 with all legislations, rules and guidelines issued by the SC and Bursa Securities, where applicable.
- Ensuring compliance with 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 and financial performance of Axis-REIT and the nominations 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 financial results, review acquisitions or disposals, the annual budget, capital expenditure requirements, property reports, investor relations reports, performance of the Manager (including its related entities) 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 or any other issues requiring the immediate attention of the Board.

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 on any changes to current practices at regular Board meetings, specially convened meetings or via circularized board papers/memorandum.

Corporate Governance

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 Alternate Director: Alex Lee Lao	Non-Independent Executive Deputy Chairman	4/4	No Change
Stephen Tew 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	Senior Independent Non-Executive Director	4/4	Appointed as Senior Independent Non-Executive Director on 20 October 2010
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

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
Stephen Tew Peng Hwee	Member	2/2	No Change

As of 31 December 2010 the Board comprises of seven (7) members, three (3) of whom are independent directors in compliance with the SC's Guidelines on REITs. The Executive Deputy Chairman has an appointed Alternate Director.

The following principles guide the Board composition:

- The Chairman of the Board should be an Independent Non-Executive Director.
- The Board should comprise of 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.

During the financial year ended 2010, Encik Mohd Sharif Bin Hj Yusof had been appointed as Senior Independent Non-Executive Director, to whom concerns of the Unitholders of Axis-REIT may be conveyed to.

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 in deliberating issues presented before the Board. This promotes a healthy and professional relationship between the Board and the Management.

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 (segregated into separate committees with effect from year 2011).

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 2010:

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

The Executive Committee has met formally a total of six (6) times in 2010. However there have been several informal meetings held between members of the committee during the period.

Corporate Governance

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. The Audit Committee Report is set out as a separate section of this Annual Report.

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

THE REMUNERATION & NOMINATION COMMITTEE

The composition of the Remuneration & Nomination Committee as of 31 December 2010 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 other board members, the Executive Committee, shareholder of the Manager where applicable;
- To recommend to the Board, any director(s) to fill seats on Board committees.
- To assess the effectiveness of the Board as a whole, Board committees and the contribution of each individual director.
- To determine appropriate training for directors and review the fulfillment of such training.

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.

The Remuneration & Nomination Committee had also been segregated into two (2) separate committees with effect from year 2011 onwards to better reflect their functions.

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"> • Talk on 'Director's Duties'
Dato' Abas Carl Gunnar Bin Abdullah	<ul style="list-style-type: none"> • Talk on 'Director's Duties'
Stephen Tew Peng Hwee	<ul style="list-style-type: none"> • Malaysian Annual Real Estate Convention 2010 on 'The Millionaire Real Estate Agent'
George Stewart LaBrooy	<ul style="list-style-type: none"> • Talk on 'Director's Duties'
Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	<ul style="list-style-type: none"> • Chennai 2010 Summit Trade Forum • CLSA Asean Access Day, Hongkong • Invest Malaysia 2010 – by the Prime Minister • Rehda Property Forum 2010 • Malaysia Property Day by Maybank • 3rd Malaysia Construction Summit 2010 by Master Builders Association

Directors	Training attended & activities participated
Mohd Sharif Bin Hj Yusof	<ul style="list-style-type: none"> • Workshop on GST and Transfer Pricing • Board Effectiveness: Redefining the Roles & Functions of an Independent Director • Talk on 'Director's Duties'
Yin-Yong Lee Lao	<ul style="list-style-type: none"> • Talk on 'Director's Duties'
Alex Lee Lao (alternate director)	<ul style="list-style-type: none"> • Talk on 'Director's Duties'

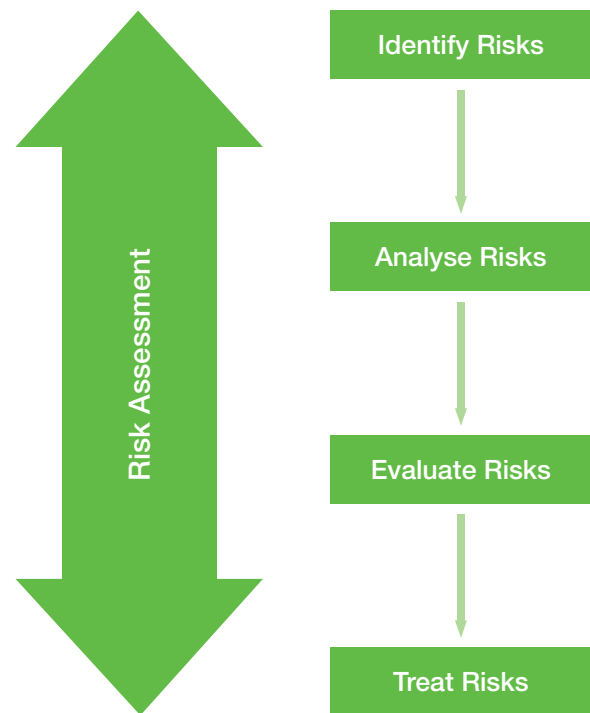
RISK MANAGEMENT

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

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

Approach to Risk Management

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



The above risk management processes are supported by the:

- Establishment of a risk management reporting structure consisting of 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.

Corporate Governance

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 matter or business in which any of the Related Parties has an interest.

Dealings with Related Party Transactions

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

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

Related party transactions shall require the Trustee to ensure that such transactions are at arm's length, based on normal commercial terms and not prejudicial to the interest of the Unitholders. Furthermore, the Trustee has the ultimate

discretion under the Deed to decide whether or not to enter into a transaction involving a related party of the Manager. If the Trustee is to sign any contract with a related party of the Trustee or the Manager, the Trustee will review the contract documentation to ensure it complies with the requirements and provisions relating to related party transactions contained in the SC's Guidelines on REITs and the Deed.

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

COMMUNICATION WITH UNITHOLDERS

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

Unitholders' meetings will also be convened at least once yearly in order to keep the Unitholders updated with the performance, activities, progress and prospects of Axis-REIT.

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

COMPLIANCE WITH THE CODE

The Board 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 2010. 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.



The Manager is pleased to report that on 15 September 2010, Axis-REIT has won the Asia Pacific Real Estate Association ("APREA")'s Best Practices Award 2010 in the Emerging Market category ("APREA Award"). The APREA Award was based on compliance to the APREA's Best Practices Handbook for the management of property funds and REITs across Asia Pacific and Axis-REIT emerged as the winner underpinning the high level of corporate governance practiced by the Manager in managing the Fund especially in the following areas:

- 1) Accounting and financial reporting guidelines
- 2) Property valuation
- 3) Corporate governance
- 4) Portfolio performance reporting
- 5) Market disclosures
- 6) Sustainability

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 Real Estate Investment Trust ("Axis-REIT"), had established an Audit Committee on a voluntary basis and this Committee has the delegated oversight responsibilities from the Board in ensuring that the interests of the Unitholders of Axis-REIT are protected.

1. COMPOSITION OF AUDIT COMMITTEE

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

The composition of the Committee as at 31 December 2010 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 by any member of the Committee and the Board of Directors.

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

Authority

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

The Audit Committee's responsibilities also include:

- Reviewing external audit reports to ensure that where deficiencies in financial management internal controls have been identified, appropriate and prompt remedial action is taken by management;
- Monitoring legislation regulated by applicable securities laws, the SC's Guidelines on REITs, the Main Market Listing Requirements and taxation laws and rulings;
- Reviewing internal audit reports pertaining to risk management, operations manual compliance and internal controls ensuring that actions and changes recommended and agreed on are promptly implemented by the management;

- Reviewing the quality and reliability of information prepared for inclusion in quarterly, half yearly and annual financial statements of Axis-REIT for reporting the Board;

- Monitoring the procedures established for related party transactions and reviewing such transactions to ensure compliance with the SC's Guidelines on REITs and the Deed;

- Recommending to the Board the appointment of the external and internal auditors; and

- Annually evaluating the appointed External Auditors of Axis-REIT and if appropriate, to recommend to the Trustee of Axis-REIT their re-appointment.

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 recommended for Board's approval the Audit Committee Report and Internal Control Statement for inclusion 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; and

(vi) ensured that Axis-REIT's appointed External Auditors were duly registered with the Audit Oversight Board.

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 and the Audit Committee has direct and unrestricted access to both the External and Internal Auditors.

Statement On Internal Control Pursuant to Paragraph 15.26(B) of The Main Market Listing Requirements

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

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

KEY ELEMENTS OF THE INTERNAL CONTROL SYSTEM ESTABLISHED

Internal 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 whenever necessary. 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. 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 formulated and developed a Risk Management Policy ("RMP") and put in place a Risk Register where key risk profile was established. 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 financial, asset management, business development & investor relations, human resource and information technology. As an on-going process under risk management, Management shall review, monitor and update the Risk Register on a periodic basis.

Reporting and Review

The outsourced Internal Auditors report directly to the Audit Committee and assist the Board in monitoring and managing risks and internal controls. The 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

Based on agreed internal audit plan, the outsourced Internal Auditors had assisted the Manager and reported the outcome to the Audit Committee of the Manager the following internal audit work carried out during the financial year ended 31 December 2010 of Axis-REIT:

1. internal audit review on budgetary controls, lease or rental procedures and information technology or system general controls and its follow-up;
2. internal audit review on property management and maintenance and tenant relationship management functions
3. internal audit review on compliance with the Code on Corporate Governance (2007) and Asian Pacific Real Estate Association ("APREA") Guidelines; and
4. internal audit review on financial controls in the areas of payment processing, revenue cycle and rental or lease procedure.

The costs incurred by the Manager for the outsourced Internal Audit Function in respect of the financial year ended 31 December 2010 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 2010, have been drawn up in accordance with the provisions of the revised 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 2010 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

94	Statement of Financial Position	124	Statement by the Manager
95	Statement of Comprehensive Income	125	Statutory Declaration
97	Statement of Changes in Net Asset Value	126	Trustee's Report
98	Statement of Cash Flow	127	Independent Auditors' Report
99	Notes to the Financial Statements		

Statement of Financial Position

As At 31 December 2010

	Note	31.12.2010 RM'000	31.12.2009 RM'000 restated*	1.1.2009 RM'000 restated*
Assets				
Non-Current Assets				
Investment properties	4	1,164,382	884,962	723,100
Current Assets				
Receivables, deposits and prepayments	5	13,633	6,822	2,752
Current tax asset		154	154	154
Cash and cash equivalents	6	16,428	15,807	365
Asset classified as held for sale	7	14,300	-	-
		44,515	22,783	3,271
Total assets		1,208,897	907,745	726,371
Financed by:				
Unitholders' funds				
Unitholders' capital	8	540,281	406,854	323,338
Undistributed income	8	214,949	158,796	144,647
Total unitholders' funds		755,230	565,650	467,985
Non-Current Liabilities				
Tenants' deposits	9	19,773	18,383	19,678
Borrowings / financing	10	218,609	163,932	-
		238,382	182,315	19,678
Current Liabilities				
Payables and accruals	9	17,233	14,780	8,252
Borrowings/financing	10	198,000	145,000	230,456
Liability classified as held for sale	7	52	-	-
		215,285	159,780	238,708
Total liabilities		453,667	342,095	258,386
Total unitholders' funds and liabilities		1,208,897	907,745	726,371
Number of units in circulation ('000 units)		375,901	307,081	255,901
Net asset value ("NAV")		755,230	565,650	467,985
Net asset value ("NAV") per unit (RM)				
- Before income distribution		2.0091	1.8420	1.8288
- After income distribution		1.9566 #	1.7922	1.7501

Net Asset Value after reflecting realised income to be distributed as final 2010 income distribution of 5.25 sen per unit payable on 28 February 2011.

* Effect of changes in accounting policy FRS110 on the Events after the Reporting Period.
Before 1 January 2010, a provision for income distribution is recognised as at balance sheet date based on the constructive obligation to distribute income to unitholders. With the adoption of FRS110, Axis-REIT has ceased to recognise provision for income distribution for the year ended 31 December 2010.

The notes on pages 99 to 123 are an integral part of these financial statements.

Statement of Comprehensive Income

For The Year Ended 31 December 2010

	Note	2010 RM'000	2009 RM'000
Gross revenue	11	89,213	71,598
Property operating expenses	12	(12,961)	(11,661)
Net property income		76,252	59,937
Interest/profit income		638	272
Change in the fair value of investment properties	4	45,593	19,098
Net gain on financial liabilities measured at amortised cost		3,210	-
Net investment income		125,693	79,307
Manager's fees	1(b)	6,043	4,808
Trustee's fees	1(c)	298	236
Auditor's fees			
- Audit		93	88
- Other services		17	5
Tax agent's fees		14	12
Bad debts recovered		(108)	-
Impairment losses of trade receivables		213	54
Administrative expenses		549	719
Incidental cost of borrowings / financing		-	739
Conventional interest expense		-	784
Islamic financing cost		16,853	9,693
Valuation fees		320	193
Total expenses		24,292	17,331
Net income before tax		101,401	61,976
Income tax expense	13	(52)	-
Net income for the year		101,349	61,976
Other comprehensive income, net of tax			
Cash flow hedge		68	-
Total comprehensive income for the year		101,417	61,976
Net income for the year is made up as follows:			
Realised		52,598	42,878
Unrealised			
- Change in the fair value of investment properties	4	45,593	19,098
- Gain on financial liability measured at amortised cost		3,210	-
- Provision for deferred tax liabilities		(52)	-
		48,751	19,098
		101,349	61,976
Earnings per Unit (sen)	14	30.95	22.81
Earnings per Unit (before manager's fee)			
- Gross (sen)		32.80	24.58
- Net (sen)		32.80	24.58

Statement of Comprehensive Income

For The Year Ended 31 December 2010

	Note	2010 RM'000	2009 RM'000
Net income distribution			
Interim income distribution of 10.75 sen per unit paid on 27 May 2010, 30 August 2010 and 12 October 2010 (2009: 10.82 sen per unit paid on 29 May 2009, 28 August 2009 and 30 September 2009)		33,011	27,688
Proposed final income distribution of 5.25 sen per unit payable on 28 February 2011 (2009: 4.98 sen per unit paid on 25 February 2010)		19,735	15,293
	15	52,746	42,981
Distribution per Unit			
- Gross (sen) - interim	15	10.75	10.82
- final	15	5.25	4.98
- Net (sen) * - interim	15	10.75	10.82
- final	15	5.25	4.98

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

	Withholding tax rate		
	2011	2010	2009
Resident corporate	Nil [^]	Nil [^]	Nil [^]
Resident non-corporate	10%	10%	10%
Non-resident individual	10%	10%	10%
Non-resident corporate	25%	25%	25%
Non-resident institutional	10%	10%	10%

[^] to tax at prevailing rate

The notes on pages 99 to 123 are an integral part of these financial statements.

Statement of Changes In Net Asset Value

For The Year Ended 31 December 2010

	Total Unitholders' capital RM'000	Distributable Realised income RM'000	<-Non-distributable-> Unrealised RM'000	Hedging reserves RM'000	Unitholders' funds RM'000
At 1 January 2009					
- as previously stated	323,338	282	124,226	-	447,846
- effect of amended FRS 110	-	20,139	-	-	20,139
As at 1 January 2009, restated	323,338	20,421	124,226	-	467,985
Operations for the year ended 31 December 2009					
Total comprehensive 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	-	(47,827)	-	-	(47,827)
Issuing expenses	(1,443)	-	-	-	(1,443)
Increase/(Decrease) in net assets resulting from unitholders' transactions	83,516	(47,827)	-	-	35,689
Net assets as at 31 December 2009	406,854	15,472	143,324	-	565,650
Note 8					
At 1 January 2010					
- as previously stated	406,854	179	143,324	-	550,357
- effect of amended FRS 110	-	15,293	-	-	15,293
	406,854	15,472	143,324	-	565,650
- effect of adopting FRS 139	-	-	3,766	(726)	3,040
As at 1 January 2010, restated	406,854	15,472	147,090	(726)	568,690
Operations for the year ended 31 December 2010					
Total comprehensive income for the year	-	52,598	48,751	68	101,417
Increase in net assets resulting from operations	-	52,598	48,751	68	101,417
Unitholders' transactions					
Placement of units	135,575	-	-	-	135,575
Distribution to Unitholders	-	(48,304)	-	-	(48,304)
Issuing expenses	(2,148)	-	-	-	(2,148)
Increase/(Decrease) in net assets resulting from unitholders' transactions	133,427	(48,304)	-	-	85,123
Net assets as at 31 December 2010	540,281	19,766	195,841	(658)	755,230

Note 8

Statement of Cash Flow

For The Year Ended 31 December 2010

	Note	2010 RM'000	2009 RM'000
Cash flows from operating activities			
Net income before taxation		101,401	61,976
Adjustments for:			
Conventional interest expense		-	784
Islamic financing cost		16,853	9,693
Interest/Profit income		(638)	(272)
Change in fair value of investment properties		(45,593)	(19,098)
Net gain on financial liabilities measured at amortised cost		(3,210)	-
Operating income before changes in working capital		68,813	53,083
Receivables, deposits and prepayments/payments		(6,811)	(4,070)
Payables and accruals		1,215	6,528
Tenants' deposits		8,946	(1,295)
Cash generated from operations		72,163	54,246
Tax paid		-	-
Net cash from operating activities		72,163	54,246
Cash flows from investing activities			
Interest/Profit income received		638	272
Purchase of investment properties		(237,269)	(138,518)
Payment for enhancement of investment properties		(10,858)	(4,246)
Net cash used in investing activities		(247,489)	(142,492)
Cash flows from financing activities			
Conventional interest expense paid		-	(784)
Islamic financing cost paid		(16,853)	(9,693)
Proceeds from borrowings/financing		107,677	108,932
Distribution paid to Unitholders		(48,304)	(47,827)
Proceeds from issue of units		135,575	84,959
Issuing expenses		(2,148)	(1,443)
Net cash generated from financing activities		175,947	134,144
Net increase in cash and cash equivalents		621	45,898
Cash and cash equivalents at 1 January		15,507	(30,391)
Cash and cash equivalents at 31 December	(i)	16,128	15,507

(i) Cash and cash equivalents

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

	Note	2010 RM'000	2009 RM'000
Cash and bank balances	6	4,143	6,813
Shariah-based deposits placed with licensed banks	6	12,285	8,994
		16,428	15,807
Less: Shariah-based deposit placed with a licensed bank - pledged		(300)	(300)
		16,128	15,507

The notes on pages 99 to 123 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 Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings. Axis-REIT will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of Clause 26 of the 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% (2009: 1.00%) per annum of the Net Asset Value of Axis-REIT, calculated on a monthly accrual basis and payable monthly in arrears. The Manager's fees for the year ended 31 December 2010 of RM6,042,624 (2009: RM4,808,400) is 1.00% (2009: 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 purchase price or the disposal price, respectively, of any investment property purchased or disposed directly or indirectly by Axis-REIT which is payable after the completion of the acquisition or the disposal. The acquisition fees for the year ended 31 December 2010 of RM2,338,500 (2009: RM1,367,500) is 1.00% (2009: 1.00%) of the purchase 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 2010 (2009: Nil).

(c) Trustee's fees

Pursuant to the revised Deed, the Trustee is entitled to receive a fee of 0.05% (2009: 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 2010 is RM297,730 (2009: RM236,445).

The financial statements were approved by the Board of Directors of the Manager on 17 February 2011.

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 generally accepted accounting principles in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

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 and amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distributions of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
 - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
 - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvements to FRSs (2010)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

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

- 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 March 2010, 1 July 2010 and 1 January 2011, except for FRS 2, 3, 127, IC Interpretation 12, 16, 17 and 18 which are not applicable to Axis-REIT, and
- from the annual period beginning 1 January 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012, except for IC Interpretation 15 which is not applicable to Axis REIT.

The initial application of these standards, amendments and interpretations are not expected to have any financial impact to the current and prior periods financial statements upon their first adoption.

2. BASIS OF PREPARATION (CONTINUED)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 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 other than Note 3(a) – Financial instruments.

(a) Financial instruments

Arising from the adoption of FRS 139, Financial Instruments: *Recognition and Measurement*, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in Note 24.

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

Axis-REIT categorises financial instruments as follows:

Financial assets

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

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

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

Notes To The Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(b) *Financing and receivables*

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

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

Financial liabilities

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

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

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

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

(iii) Hedge accounting

Cash flow hedge

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial instruments (continued)

(iv) Derecognition

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

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

(b) 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 statement of comprehensive income.

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

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

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

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

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

(c) 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 statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment properties.

Notes To The Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Receivables

Prior to 1 January 2010, receivables are recognised initially at their costs when the contractual right to receive cash or another financial asset from another entity is established and subsequently measured at cost less allowance for doubtful debts.

Following the adoption of FRS 139, receivables, deposits and prepayments are categorised and measured as financing and receivables in accordance with Note 3(a).

(e) Non-current assets held for sale

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

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

Any impairment loss on an asset is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to financial assets, deferred tax assets and investment property, which continue to be measured in accordance with Axis-REIT's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(f) 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 statement of cash flow, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(g) Impairment

(i) Financial assets

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

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

(ii) Non-financial assets

The carrying amounts of non-financial assets (except for investment property that is measured at fair value and non-current assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment (continued)

(ii) Non-financial assets (continued)

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

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

(h) Borrowings/Financing

Borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings using the effective profit method. For Islamic financing, a similar approach is used to determine the same.

(i) 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.

(j) 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.

(k) Revenue

(i) *Rental income*

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

(ii) *Interest/Profit income*

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

(l) Expenses

(i) *Property expenses*

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

Notes To The Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Expenses (continued)

(iv) Conventional interest expense / Islamic financing cost

All conventional interest incurred in connection with borrowings are expensed using the effective interest method, in the 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 statement of comprehensive income 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.

(m) Income tax

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

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

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

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

4. INVESTMENT PROPERTIES

	2010 RM'000	2009 RM'000
At 1 January	884,962	723,100
Acquisitions	237,269	138,518
Enhancement	10,858	4,246
Change in fair value	45,593	19,098
Reclassified as asset held for sale (Note 7)	(14,300)	-
At 31 December	1,164,382	884,962
Included in the above are:		
Land and buildings at fair value	1,164,382	884,962

4. INVESTMENT PROPERTIES (CONTINUED)

Description of Property	Tenure of land	Term of lease (Year)	Remaining term of lease (Year)	Location	Existing Use	Occupancy rates as at 31.12.2010 %	Fair value as at 31.12.2010 RM'000	Initial acquisition cost as at 31.12.2010 RM'000	Percentage of fair value to Net Asset Value as at 31.12.2010 %
Menara Axis * ##	Leasehold	99	55	Petaling Jaya	Commercial	100.0	96,012	71,440	12.7
Crystal Plaza ** ##	Leasehold	99	49	Petaling Jaya	Commercial	100.0	96,036	56,400	12.7
Axis Business Park *** ##	Leasehold	99	50	Petaling Jaya	Office & Warehouse	95.1	107,005	84,600	14.2
Infinite Centre *** ##	Leasehold	99	55	Petaling Jaya	Office & Warehouse	93.4	36,000	25,450	4.8
Axis Plaza *** ##	Freehold	-	-	Shah Alam	Office & Warehouse	76.7	31,000	22,500	4.1
Wisma Kemajuan * ##	Leasehold	99	55	Petaling Jaya	Office & Warehouse	82.2	53,630	29,192	7.1
Axis North Port LC 1 *	Leasehold	99	95	Klang	Warehouse	100.0	14,300	10,373	1.9
Kayangan Depot * ##	Leasehold	99	76	Shah Alam	Office & Warehouse	60.5	20,000	16,224	2.7
Wisma Bintang ^ ##	Leasehold	99	57/61	Petaling Jaya	Office & Workshop	100.0	47,000	32,681	6.2
Axis Shah Alam DC 1 ^^ ##	Freehold	-	-	Shah Alam	Factory/ Warehouse	100.0	19,081	18,783	2.5
Giant Hypermarket ^^ ##	Freehold	-	-	Sungei Petani	Warehouse	100.0	39,000	38,678	5.2
FCI Senai ***	Leasehold	60	57	Senai, Johor	Office & Factory	100.0	14,000	12,538	1.9
Nestle Office & Warehouse ^^ ##	Freehold	-	-	Shah Alam	Office & Warehouse	100.0	8,200	7,352	1.1
Quattro West (formerly known as Nestle House)*	Leasehold	99	62	Petaling Jaya	Office	72.6	53,138	40,376	7.0
Kompakar CRC HQ *** ##	Leasehold	99	58	Petaling Jaya	Office & Warehouse	100.0	40,000	37,549	5.3
BMW Centre PTP ***	Leasehold	99	89	Tanjung Pelepas	Office & Warehouse	100.0	28,500	27,470	3.8
Niro Warehouse ^^ ##	Leasehold	60	41	Pasir Gudang	Office & Warehouse	100.0	15,600	14,811	2.1
Delfi Warehouse ^^ ##	Leasehold	60	57	Pasir Gudang	Office & Warehouse	100.0	13,500	12,743	1.8
Axis Vista #	Leasehold	99	56	Petaling Jaya	Office & Warehouse	100.0	35,600	32,481	4.7
Axis Steel Centre *	Leasehold	99	92	Klang	Office & Warehouse	100.0	75,000	65,882	9.9
Bukit Raja Distribution Centre ^^ ##	Freehold	-	-	Klang	Office & Warehouse	100.0	80,600	72,636	10.7
Seberang Prai Logistic Warehouse 1 ^^	Leasehold	60	43	Seberang Prai	Office & Warehouse	100.0	18,990	17,695	2.5
Seberang Prai Logistic Warehouse 2 ^^	Leasehold	60	43	Seberang Prai	Office & Warehouse	100.0	7,490	6,981	1.0
Tesco Bukit Indah ***	Freehold	-	-	Johor Bahru	Warehouse	100.0	85,000	76,750	11.3
Axis PDI Centre *	Leasehold	99	81	Kuala Langat	Office & Warehouse	100.0	92,000	86,146	12.2
Axis Technology Centre *	Leasehold	99	57	Petaling Jaya	Office & Warehouse	100.0	52,000	49,697	6.9
							1,178,682	967,428	
							(14,300)	(10,373)	
							1,164,382	957,055	

Property classified as held for sale (Note 7)

Investment properties

* Menara Axis, Axis Northport LC 1, Kayangan Depot, Wisma Kemajuan, Quattro West (formerly known as Nestle House), Axis Steel Centre, Axis PDI Centre and Axis Technology Centre were valued on 4 August 2010, 20 December 2010, 15 December 2010, 15 December 2010, 27 May 2010, 16 December 2010, 3 May 2010 and 4 May 2010 respectively, by PA International Property Consultant (KL) Sdn. Bhd, an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.

** Crystal Plaza was valued on 10 August 2010 by Rahim & Co Chartered Surveyors Sdn Bhd, an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison and investment methods of valuation.

*** Axis Business Park, Infinite Centre, Axis Plaza, FCI Senai, Kompakar CRC HQ, BMW Centre PTP and Tesco Bukit Indah were valued on 5 August 2010, 5 August 2010, 5 July 2010, 17 September 2010, 7 June 2010 and 29 July 2010 respectively, by CB Richard Ellis (Malaysia) Sdn Bhd, an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.

^ Wisma Bintang was valued on 22 December 2010, by First Pacific Valuers Property Consultants Sdn Bhd, an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison and investment methods of valuation.

^^ Axis Shah Alam DC1 and Giant Hypermarket were valued on 18 March 2010 and 4 June 2010 by Cheston International (KL) Sdn Bhd, an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the cost and investment methods of valuation.

^^^ Nestle Office & Warehouse, Delfi Warehouse, Bukit Raja Distribution Centre, Seberang Prai Logistic Warehouse 1 and Seberang Prai Logistic Warehouse 2 were valued on 29 May 2010, 3 December 2010, 20 October 2010, 8 June 2010, 8 June 2010 & 8 June 2010 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, cost and investment methods of valuation.

Axis Vista was valued on 16 December 2010 by Raine & Horne International Zaki + Partners Sdn Bhd, an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison/cost and investment methods of valuation.

The properties are charged to financial institutions for banking facilities granted to Axis-REIT (Note 10).

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 ranging from 6.8% to 9.0% (2009: 6.5% to 8.0%).

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 RM2,338,500 (2009: RM1,367,500) which relates to acquisition fees paid to the Manager (Note 1(b)).

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

	Note	2010 RM'000	2009 RM'000
Gross revenue (from investment properties)	11	89,213	71,598
Direct operating expenses	12	12,961	11,661

4. INVESTMENT PROPERTIES (CONTINUED)

Description of Property	Tenure of land	Term of lease (Year)	Remaining term of lease (Year)	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	93.4	93,000	71,440	16.4
Crystal Plaza*#	Leasehold	99	50	Petaling Jaya	94.0	89,800	56,400	15.8
Axis Business Park*#	Leasehold	99	51	Petaling Jaya	98.3	105,900	84,600	18.7
Infinite Centre*#	Leasehold	99	56	Petaling Jaya	93.4	34,700	25,450	6.1
Axis Plaza*	Freehold	-	-	Shah Alam	81.8	29,500	22,500	5.2
Wisma Kemajuan ^ #	Leasehold	99	56	Petaling Jaya	72.0	53,600	29,192	9.4
Axis North Port LC 1 ^	Leasehold	99	96	Klang	83.1	15,312	10,373	2.7
Kayangan Depot ^ #	Leasehold	99	77	Shah Alam	76.2	22,000	16,224	3.8
Wisma Bintang ^^^ #	Leasehold	99	58/62	Petaling Jaya	100.0	38,750	32,681	6.8
Axis Shah Alam DC 1 *	Freehold	-	-	Shah Alam	100.0	18,500	18,783	3.3
Giant Hypermarket *** #	Freehold	-	-	Sungei Petani	100.0	39,000	38,678	6.8
FCI Senai **	Leasehold	60	58	Senai, Johor	100.0	14,000	12,538	2.5
Nestle Office & Warehouse***	Freehold	-	-	Shah Alam	100.0	7,600	7,352	1.3
Nestle House ***	Leasehold	99	63	Petaling Jaya	0.0	38,000	40,376	6.7
Kompakar CRC HQ ^ #	Leasehold	99	59	Petaling Jaya	100.0	40,000	37,549	7.1
BMW Centre PTP **	Leasehold	99	90	Tanjung Pelepas	100.0	27,100	27,470	4.7
Niro Warehouse ***	Leasehold	60	42	Pasir Gudang	100.0	14,500	14,811	2.6
Delfi Warehouse ***	Leasehold	60	58	Pasir Gudang	100.0	13,500	12,743	2.4
Axis Vista ^^	Leasehold	99	57	Petaling Jaya	100.0	35,000	32,481	6.2
Axis Steel Centre ^	Leasehold	99	93	Klang	100.0	75,000	65,882	13.3
Bukit Raja Distribution Centre **	Freehold	-	-	Klang	100.0	80,200	72,636	14.2
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, 9 December 2009 and 9 December 2009 respectively, by CB Richard Ellis (Malaysia) Sdn Bhd, an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.

^ Wisma Kemajuan, 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 10).

Notes To The Financial Statements

5. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2010 RM'000	2009 RM'000
Trade		
Trade receivables	3,427	3,118
Non-trade		
Other receivables	608	54
Deposits	9,005	3,508
Prepayments	593	142
	10,206	3,704
	13,633	6,822

6. CASH AND CASH EQUIVALENTS

	Note	2010 RM'000	2009 RM'000
Cash and bank balances		4,143	6,813
Shariah-based deposits placed with licensed banks	a	12,285	8,994
		16,428	15,807

Note a

Included in Shariah-based deposits placed with licensed banks is an amount of RM300,000 (2009: RM300,000) which is pledged for banking facilities granted to Axis-REIT (Note 10)

7. ASSET CLASSIFIED AS HELD FOR SALE

During the year, a letter of offer to dispose an investment property, Axis Northport Logistic Centre 1 ("the Property") has been duly accepted by a potential buyer. Subsequent to the financial year end, Axis-REIT has entered into a sale & purchase agreement of the said disposal for a total consideration of RM14,500,000. The disposal is expected to be completed within the next twelve months upon the fulfilment of all conditions precedent in the sale & purchase agreement. Accordingly, the fair value less costs to sell of the Property is classified as asset held for sale.

As at 31 December 2010, the Property and its associated liability are as follow:

	RM'000
Asset classified as held for sale	
Investment property (Note 4)	14,300
Liability classified as held for sale	
Deferred tax liability on potential real property gains tax	52

8. TOTAL UNITHOLDERS' FUNDS

8.1 Unitholders' capital

	2010 Number of Units '000	2009 Number of Units '000
Authorised:		
At 1 January	307,081	255,901
Increased during the year	68,820	51,180
At 31 December	375,901	307,081
Issued and fully paid up:		
At 1 January	307,081	255,901
Issued during the year	68,820	51,180
At 31 December	375,901	307,081
	RM'000	RM'000
At 1 January	406,854	323,338
Issue of new units:		
- 68,819,800 units @ RM1.97 per unit (2009: 51,180,200 units @ RM1.66 per unit)	135,575	84,959
Issuing expenses (Note 16)	(2,148)	(1,443)
At 31 December	540,281	406,854

Notes To The Financial Statements

8. TOTAL UNITHOLDERS' FUNDS (CONTINUED)

8.2 Unitholdings of substantial unitholders, Directors and their related parties

As at 31 December 2010, 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:

	2010		2009	
	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
Tew Peng Hwee @ Teoh Peng Hwee	27,618	65,455	15,685	30,272
The Manager's Directors' direct Unitholdings in Axis-REIT:				
Dato' Abas Carl Gunnar bin Abdullah	16,735	39,662	9,410	18,161
YAM Tunku Dato' Seri Shahabuddin				
Bin Tunku Besar Burhanuddin	10	24	10	19
Tew Peng Hwee @ Teoh Peng Hwee	27,618	65,455	15,685	30,272
George Stewart LaBrooy	95	225	95	183
Alex Lee Lao#	23,819	56,451	12,694	24,499
Yin-Yong Lee Lao	400	948	400	772
The Manager's Directors' indirect Unitholdings in Axis-REIT ¹ :				
Dato' Abas Carl Gunnar bin Abdullah*	5,550	13,154	36,040	69,557
Tew Peng Hwee @ Teoh Peng Hwee**	750	1,778	35,040	67,627
Alex Lee Lao***	2,150	5,096	36,440	70,329
Yin-Yong Lee Lao****	25,569	60,599	48,734	94,057
Direct Unitholdings of companies that are controlled, jointly controlled or significantly influenced by the Manager's Directors:				
Crystal Properties Sdn. Bhd. (in Members' Voluntary Liquidation)	250	593	250	483
Baiduri Kemas Sdn. Bhd. (in Members' Voluntary Liquidation)	250	593	-	-
Prestigious Landmarks Sdn. Bhd. (in Members' Voluntary Liquidation)	250	593	1,000	1,930
Direct Unitholdings of close family of the Manager's Directors:				
Datin Kuyas Emiloglu	4,800	11,424	1,000	1,930
Leon Lee Lao	1,000	2,370	1,000	1,930
Tan Siew Geok	335	794	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, to 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 (In Members' Voluntary Liquidation), 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 in the direct and indirect unitholdings in Axis-REIT of his brothers, Alex Lee Lao and Leon Lee Lao.

The market value of the Units was determined by multiplying the number of Units with the market price of RM2.37 (2009: RM1.93) as at 31 December 2010.

8. TOTAL UNITHOLDERS' FUNDS (CONTINUED)

8.3 Undistributed income

The breakdown of undistributed income of Axis-REIT as at 31 December 2010 into realised and unrealised income is as follows:

	Note	2010 RM'000	2009 RM'000 (restated)
Distributable/ non-distributable Undistributed income			
- Realised		19,766	15,472
- Unrealised	a	195,183	143,324
		214,949	158,796

Note a

This unrealised income relates to the cumulative net change arising from the fair value adjustment to the investment properties (Note 4), net gain on financial liabilities measured at amortised cost and movement in hedging reserves. This is offset against deferred tax liability recognised for potential real property gains tax on the fair value gain of the property which held for sale.

The disclosure of realised and unrealised income for associates and jointly controlled entities is not applicable to Axis-REIT.

The determination of realised and unrealized income is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

9. PAYABLES AND ACCRUALS

	2010 RM'000	2009 RM'000
Non-Current		
Non-trade		
Tenants' deposits - payable after 12 months	19,773	18,383
Current		
Trade		
Trade payables	1,183	967
Non-trade		
Other payables and accrued expenses	5,414	4,415
Tenants' deposits - payable within 12 months	9,978	9,398
Derivatives designated as hedging instrument	658	-
	17,233	14,780
	37,006	33,163

Included in other payables and accrued expenses are amounts due to the Manager and the Property Manager of RM672,000 (2009: RM475,000) and RM147,000 (2009: RM216,000) respectively which are unsecured, charged at cost and payable monthly in arrears.

Notes To The Financial Statements

10. BORROWINGS / FINANCING

	2010 RM'000	2009 RM'000
Non-Current		
Secured term financing	220,400	166,126
Transaction costs	(1,791)	(2,194)
Current		
Secured revolving credit	218,609	163,932
	198,000	145,000
	416,609	308,932

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

Terms and debt repayment/financing payment schedule

	Year of Maturity	Interest rate/profit charged %	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2010							
Term financing	2012	4.40	69,880	-	-	69,880	-
Term financing	2013	4.85	49,792	-	-	49,792	-
Term financing	2014	5.64	98,937	-	-	98,937	-
Revolving credit	2011	2.86 - 4.57	198,000	198,000	-	-	-
2009							
Term financing	2012	4.80	68,116	-	-	68,116	-
Term financing	2014	5.85	95,816	-	-	95,816	-
Revolving credit	2010	2.86 - 3.33	145,000	145,000	-	-	-

11. GROSS REVENUE

	2010 RM'000	2009 RM'000
Rental income from investment properties	82,832	65,827
Car park income	3,272	2,946
Other income	3,109	2,825
	89,213	71,598

12. PROPERTY OPERATING EXPENSES

	2010 RM'000	2009 RM'000
Assessment	1,934	1,824
Service contracts and maintenance	3,761	3,415
Property management fees	1,866	1,497
Property management reimbursements	855	918
Utilities	3,094	2,912
Others	1,451	1,095
	12,961	11,661

13. INCOME TAX EXPENSE

	2010 RM'000	2009 RM'000
Reconciliation of tax expense		
Net income before taxation	101,401	61,976
Income tax using Malaysian tax rate of 25% (2009: 25%)	25,350	15,494
Non-deductible expenses	195	308
Effect of fair value adjustment of investment properties not subject to tax	(11,398)	(4,775)
Effect of income exempted from tax	(14,147)	(11,027)
Deferred tax liability on real property gains tax	52	-
	52	-

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

14. EARNINGS PER UNIT

The calculation of earnings per Unit is based on the profit for the year of RM101,349,000 (2009: RM61,976,000) and on the weighted average number of units in circulation during the year of 327,444,319 (2009: 271,745,829).

15. DISTRIBUTION TO UNITHOLDERS

Distribution to Unitholders is from the following sources:

	2010 RM'000	2009 RM'000
Net rental income		
- current year	76,252	59,937
- prior year portion (already subject to tax)	179	282
Interest/Profit income	638	272
	77,069	60,491
Less: Total expenses	(24,292)	(17,331)
	52,777	43,160
Less: Undistributed income	(31)	(179)
	52,746	42,981
Gross distribution per Unit (sen)	16.00	15.80
Net distribution per Unit (sen)	16.00	15.80

Notes To The Financial Statements

16. ISSUING EXPENSES

	2010 RM'000	2009 RM'000
Professional fees	2,077	1,388
Miscellaneous expenses	71	55
Total (Note 8)	2,148	1,443

17. PORTFOLIO TURNOVER RATIO

	2010	2009
Portfolio Turnover Ratio ("PTR") (times)	0.07	0.14

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

	2010	2009
Management expense ratio ("MER") (%)	1.14	1.22

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

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

19.1 Categories of financial instruments

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

Financial assets

2010	Carrying amounts RM'000	Financing and receivables RM'000
Receivables, deposits and prepayments	13,633	13,633
Cash and cash equivalents	16,428	16,428
	30,061	30,061

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.1 Categories of financial instruments (continued)

Financial liabilities

2010	Carrying amounts RM'000	Financial Liabilities measured at amortised cost RM'000	Derivatives designated as hedging instruments RM'000
Payables and accruals	7,255	6,597	658
Tenants' deposits	29,751	29,751	-
Financing	416,609	416,609	-
	453,615	452,957	658

19.2 Net gains and losses arising from financial instruments

	2010 RM'000
Financing and receivables	(213)
Financial liabilities measured at amortised cost	3,210
	2,997

19.3 Financial risks management

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

- Credit risk
- Liquidity risk
- Market risk

19.4 Credit risk

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

Risk management objectives, policies and processes for managing the risk

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

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

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

Notes To The Financial Statements

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.4 Credit risk (continued)

Trade receivables amounting to RM3,893,000 (2009: RM3,371,000) are secured by tenants' deposits and the ageing as at the end of the reporting period was as follows:

	Gross RM'000	Individual Impairment RM'000	Net RM'000
2010			
Past due 1-30 days	1,194	128	1,066
Past due 31-60 days	552	83	469
Past due 61-90 days	379	13	366
Past due more than 91 days	1,768	242	1,526
	3,893	466	3,427
2009			
Past due 1-30 days	1,392	14	1,378
Past due 31-60 days	582	-	582
Past due 61-90 days	149	41	108
Past due more than 91 days	1,248	198	1,050
	3,371	253	3,118

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

	2010 RM'000	2009 RM'000
At 1 January	253	199
Impairment loss recognised	213	54
At 31 December	466	253

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

19.5 Liquidity risk

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

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

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.5 Liquidity risk (continued)

Maturity analysis

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

2010	Carrying amounts RM'000	Contractual profit rate %	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
Financial liabilities						
Term financing						
- 3 years	119,672	4.62	130,935	5,533	74,538	50,864
- 5 years	98,937	5.64	121,954	5,631	5,631	110,692
Revolving credit	198,000	2.86 - 4.57	198,666	198,666	-	-

19.6 Market risk

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

Interest rate risk

Axis-REIT's exposure to changes in interest rates relates primarily to 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.

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

	2010 RM'000	2009 RM'000
Financial asset		
Floating rate instrument		
Shariah-based deposits with licensed banks	12,285	8,994
Financial liabilities		
Fixed rate instruments		
Term Financing	84,408	81,966
Floating rate instruments		
Revolving credit	198,000	145,000
Term Financing	134,201	81,966
	332,201	226,966

Notes To The Financial Statements

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.6 Market risk (continued)

Cash flow sensitivity analysis

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

	Unitholders' funds		Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
2010				
Floating rate instruments	-	-	1,857	(1,857)
Profit rate swap	1,203	(1,325)	-	-

19.7 Cash flow hedge

Axis-REIT has entered into a profit rate swap to hedge the cash flow risk in relation to the floating profit rate of the secured Islamic financing of RM135,200,000 (2009: RM83,063,000). The profit rate swap has the same nominal value of RM135,200,000 (2009: RM83,063,000). The profit income is settled every three monthly, consistent with the profit payment schedule of the financing and full payment of the principal portion at the end of the tenure.

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

	Carrying amounts RM'000	Expected cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	More than 3 years RM'000
2010						
Profit rate swap	658	658	573	66	119	(100)

During the financial year, a gain of RM68,000 (2009: Nil) was recognised in other comprehensive income.

19.8 Fair values of financial instruments

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.

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

	2010		2009	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Tenants' deposits	29,751	29,751	27,781	24,015
Borrowing / Financing	416,609	388,589	308,932	287,723
Derivatives designated as hedge instruments	658	658	-	726

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

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.8 Fair values of financial instruments (continued)

Derivative designated as hedge instrument

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

Non-derivative financial liabilities

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

Profit rates used to determine fair value

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

	2010	2009
Borrowings / Financing	4.5%	4.5%
Tenant deposits	4.5%	4.5%

19.9 Fair value hierarchy

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

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

2010	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liabilities				
Opening balance	-	726	-	726
Other comprehensive income	-	(68)	-	(68)
As at 31 December 2010	-	658	-	658

20. CAPITAL MANAGEMENT

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

During the financial year ended 31 December 2010, Axis-REIT's strategy, which was unchanged from 31 December 2009, to maintain the maximum gearing threshold of 35% which is below the maximum gearing threshold allowed as stated in the Securities Commission's Guidelines on Real Estate Investment Trusts of 50%.

Notes To The Financial Statements

20. CAPITAL MANAGEMENT (CONTINUED)

The gearing as at 31 December 2010 and 31 December 2009 were as follows:

	2010 RM'000	2009 RM'000
Total borrowings/financing (Note 10)	416,609	308,932
Total assets	1,208,897	907,745
Gearing (%)	34.46	34.03

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

21. OPERATING LEASES

Leases as lessor

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

	2010 RM'000	2009 RM'000
Less than one year	83,183	61,163
Between one and five years	215,669	123,353
More than five years	289,184	88,625
	588,036	273,141

22. CAPITAL COMMITMENTS

	2010 RM'000	2009 RM'000
Capital expenditure commitments		
Investment properties		
Contracted but not provided for and payable:		
- Within one year	73,125	51,525

23. 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	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Tenancy agency commissions payable to a related party of the Directors of the Manager	-	5	-	-
Acquisition cost of an investment property payable to a related party of the Directors of the Manager	134,000	65,000	-	-

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.

24. Significant changes in accounting policies

24.1 FRS139, Financial Instrument: Recognition and Measurement

The adoption of FRS 139 has resulted in changes to accounting policies relating to recognition and measurement of financial instruments. Significant change in accounting policies is as follows:

Derivatives

Prior to the adoption of FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit or loss and measured at their fair values with the gain or loss recognised in the profit or loss other than derivatives designated as hedging instrument which are accounted for in accordance with the hedge accounting requirements as described in the hedge accounting policy.

24.2 Improvements to FRSs (2009) - Amendments to FRS 110, Events after the reporting period.

Before 1 January 2010, a provision for income distribution is recognised as at balance sheet date based on the constructive obligation to distribute income to unitholders. With the adoption of FRS110, Axis-REIT has ceased to recognise provision for income distribution for the year ended 31 December 2010.

The change in accounting policy has been applied retrospectively.

25. Comparative figures

Following the adoption of Amendments to FRS 110, certain comparatives have been restated in the statement of financial position as follows:-

	31.12.2009		1.1.2009	
	As restated	As previously	As restated	As previously
	RM'000	stated	RM'000	stated
	RM'000	RM'000	RM'000	RM'000
Current liabilities				
Provision for income distribution	-	15,293	-	20,139
Unitholders' fund				
Undistributed income	158,796	143,503	144,647	124,508

Statement By The Manager

In the opinion of the Directors of the Manager, the financial statements set out on pages 94 to 123 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 2010 and of its financial performance and cash flows for the year ended on that date.

The information on the breakdown of realised and unrealised income included in the Statement of changes in net asset value and Note 8.3 to the financial statement have been compiled in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

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: 17 February 2011



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 94 to 123, 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 17 February 2011.



George Stewart LaBrooy

Before me:



Trustee's Report

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

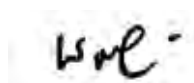
We have acted as Trustee of Axis Real Estate Investment Trust ("Axis-REIT") for the financial year ended 31 December 2010. In our opinion and to the best of our knowledge, Axis REIT Managers Berhad ("the Manager") has managed Axis-REIT in accordance with the limitations imposed on the investment powers 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 2010 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 2010 as follows:-

- 1) 1st interim income distribution of 3.70 sen per unit paid on 27 May 2010;
- 2) 2nd interim income distribution of 4.00 sen per unit paid on 30 August 2010;
- 3) 3rd interim income distribution of 3.05 sen per unit paid on 12 October 2010; and
- 4) Final income distribution of 5.25 sen per unit payable on 28 February 2011.

For and on behalf of the Trustee,
OSK Trustees Berhad



Woo Lai Mei
Director

Kuala Lumpur,

Date: 17 February 2011



Independent Auditors' Report

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Axis Real Estate Investment Trust ("Axis-REIT"), which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, changes in net asset value and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 94 to 123.

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 Financial Reporting Standards in Malaysia and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Manager's preparation and fair presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 2010 and of its financial performance and cash flows for the year then ended.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information on the breakdown of realised and unrealised income included in the Statement of changes in net asset value and Note 8.3 to the financial statements has been compiled by Axis-REIT as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not a required part of the financial statements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

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



KPMG
Firm Number: AF 0758
Chartered Accountants

Petaling Jaya,

Date: 17 February 2011



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

Unitholders' Statistics

ANALYSIS OF UNITHOLDINGS AS AT 31 DECEMBER 2010

Size of Holdings	Number of Unitholders	%	Number of Units Held	%
1 - 99	20	0.83	565	0.00
100 - 1,000	520	21.49	384,085	0.10
1,001 - 10,000	1,232	50.90	6,147,700	1.63
10,001 - 100,000	469	19.38	15,640,200	4.16
100,001 - 18,795,049 *	175	7.23	250,976,950	66.77
18,795,050 and above **	4	0.17	102,751,500	27.34
Total	2,420	100.00	375,901,000	100.00

* less than 5% of total issued units

** 5% and above of total issued unit

TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2010 AS LISTED IN THE REGISTER OF UNITHOLDERS

No	Unitholders > 1 Million Units	@ 31 Dec 2010	% of Total Issued Units
1	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	30,543,600	8.13
2	Tew Peng Hwee @ Teoh Peng Hwee	27,335,500	7.27
3	Alex Lee Lao	23,819,100	6.34
4	Kumpulan Wang Persaraan (Diperbadankan)	21,053,300	5.60
5	Citigroup Nominees (Tempatan) Sdn Bhd Exempt an For American International Assurance Berhad	15,748,900	4.19
6	Amanahraya Trustees Berhad Amanah Saham Didik	14,924,400	3.97
7	Amanahraya Trustees Berhad As 1malaysia	12,621,000	3.36
8	Abas Carl Gunnar Bin Abdullah	11,135,400	2.96
9	Amanahraya Trustees Berhad Amanah Saham Wawasan 2020	11,041,400	2.94
10	Valuecap Sdn Bhd	10,270,000	2.73
11	Amanahraya Trustees Berhad Amanah Saham Malaysia	8,657,600	2.30
12	Amanahraya Trustees Berhad Skim Amanah Saham Bumiputera	8,429,600	2.24
13	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	7,891,100	2.10
14	Hsbc Nominees (Asing) Sdn Bhd Exempt an for The Bank Of New York Mellon (Bnym As E&A)	6,866,000	1.83
15	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Abas Carl Gunnar Bin Abdullah	5,600,000	1.49

TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2010
AS LISTED IN THE REGISTER OF UNITHOLDERS (CONTINUED)

No	Unitholders > 1 Million Units	@ 31 Dec 2010	% of Total Issued Units
16	Lim Kian Thiam	5,314,200	1.41
17	Amanahraya Trustees Berhad Public Smallcap Fund	4,931,000	1.31
18	Citigroup Nominees (Tempatan) Sdn Bhd Ing Insurance Berhad (Inv-II Par)	4,830,500	1.29
19	Ka, Ya-Shih	4,800,000	1.28
20	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 2)	4,563,100	1.21
21	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad For Public Ittikal Fund (N14011970240)	4,439,000	1.18
22	Amanahraya Trustees Berhad Pubic Far-East Property & Resorts Fund	4,402,500	1.17
23	Abb Nominee (Tempatan) Sdn Bhd Pledged Securities Account For Lim Kian Thiam	3,900,000	1.04
24	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (DR)	3,369,000	0.90
25	Amanah Trustees Berhad Public Dividend Select Fund	3,320,000	0.88
26	Amanahraya Trustees Berhad Public Savings Fund	3,241,500	0.86
27	Amanahraya Trustees Berhad PNB Structured Investment Fund	3,201,500	0.85
28	Kurnia Insurans (Malaysia) Berhad	3,000,000	0.80
29	Uni.Asia General Insurance Berhad	2,760,200	0.73
30	Tokio Marine Life Insurance Malaysia Bhd as Beneficial Owner (PF)	2,666,000	0.71
Total Units in Issue		274,675,400	

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:

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

4. WHAT IS THE TAX TREATMENT OF UNITHOLDERS?

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

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

Type of Unitholder	Withholding tax rate		
	2011	2010	2009
Resident corporate	Nil [^]	Nil [^]	Nil [^]
Resident non-corporate	10%	10%	10%
Non-resident individual	10%	10%	10%
Non-resident corporate	25%	25%	25%
Non-resident institutional	10%	10%	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 2010, the total distribution was 16.00 sen per unit of which 0.57 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	1,600.00	1,600.00
Resident individual/institutional	1,600.00	1,445.70
Foreign corporate	1,600.00	1,214.25
Foreign institution	1,600.00	1,445.70
Foreign individual	1,600.00	1,445.70

* 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 2010?

For the financial year ended 31 December 2010, the total distribution was 16.00 sen per unit.

Type of Unitholder	Net Distribution based on IPO price of RM1.25	Net distribution based on closing price of RM2.37 on 31 December 2010
Resident corporate	12.80%	6.75%
Resident individual/institutional	11.57%	6.10%
Foreign corporate	9.71%	5.12%
Foreign institution	11.57%	6.10%
Foreign individual	11.57%	6.10%

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.

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

A total of 375,901,000 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.

Frequently Asked Questions (FAQ'S)

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:

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

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
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
IDRP	:	Income Distribution Reinvestment Plan
Islamic REIT	:	REIT that complies with SC's Guidelines on Islamic REITs
MER	:	Management Expense Ratio
Manager	:	Axis REIT Managers Berhad (Company No. 649450-W), being the Manager of Axis-REIT
NAV	:	Net Asset Value
NTA	:	Net Tangible Assets
Net Lettable Area	:	Consists of the total gross floor area less the common areas, such as corridors, amenities area and management offices of the building
OMV	:	Open Market Value
PTR	:	Portfolio Turnover Ratio
Property Manager	:	Axis Property Services
REIT(s)	:	Real Estate Investment Trust(s)
RM and sen	:	Ringgit Malaysia and sen, respectively
SC	:	Securities Commission
SCA	:	Securities Commission Act, 1993
SC's Guidelines on REITs	:	Guidelines on Real Estate Investment Trusts issued by the SC on 21 August 2008
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 Gunnar bin Abdullah
Non-Independent Executive
Deputy Chairman

Stephen Tew Peng Hwee
Non-Independent Non-Executive
Director

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

Mohd Sharif bin Haji Yusof
Independent Non-Executive Director

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

REMUNERATION COMMITTEE :

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

NOMINATION COMMITTEE:

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

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 Sdn Bhd
3rd Floor, Dataran Kewangan
Darul Takaful
Jalan Sultan Sulaiman
50000 Kuala Lumpur
Tel : +603-2031 1010
Fax : +603-2078 4857

PROPERTY MANAGER :

Axis Property Services
Suite 6.04, Penthouse
Wisma Academy
No 4A, Jalan 19/1
46300 Petaling Jaya
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

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

AUDITORS :

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

INTERNAL AUDITOR :

Baker Tilly Monteiro Heng
Governance Sdn Bhd
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

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CALENDAR 2011

JANUARY

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30	31					1
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FEBRUARY

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MARCH

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MAY

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SEPTEMBER

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OCTOBER

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NOVEMBER

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DECEMBER

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PROPOSED FINANCIAL CALENDAR OF FINANCIAL EVENTS 2011

January 2011

- Announcement of Unaudited Results for FY 10
- Announcement of the 4Q10 Final Income Distribution

February 2011

- Book Closure date to determine the entitlement to 4Q10 Final Income Distribution.
- Payment of the 4Q10 Final Income Distribution
- Release of the 2010 Annual Report

April 2011

- Announcement of Unaudited Results for 1Q11
- Announcement of the 1Q11 Interim Income Distribution

May 2011

- Book closure date to determine the entitlement to 1Q11 Interim Income Distribution
- Payment of 1Q11 Interim Income Distribution

July 2011

- Announcement of the Unaudited 2Q11 results
- Announcement of the 2Q11 Interim Income Distribution

August 2011

- Book Closure date to determine the entitlement to 2Q11 Interim Income Distribution
- Payment of 2Q11 Interim Income Distribution

October 2011

- Announcement of the Unaudited 3Q11 results
- Announcement of the 3Q11 Interim Income Distribution

November 2011

- Book Closure date to determine the entitlement to 3Q11 Interim Income Distribution
- Payment of 3Q11 Interim Income Distribution

January 2012

- Announcement of the Unaudited Results for FY11
- Announcement of the 4Q11 Final Income Distribution



AXIS REIT MANAGERS BERHAD

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