

CHARGING **FORWARD**



Annual
Report
2014



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

The listing was done 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 owns 33 properties, and leads the industry in terms of its portfolio growth. Over the last four years, it has disposed of three of its properties, enabling it to return capital gains to Unitholders.

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

Axis-REIT's portfolio comprises:

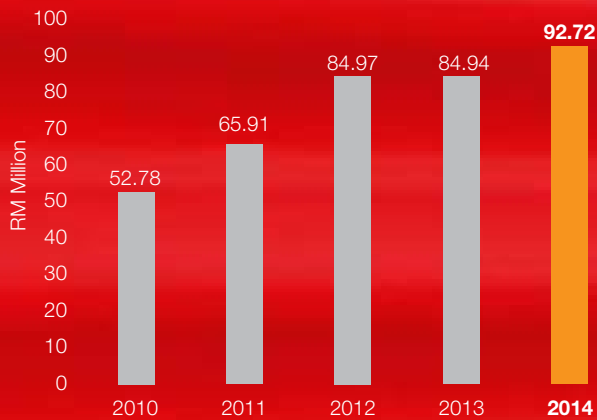
- Commercial offices
- Office/Industrial Buildings
- Warehouse/Logistics Centres
- Manufacturing Facilities
- Hypermarkets

The current portfolio has a combined value of RM1,982,587,000 and boasts a space under management of 6,859,474 sq. ft. with 134 tenants from diverse businesses.

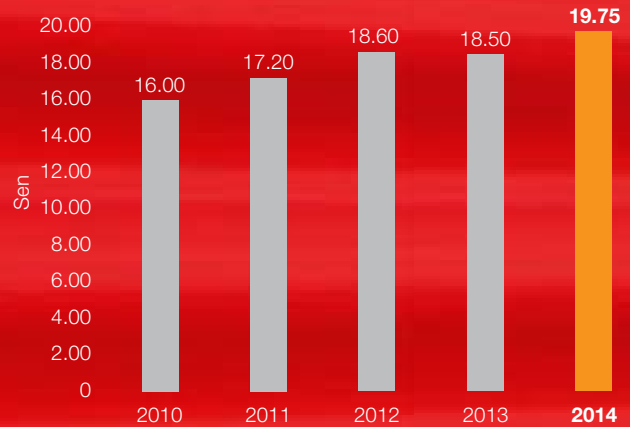
These properties primarily house multinational and local companies and are involved in the logistics, imaging, medical, home appliances, automotive, pharmaceutical, insurance, wellness, electronics, information technology, retail warehousing, fast moving consumer goods, telecommunications and fitness industries.

Axis-REIT Highlights

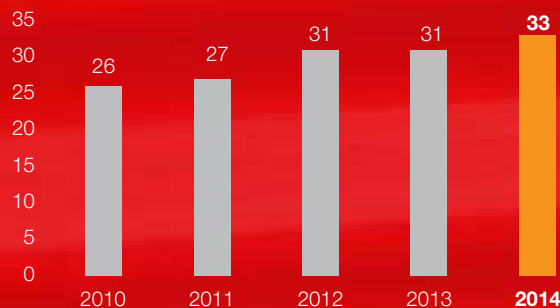
Total Income Available for Distribution (RM million)
RM92.72 million



Income Distribution Per Unit (sen)
19.75 sen



Number of Properties in Portfolio
33 properties



Net Asset Value (NAV) Per Unit (RM)
RM2.42



Total Assets Under Management
RM2,085,883,000

Premium to NAV
49.43%

Average Net Property Yield Per Property
8.82%

Weighted Average Lease Expiry
(by rental revenue)
4.33 years

Market Capitalization
RM1,982,030,000

Total Space Under Management
6,859,474 sq. ft.

Revaluation Gain
RM25,970,000

Total Acquisitions This Year
RM389,000,000

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This annual report for the year ended 31 December 2014 has been prepared by Axis REIT Managers Berhad (649450-W) as the Manager of Axis-REIT. Whilst every care has been taken in relation to the accuracy, no warranty is given or implied. The information provided is not investment advice and recipients should consider obtaining independent advice before making any decision that relies on this information. All currencies are expressed in Ringgit Malaysia unless otherwise stated. This Annual Report is dated in February 2015.

About Axis-REIT

Axis Real Estate Investment Trust (Axis-REIT or Fund) is Malaysia's first and largest Islamic listed business space and industrial real estate investment trust with a diverse portfolio of 33 properties located in the Klang Valley, Johor, Penang, Negeri Sembilan and Kedah.

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

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

Following the successful reclassification of Axis-REIT as an Islamic REIT on 11 December 2008, the Manager and the Trustee entered into an amended and restated Deed dated 3 April 2009, which was modified and streamlined to comply with the SC's Guidelines on Islamic REITs.

The Deed was subsequently supplemented by a Supplemental Deed dated 15 December 2011. On 28 November 2013, the Manager and the Trustee entered into a Third Principal Deed to consolidate all the previous amendments as well as to incorporate the latest provisions in the SC's Guidelines on REITs (updated on 28 December 2012) as well as the Listing Requirements of Bursa Securities, as updated on 15 November 2013.

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

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

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

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

Mission

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

Vision

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

Six Principles of Management

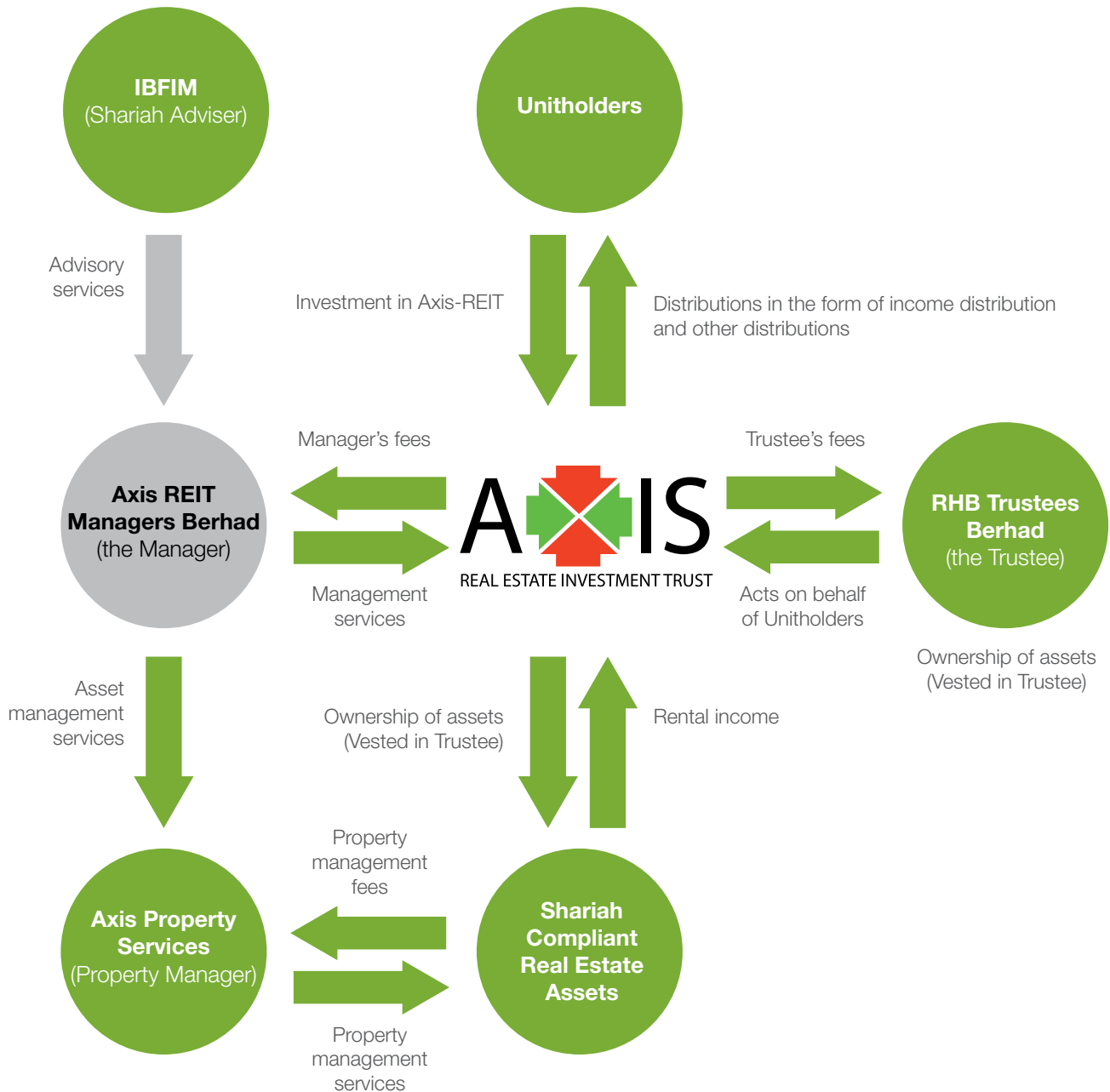
The Manager is committed to deliver long-term sustainable distributions and capital stability through its six principles of management:

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

Salient Features of Axis-REIT

Fund Category	Real Estate Investment Trust
Fund Type	Income and Growth
Mission of the Fund	To provide consistent distributions to Unitholders through growing the property portfolio, displaying the highest level of corporate governance, excellent capital and risk management, and preserving capital values.
Vision of the Fund	To successfully benchmark Axis-REIT against the world's most successful REITs in terms of total return to Unitholders and be the REIT of choice for Shariah and non-Shariah Investors.
Approved Fund Size	547,522,040 Units
Market Capitalisation	RM1,982,030,000
Assets Under Management	RM2,085,883,000
Authorised Investments	At least 50% of the Fund's total asset value must be invested in real estate and/or single purpose companies at all times.
Initial Public Offering Retail Price	RM1.25 per Unit
Financial Year End	31 December
Distribution Policy	<p>Quarterly income distribution.</p> <p>1st to 3rd quarter – at least 95% of the current year-to-date distributable income and</p> <p>4th quarter – at least 99% of the current year-to-date distributable income</p>
Financing Limitations	Up to 50% of the total assets value of the Fund.
Revaluation Policy	The investment properties shall be revalued at least once every year by registered independent valuers.
Minimum Initial Investment	Minimum of 100 Units
Quotation	Main Market of Bursa Securities
Bursa Securities Stock Number	AXREIT 5106

Axis-REIT Structure



Chairman's Message



“Our business in life is not to get ahead of others but to get ahead of ourselves - to break our own records, to outstrip our yesterday by our today”

Stewart B Johnson

Dear Unitholders,

On behalf of the Board, it gives me great pleasure to present to you Axis-REIT's 10th Annual Report for the financial year 31 December 2014.

Charging Forward

The cover of the Annual Report shows nine horses at full gallop charging forward to win their race. They represent the stamina and focus needed to win - very much the way Axis-REIT has performed over the past nine years since our listing.

As we complete the 10th year of Axis-REIT's listing, we are pleased that the Manager's core strategies of accretive acquisitions, proactive portfolio management, capitalising on enhancement opportunities within the core portfolio, focused cost management and prudent capital and risk management, have continued to serve Axis-REIT well. Axis-REIT, being the first Islamic and largest business space and industrial REIT listed on Bursa Securities, has and will continue to constantly review its strategies to keep on charging forward in the fast-changing business and economic landscape.

Assets under Management Crosses RM2 Billion

2014 saw the Manager complete the acquisition of three large industrial assets worth RM389 million, of which two were related party transactions. As a result, we saw the total Assets under Management cross the RM2 billion mark for the first time in the Fund's history. We expect to complete the fourth asset in the first half of 2015 worth RM45 million. The Fund now owns 33 assets - a remarkable achievement from its modest start of just 5 assets in 2005 when we were first listed.

Successful Placement Raises RM288 million

The Manager successfully issued and listed 83,579,942 placement Units at RM3.45 per Unit on 12 December 2014. The net proceeds of RM285 million are being used to pare down the financing of Axis-REIT, which

was drawn down earlier to finance the acquisitions. This was our fifth placement and was well subscribed by the investment community, with a tight discount of 3.97% to the five-day Volume Weighted Average Market Price (VWAMP).

The total Units in issue have now risen to 547,522,040 as of 31 December 2014 from 461,239,089 at 31 December 2013.

To date we have raised a total of RM775.75 million from our placements of 328,760,142 Units.

Distributions, Unitholders' Funds and Net Asset Value All Rise in Value

The Board of Directors of the Manager is pleased to announce that for the year under review, RM92,684,000 from income available for distribution has been paid or is payable as follows:

- 1st Interim Income Distribution of 5.3 sen per Unit paid on 13 June 2014;
- 2nd Interim Income Distribution of 5.3 sen per Unit paid on 5 September 2014;
- 3rd Interim Income Distribution of 5.0 sen per Unit paid on 28 November 2014;
- 4th Interim Income Distribution of 2.7 sen per Unit paid on 8 January 2015; and
- Final Income Distribution of 1.45 sen per Unit payable on 27 February 2015.

Distribution per Unit (DPU) rose by 6.8% to 19.75 sen for YTD 2014 (DPU for YTD 2013 was 18.50 sen), which includes 100% of the distributable gain of RM10.952 million from the disposal of Axis Plaza, which was completed on 25 March 2014.

This was the Fund's best result to date despite the portfolio recording a fall in occupancy in 2014.

In addition, we are pleased to report that our Unitholders' funds have increased to RM1,326,369,000 with an accompanying improvement in the Net Asset Value (NAV) of the Fund to RM2.4225 per Unit from RM2.2302 per Unit recorded at 31 December 2013.

Chairman's Message

Portfolio Records Revaluation Gains

A total of RM25.970 million revaluation gains have been recorded for YTD 2014 making the Non-distributable Revaluation Reserves rise to a total of RM267 million. This underlines the Fund's strategy to continue to buy assets and add value through enhancements.

AGM and Unitholders' Meetings Keep our Stakeholders Fully Informed

In 2014, we held three meetings with our Unitholders - the first was our 2nd Annual General Meeting on 29 April 2014 followed by a back-to-back Unitholders' meeting to renew the General Mandate to issue and place out 86,040,951 new Units. The approval was granted but as the Fund had issued 2,461,009 Units under the Income Distribution Reinvestment Plan, a balance of 83,579,942 Units was available for placement in November.

The third Unitholders meeting was held on 19 November 2014 where we sought approval to acquire the three related party properties. I am pleased to report Unitholders present gave 100% support to the proposed acquisitions.

Leading the Industry

Axis REIT Managers Bhd continues to lead the industry by chairing the Malaysian REIT Managers Association (MRMA). In anticipation of the upcoming implementation of the Goods and Services Tax (GST), the MRMA did a lot of work in 2014 by engaging with the regulators and the Royal Malaysian Customs on issues affecting the industry. MRMA has thus become the leading body for Malaysian REIT Managers to engage with the regulators, the tax authorities as well as informing and explaining to members about issues facing the industry.

Caring for People, Caring for the Environment

Axis-REIT continues its commitment to the community through its Corporate Social Responsibility Programme, which in 2014 focused on helping to make the future better for children with Down Syndrome. It also invested in the future of young people by sponsoring a leadership training camp.

In addition, the Manager has commenced a sustainability programme in all its properties to reduce our carbon footprint and save energy. Early indications show this is producing savings of as much as 30% on our energy bills.

Looking Ahead

The news towards the end of 2014 was very negative for Malaysia. Reports by analysts had headlines like 'Choppy Seas Ahead' or 'A Worrisome Detour' and concerns over the four specific country challenges we face - namely a moribund stock market with few catalysts, declining oil and commodity prices putting pressure on the Government's revenue projections for 2015, domestic inflation of 5% in a deflationary environment and expectations of interest rate hikes by the United States Federal Reserve. This means that our growth path as a nation could be bumpy in 2015. The Government has acted swiftly; Prime Minister Datuk Seri Najib Razak has revised the 2015 fiscal deficit target to 3.2% from 3% due to the fall in oil prices. Consensus is that the updated budget projections are sensible, and should be viewed as a positive development at the margin. The government stated that the burden of spending cut adjustments will come from operational spending (0.5% of GDP planned cuts) rather than development spending. Analysts continue to have a below-consensus 2015 GDP forecast, and have already highlighted downside risks to the Government's numbers. The risk of a rating downgrade by Fitch has nonetheless risen after their negative comments post the budget revision.

2015 is set to be a challenging year for Malaysia, because the Government will implement a 6% GST for the first time in April 2015 which could dampen domestic consumption, and squeeze corporate margins. I am pleased to report however that, despite the current environment, we see great opportunities to acquire assets in 2015 at accretive yields. We will continue to keep 'Charging Forward'.

In Appreciation

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

First, I would like to thank my fellow Board members for their continued advice and contributions throughout the year. Second, I would like to thank the Management who have done a remarkable job of continuing to deliver consistent results every year, breaking all records in 2014, despite the very difficult market conditions. Their hard work and dedication have resulted in Axis-REIT being recognised as one of the top performing REITs in Malaysia and the region today.

In closing, I would like to thank our customers and our business partners for their support since listing, the members of the media for their reporting of the Fund and the REIT sector, and the analysts for their coverage of our stock.

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

We are confident that with the continued support of our customers, business associates as well as our Unitholders, we will persist on our core strategies and continue to deliver sustainable and predictable returns in the year ahead.

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

**YAM Tunku Dato' Seri Shahabuddin
Bin Tunku Besar Burhanuddin**
Chairman
13 February 2015

Board of Directors



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



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



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



Stephen Tew Peng Hwee
Non-Independent Non-Executive Director



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



Alvin Dim Lao
Non-Independent Non-Executive Director

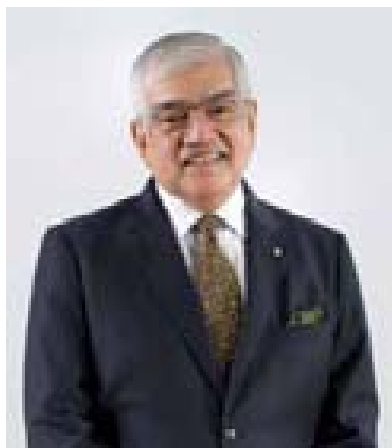


Mohd Sharif Bin Hj Yusof
Senior Independent Non-Executive Director



Leong Kit May
Chief Operating Officer/Finance Director

Directors' Profile



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

Independent Non-Executive Chairman

YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin, age 79, a Malaysian, was appointed as an Independent Non-Executive Director to the Board of Axis REIT Managers Berhad on 10 August 2007. On 18 September 2007, he was appointed Chairman of the Board of Directors, and on 23 October 2007, Chairman of the Audit Committee. He is also a member of the Nomination Committee. Tunku Shahabuddin has a vast and illustrious career in the local administrative and business arena with various roles in multinational companies.

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

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

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

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



**Y Bhg Dato' Abas Carl
Gunnar Bin Abdullah**

Non-Independent Executive
Deputy Chairman

Y Bhg Dato' Abas Carl Gunnar Abdullah, age 55, is a Norwegian and has been a Non-Independent Non-Executive Director of Axis REIT Managers Berhad since 15 March 2005. On 18 September 2007, he was redesignated as Non-Independent Executive Deputy Chairman.

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

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

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



**Y Bhg Dato' George
Stewart LaBrooy**

Chief Executive Officer/
Executive Director

Y Bhg Dato' George Stewart LaBrooy, age 63, a Malaysian, has been the Director of Axis REIT Managers Berhad since 25 October 2004, and was appointed by the Board of Directors of the Manager as Executive Director on 22 March 2005. On 18 September 2007, he was redesignated as Chief Operating Officer/Executive Director. On 5 August 2008, he was redesignated as Chief Executive Officer/Executive Director.

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

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

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

the acquisition strategy of Axis-REIT, the investor relations, and public relations and is a member of the Executive Committee.

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

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

Dato' Stewart LaBrooy is a director of Axis REIT Sukuk Berhad as well as a number of private companies involved in property advisory, property development and property investment.



Stephen Tew Peng Hwee

Non-Independent
Non-Executive Director

Stephen Tew Peng Hwee, age 53 and a Malaysian, is a Non-Independent Non-Executive Director of Axis REIT Managers Berhad. He was appointed to the Board on 25 October 2004.

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

Together with other investors he has over the past 25 years purpose-built many buildings for investment income which have housed multinationals. In 1992, he teamed up with Dato' Abas Carl Gunnar Bin Abdullah and other investors to build Crystal Plaza. This was followed with the building of Axis Business Park, Axis Plaza and Menara Axis, all of which formed the core portfolio of Axis-REIT upon listing. Stephen currently serves as a member of the Executive Committee and the Remuneration Committee of the Board. He is also a director of Axis REIT Sukuk Berhad.

Directors' Profile



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

Independent Non-Executive Director

of three main newspapers, various magazines and is one of the most established publishers in Asia. He was appointed as a Director of Telekom Malaysia Berhad, Malaysia's broadband champion and leading integrated information and communications Group. In October 2014, he was appointed as a Director for VADS Berhad, a joint venture IT company between Telekom and IBM servicing the IT and telecommunications industry. Datuk Seri was also appointed as City Advisory Board Member for DBKL effective November 2014 by His Majesty the King.

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

With around 25 years of experience and involvement in the property development industry, his vast experience and expertise has made him a very well-known and respected figure among his peers locally as well as 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. He was awarded the 'Malaysian Business Award in Property 2012' and won another award in 2013 from the Asean Business Council for Property Excellence. In mid-2013, he was also accorded the 'Entrepreneurship Award – Property & Real Estate' by Asia Pacific Entrepreneurship Malaysia. In April 2014, Datuk Seri FD Iskandar was awarded by The Leaders International the 'Global Leadership Awards 2014 – Commercial Property Development'. The latest addition to the list of accolades is The Brand Laureate Corporate Leader Brand Icon Award awarded by the Asia Pacific Brands Foundation.



Alvin Dim Lao

Non-Independent
Non-Executive Director

Y Bhg Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor, age 46, a Malaysian, has been an Independent Non-Executive Director of Axis REIT Managers Berhad since 2006. He is also the Chairman of the Remuneration Committee and a member of the Nomination Committee.

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

Datuk Seri FD Iskandar attended the Malay College Kuala Kangsar (MCKK), obtained a 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 to join Kumpulan Perangsang Selangor Berhad (KPS) as its Corporate Manager. He left KPS to join Glomac in 1992 as General Manager for Business Development and subsequently moved up the corporate ladder. In February 1997, he was appointed to the Board of Glomac Berhad.

Apart from sitting on several private limited companies, Datuk Seri FD Iskandar is also the Deputy Chairman of Media Prima Berhad, the largest incorporated media company in South East Asia which includes all four private TV stations in Malaysia, radio stations, print media, news media, an outdoor advertising agency and more. He is also a Director of New Straits Time Press Berhad, the publisher

Alvin Dim Lao, age 43, a Filipino national, was appointed as a Non-Independent Non-Executive Director to the Board and a member of the Audit Committee of Axis REIT Managers Berhad on 30 December 2011.

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

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

He is also a director of several private companies in Manila.



Mohd Sharif Bin Hj Yusof

Senior Independent
Non-Executive Director

Mohd Sharif Bin Hj Yusof, age 75, a Malaysian, was appointed as an Independent Non-Executive Director to the Board of Axis REIT Managers Berhad on 10 August 2007. He is a member of the Audit Committee and Chairman of the Nomination Committee of Axis REIT Managers Berhad. He is also the Senior Independent Director.

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

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

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



Leong Kit May

Chief Operating Officer/
Finance Director

Leong Kit May, 38, a Malaysian, joined Axis REIT Managers Berhad in 2006 and promoted to be the Chief Financial Officer of the Company on 5 August 2008. On 15 November 2011, was appointed to the Board of Directors of the Manager as Executive Director on 15 November 2011. On 19 January 2015, Kit May has been promoted to be the Chief Operating Officer and as she continues to be responsible on the financial matters of both the Company and the Fund, she carries the title Chief Operating Officer/ Finance Director.

Kit May is responsible for operation matters, finance, legal and compliance, and human resource functions for the Company and the Fund. She also anchors the capital management function of the Fund, ie from equity capital raising, treasury, funds raising to Islamic bond issuance (Sukuk). With her vast exposure in Islamic Finance and capital management Kit May has been an invited speaker in related seminars and conferences.

Kit May headed the project of converting Axis-REIT into the first Islamic Office/ Industrial REIT of the world. In 2012, Kit May led the setting up of Axis-REIT's first Islamic Medium Term Notes ("Sukuk") issuance programme of RM300.0 million where 2 tranches of Sukuk of RM110.0 million and RM155.0 million in nominal value were successfully launched in 2012 and 2013 which carry maturity tenure of 5, 7 and 10 years. In late 2014, Kit May has spearheaded the project to increase the existing Sukuk programme size from existing RM300 million to RM3.0 billion to allow for future issuances. Approval from the authorities on the Sukuk programme upsizing has been obtained in January 2015.

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

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



Axis Shah Alam DC 3



Manager's Report

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Letter from the CEO



“Goals are dreams with deadlines”

Diana Scharf Hunt

Dear Unitholders,

In my letter to you in the 2013 Annual Report, I apologised for not being able to acquire any of the RM444 million worth of assets which I had promised for 2013. The markets were against us then - property owners were asking for high prices and offering very low yields for their assets - and so we decided against buying and stayed on the sidelines.

2014 started very much like the last half of 2013 and prices were still not returning to manageable levels against a booming property and stock market. Frankly, I was worried that our acquisition strategies for 2014 would be derailed again.

The economic indicators were strong in the first half of 2014 but later in the year it became apparent that storm clouds were gathering in the last quarter, when Malaysia saw a sharp downturn in its fortunes. The sudden weakness of the ringgit, triggered largely by the fall in oil and commodity prices, three tragic air accidents with their accompanying loss of life, a devastating flood on the East Coast of Peninsular Malaysia and measures put in place by Bank Negara Malaysia to cool down the property market, took their toll on consumer confidence.

Amid this turmoil, however, we were able to find assets to purchase at good yields for the Fund. In fact, we managed to acquire RM434 million of assets - just short of the RM444 million promised a year earlier. In fact, 2014 turned out to be a record year for acquisitions and for the first time we are now a RM2 billion fund.

However, it has not been a year without its challenges.

As we entered our 10th year of managing our portfolio, many of the leases that were in place since the time of our listing, came up for renewal in 2014. Unfortunately, some of our tenants decided to relocate to other countries or discontinue their expiring leases with us as their space requirements outstripped our ability to house them in our properties.

In addition, we had taken two properties off the market to refurbish them - Axis Business Campus and Axis Business Park Block C. Of these, Axis Business Campus has been completed at a cost of RM23 million and is now back on the market to be leased out. Axis Business Park Block C will be ready in the first quarter of 2015.

As a result, we experienced a drop in occupancy to a low of 90.54% in September 2014 with an accompanying fall in operating income. The occupancy has since improved to 92.98% as of 31 December 2014 and we are optimistic that we can improve on that further in 2015.

The Manager has always held the view that, aside from the major Asset Enhancement Initiatives we undertake, when tenants leave our office properties we will use the opportunity to refurbish the vacant spaces to a high contemporary standard so that they will be more competitive on the market. We strongly feel that with their unique configuration and excellent locations, we will attract new tenants to the newly refurbished properties.

By filling the vacancies, we expect to add as much as 3.7 sen to the DPU in 2015 and the team is working hard to achieve these results. In addition, our newly acquired assets will contribute a further RM30 million in annual income to the Fund

As far as our Unit price is concerned, 2014 was a very encouraging year. From a low of RM2.93 per Unit on 1 January 2014 we rose to close at RM3.62 on 31 December 2014, providing Unitholders with a 23.5% gain in the Unit price for the year. The total return to our investors for 2014 was an impressive 30.3%.

We continue to build and train our engineering department to give us management capacity for undertaking our many enhancement projects and sustainability initiatives within the portfolio. And through our annual strategy planning session, the entire management team is engaged in shaping and executing a five-year rolling strategic plan for the Fund.

This year has also been a significant year for compliance issues - from getting ready to implement Goods and Services Tax (GST), updating our computer systems, reviewing the risks register to formulating a comprehensive succession planning policy, updating the whistleblowing policies, Board Charter and Code of Conduct for the Manager - all of which have kept the team very busy.

Highlights for 2014

Financial Highlights for the year

- Gross revenue fell year-on-year (YoY) to RM137.63 million from RM141.31 million;
- Net profit fell YoY to RM110.45 million from RM111.28 million;
- There was a gain on disposal of RM10.952 million from the sale of Axis Plaza;
- As a result total Income available for distribution rose YoY by 9.2% to RM92.72 million from RM84.94 million;
- DPU grew 6.8% YoY to 19.75 sen from 18.50 sen;
- Recognition of a net revaluation gain of RM25.97 million. Axis-REIT's total assets stood at RM2.0859 billion as at 31 December 2014;
- NAV per Unit increased for the year from RM2.2302 to RM2.4225;
- Gearing rose slightly to 32.78% as at 31 December 2014 from 32.66% as at 31 December 2013;
- The stock was trading at a premium of 49.43% as of 31 December 2014; and
- Unitholders' funds rose to RM1.3264 billion.

Letter from the CEO

Proactive Capital Management

- Axis-REIT successfully raised RM288.3 million from a placement of 83,579,942 new Units at a price of RM3.45 per Unit;
- This was used to pare down financing incurred in the earlier acquisitions. Gearing has thus been maintained at 32.78% as we move into 2015;
- Our sources of funding will be further diversified and the financing maturity profile lengthened through upsizing of our Sukuk Programme from RM300 million to RM3 billion which will be a perpetual programme;
- The current programme of RM300 million has been exhausted and by upsizing our programme we will have the flexibility for further issuances as the need arises;
- RAM Rating Services Berhad maintained the rating for our first two Sukuks;
- We completed one very successful Income Distribution Reinvestment Plan (IDRP) for Unitholders to convert their income distributions into Units with a discount of 5.9% and an average 84% take-up rate. It raised RM7.9 million; and
- Inaugural issuance of new Units for the payment of the management fee to the Manager for 2H 2014 to strengthen the alignment of the Manager's interest.

Disciplined Value-Adding Enhancements

- The very comprehensive enhancement of Axis Business Campus was completed at a cost of RM23 million and its Certificate of Completion and Compliance was obtained in the middle of 2014. We have also obtained building plan approval for an additional 60,000 sq. ft. block on the property for future enhancements. This new facility is currently in the process of being leased out;
- We are completing the major upgrade of Axis Business Park Block C which will be handed over in the 1Q 2015. Details of the enhancement are in this report;
- We have completed the designs for The Annex and will be submitting it for building approval in 1Q 2015; and
- Work has commenced on a comprehensive upgrade for Wisma Academy as well.

Proactive Portfolio Management

- Strategic review of our portfolio resulted in the disposal of Axis Plaza which was completed in 1Q 2014 at a gain of RM10.952 million. This was translated to a special tax-free income distribution of 2.36 sen per Unit which was paid out as part of 1st, 2nd and 3rd 2014 interim income distributions;
- Successful renegotiation of 1,445,092 sq. ft. out of 1,825,949 sq. ft. of space due for renewal in 2014. Tenant retention stood at 79%;
- Rental growth was recorded at 753,506 sq. ft. of space due to pre-negotiated rent step up in the leases of those assets. Overall the leases in the portfolio achieved a positive rent reversion of 2.6%. The Manager also secured new tenancies for 141,206 sq. ft. of space;
- Portfolio occupancy declined to 92.98% as at 31 December 2014 from 94.87% as at 31 December 2013; and
- Our new cloud-based property management and accounting software, Yardi Voyager, for the daily operations of the Fund, was further improved with additional modules in implementation of Yardi Voyager system Phase 2 on Advanced Budgeting, Forecasting and Job Costing in 1Q 2014. The system is GST compliant.

Accolades

Axis-REIT won two awards on 9 May 2014 for Axis Business Campus at the prestigious Asia Pacific Property Awards 2014, receiving the Five-Star Award for the Best Commercial Renovation/ Redevelopment in Malaysia and a similar award for the Asia-Pacific region.

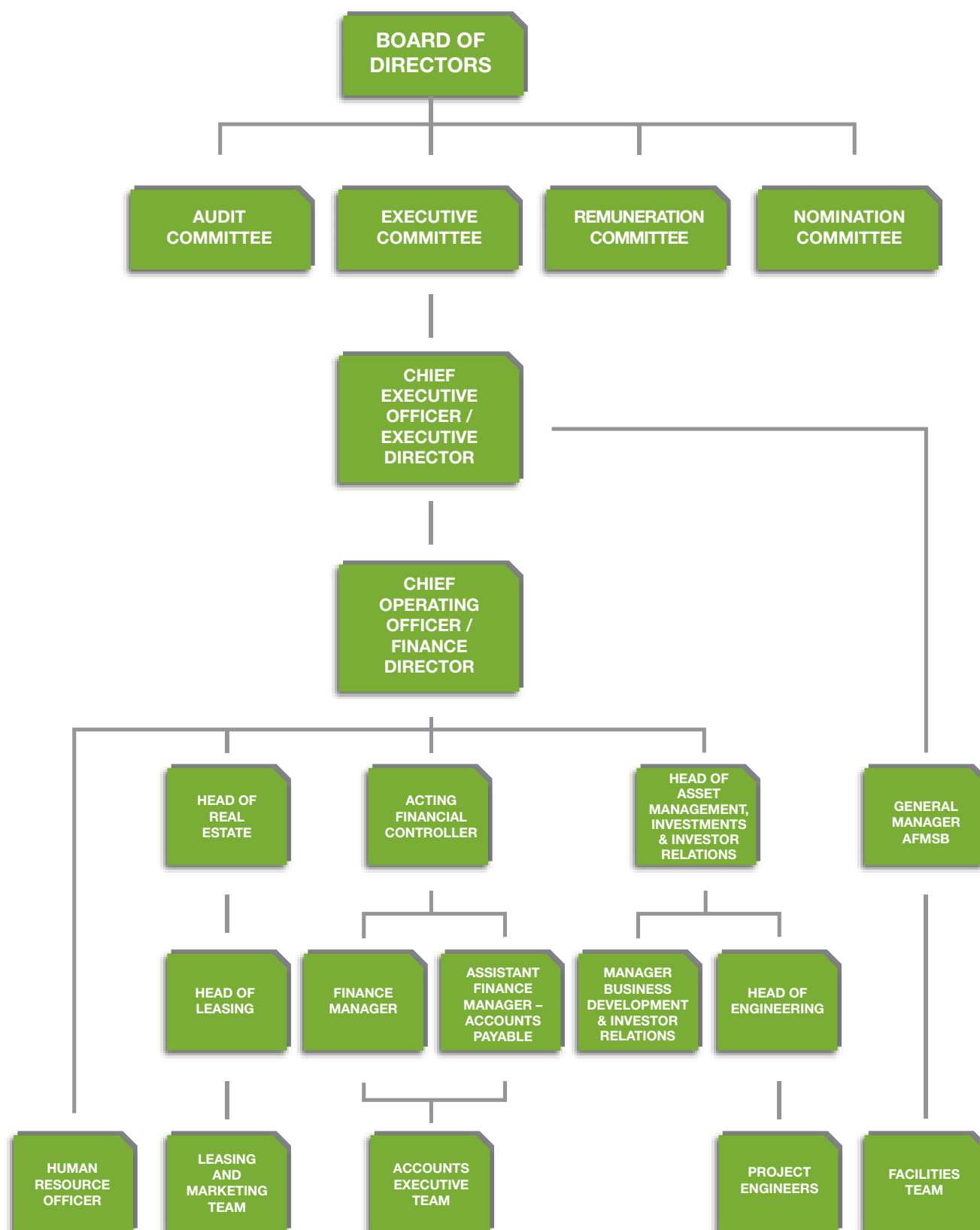
As our Chairman has mentioned, 2015 will not be without its challenges. However, I am confident that the industrial sector of Malaysia's economy remains sound, will continue growing and weather the storm. In addition, Axis-REIT, which is well capitalised with low gearing, will be able to continue to acquire yield accretive assets in the coming year. Now that we have crossed the RM2 billion mark, our next goal is RM3 billion in assets under management.

Our dream has a deadline - we target three years from 2015 to achieve this.

On behalf of the Manager, I am pleased to submit our Report and Audited Financial Statements to the Unitholders of Axis Real Estate Investment Trust (Axis-REIT) for the year ended 31 December 2014.

Y Bhg Dato' Stewart LaBrooy D.S.I.S.
Chief Executive Officer / Executive Director
13 February 2015

Axis REIT Managers Berhad's Company Structure



The Axis-REIT Team Profiles



Y Bhg Dato' George Stewart LaBrooy

Chief Executive Officer/ Executive Director

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

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

He is a Board member of the Asia Pacific Real Estate Association (APREA) and is the Chairman of the Malaysian REIT Managers Association (MRMA).



Leong Kit May

Chief Operating Officer/ Finance Director

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

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

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



Chan Wai Leo

Head of Asset Management, Investments and Investor Relations

Chan Wai Leo leads a team that is involved in the evaluation of asset acquisition and divestment opportunities and developing pipeline assets for the Group. He is involved in the capital raising activities for the Fund and together with Kit May and has executed various successful equity raisings. His role also encompasses investor relations of which he keeps an open channel of communication with all stakeholders and the investment community ensuring that they are kept well informed on the developments in the Fund.

He has been promoted to his current position effective 1 January 2015. In addition to his portfolio above, he now oversees major refurbishment projects of the existing asset portfolio with the view of repositioning and enhancing their values.

Prior to joining the Manager, he was the Senior Finance Manager of Axis Development Sdn Bhd, the private equity arm of the Promoters (of Axis-REIT), which were principally involved in property investments and the holding company of the Manager. He is a Fellow Member of The Association of Chartered Certified Accountants (ACCA), UK, and a member of the Malaysian Institute of Accountants. In 2006, he was with Citibank Malaysia as Assistant Vice-President, Financial Control. Prior to that, he was with the Pacific Star Group, a Singapore-based real estate investment company, as the Group Accountant. He was responsible for all aspects of the finance functions of the Group which includes management reporting, cash flow management and budgeting. Leo started his career with Arthur Andersen, Assurance Division, handling statutory audits and profit forecasts. Subsequently, he was with the Transaction Advisory Division where he was involved in the execution of financial advisory assignments which include valuations, corporate debt restructuring and privatization concept papers



Jackie Law

Head of Real Estate

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

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

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

The Axis-REIT Team Profiles



Selina Khor

Property Manager

Selina Khor is a member of the Board of Valuers, Appraisers & Estate Agent, Malaysia and the principal of Axis Property Services, the appointed Property Manager of Axis-REIT since 1 January 2007. She is responsible for the management of all the properties in Axis-REIT which includes the building and maintenance management as well as the fit out projects and enhancements. She works closely with the Head of Real Estate on tenant leasing and care, and with the CEO on valuation matters regarding existing and new properties.

Selina is a graduate from the Royal Melbourne Institute of Technology where she obtained an Associate Diploma in Valuation. She served at Rahim & Co for 23 years where she was an Executive Director.



Siva Shankar Palany

General Manager of Facilities Management

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

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

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

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

**Nikki Ng**

Acting Financial Controller

Nikki Ng was appointed as the Accountant on 15 September 2008 and later re-designated to the position of Head of Credit Control. She was promoted as Acting Financial Controller of Axis REIT Managers Berhad on 1 January 2015 where her responsibilities involve overseeing all of the day-to-day operations in the finance department including management reporting as well as budgeting processes. She also oversees credit control procedures, and develops and implements enhancements. She works closely with the Chief Operating Officer / Finance Director in matters related to corporate finance, regulatory compliance and also the treasury functions.

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

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

**Francesca Chong**

Finance Manager

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

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

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

The Axis-REIT Team Profiles



Abdul Aziz Abdul Rasheed

Head of Engineering

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

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

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



Chan Tze Wee

Manager, Business Development & Investor Relations

Tze Wee joined Axis REIT Managers Berhad in July 2014. Her responsibilities include business development, investor relations and working with the Head of Asset Management, Investments and Investor Relations on asset acquisitions for the Fund. On the business development and investor relations end, Tze Wee is responsible for maintaining open communication and continuous disclosure with Unitholders, analysts and potential investors. She is also involved in the identification and evaluation of potential acquisitions.

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

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

**Stacy Cheng**

Assistant Finance Manager

Stacy was appointed as Assistant Accountant on 1 November 2012 and re-designated as Assistant Finance Manager on 1 January 2015. Her responsibilities include overseeing the accounts payable procedures. She also works closely with the Finance Manager on preparation of financial statements and property performance analysis and report directly to Acting Financial Controller.

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

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

**Lalitha Anandarajah**

Manager, Marketing & Corporate Services

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

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

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

Our Competitive Advantage

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

Our Management Team

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

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

Since listing, we have managed the Fund's assets in-house with a team dedicated to a culture of comprehensive financial and capital management, business development, investor relations, asset enhancement initiatives and facilities management, leasing and project management.

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

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

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

The growth of our portfolio through new acquisitions further enhances the income distribution to Unitholders and refreshes the property portfolio. The performance for 2014 clearly demonstrates this commitment of the Manager to continue to deliver a superior performance for the Fund.

Succession Planning

We are pleased to announce that Ms. Leong Kit May has been promoted to the position of Chief Operating Officer and Finance Director of the Manager effective 19 January 2015. She will take over the day-to-day operations of the Manager as reflected in the new organisation chart published in this Annual Report. This change will free up the CEO Dato' Stewart LaBrooy's time to focus on the running of the property manager as well as on setting the future direction for the Fund, identifying new growth initiatives and acquisitions, and working with the regulators.

Market Leadership and Innovation

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

- Continue to provide increasing annual income distributions and strong total returns to Unitholders;
- Successfully introduced the innovative Income Distribution Reinvestment Plan (IDRP) for Unitholders' benefit - the only Malaysian REIT (MREIT) to have done so;
- Lead the MREIT Market in Sukuk issuance and is one of the first listed entities on Bursa Securities to have upsized its current Sukuk programme from RM300 million to RM3 billion;

- Are the first listed fund to adopt cloud computing solutions for its finance and property management;
- Were instrumental in the formation of the Malaysian REIT Managers Association (MRMA), which today has 16 members, of which 15 are MREITs Managers. Axis REIT CEO Dato' Stewart LaBrooy was elected Chairman for a fourth term;
- Established an informative and dynamic website and continue to publish our Annual Report in Chinese in digital format, for downloading from our website, as well as publishing it in English;
- Expanded our portfolio from five to 33 assets, and grown the assets under management over six times to RM2.086 billion - the highest growth rates registered in the market;
- Continued to have a disposal strategy as part of our business plan to reward Unitholders with the distribution of the capital gains derived thereof as tax free distributions;
- Displayed leadership in corporate governance by winning the Asia Pacific Real Estate Association (APREA) Best Practices Award for four consecutive years;
- Served on the Executive Board of APREA and participated in their committees and regional events.

Our Strategic Direction

Axis-REIT is now a fund with a track record of over nine years. Since its formation, we have successfully grown its size and profitability. In order to have a clear direction, we continue to keep the Fund guided by a forward-looking strategy and innovative, yet flexible, action plan. Given the current volatility in the capital markets, we feel it is important that we are vigilant so that we are able to anticipate and respond quickly to changes.

The Management team held its annual Strategy Workshop from 23 to 25 May 2014 to update and set the strategic direction of the Fund for the next five years. As a result, we have made adjustments to the existing plan and revised our strategic goals, taking into account the changing landscape in the local and regional economies, property markets and human capital.

Our Vision and Mission Statement remains unchanged.

Our core strategy is:

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

Prime Locations

The Manager has always done well in picking assets that are very well located. This is borne out by the fact that we currently have a revaluation reserve of RM267 million in our books. Many of the assets that were purchased since listing have registered strong revaluation gains.

Looking forward, our primary choice of locations will continue to be Petaling Jaya and the Klang Valley, as well as Johor and Penang.

The current industrial boom in Johor, with the migration of industrial enterprises to Iskandar Malaysia in Johor from Singapore, bodes well for more high-end industrial assets coming onto the market in the South. Coupled with that, we are witnessing the similar pattern emerging in a resurgent Penang since the launch of the Batu Kawan Industrial Zone, a 1,500 acre industrial park nestled next to the Second Penang Bridge.

We will continue to seek opportunities in these areas.

Asset Enhancement Initiatives as a Value Added Strategy

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

Our Competitive Advantage

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

Creating New Deal Flows

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

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

Engaging with the Regulators

We continue to work with the SC and Bursa Securities, through the MRMA, to enable timely reviews of the REIT Regulations in order to keep the industry competitive within the region. In addition, much work was done by the MRMA in 2014 with the Royal Malaysian Customs to clarify issues related to the implementation of the Goods and Services Tax (GST).

Disposal Strategy

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

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

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

Capital Management

We have almost completed the draw down on our first RM300 million Sukuk Programme in 2013. In doing so we applied to the SC to allow us to upsize the current programme from RM300 million to RM3 billion. This is explained in detail in the Capital Management Report in this Annual Report.

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

We continue to maintain an optimum mix of long and short-term financing targeting an average cost of funds at approximately 4.5% per annum and continue to use the model of raising equity to pare down financing and leveraging up for future acquisitions. Our policy of maintaining gearing at around 35% remains and we continuously stress-test the cash flow in a possible environment of rising interest rates by monitoring the capital markets and keeping close contact with our financiers.

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

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

Corporate Governance

The Manager has taken the lead from the SC by internalising a culture of good governance.

The Malaysian Code on Corporate Governance 2012 (MCCG 2012) is the first deliverable of the Corporate Governance Blueprint and supersedes the Malaysian Code on Corporate Governance 2007. The MCCG 2012 came into effect on 31 December 2012. It sets out broad principles and specific recommendations on structures and processes which companies should adopt in making good corporate governance an integral part of their business dealings and culture.

This new code on corporate governance focuses on clarifying the role of the Board in providing leadership, enhancing board effectiveness through strengthening its composition and reinforcing its independence. It also encourages companies to put in place corporate disclosure policies that embody principles of good disclosure. Companies are encouraged to make public their commitment to respecting shareholder rights.

Some of the key areas that have been identified in the MCCG 2012 are:

- Roles and responsibilities of the Board;
- Composition of the Board;
- Independence of independent directors;
- Separation of Chairman and CEO;
- Commitment of directors;
- Remuneration of directors;
- Risk management framework and internal controls system;
- Integrity of financial reporting;
- Relationship between company and shareholders.

Our steps to strengthen and comply with the above are addressed in the section on Corporate Governance.

We continue to work with our internal auditors to benchmark our management practices and compliance against the latest revisions to the Capital Markets and Services Act 2007 (CMSA) and the APREA Best Practices Handbook and have a culture of being transparent in all our dealings with our stakeholders.

In addition, the enhancing of knowledge of our Board members to ensure that they have the requisite skill sets in a rapidly evolving and sophisticated capital market, is an important part of our governance practices.

Risk Mitigation and Stability

Axis-REIT owns a portfolio with 6,859,474 sq. ft. of space under management, spread over 33 properties and five asset classes. Our assets are in choice locations, and our tenants are of high quality and diverse in terms of origin and business sectors. The portfolio is characterised by a mix of single and multi-tenanted buildings with a Weighted Average Lease Expiry (WALE) of 4.33 years (based on revenue), underscoring the stability of the Fund.

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

With occupancy at 92.98% at the end of 2014, filling vacancies and building a team to execute this will also be a priority for the Manager in 2015.

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

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

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

Our Competitive Advantage

Development of Human Capital

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

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

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

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

Sustainability

Sustainability in the real estate industry became more important in recent years among all stakeholders, including governments, owners, tenants, investors, developers and the community. The property industry does have a major impact on the environment globally with buildings contributing up to 40% of CO2 emissions, 16% of water usage, 30% of solid landfill waste, 40% of raw materials and 71% of electricity consumption. This has clear implications for property in the Asia Pacific region, especially as it accounts for 50% of additional worldwide energy demand over the next 15 years and 50% of the world's new buildings.

Having sustainable buildings benefit not just the environment and community, but also, in a very tangible way, benefits investors and owners. This is why it makes good sense to incorporate sustainability into business strategy.

New construction, the retrofit of an existing building and other initiatives can reduce water consumption, improve energy efficiency, reduce carbon emissions and minimise the waste generated. Green and sustainable buildings also provide a safe and healthy indoor environment for tenants - an added bonus for employers as studies have shown that happy and healthy employees have higher productivity and reduced illness and absenteeism. In turn, this has a positive impact on the operational bottom line.

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

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

Conclusion

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



The
Finance
Team

Financial Review



Another successful year with a record DPU of 19.75 sen for 2014.

Highlights

Overview

For Axis-REIT, 2014 has been a year of many achievements. The Fund rewarded Unitholders with a record DPU of 19.75 sen for the year and expanded the Fund's portfolio of properties with another record - the purchase of four properties at a value of RM434 million, of which three were completed in December 2014 at a value of RM389 million.

The Fund also continued its strategy of refreshing the portfolio through the disposal of Axis Plaza.

Our capital management programme was underlined by the successful placement of 83,579,942 new Units and the application to upsize the Fund's existing Sukuk programme size from RM300 million to RM3 billion.

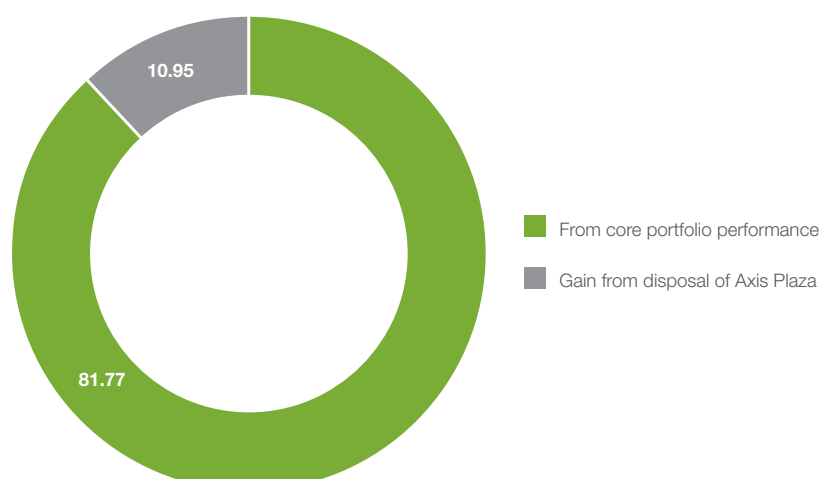
In summary some of the significant events for the year were:

March 2014	- Completed the disposal of Axis Plaza;
April 2014	- Implemented the 2014 Income Distribution Reinvestment Plan (IDRP);
August 2014	- Committed to acquire three properties from related parties for RM280.5 million for Axis Shah Alam DC2, Axis Shah Alam DC3 and Axis MRO Hub;
October 2014	- Inaugural issuance of new Units as payment of the Manager's Fee; - Committed to acquire Axis Steel Centre @ SiLC;
November 2014	- Placement of 83,579,942 new Units;
December 2014	- Completion of three acquisitions: Axis Shah Alam DC3, Axis MRO Hub and Axis Steel Centre @ SiLC; - Application to upsize the Fund's existing Sukuk programme to RM3 billion.

A Record DPU for the Fund

The 19.75 sen DPU declared for 2014 is the highest since Axis-REIT was listed. Despite a slight drop in income from the portfolio due to the disposal of Axis Plaza on 25 March 2014 and major enhancement work at Axis Business Campus and Axis Business Park Block C, this loss was mitigated by the RM10,952,000 gain from the disposal of Axis Plaza (gain on disposal). Together with the income from core portfolio performance, the Fund has a total Income Available for Distribution of RM92,720,000. This resulted in a DPU of 19.75 sen being declared for 2014.

Contributors to Income Available for Distribution (RM million)



Disposal of Axis Plaza

The Sale and Purchase Agreement signed on 26 December 2013 for the disposal of Axis Plaza was completed on 25 March 2014. The gain on disposal of RM10,952,000, which was made available for distribution, comprised the gain on disposal of RM1,614,000 in the statement of profit or loss, and other comprehensive income and realisation of unrealised income* of RM9,338,000. The gain on disposal translates to additional income distribution of 2.36 sen per Unit.

In ensuring the stability of Axis-REIT's income distribution, the gain on disposal was distributed in three tranches as part of the first interim, second interim and third interim income distributions for 2014 as follows:

	Distribution of Gain on Disposal (RM)	Additional DPU
1st interim 2014	3,690,000	0.80 sen
2nd interim 2014	3,690,000	0.80 sen
3rd interim 2014	3,572,000	0.76 sen
Total	10,952,000	2.36 sen

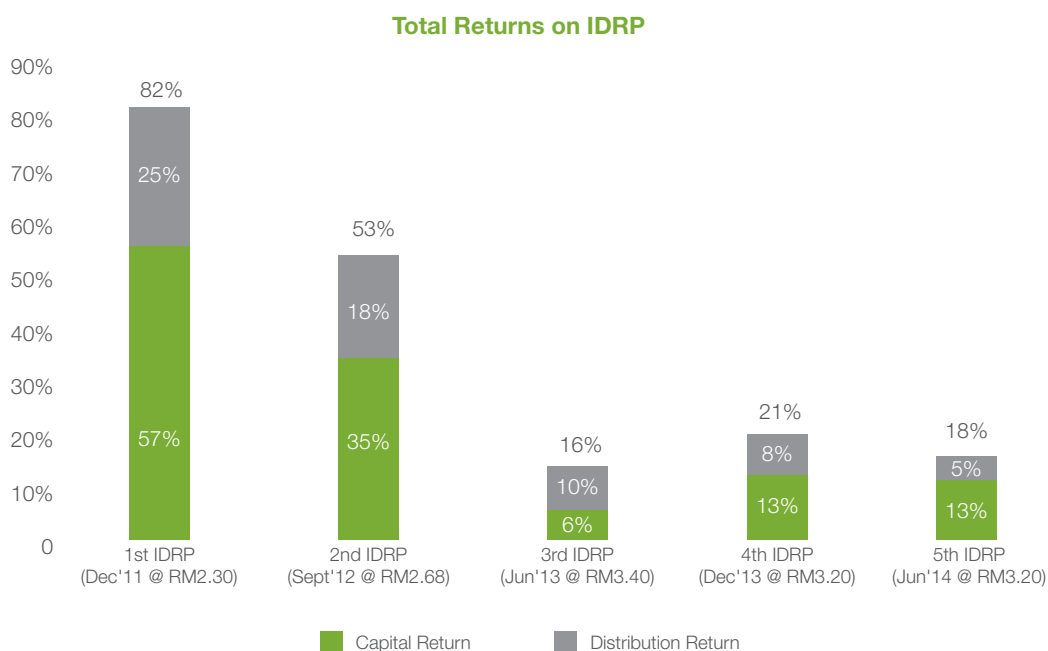
* Realisation of unrealised income - recognition of prior years' unrealised fair value gain on market value of Axis Plaza as realised income upon the disposal.

2014 IDRP Successfully Implemented

The application of the IDRP in conjunction with the first interim distribution was successfully carried out in April 2014, achieving a subscription rate of 84%. A total of 2,461,009 IDRP Units were listed on 16 June 2014 resulting in the Fund receiving RM7,900,000 from the Plan.

The IDRP was offered to Unitholders at an attractive price of RM3.20 per Unit, representing a 5.9% discount to the five-days VWAMP. Axis-REIT is the only Malaysian-listed REIT to provide this reinvestment option to Unitholders.

Similar to all the previous IDRPs implemented by the Fund, the 2014 IDRP investors have recorded a good return of 18% from the listing date of 16 June 2014 to 31 December 2014, slightly over six months since the IDRP issuance date.



The Manager continues to promote the IDRP to its Unitholders. In 2014, to further enhance its attractiveness, the Fund introduced the exemption of the RM10 revenue stamp (*setem hasil*) payable upon execution of each notice of election of the IDRP for securities account holders that hold fewer than 8,000 units. This exemption will continue to be in effect in the future.

Financial Review

Acquisition of Yield Accretive Properties

In 2014, Axis-REIT entered into four Sale and Purchase Agreements (SPAs) to acquire four industrial properties, namely;

- Axis Shah Alam DC 2;
- Axis Shah Alam DC 3;
- Axis MRO Hub; and
- Axis Steel Centre @ SiLC.

Apart from the Axis Shah Alam DC 2 acquisition, which is due to be completed in the first quarter of 2015, the other three acquisitions were completed in December 2014. All the four properties are yield accretive and will contribute to the earnings and DPU growth of the Fund. Further details of these acquisitions are included in the Business Development Report.

Inaugural Issuance of New Units as Payment of Manager's Fee in 2014

In an effort to strengthen the alignment of interest between the Manager and the Fund, the Manager decided to accept part payment of Manager's fees in Units for 2014. In October 2014 and January 2015, Axis-REIT completed the inaugural issuance of 242,000 and 236,000 new Units for the payment of the management fee for the months of September and December 2014 respectively.

The issuance price per Unit was set at RM3.60 per Unit and RM3.61 per Unit respectively, representing the ten-day VWAMP of the Units up to and including 30 September 2014 and 31 December 2014 respectively.

Placement of 83,579,942 New Units Successfully Implemented

On 12 December 2014, Axis-REIT successfully listed 83,579,942 new Units (Placement) at RM3.45 per Unit. This represented a 3.97% discount to the five-day VWAMP of the Units, up to and including 25 November 2014, of RM3.5925 per Unit. The Placement was largely oversubscribed by local institutional investors. A total of RM285,050,000 was raised as net proceeds from the Placement and was used as follows:

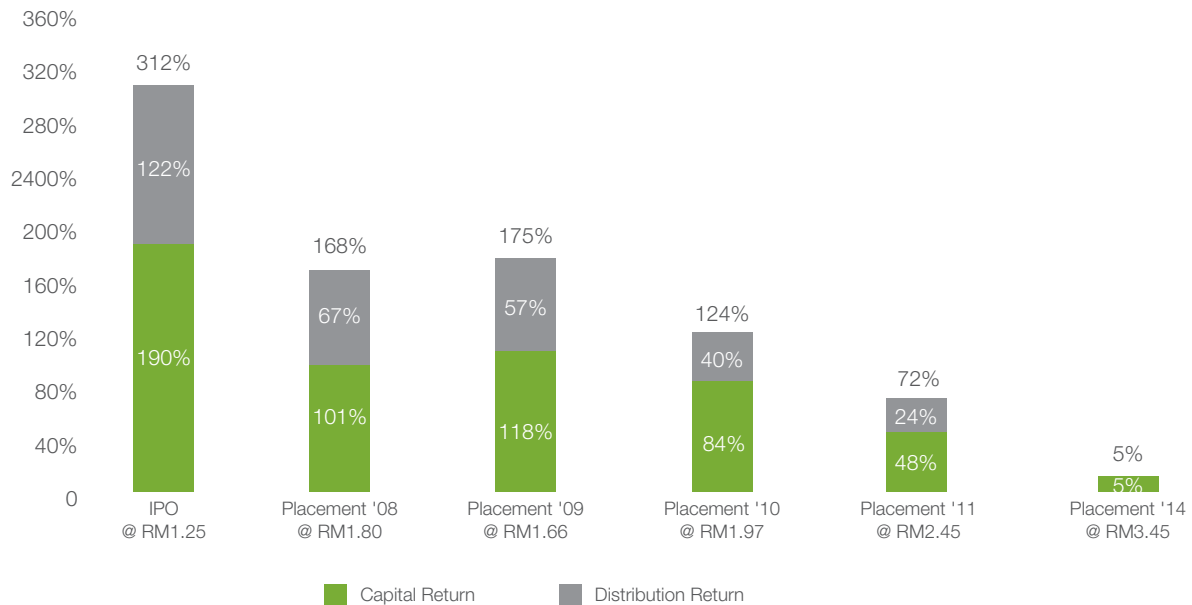
	Net Placement proceeds utilised to pare down financing previously used to finance acquisitions more than 12 months ago* (RM million)	Gearing level post the utilisation of Placement proceeds
Utilisation by 31 December 2014	225.05	33%
Utilisation targeted by end of 31 January 2015	60.00	31%

* Timing of utilisation depends on the maturity of the Revolving Credit facilities of Axis-REIT.

The Placement has increased Axis-REIT's Units in circulation to 547,522,040 Units from 205,901,000 Units at the time of listing in 2005. Although the liquidity and size of the Fund has greatly improved, the Manager has taken great care to ensure that the growth in Units is non-dilutive to Unitholders.

Analysis has shown that we have succeeded in providing our Unitholders with steadily increasing income distributions and capital gains over the years. A Unitholder who invested in Axis-REIT's listing in 2005 would have, to date, realised a total return of 312%.

Similarly, Unitholders who have participated in our subsequent placements have also shown strong gains.



Computerisation of Property Management and Accounting Platforms

The Manager has successfully implemented the Yardi Advanced Budgeting and Financing and Job Costing modules in the first quarter of 2014, and is currently in the midst of completing the configuration of the system for Goods and Service Tax (GST) compliance.

This software operates on cloud technology and will greatly improve the efficiency of financial and asset management. The new platform is paperless and enables the Manager to continue to promote its sustainability agenda with the reduced need to print material.

Financial Review

Summary Of Performance

	2010	2011	2012	2013	2014
Total Asset Value (RM'000)	1,208,897	1,298,431	1,589,408	1,616,523	2,085,883
Total Net Asset Value (RM'000)	755,230	944,097	989,705	1,028,640	1,326,369
Units in Circulation (Units)	375,901,000	453,814,096	456,517,221	461,239,089	547,522,040
Net Asset Value per Unit (RM)					
- As at 31 December	2.01	2.08	2.17	2.23	2.42
- Lowest NAV during the year	1.79	1.98	2.09	2.14	2.22
- Highest NAV during the year	2.01	2.08	2.17	2.24	2.42
Market Value per Unit (RM) as at 31 December	2.37	2.62	3.13	2.93	3.62
Highest Traded Price for the year (RM)	2.40	2.63	3.22	4.02	3.70
Lowest Traded Price for the year (RM)	1.92	2.30	2.62	2.93	2.80

Summary Of Results

	2010	2011	2012	2013	2014
Gross Revenue (RM'000)	89,213	114,311	132,673	141,314	137,625
Unrealised Rental Revenue (RM'000)	-	3,415	3,568	2,271	2,424
Property Operating Expenses (RM'000)	(12,961)	(17,359)	(20,125)	(20,812)	(21,553)
Net Property Income (RM'000)	76,252	100,367	116,116	122,773	118,496
Profit Income (RM'000)	638	421	293	667	1,210
Change in fair value of investment properties (RM'000)	45,593	16,013	24,064	27,206	25,970
Unbilled Lease Income Receivable (RM'000)	-	(3,415)	(3,568)	(2,271)	(2,424)
Net gain/(loss) on financial liabilities measured at amortised cost* (RM'000)	3,210	154	(598)	(86)	2,744
Net gain/(loss) on disposal of investment property*** (RM'000)	-	(258)	1,012	-	1,614
Fair value change on derivatives	-	-	-	(366)	455
Net property and investment income (RM'000)	125,693	113,282	137,319	147,923	148,065
Non-Property Expenses (RM'000)	(24,292)	(32,283)	(34,203)	(36,642)	(37,610)
Net Income before taxation (RM'000)	101,401	80,999	103,116	111,281	110,455
Breakdown of Net Income after taxation:					
- Realised income after taxation (RM'000)	52,598	64,832	79,650	84,527	81,286
- Unrealised Income after taxation (RM'000)	48,751	16,219	23,466	26,754	29,169
Income available for distribution (RM'000)	52,777	65,906	84,972	84,942	92,720
Earnings per Unit (Realised + Unrealised) (sen)	30.95	21.26	22.68	24.30	23.64
Income Distribution (RM'000)	52,746	65,745	84,677	84,903	92,684
Distribution per Unit (DPU) (sen)	16.00	17.20	18.60	18.50	19.75
Distribution yield (based on closing market price) (%)	6.75	6.56	5.94	6.31	5.46
EPU yield (based on closing market price) (%)	13.06	8.11	7.25	8.29	6.53
MER (%)	1.14	1.16	1.12	1.25	1.29
Annual total return** (%)	35.86	18.66	26.56	-0.5	30.29
Average total return (3 years) (%)	34.34	46.22	27.03	14.91	18.78

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

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

*** The disposal of Axis Plaza in 2014 is a gain of RM1,614,000 before the realisation of revaluation of the fair value gain of RM9,338,000.

Gross Revenue Set to Grow with the Recent Acquisitions

The number of properties in the portfolio decreased from 31 to 30 in March 2014 with the disposal of Axis Plaza. However in December 2014, with the completion of three new acquisitions, the number of properties grew to 33. Gross revenue for 2014 was 2.6% lower as compared to 2013. This was due to the loss of rental from the sale of Axis Plaza and the loss of income resulting from Axis Business Campus and Axis Business Park Block C which were undergoing enhancements.

Car park income increased by 12.8% as a result of a revision on car park rates across the portfolio from August 2013.

	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Rental income	82,832	107,237	126,394	133,008	127,969
Car park income	3,272	4,139	4,284	5,572	6,283
Other income	3,109	2,935	1,995	2,734	3,373
Total	89,213	114,311	132,673	141,314	137,625
No. of properties	26	27	31	31	33

Gross Property Yields

The average gross yield on the Fund's portfolio of properties remains strong at 10.24%.

Properties	Gross Yield (%)
1 Axis Business Park	9.71%
2 Crystal Plaza	15.92%
3 Menara Axis	14.87%
4 Infinite Centre	10.50%
5 Wisma Kemajuan	17.89%
6 Axis Business Campus	0.91%
7 Axis Shah Alam DC 1	8.00%
8 Giant Hypermarket	9.03%
9 FCI Senai	12.95%
10 Fonterra HQ	10.61%
11 Quattro West	11.24%
12 Strateq Data Centre	11.23%
13 Niro Warehouse	11.28%
14 BMW Centre PTP	12.20%
15 Delfi Warehouse	12.25%
16 Axis Vista	7.59%
17 Axis Steel Centre	9.67%
18 Bukit Raja Distribution Centre	8.89%
19 Seberang Prai Logistic Warehouse 1	9.01%
20 Seberang Prai Logistic Warehouse 2	8.60%
21 Tesco Bukit Indah	8.43%
22 Axis PDI Centre	9.96%
23 Axis Technology Centre	8.30%
24 D8 Logistics Warehouse	10.96%
25 Axis Eureka	10.69%
26 Bayan Lepas Distribution Centre	9.49%
27 Seberang Prai Logistic Warehouse 3	10.94%
28 Emerson Industrial Facility Nilai	9.86%
29 Wisma Academy Parcel	10.40%
30 The Annex	4.84%
31 Axis MRO Hub	11.74%
32 Axis Shah Alam DC 3	12.08%
33 Axis Steel Centre @ SiLC	8.02%

Financial Review

Management of Property Operating Expenses

The property operating expenses increased by 3.6% because of higher maintenance costs including scheduled repainting work at some of the properties during the year. The breakdown is as below:

	2010	2011	2012	2013	2014
Assessment and quit rent	2,482	3,431	4,095	4,203	3,977
Property manager's fee and on-site personnel cost	2,721	3,705	4,872	5,531	5,515
Security	1,065	1,525	1,729	1,854	1,916
Takaful insurance	642	796	934	1,080	995
Maintenance and others	6,051	7,902	8,495	8,144	9,150
Total	12,961	17,359	20,125	20,812	21,553

As a result, the efficiency ratio has rose to 15.66% in 2014 from 14.73% in 2013. This is described in greater detail in the property report.

Total Gross Revenue, Property Operating Expenses and Net Property Income

A summary of our gross revenue, property operating expenses and net property income per property for the 2014 is shown in the table below (excluding the unrealised rental income/unbilled lease income receivable):

Properties	Gross Revenue RM	Property Operating Expenses RM	Net Property Income RM
Axis Plaza**	795,881	214,331	581,550
Axis Business Park	9,200,830	2,283,426	6,917,404
Crystal Plaza	10,297,124	1,482,060	8,815,064
Menara Axis	11,895,498	2,086,273	9,809,225
Infinite Centre	3,611,713	771,954	2,839,759
Wisma Kemajuan	6,400,215	1,656,633	4,743,582
Axis Business Campus	527,582	347,038	180,544
Axis Shah Alam DC 1	1,589,846	180,051	1,409,795
Giant Hypermarket	3,510,720	301,004	3,209,716
FCI Senai	1,639,428	175,383	1,464,045
Fonterra HQ	1,173,450	154,236	1,019,214
Quattro West	5,671,370	1,288,230	4,383,140
Strateq Data Centre	4,788,868	389,614	4,399,254
Niro Warehouse	1,719,000	149,190	1,569,810
BMW Centre PTP	3,423,720	347,975	3,075,745
Delfi Warehouse	1,568,916	177,503	1,391,413
Axis Vista	2,555,674	462,642	2,093,032
Axis Steel Centre	6,406,309	567,771	5,838,538
Bukit Raja Distribution Centre	6,574,521	355,718	6,218,803
Seberang Prai Logistic Warehouse 1	1,595,469	100,829	1,494,640
Seberang Prai Logistic Warehouse 2	630,010	48,332	581,678
Tesco Bukit Indah	6,474,804	491,131	5,983,673
Axis PDI Centre	8,596,914	1,061,347	7,535,567
Axis Technology Centre	4,158,432	951,546	3,206,886
D8 Logistics Warehouse	3,353,400	253,169	3,100,231
Axis Eureka	5,690,203	1,808,524	3,881,679
Bayan Lepas Distribution Centre	4,734,741	457,481	4,277,260
Seberang Prai Logistic Warehouse 3	6,740,969	613,648	6,127,321
Emerson Industrial Facility Nilai	2,691,498	278,199	2,413,299
Wisma Academy Parcel	7,741,303	1,828,562	5,912,741
The Annex	598,226	206,562	391,664
Axis MRO Hub	261,041	16,235	244,806
Axis Shah Alam DC 3	934,354	42,776	891,578
Axis Steel Centre @ SiLC	62,536	3,841	58,695
Other – charges under billed for Kayangan Depot*	10,156	(240)	10,397
Total	137,624,721	21,552,974	116,071,747

* Kayangan Depot was disposed of on 31 December 2012.

** Axis Plaza was disposed of on 25 March 2014.

Net property income decreased by 3.68% from RM120,502,000 in 2013 to RM116,072,000 in 2014, resulting in an average net yield of 8.82% across the portfolio.

Unrealised Rental Income/Unbilled Lease Income Receivable

The recognition of unrealised rental income on unbilled lease income receivable is pursuant to the requirements of Accounting Standard MFRS117, which requires us to recognise income from operating leases on a straight-line basis, including contractual increases in rental rates over the fixed tenure of the agreements.

Profit Income

In 2014, we registered a profit income of RM1,210,000 from placement of funds under Islamic Repurchase Agreements (REPO). An increase of 81.41%, representing profit income, arose from Islamic REPO placed with the Placement proceeds which was temporary pending the redemption of the Islamic RC facilities on their maturity dates.

Changes in the Fair Value of Investment Properties

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

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

Properties	NBV before Revaluation RM	Market Value* RM	Unrealised gain/(loss) RM
1 Axis Plaza**	-	-	-
2 Axis Business Park	119,281,000	119,000,000	(281,000)
3 Crystal Plaza	106,553,000	109,000,000	2,447,000
4 Menara Axis	114,788,000	118,000,000	3,212,000
5 Infinite Centre	42,500,000	41,500,000	(1,000,000)
6 Wisma Kemajuan	57,346,000	57,700,000	354,000
7 Axis Business Campus	73,096,000	68,000,000	(5,096,000)
8 Axis Shah Alam DC 1	21,758,000	25,700,000	3,942,000
9 Giant Hypermarket	40,122,000	41,000,000	878,000
10 FCI Senai	15,945,000	16,000,000	55,000
11 Fonterra HQ	14,197,000	15,000,000	803,000
12 Quattro West	53,866,000	55,800,000	1,934,000
13 Strateq Data Centre	52,726,000	53,000,000	274,000
14 Niro Warehouse	17,024,000	17,700,000	676,000
15 BMW Centre PTP	29,805,000	30,000,000	195,000
16 Delfi Warehouse	14,500,000	15,600,000	1,100,000
17 Axis Vista	36,344,000	56,000,000	19,656,000
18 Axis Steel Centre	75,881,000	70,000,000	(5,881,000)
19 Bukit Raja Distribution Centre	91,085,000	94,500,000	3,415,000
20 Seberang Prai Logistic Warehouse 1	20,006,000	20,200,000	194,000
21 Seberang Prai Logistic Warehouse 2	8,040,000	8,000,000	(40,000)
22 Tesco Bukit Indah	90,028,000	90,500,000	472,000
23 Axis PDI Centre	92,115,000	92,000,000	(115,000)
24 Axis Technology Centre	52,370,000	53,000,000	630,000
25 D8 Logistics Warehouse	32,065,000	32,500,000	435,000
26 Axis Eureka	54,640,000	53,000,000	(1,640,000)
27 Bayan Lepas Distribution Centre	49,551,000	50,500,000	949,000
28 Seberang Prai Logistic Warehouse 3	63,236,000	63,500,000	264,000
29 Emerson Industrial Facility Nilai	29,430,000	29,490,000	60,000
30 Wisma Academy Parcel	77,058,000	77,000,000	(58,000)
31 The Annex	16,070,000	17,000,000	930,000
32 Axis MRO Hub	53,358,000	53,000,000	(358,000)
33 Axis Shah Alam DC 3	185,661,000	183,245,000	(2,416,000)
34 Axis Steel Centre @ SiLC	156,020,000	156,000,000	(20,000)
Total	1,956,465,000	1,982,435,000	25,970,000

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

** Axis Plaza was disposed of on 25 March 2014.

Financial Review

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

Valuation Analysis - Market Value/Market Value psf and Total Investment Outlay/Total Investment Outlay per sq. ft.

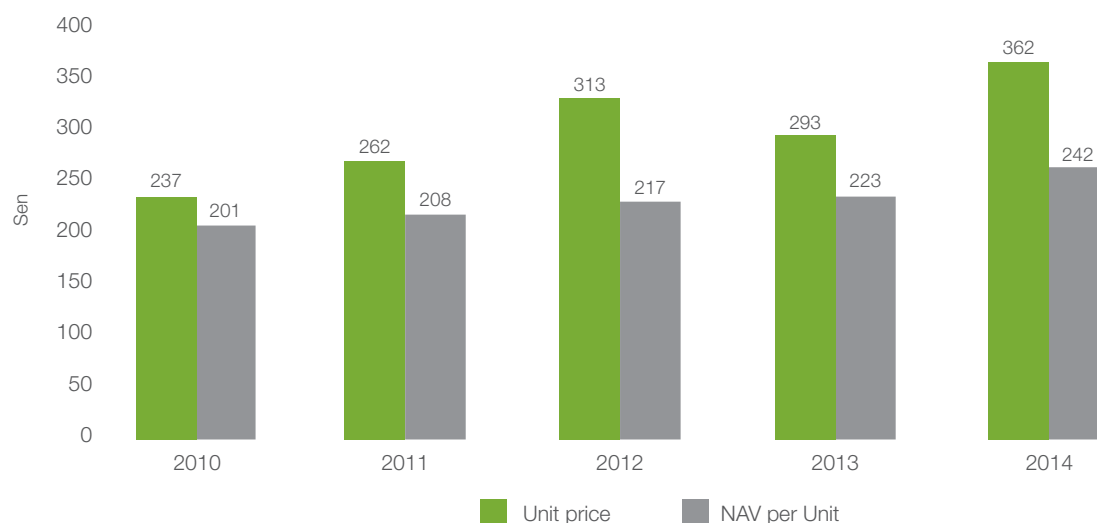
Properties	Market Value RM	Market Value RM/sq. ft.	Total Investment Outlay (including enhancements) RM	Total Investment Outlay (including enhancements) RM/sq. ft.
Axis Plaza**	-	-	-	-
Axis Business Park	119,000,000	348	94,713,000	277
Crystal Plaza	109,000,000	532	64,671,000	316
Menara Axis	118,000,000	645	79,998,000	437
Infinite Centre	41,500,000	289	34,388,000	240
Wisma Kemajuan	57,700,000	290	35,780,000	180
Axis Business Campus	68,000,000	448	57,913,000	382
Axis Shah Alam DC 1	25,700,000	233	19,871,000	180
Giant Hypermarket	41,000,000	297	38,898,000	282
FCI Senai	16,000,000	117	12,659,000	93
Fonterra HQ	15,000,000	486	11,063,000	359
Quattro West	55,800,000	536	50,449,000	484
Strateq Data Centre	53,000,000	505	42,632,000	406
Niro Warehouse	17,700,000	106	15,234,000	91
BMW Centre PTP	30,000,000	186	28,063,000	174
Delfi Warehouse	15,600,000	119	12,803,000	98
Axis Vista	56,000,000	475	33,651,000	285
Axis Steel Centre	70,000,000	191	66,273,000	181
Bukit Raja Distribution Centre	94,500,000	207	73,916,000	162
Seberang Prai Logistic Warehouse 1	20,200,000	190	17,702,000	167
Seberang Prai Logistic Warehouse 2	8,000,000	191	7,325,000	175
Tesco Bukit Indah	90,500,000	387	76,801,000	329
Axis PDI Centre	92,000,000	1,586	86,336,000	1,488
Axis Technology Centre	53,000,000	310	50,109,000	293
D8 Logistics Warehouse	32,500,000	190	30,586,000	179
Axis Eureka	53,000,000	451	53,243,000	453
Bayan Lepas Distribution Centre	50,500,000	246	49,885,000	243
Seberang Prai Logistic Warehouse 3	63,500,000	161	61,605,000	156
Emerson Industrial Facility Nilai	29,490,000	101	27,307,000	94
Wisma Academy Parcel	77,000,000	329	74,443,000	318
The Annex	17,000,000	374	12,359,000	272
Axis MRO Hub	53,000,000	329	53,357,000	331
Axis Shah Alam DC 3	183,245,000	267	185,661,000	271
Axis Steel Centre @ SiLC	156,000,000	227	156,020,000	227

** Axis Plaza was disposed of on 25 March 2015

The increase recorded for 2014 amounted to RM25,970,000, contributing an increase of five sen and raising the NAV per Unit to RM2.42 as of 31 December 2014.

Premium to NAV Recorded for 2014

Unit price traded at a significant premium of 49.43% to the NAV per Unit as at 31 December 2014.



The chart shows the premium to NAV the Fund has maintained over the past 5 years.

Total Non-Property Expenses

Details of total non-property expenses are as follows:

	2010	2011	2012	2013	2014
Administrative and professional fees*	7,334	9,321	11,858	12,835	13,725
Bad debts (recovered)/written off	(108)	3	(97)	-	-
Impairment/(Reversal) losses of trade receivables	213	69	188	(30)	37
Islamic financing cost	16,853	22,890	22,254	23,837	23,848
Total non-property expenses	24,292	32,283	34,203	36,642	37,610

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

Administrative and Professional Fees

There was a 6.9% increase in the administrative and professional fees in 2014. This was due to the increase in Unitholders' expenses (in respect of AGM and Unitholders meetings conducted during the year) and the increase in the Manager's fee as a result of the increase in the NAV of the Fund.

Islamic Financing Cost

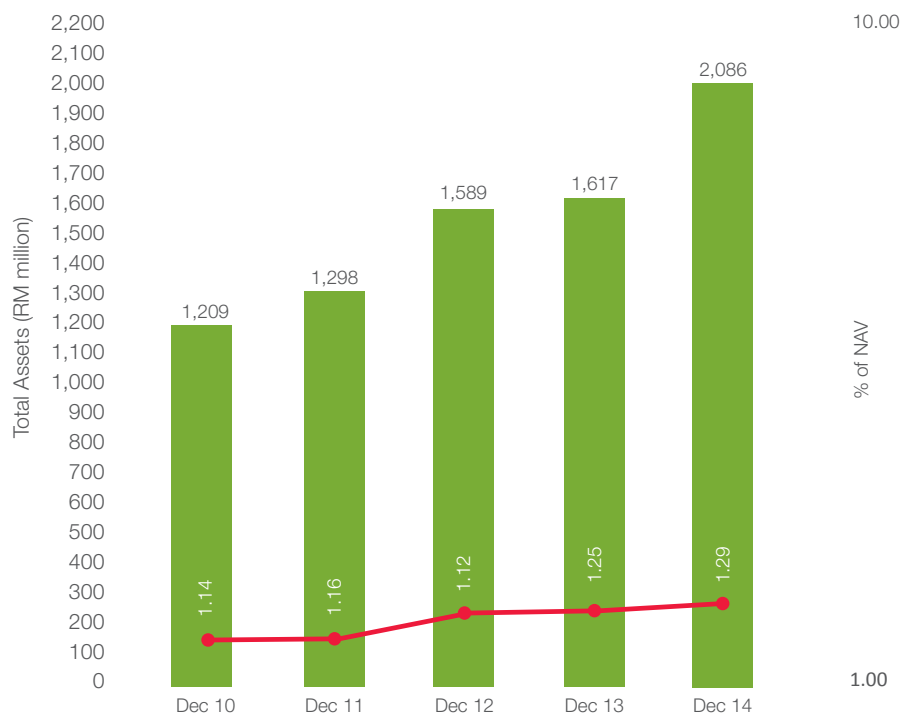
Despite the higher gearing during the year, the Islamic financing cost remained almost the same in 2014 as in 2013 due to the reduction in the Islamic financing rate from 4.38% in 2013 to 4.24% in 2014.

Financial Review

Management Expense Ratio (MER)

The MER for 2014 increased marginally to 1.29% of NAV as compared to 1.25% in 2013. The chart below shows the movement of MER against the total assets of the Fund for the past five years.

MER and Total Assets Compared



Earnings per Unit (EPU)

The EPU (realised) for 2014 decreased slightly to 17.41 sen from 18.46 sen in 2013. This is based on the weighted average of the number of Units in issue.

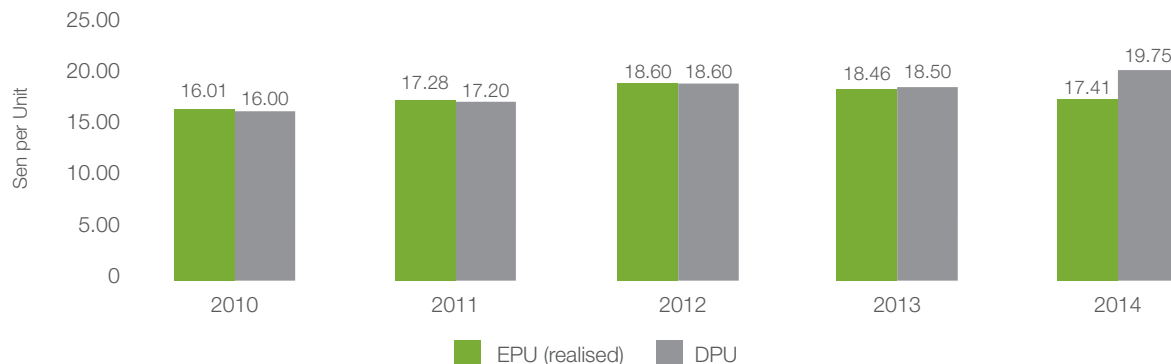
Distribution per Unit (DPU)

The DPU for 2014 of 19.75 sen is higher than the 18.50 sen in 2013 because it included the gain on disposal of Axis Plaza which contributed an additional 2.36 sen to the DPU.

Axis-REIT has seen the number of Units in circulation increase in the years 2008, 2009, 2010 and 2011 when 50,000,000, 51,180,200, 68,819,800 and 75,180,200 New Units respectively were placed out. In December 2014, the Fund completed its fifth placement of 83,579,942 new Units.

Notwithstanding the increase in the number of Units over the past years, Axis-REIT has not only been able to prove that the placements done were non-dilutive in nature but also has provided Unitholders with rising DPU returns.

This is as shown in the chart below:



Capital Management

Enhancing our Capital Base

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

Axis-REIT maintains a prudent capital management policy in terms of its gearing level. Although the maximum gearing level allowable by SC is 50%, the Manager maintains the gearing of the Fund between 28% and 38%. The Manager will only launch a new placement exercise to raise capital when it anticipates that the gearing of the Fund will breach 35%.

Placement Completed in 2014

On 12 December 2014, Axis-REIT successfully listed 83,579,942 new placement Units at RM 3.45 per Unit, representing a 3.97% discount to the five-day VWAMP of the Units up to and including 25 November 2014 of RM3.5925 per Unit. The Placement Units were well oversubscribed.

Out of the net proceeds of RM285,050,000 raised from the Placement exercise, approximately RM225,050,000 has been used to pare down the short term financing of the Fund, which was drawn down earlier to finance the acquisitions. The balance of RM60,000,000 has been utilised to pare down further financing that matured in January 2015.

Upon the completion of the Placement, as at 31 December 2014, the gearing level stood at 32.78%. This will enable the Fund to further acquire investment properties of up to approximately RM359,100,000 before the gearing level breaches 50%.

Strengthening the Alignment of Interest between the Manager and the Fund

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

In October 2014 and January 2015, Axis-REIT successfully completed the issuance of 242,000 and 236,000 new Units, as payment of the management fee for September 2014 and December 2014, respectively. The issuance price per Unit was RM3.60 and RM3.61 per Unit respectively, representing the ten-day VWAMP of the Units up to and including 30 September 2014 and 31 December 2014.

With the issuance, the issued fund size of Axis-REIT increased to 547,758,040 Units in January 2015 and the balance of maximum number of Units that may be issued for the payment of management fees to the Manager has been reduced to 1,522,000 Units.

Financial Review

Entering the Sukuk Market

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

On 24 December 2014, the Manager applied to the SC for the upsizing of the Sukuk Programme from RM300 million to RM3 billion in nominal value as the existing programme was almost fully utilised. We are pleased to report that SC approval was obtained on 19 January 2015.

The plan is to tap into the existing upsized Sukuk Programme for subsequent issuances as it is economically and administratively more efficient, as compared to setting up a separate programme, so long as the terms and conditions of the future issuances remain unchanged from the earlier issuances.

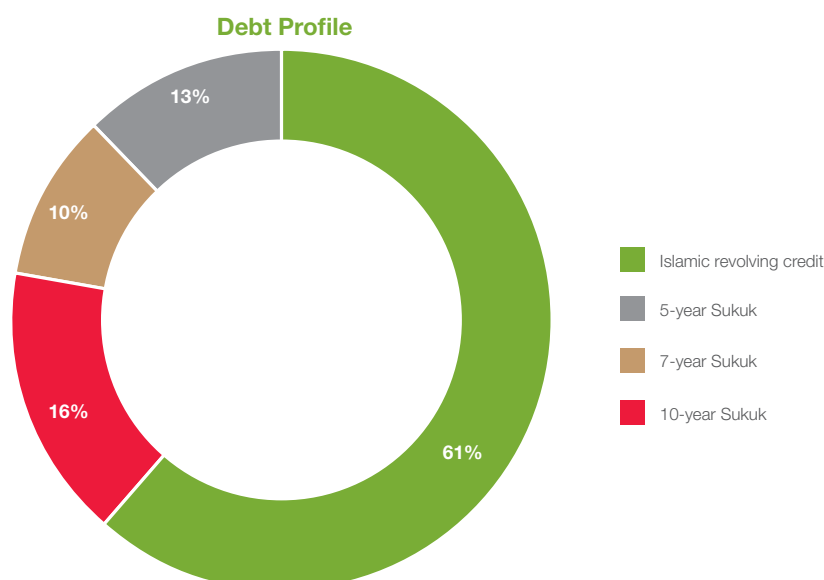
The Fund will continue to issue Sukuk as part of its efforts to diversify its financing. Further rationale for the Sukuk Programme is as follows:

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

	2010	2011	2012	2013	2014
Total borrowings/financing (RM'000)	416,009	311,338	549,285	528,004	683,769
Total assets (RM'000)	1,208,897	1,298,431	1,589,408	1,616,523	2,085,883
Gearing	34.46%	23.98%	34.56%	32.66%	32.78%
Effective interest/profit rate *	4.48%	4.66%	4.58%	4.38%	4.24%
Percentage of short term borrowings/ financing	48%	52%	62%	50%	61%
Percentage of medium or long term borrowings/ financing	52%	48%	38%	50%	39%
Total unencumbered assets	11	12	6	5	5
Percentage of unencumbered assets/total assets	42%	44%	19%	16%	21%
Interest/financing cost cover	4.1	3.8	4.6	4.5	4.5

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

As at 31 December 2014, the Fund had diversified financing facilities which include Sukuk and Islamic revolving credit facilities. The Islamic revolving facilities are offered by five big Islamic local and foreign Islamic financial institutions.



Financial Risk Management

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

Liquidity Risk

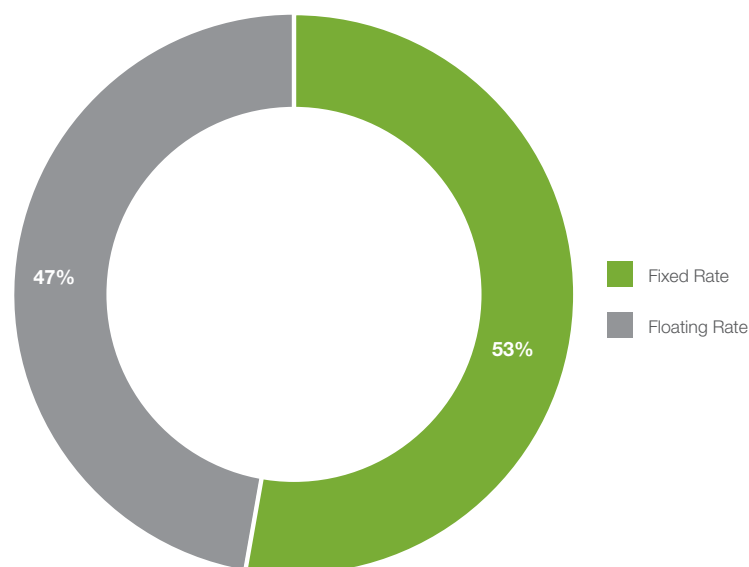
The Manager has currently diversified Axis-REIT's financing with five major Islamic banks and tapping the Sukuk market. With this diversity, we have achieved lower concentrations of risk among each of the lending banks with each bank having adequate collateral for the financing they are providing. Furthermore, in 2012, Axis-REIT has started to tap into the Sukuk market for long-term fixed rate financing and has recently obtained approval to upsize its Sukuk programme.

Interest Rate Risk

As at 31 December 2014, the Fund had a total financing facility of RM876.5 million of which RM683.8 million had been drawn down, representing 32.78% of total assets.

Of this amount, RM265 million is in Sukuk with fixed profit rates. In addition, as at 31 December 2014, Axis-REIT had two Islamic profit rate swaps of RM50 million each in place, reducing the Fund's exposure to floating rate to 47%.

Financing Profile Fixed and Floating Rate as at 31 December 2014



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

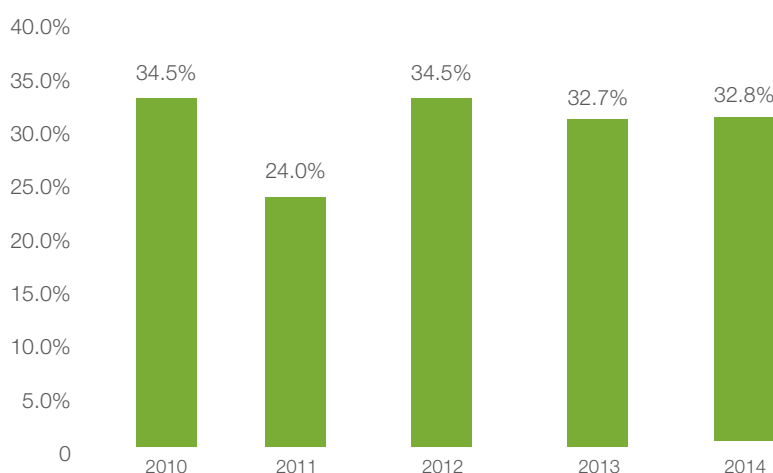
Gearing Risk

Taking into account the global financial crisis and the current crisis in the Eurozone, the Manager will continue to maintain its conservative maximum gearing threshold of 35% as part of capital management strategy.

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

Financial Review

Gearing



Valuation Risk

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

All valuations are conducted by independent registered valuers approved by the SC. Axis-REIT has expanded its panel of registered valuers from six to 10 in 2014. The Manager is also looking into expanding this panel further to provide the Fund with a transparent valuation model for the benefit of all the Fund's Unitholders. It is the Fund's policy to ensure that no valuer may conduct more than two consecutive full comprehensive valuations of any particular property, which is consistent with the SC's Guidelines on REITs.

Tenant and Credit Risk

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

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

As of 31 December 2014, Axis-REIT had 33 properties and 134 tenants, many whom are multinationals and local public-listed companies with strong financial credentials.

	2010	2011	2012	2013	2014
Top 10 tenants' contribution to gross income	52%	52%	49%	47%	46%

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

Doubtful Debt Provision and Impairment Losses of Trade Receivables

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

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

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

Impairment losses of trade receivables	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Impairment losses of trade receivables/bad debt write off/(write back)	105	72	91	(30)	37
Trade receivables	3,893	5,417	2,902	1,072	574
Total annual gross revenue	89,213	114,311	132,673	141,314	137,625
Impairment losses of trade receivables/bad debt write off/(write back) as % of gross revenue	0.12	0.06	0.06	-	0.03

Collection improved in 2014 as total trade receivables were reduced by 46.5% on 31 December 2014, as compared to 31 December 2013, with an average collection period of two days in December 2014.

For Period Ended	Average Collection Period (in days)
31 Dec. 2010	14
30 Dec. 2011	17
30 Dec. 2012	8
31 Dec. 2013	3
31 Dec. 2014	2

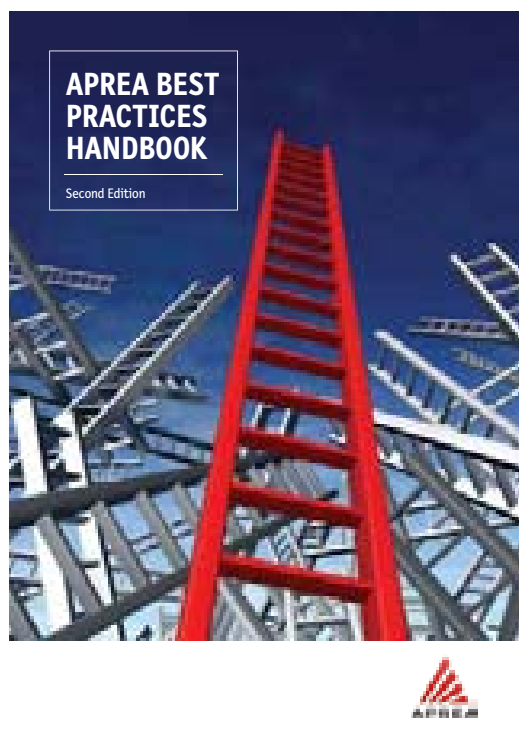
Risk Management Framework

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

In 2013 and 2014, our Internal Auditors, Baker Tilly Monteiro Heng, conducted a review on compliance with the Corporate Governance Code as well as the APREA Best Practices Codes. The reports are made available to the Audit Committee as well as the Board. The Manager has taken steps to deal with the risks identified.

Compliance with Best Practices

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



A Snapshot in US Dollars (USD)

The presentation of financial highlights in USD allows comparability against other foreign REITs and companies to users of the Annual Report. The following is an extract from the financial highlights in USD for the financial year ended 31 December 2014.

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

Assets under Management (USD)	595,473,000
Total Net Asset Value (USD)	378,649,000
Number of Investment Properties	33
Units in Circulation	547,522,040
Total Financing (USD)	195,201,000
Total Financing to Total Assets (%)	32.78%
Market Capitalisation (USD)	563,948,000
Net Asset Value Per Unit (USD)	0.69
Unit Price as at 31 December 2014 (USD)	1.03

Notes: 1. Translated to USD equivalent based on closing rate of USD/MYR of 3.5029 (Source: www.oanda.com).
2. Translations were done purely for comparison purposes and were not required to adhere with the provisions of the Malaysian Financial Reporting Standards.

Summary of Results

Gross Realised Revenue (USD)	42,042,000
Unrealised Income in relation to Unbilled Lease Income Receivable (USD)	740,000
Property Operating Expenses (USD)	(6,584,000)
Net Property Income (USD)	36,198,000
Profit Income (USD)	370,000
Net gain on disposal of investment property (USD)	493,000
Change in fair value of investment properties (USD)	7,933,000
Unbilled Lease Income Receivable (USD)	(740,000)
Net gain/(loss) on financial liabilities measured at amortised cost* (USD)	838,000
Fair value change in derivatives (USD)	139,000
Net Property and Investment Income (USD)	45,231,000
Non-Property Expenses (USD)	(11,489,000)
Net Income before tax (USD)	33,742,000
Breakdown of net income after taxation:	
- Realised income after taxation (USD)	24,832,000
- Unrealised income after taxation (USD)	8,910,000
Earnings per Unit (Realised + Unrealised) (cents in USD)	7.22
Distribution per Unit (DPU) (cents in USD)	6.03

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

Notes: 1. Translated to USD equivalent based on average rate of USD/MYR for financial year 2014 of 3.2735 (Source: www.oanda.com).

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

Direct Method Statement of Cash Flow (RM)

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

Statement of Cash Flows (Direct Method) For the Year Ended 31 December 2014

	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Gross revenue received	131,409	
Tenant deposit received	6,521	
Operating expenses paid	(31,697)	
Net cash from operating activities		106,233
CASH FLOW FROM INVESTING ACTIVITIES		
Balance proceed from disposal of investment property	30,214	
Profit income received	1,210	
Enhancement of investment properties	(18,330)	
Acquisition of investment properties	(395,039)	
Acquisition of equipment	(712)	
Net cash used in investing activities		(382,657)
CASH FLOW FROM FINANCING ACTIVITIES		
Islamic financing cost paid	(23,848)	
Net drawdown of financing	155,197	
Proceeds from hire purchase	568	
Distribution paid to Unitholders	(93,898)	
Proceed from issue of units	297,097	
Issuing expenses	(3,399)	
Net cash from financing activities		331,717
Net increase in cash and cash equivalents		55,293
Cash and cash equivalents at beginning of the year		34,523
Cash and cash equivalents at end of the year		89,816

Report on Shariah Compliance



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

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

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

IBFIM's services include:

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

The Manager is pleased to report that under the guidance of IBFIM, the level of income from non-permissible activities has reduced to 2.52% for 2014, its lowest since listing.





The
Real Estate
Team

Real Estate Report



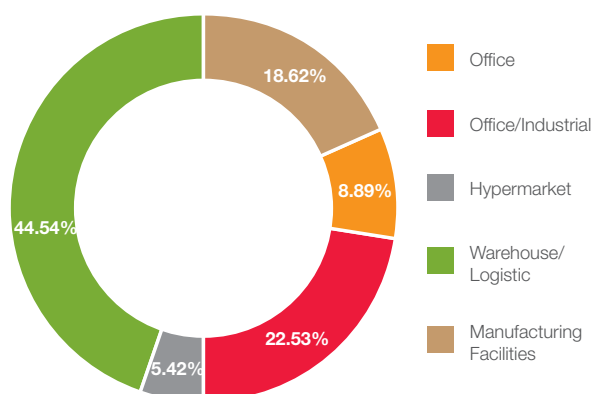
Jackie Law
Head of Real Estate

In 2014, the Real Estate Team successfully renegotiated and renewed leases for 1,445,092 sq. ft. out of 1,825,949 sq. ft. of space, achieving 79% tenant retention rate. Portfolio occupancy stood at 92.98% as at 31 December 2014.

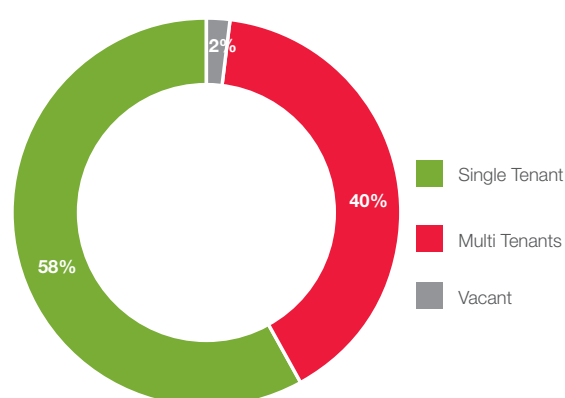
Overview

Portfolio Size	: 33 properties
Total Space Under Management	: 6,859,474 sq. ft.
Number of Tenants	: 134
Occupancy	: 92.98%
Gross Income	: RM137,625,000
Net Operating Income (NOI)	: RM116,072,000
Average Rental	: Commercial Office: RM4.55 per sq. ft.
	Office/Industrial buildings: RM2.61 per sq. ft.
	Warehouse/Logistic Centres: RM1.66 per sq. ft.
	Manufacturing Facilities: RM1.29 per sq. ft.
	Hypermarkets: RM2.24 per sq. ft.

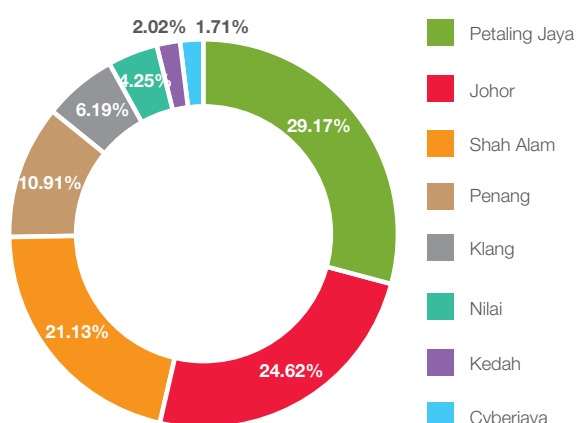
Asset Type by NLA



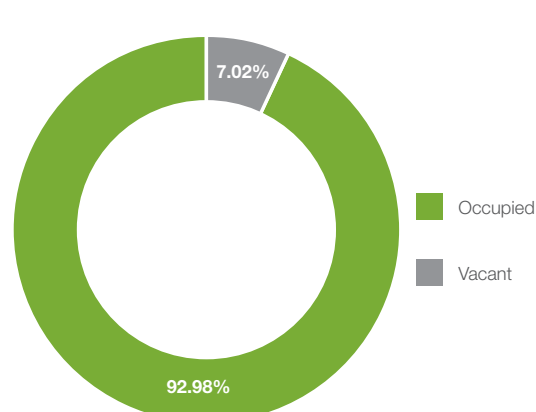
Single Tenant vs Multi Tenants



Portfolio Diversification by Geographical Location



Occupancy Rate



Axis-REIT has scaled up its property portfolio significantly since its listing in 2005, and in the process has delivered strong results. We continue to be committed to delivering consistently high returns from our business and to achieve that, have established a series of Key Performance Indicators (KPIs) to drive our progress and performance. These KPIs are:

- Revenue growth;
- Risk management;
- Asset enhancement.

Revenue Growth

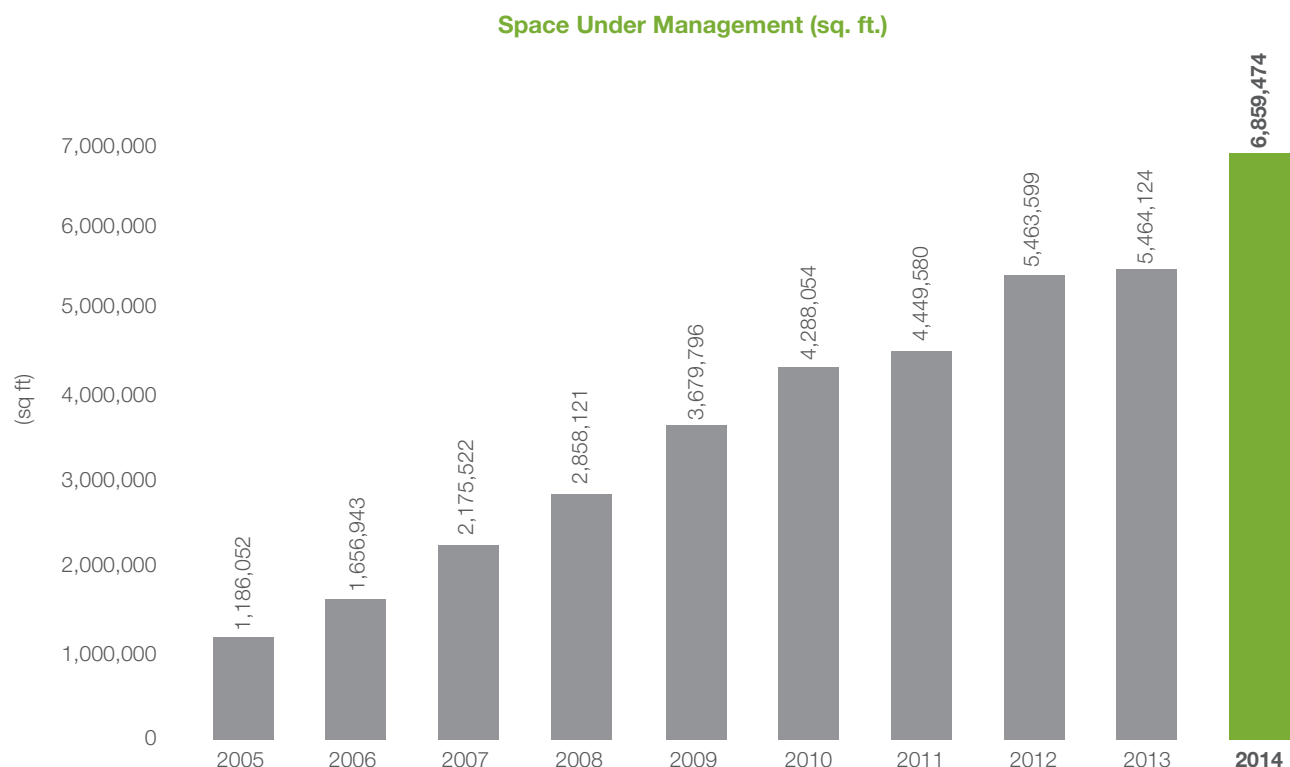
The Real Estate Department focuses on the following areas to drive revenue growth:

Acquisitions

The Manager is on the acquisition trail again after a quiet year in 2013. Axis-REIT signed Sale and Purchase Agreements for the purchase of four assets in 2014, of which three were successfully completed by the end of the calendar year. Two of the three were related party assets provided by the promoters, namely Axis Shah Alam DC 3 and Axis MRO Hub, and were completed on 18 December 2014. The third acquisition of Axis Steel Centre @ SiLC Johor was successfully completed on 30 December 2014. The fourth acquisition of Axis Shah Alam DC 2 is expected to be completed in the first quarter of 2015.

The three acquired assets will add 1,534,373 sq. ft. of space to the portfolio, bringing us to a total of 6,859,474 sq. ft. of space under management. More importantly, these assets will provide the Fund with an additional RM30 million revenue in 2015.

The tenants from the new assets come with strong Weighted Average Lease Expiry (WALE) and full occupancy.



Real Estate Report

Lease and Rent Reversion Management

In 2014, the Real Estate Team successfully renegotiated 1,445,092 sq. ft. of space amounting to 21.07% of the total net lettable area (NLA) of the portfolio, achieving average positive rental reversions of 2.60% for the year. In addition, we also secured new tenancies for 141,206 sq. ft. of space.

Space Renegotiated and % Rent Movement

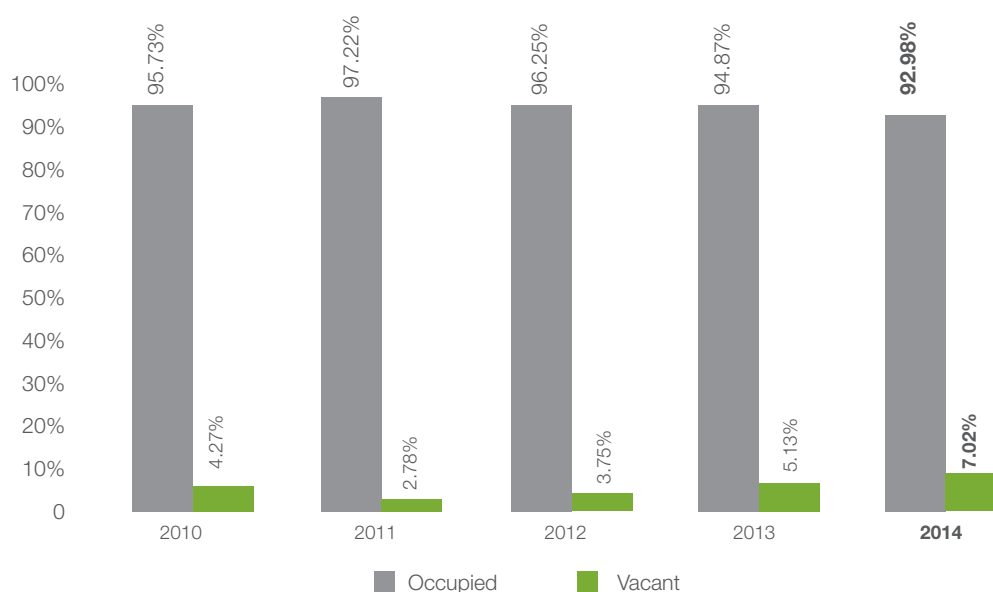
Properties	Space Renegotiated (Sq. Ft.)	% Rent Movement as at 31 Dec 2014
Menara Axis	15,763	+4.87%
Crystal Plaza	7,747	+9.91%
Axis Business Park	131,803	+9.76%
Infinite Centre	28,074	+11.76%
Wisma Kemajuan	9,583	+4.66%
Axis Eureka	19,768	+6.61%
Axis Steel Centre	366,839	-17.54%
Seberang Prai Logistic Warehouse 3	395,225	No Change
Quattro West	17,422	+8.14%
Niro Warehouse	167,193	+7.65%
Axis Vista	60,400	+10.14%
Wisma Academy Parcel	45,202	+3.01%
Fonterra HQ	600	+3.75%
The Annex	18,000	No Change
BMW Centre PTP	161,473	No Change

Occupancy Management

The Real Estate Team has a strong culture of developing superior customer relations and to date has a good track record of tenant retention. The percentage of leases renewed has been consistently high and well above the industry average. In addition, the team focuses on securing tenants to fill any vacant spaces in the portfolio.

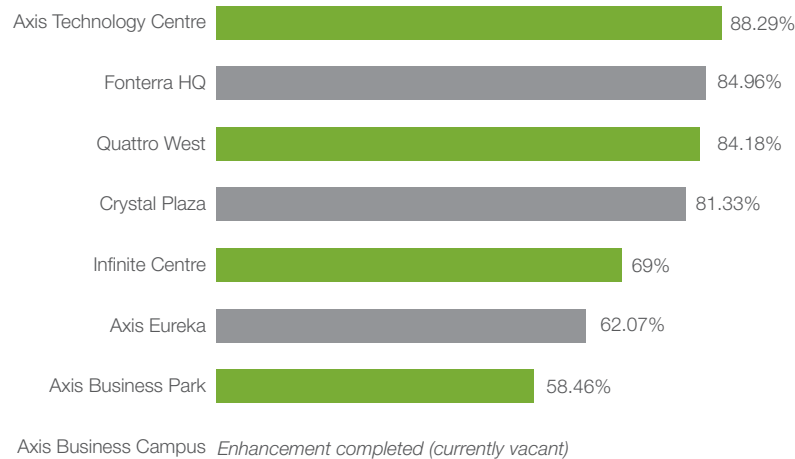
Our overall portfolio occupancy stood at 92.98% as at 31 December 2014. This was 1.89% lower when compared to 2013 as Axis Business Campus was closed for a major enhancement and Axis Business Park Block C was partially closed for the same reason. Enhancement works in Axis Business Campus have been completed and the space is currently being marketed. Work at Axis Business Park Block C will be completed in the first quarter of 2015.

Portfolio Occupancy Rate 2010 - 2014



As at 31 December 2014, only eight of our 33 properties registered a vacancy rate below 90%. These properties are listed in the table below:

Properties with Occupancy Rate below 90%



Fonterra HQ is a single tenant property with long-term lease. The 15% vacant space is set aside for the tenant's future expansion plans. There are four properties recording over 80% occupancy rates.

Expense and Facilities Management

The Manager has appointed Axis Property Services as the Property Manager for the Fund. The Property Manager, together with service provider Axis Facilities Management Sdn Bhd, is charged with the day-to-day management of the portfolio. Together with a team of building managers, chargemen and technicians, they ensure the properties are well maintained, costs are well controlled and ensure that tenants are satisfied with the building management.

A key metric that is monitored is the Efficiency Ratio, which plots the Property Operating Expenses for the Portfolio/Gross Revenue. This has been well controlled over the years as the table below shows:

	2010	2011	2012	2013	2014
Efficiency Ratio	14.20%	15.19%	15.17%	14.73%	15.66%

Tenant Care

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

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

Real Estate Report

Risk Management

Managing a REIT involves the managing of risks. At the property level we look at the following areas of risks affecting our performance and take the following steps to mitigate it:

Tenant Credit Worthiness

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

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

Maintaining a Diverse Tenant Base

Axis-REIT has 134 tenants that come from a diverse range of industries and geographical locations thereby minimising industry risk concentration.

The portfolio tenancy profiles are dominated by office/industrial and logistics warehouse tenants and the percentages have been maintained at a consistent level over the past six years. These tenants are prominent local and multinational companies as well as government-linked companies (GLCs) which provide the Fund a stable income with minimal risk of default. In terms of rental income, the largest contributors are from the logistics industry. The portfolio's top 10 tenants, of whom five are logistics provider tenants, contributed 46% of the Fund's total revenue in 2014.

The top 10 rental income contributors by gross rental as at 31 December 2014 are:

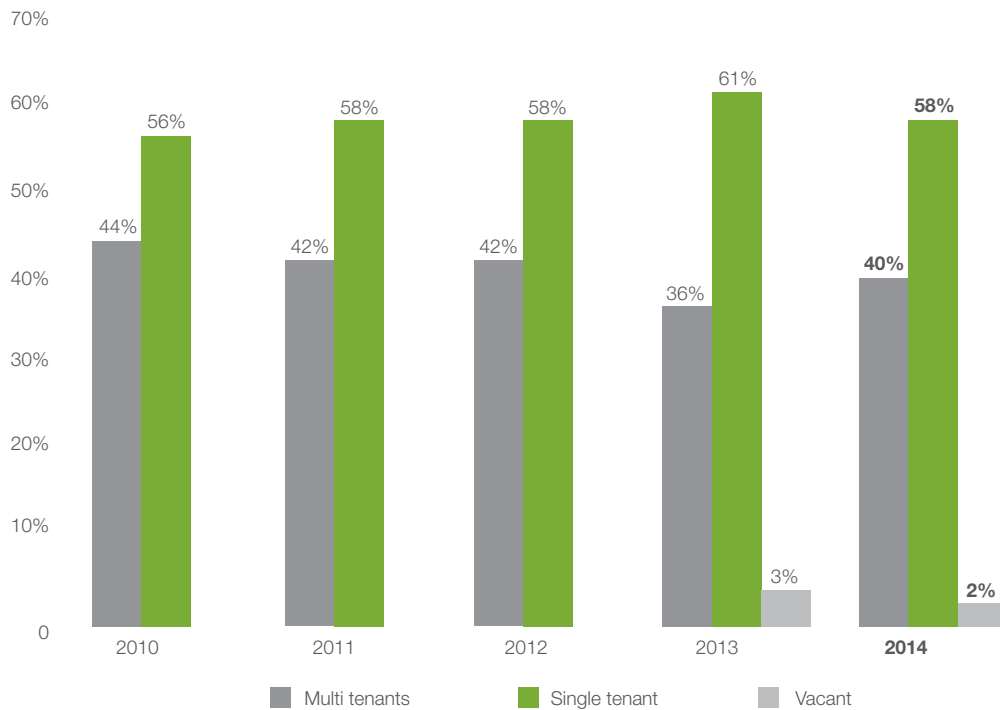
- Konsortium Logistik Berhad
- LF Logistics Services (M) Sdn Bhd
- Schenker Logistics (Malaysia) Sdn Bhd
- Tenaga Nasional Bhd
- Tesco Stores (Malaysia) Sdn Bhd
- Strateq Data Centre Sdn Bhd
- DHL Properties (Malaysia) Sdn Bhd
- GCH Retail (Malaysia) Sdn Bhd
- Nippon Express (M) Sdn Bhd
- Fuji Xerox Asia Pacific Pte Ltd

Our portfolio risk is mitigated by maintaining a balanced structure of single-tenanted and multi-tenanted properties. The single-tenanted properties provide long-term stable organic rental income growth as these leases have pre-agreed rental increases over the fixed period of the lease. The multi-tenanted properties, generally with three year leases, provide the Fund with dynamic parity for rental movement in the market, thus achieving positive rental reversions upon renewal.

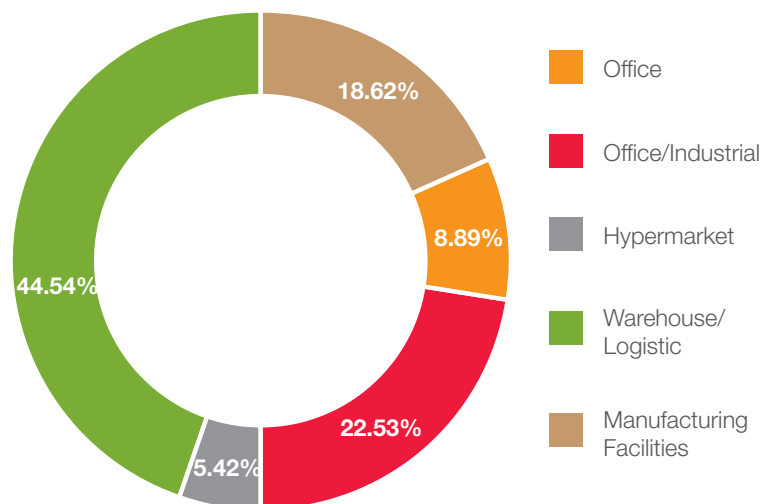
The majority of our multi-tenanted properties are located in prime locations of Petaling Jaya, namely Menara Axis, Crystal Plaza, Quattro West, Axis Business Park, Infinite Centre, Wisma Kemajuan, Wisma Academy Parcel, The Annex, Axis Technology Centre and Axis Vista.

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

Single-Tenanted Properties vs Multi-Tenanted Properties



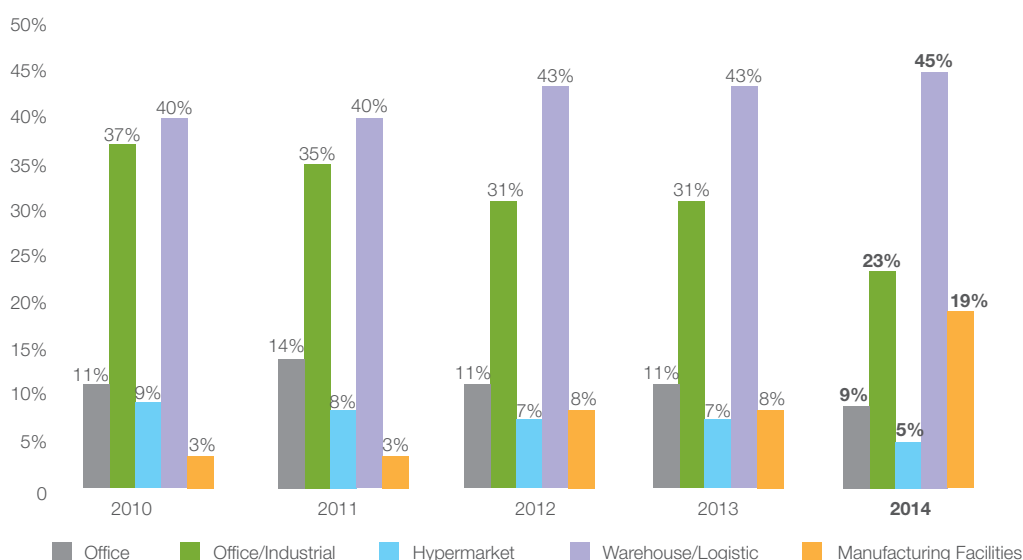
Portfolio Diversification by Type and Net Lettable Area



Portfolio risk is also mitigated by maintaining a diversified type of properties that includes commercial office, office/industrial, hypermarkets, warehouse/logistics and manufacturing facilities. This avoids exposure to any one sector.

Real Estate Report

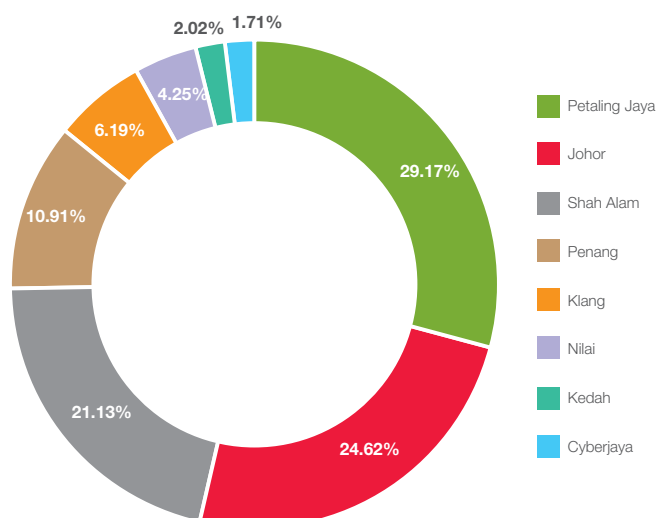
Diversification by Property Type and Net Lettable Area – 5 Year Analysis



Keeping the Portfolio Geographically Diverse

The Fund's properties are all located in Malaysia but do not have location concentration risk as the Manager has acquired its properties in three main geographical zones with different growth drivers, namely – Klang Valley, Johor and Penang.

Diversification by Geographical Locations and NLA



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

Weighted Average Lease Expiry (WALE)

The portfolio has a mix of short and long-term leases. The Weighted Average Lease Expiry is the average numbers of years the Fund has secure contractual income. Increasing the WALE is a measure of risk reduction for the Fund.

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

	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014
By NLA	5.64	4.43	3.89	4.22
By Rental	5.19	4.17	3.99	4.33

The WALE by NLA and rental has improved with the new tenants long leases from Axis MRO Hub and Axis Steel Centre @ SiLC.

Managing Lease Expiry Profiles

Expiring leases are always a concern, as a failure to renew a lease will impact revenue. The Manager has therefore taken a very proactive approach, seeking early lease renewals.

We believe that the percentage of space due for renewal is at a manageable level. In 2014, 1,825,949 sq. ft. of the net lettable area of the portfolio was due for renewal. The leasing team has managed to renegotiate tenancy renewal for 1,445,092 sq. ft. of space achieving 79% tenant retention rate. We are confident we will manage the tenancy renewals in 2015.

The following table sets out information on the lease expiry profile for the next three years:

Properties	Year 2015	% of Total NLA	% of Rental Income/month	Year 2016	% of Total NLA	% of Rental Income/month	Year 2017	% of Total NLA	% of Rental Income/month
Menara Axis	-	-	0.03	91,514	1.33	3.45	22,073	0.32	1.31
Crystal Plaza	3,407	0.05	0.08	120,122	1.75	4.54	7,746	0.11	0.33
Axis Business Park	33,138	0.48	0.86	49,905	0.73	1.14	105,776	1.54	3.04
Infinite Centre	28,219	0.41	0.61	51,145	0.75	1.21	19,627	0.29	0.38
Wisma Kemajuan	68,095	0.99	1.31	116,119	1.69	2.58	9,583	0.14	0.31
Axis Vista	-	-	-	40,937	0.60	0.86	77,080	1.12	1.49
Quattro West	10,991	0.16	0.32	68,643	1.00	2.79	8,073	0.12	0.30
Axis Technology Centre	129,237	1.88	2.44	21,493	0.31	0.44	-	-	-
Axis Eureka	160	0.00	0.01	15,235	0.22	0.61	54,099	0.79	1.88
Wisma Academy Parcel	126,374	1.84	2.22	49,760	0.73	1.19	44,910	0.65	1.13
The Annex	2,354	0.03	0.01	43,046	0.63	0.56	-	-	-
Emerson Industrial Facility Nilai	-	-	-	291,642	4.25	1.97	-	-	-
Axis Steel Centre	-	-	-	-	-	-	366,839	5.35	4.26
Bayan Lepas Distribution Centre	-	-	-	-	-	-	205,151	2.99	3.60
Seberang Prai Logistic Warehouse 3	64,500	0.94	0.66	330,725	4.82	4.20	-	-	-
Fonterra HQ	-	-	-	600	0.01	0.01	-	-	-
BMW Centre PTP	-	-	-	-	-	-	161,474	2.35	2.82
Axis PDI Centre	58,009	0.85	6.27	-	-	-	-	-	-
Axis Shah Alam DC 1	110,406	1.61	1.26	-	-	-	-	-	-
FCI Senai	136,619	1.99	1.20	-	-	-	-	-	-
Delfi Warehouse	130,743	1.91	1.15	-	-	-	-	-	-
Axis Shah Alam DC 3	-	-	-	362,167	5.28	5.34	-	-	-
Total	902,252	13.14	18.43	1,653,053	24.10	30.89	1,082,431	15.77	20.85

Real Estate Report

Compliance with Local Authority and Statutory Requirements

Our buildings have to comply with the strictest codes of fire and safety and so efforts are in place to ensure that all our properties are fully compliant. Compliant buildings enable our tenants to secure insurance at attractive rates and are an important requirement for the health and safety requirements for many multi-national companies.

Land Tenure Management

The portfolio comprises properties which reside on a mix of freehold and leasehold land. We constantly monitor the remaining lease period on our leasehold properties to ensure renewals are done in a timely manner to avoid any risk to the valuation of our assets. The remainder of term for the leasehold properties is described in the table below.

Properties		Land Tenure	Years Remaining on Leasehold Expiry as at 31-12-2014
1	Axis Business Park	Leasehold	46
2	Crystal Plaza	Leasehold	45
3	Menara Axis	Leasehold	51
4	Infinite Centre	Leasehold	51
5	Wisma Kemajuan	Leasehold	51
6	Axis Business Campus	Leasehold	53/57
7	Axis Shah Alam DC 1	Freehold	-
8	Giant Hypermarket	Freehold	-
9	FCI Senai	Leasehold	53
10	Fonterra HQ	Freehold	-
11	Quattro West	Leasehold	58
12	Strateq Data Centre	Leasehold	54
13	Niro Warehouse	Leasehold	37
14	BMW Centre PTP	Leasehold	41
15	Delfi Warehouse	Leasehold	53
16	Axis Vista	Leasehold	52
17	Axis Steel Centre	Leasehold	88
18	Bukit Raja Distribution Centre	Freehold	-
19	Seberang Prai Logistic Warehouse 1	Leasehold	39
20	Seberang Prai Logistic Warehouse 2	Leasehold	39
21	Tesco Bukit Indah	Freehold	-
22	Axis PDI Centre	Leasehold	77
23	Axis Technology Centre	Leasehold	53
24	D8 Logistics Warehouse	Leasehold	41
25	Axis Eureka	Freehold	-
26	Bayan Lepas Distribution Centre	Leasehold	48
27	Seberang Prai Logistic Warehouse 3	Leasehold	38/54
28	Emerson Industrial Facility Nilai	Leasehold	81
29	Wisma Academy Parcel	Leasehold	48
30	The Annex	Leasehold	48
31	Axis MRO Hub	Leasehold	71
32	Axis Shah Alam DC 3	Freehold	-
33	Axis Steel Centre @ SiLC	Freehold	-

Asset Enhancement Initiatives

The Manager continues to use asset enhancement initiatives as a strategy to add value to the portfolio by securing higher rents and increasing the value of the properties. Our asset enhancement activities are described in detail in the Asset Enhancement Initiatives section within this Report.

This table describe how the value of the portfolio has gained as a result of an active asset enhancement initiatives programme.

Properties	Acquisition Date	Acquisition Cost (RM'000)	Total Investment Outlay (including enhancements) (RM'000)	Fair Value Adjustments (RM'000)	Book Value as at 31-12-2014 (RM'000)	% of Total Portfolio
1 Axis Business Park	03/08/2005	84,600	94,713	24,287	119,000	6.00
2 Crystal Plaza	03/08/2005	56,400	64,671	44,329	109,000	5.50
3 Menara Axis	03/08/2005	71,440	79,998	38,002	118,000	5.95
4 Infinite Centre	03/08/2005	25,450	34,388	7,112	41,500	2.10
5 Wisma Kemajuan	16/12/2005	29,192	35,780	21,920	57,700	2.92
6 Axis Business Campus	30/06/2006	32,681	57,913	10,087	68,000	3.43
7 Axis Shah Alam DC 1	01/08/2007	18,783	19,871	5,829	25,700	1.30
8 Giant Hypermarket	07/09/2007	38,678	38,898	2,102	41,000	2.07
9 FCI Senai	15/11/2007	12,538	12,659	3,341	16,000	0.81
10 Fonterra HQ	16/11/2007	7,352	11,063	3,937	15,000	0.76
11 Quattro West	30/11/2007	40,376	50,449	5,351	55,800	2.81
12 Strateq Data Centre	25/01/2008	37,549	42,632	10,368	53,000	2.67
13 Niro Warehouse	30/04/2008	14,811	15,234	2,466	17,700	0.89
14 BMW Centre PTP	30/04/2008	27,470	28,063	1,937	30,000	1.51
15 Delfi Warehouse	04/08/2008	12,743	12,803	2,797	15,600	0.79
16 Axis Vista	09/12/2008	32,481	33,651	22,388	56,039	2.83
17 Axis Steel Centre	20/10/2009	65,882	66,273	3,727	70,000	3.53
18 Bukit Raja Distribution Centre	14/12/2009	72,636	73,916	20,584	94,500	4.77
19 Seberang Prai Logistic Warehouse 1	05/03/2010	17,695	17,702	2,498	20,200	1.02
20 Seberang Prai Logistic Warehouse 2	05/03/2010	6,981	7,325	675	8,000	0.40
21 Tesco Bukit Indah	01/10/2010	76,750	76,801	13,699	90,500	4.56
22 Axis PDI Centre	15/10/2010	86,146	86,336	5,664	92,000	4.64
23 Axis Technology Centre	15/11/2010	49,697	50,109	2,891	53,000	2.67
24 D8 Logistics Warehouse	01/03/2011	30,521	30,586	1,914	32,500	1.64
25 Axis Eureka	18/04/2011	52,050	53,243	(243)	53,000	2.67
26 Bayan Lepas Distribution Centre	17/01/2012	49,471	49,885	694	50,579	2.55
27 Seberang Prai Logistic Warehouse 3	15/02/2012	60,139	61,605	1,929	63,534	3.20
28 Emerson Industrial Facility Nilai	30/08/2012	27,011	27,307	2,183	29,490	1.49
29 Wisma Academy Parcel	01/10/2012	74,242	74,443	2,557	77,000	3.88
30 The Annex	01/10/2012	12,289	12,359	4,641	17,000	0.86
31 Axis MRO Hub	18/12/2014	53,357	53,357	(357)	53,000	2.67
32 Axis Shah Alam DC 3	18/12/2014	185,661	185,661	(2,416)	183,245	9.24
33 Axis Steel Centre @ SiLC	30/12/2014	156,020	156,020	(20)	156,000	7.87
Total		1,619,092	1,715,714	266,873	1,982,587	100.00%



Central Region

Petaling Jaya

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

Shah Alam

- 13) Axis MRO Hub
- 14) Axis Shah Alam DC 1
- 15) Axis Shah Alam DC 3
- 16) Fonterra HQ

Port Klang

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

Cyberjaya

- 20) Axis Eureka

Nilai

- 21) Emerson Industrial Facility Nilai

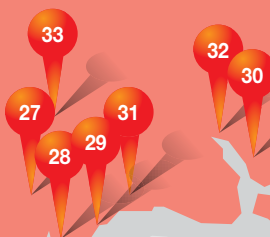
Locations of Investment Property Portfolio as at 31 December 2014

Northern Region

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

Southern Region

- 27) Axis Steel Centre @ SiLC
- 28) BMW Centre PTP
- 29) D8 Logistics Warehouse
- 30) Delfi Warehouse
- 31) FCI Senai
- 32) Niro Warehouse
- 33) Tesco Bukit Indah



Investment Property Portfolio

as at 31 December 2014

33

Properties

6.86 million sq. ft.

Central Region - Petaling Jaya



Axis Business Campus



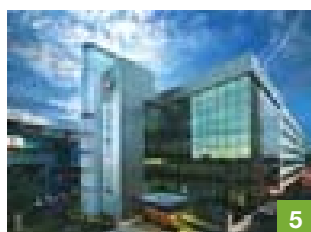
Axis Business Park



Axis Technology Centre



Axis Vista



Crystal Plaza



Infinite Centre



Menara Axis



Quattro West



Strateq Data Centre



The Annex



Wisma Academy Parcel



Wisma Kemajuan

Central Region - Shah Alam



Axis MRO Hub



Axis Shah Alam DC 1

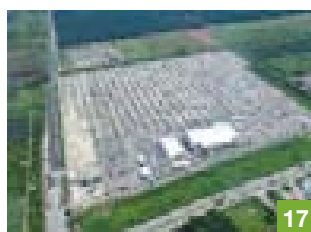


Axis Shah Alam DC 3



Fonterra HQ

Central Region - Port Klang



Axis PDI Centre



Axis Steel Centre



Bukit Raja Distribution Centre

**Central Region -
Cyberjaya**



20

Axis Eureka

**Central Region -
Nilai**



21

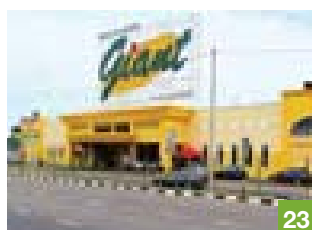
Emerson Industrial Facility Nilai

Northern Region



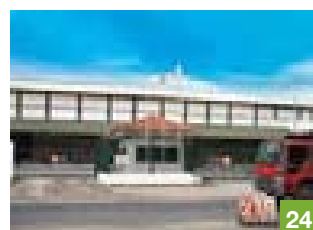
22

**Bayan Lepas
Distribution Centre**



23

Giant Hypermarket



24

**Seberang Prai
Logistic Warehouse 1**



25

**Seberang Prai Logistic
Warehouse 2**



26

Seberang Prai Logistic Warehouse 3

Southern Region



27

Axis Steel Centre @ SiLC



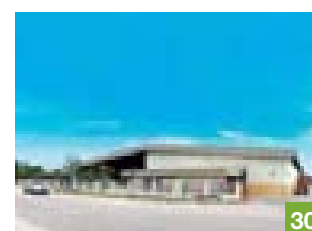
28

BMW Centre PTP



29

D8 Logistics Warehouse



30

Delfi Warehouse



31

FCI Senai



32

Niro Warehouse



33

Tesco Bukit Indah

Portfolio Details

Property Name	Acquisition Date	Purchase Price (RM'000)	Total Investment Outlay including enhancement as of 31-12-14 (RM'000)	Book Value based on latest valuation (RM'000)	Net Lettable Area (sq ft)
1 Menara Axis	03/08/2005	71,400	79,998	118,000	182,859
2 Crystal Plaza	03/08/2005	56,400	64,671	109,000	204,867
3 Axis Business Park	03/08/2005	84,600	94,713	119,000	341,467
4 Infinite Centre	03/08/2005	25,450	34,388	41,500	143,471
5 Wisma Kemajuan	16/12/2005	29,000	35,780	57,700	199,008
6 Axis Business Campus	30/06/2006	32,500	57,913	68,000	151,630
7 Axis Shah Alam DC1	01/08/2007	18,500	19,871	25,700	110,406
8 Giant Hypermarket	07/09/2007	38,000	38,898	41,000	138,000
9 FCI Senai	15/11/2007	12,300	12,659	16,000	136,619
10 Fonterra HQ	16/11/2007	7,200	11,063	15,000	36,310
11 Quattro West	30/11/2007	39,800	50,449	55,800	104,196
12 Strateg Data Centre	25/01/2008	37,000	42,632	53,000	104,903
13 BMW Centre PTP	30/04/2008	27,000	28,063	30,000	161,474
14 Niro Warehouse	30/04/2008	14,500	15,234	17,700	167,193
15 Delfi Warehouse	04/08/2008	12,500	12,803	15,600	130,743
16 Axis Vista	09/12/2008	32,000	33,651	56,039	118,017

Address	Gross Revenue for the period ended 31-12-14 (RM'000)	Occupancy Rate as at 31-12-14	Major Tenants
No. 2, Jalan 51A/223, 46100 Petaling Jaya, Selangor.	11,896	100%	Fujifilm (M) Sdn Bhd Sportathlon (M) Sdn Bhd Philips Malaysia Sdn Bhd DHL Asia Pacific Shared Services Sdn Bhd Opensys (M) Berhad
No. 4, Jalan 51A/223, 46100 Petaling Jaya, Selangor.	10,297	81.33%	Tenaga Nasional Bhd DHL Asia Pacific Shared Services Sdn Bhd Asiaworks Malaysia Sdn Bhd TNB Fuel Services Sdn Bhd
No. 10, Jalan Bersatu 13/4, 46200 Petaling Jaya, Selangor.	9,201	58.46%	Fuji Xerox Asia Pacific Pte Ltd Hitachi eBworx Sdn Bhd Honeywell Engineering Sdn Bhd Johnson & Johnson Sdn Bhd Eltek Power (Malaysia) Sdn Bhd
Lot 1, Jalan 13/6, 46200 Petaling Jaya, Selangor.	3,612	69%	Konica Minolta Business Solutions (M) Sdn Bhd C Melchers Gmbh & Co Wo Kee Hong Electronics Sdn Bhd
No. 2, Jalan 19/1B, Section 19, 46300 Petaling Jaya, Selangor.	6,400	97.38%	Guocera Marketing Sdn Bhd HUME Marketing Co Sdn Bhd Hawley & Hazel Marketing Sdn Bhd Brightstar Distribution Sdn Bhd Sumisho E-commerce (M) Sdn Bhd
Lot 13A & 13B, Jalan 225, Section 51A 46100 Petaling Jaya, Selangor.	528	0%	
Lots 2-22,2-24,2-26,2-28, Jalan SU 6A Taman Perindustrian Subang, (Lion Industrial Park), Section 22, 40300 Shah Alam, Selangor.	1,590	100%	Upeca Aerotech Sdn Bhd
Jalan Lencongan Barat, 08000 Sungai Petani, Kedah.	3,511	100%	GCH Retail (Malaysia) Sdn Bhd
PLO 205, Jalan Cyber 14, Senai IV Industrial Area, 81400 Johor.	1,639	100%	FCI Connectors Malaysia Sdn Bhd
No. 23, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, Batu Tiga, 40000 Shah Alam, Selangor.	1,173	84.96%	Fonterra Brands (M) Sdn Bhd
No. 4 Lorong Persiaran Barat, 46100 Petaling Jaya, Selangor.	5,671	84.18%	Zija Products (Malaysia) Sdn Bhd Kenanga Investment Bank Bhd TNB Energy Services Sdn Bhd HSS Integrated Sdn Bhd Roca Malaysia Sdn Bhd
No. 12 Jalan Bersatu 13/4, Section 13, 46200 Petaling Jaya, Selangor.	4,789	100%	Strateq Data Centre Sdn Bhd
Lot D21, Jalan Tanjung A/3, Distripark A, Port of Tanjung Pelepas, 81560 Johor.	3,424	100%	BMW Asia Technology Centre Sdn Bhd
PLO 419-421, Jalan Emas 2, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	1,719	100%	Niro Ceramic (M) Sdn Bhd
PLO 563, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	1,569	100%	Barry Callebaut Manufacturing Malaysia Sdn Bhd (formerly known as Delfi Cocoa (Malaysia) Sdn Bhd)
No. 11, Jalan 219, Section 51A 46100 Petaling Jaya Selangor.	2,556	100%	Convergent Strategies Sdn Bhd Mitsubishi Electric Sales Malaysia Sdn Bhd

Portfolio Details

Property Name	Acquisition Date	Purchase Price (RM'000)	Total Investment Outlay including enhancement as of 31-12-14 (RM'000)	Book Value based on latest valuation (RM'000)	Net Lettable Area (sq ft)
17 Axis Steel Centre	20/10/2009	65,000	66,273	70,000	366,839
18 Bukit Raja Distribution Centre	14/12/2009	71,750	73,916	94,500	456,435
19 Seberang Prai Logistic Warehouse 1	05/03/2010	17,390	17,702	20,200	106,092
20 Seberang Prai Logistic Warehouse 2	05/03/2010	6,860	7,325	8,000	41,893
21 Tesco Bukit Indah	01/10/2010	75,600	76,801	90,500	233,579
22 Axis PDI Centre	15/10/2010	85,000	86,336	92,000	58,009
23 Axis Technology Centre	15/11/2010	49,000	50,109	53,000	170,730
24 D8 Logistics Warehouse	01/03/2011	30,000	30,586	32,500	171,000
25 Axis Eureka	18/04/2011	51,250	53,243	53,000	117,618
26 Bayan Lepas Distribution Centre	17/01/2012	48,500	49,885	50,579	205,151
27 Seberang Prai Logistic Warehouse 3	15/02/2012	59,000	61,605	63,534	395,225
28 Emerson Industrial Facility Nilai	30/08/2012	26,500	27,307	29,490	291,642
29 Wisma Academy Parcel	01/10/2012	73,000	74,443	77,000	234,326
30 The Annex	01/10/2012	12,000	12,359	17,000	45,400
31 Axis Shah Alam DC 3	18/12/2014	183,000	185,661	183,245	685,082
32 Axis MRO Hub	18/12/2014	52,500	53,357	53,000	161,280
33 Axis Steel Centre @ SiLC	30/12/2014	153,500	156,020	156,000	688,011

Address	Gross Revenue for the period ended 31-12-14 (RM'000)	Occupancy Rate as at 31-12-14	Major Tenants
Lot 19, Lebuhr Hishamuddin 1, Kawasan 20, Selat Klang Utara, 42000 Pelabuhan Klang.	6,406	100%	Konsortium Logistik Bhd
No. 43 & 44, Lengkok Keluli 1, Kawasan Perindustrian, Bukit Raja Selatan, Sek 7, 40000 Shah Alam, Selangor.	6,575	100%	LF Logistics Services (M) Sdn Bhd
Plot 23, Tingkat Perusahaan 6, Kawasan Perusahaan Prai Phase 4, Seberang Prai Tengah, Penang.	1,595	100%	LF Logistics Services (M) Sdn Bhd
Plot 24, Tingkat Perusahaan 6, Kawasan Perusahaan Prai Phase 4, Seberang Prai Tengah, Penang.	630	100%	LF Logistics Services (M) Sdn Bhd
No 1, Jalan Bukit Indah 15, 81200 Johor.	6,475	100%	Tesco Stores (M) Sdn Bhd
Lot 7316, Off Jalan Klang / Banting, Locality of Sijangkang, 42500 Telok Panglima Garang, Selangor.	8,597	100%	Konsortium Logistik Bhd
No 13, Jalan 225, Section 51A, 46100 Petaling Jaya, Selangor.	4,158	88.29%	Fresenius Kabi Malaysia Sdn Bhd Fresenius Medical Care Malaysia Sdn Bhd Sigma Elevator (M) Sdn Bhd NZ New Image Sdn Bhd
Lot D8, Jalan Tanjung A/4 Port of Tanjung Pelepas Gelang Patah, 81560 Johor.	3,353	100%	Nippon Express (M) Sdn Bhd
3539, Jalan Teknokrat 7 63000 Cyberjaya Selangor.	5,690	62.07%	Scicom (MSC) Berhad Multimedia Development Corporation Sdn Bhd
88A, Lintang Bayan 9, Lintang Bayan Lepas Industrial Park, Phase IV 11900 Bayan Lepas, Penang.	4,735	100%	DHL Properties (M) Sdn Bhd
No. 74, Lorong Perusahaan Utama 4, Bukit Tengah Industrial Park 14000 Bukit Mertajam, Penang.	6,741	100%	Schenker Logistics (M) Sdn Bhd
Lot 13111 & Lot 13112, Mukim Labu, Kawasan Perindustrian Nilai, 71800 Negeri Sembilan.	2,692	100%	Emerson Process Management Manufacturing (M) Sdn Bhd
No 4A, Jalan 19/1, 46300 Petaling Jaya, Selangor.	7,741	94.33%	Dataprep (Malaysia) Sdn Bhd Ban Leong Technologies Sdn Bhd Tenaga Nasional Berhad Ingram Micro (Malaysia) Sdn Bhd Noble Temptation Sdn Bhd
No 4, Jalan 19/1, 46300 Petaling Jaya, Selangor.	598	100%	Sports Garage Sdn Bhd Chong Tin Sam
Lot No. 22202 Jalan Gambus 33/4, Off Jalan Bukit Kemuning, Batu 8.5 40400 Shah Alam, Selangor.	934	100%	Konsortium Logistik Berhad LF Logistics Services (M) Sdn Bhd
No. 3, Jalan Keluli 15/16 Section 15 40200 Shah Alam Selangor.	261	100%	SR Technics Malaysia Sdn Bhd
No. 27, Jalan SiLC 1/5, Kawasan Perindustrian SiLC 79200 Nusajaya, Johor.	63	100%	Yongnam Engineering Sdn Bhd



The Engineering Team

Asset Enhancement Initiatives



Abdul Aziz Abdul Rasheed
Head of Engineering

We have taken steps to expand and train the team in order for us to meet our goals of completing all projects on time and within budget. We are also managing our projects with sustainability in mind.

2014 has been an extremely busy year for the Engineering Department of the Manager. We were tasked with undertaking several asset enhancement initiatives within the portfolio as well as overseeing the technical due diligence of the four properties that were acquired in 2014.

To better handle our growing number of projects, we have taken steps to expand and train the team in order for us to meet our goals of completing all our projects on time and within budget. We are also managing our projects with sustainability in mind as we look forward to future demand by tenants when we upgrade our buildings.

We started the year by creating a Sustainability Policy that is in line with our corporate strategy to bring our assets in line with global standards by incorporating sustainable and energy-efficient features into all aspects of our current and future refurbishments. In our design brief to consultants, we stressed the need for full compliance with the latest regulatory standards as well as specifying energy-efficient fittings.

With the successful completion of Axis Business Campus, we have handed the property back to the Real Estate Team to conduct its leasing programme. In addition, we have also completed upgrading the passenger lifts in Crystal Plaza and replaced the cargo lifts in Infinite Centre. The tenants are very happy with these new facilities which help them to boost their productivity and operational efficiency.



Axis Business Campus

Asset Enhancements Undertaken in 2014

Axis Business Park, Block C

As reported in the last annual report, the Trustee had approved a project to enhance Axis Business Park, Block C. The enhancement of this 16-year old building was the largest project for the Engineering Team in 2014. The project commenced in the third quarter of 2014 after planning permission was obtained and is slated to be completed in Q1 of 2015.

Asset Enhancement Initiatives

The enhancement entailed the redesign of lettable space and common areas from a single tenant to a multi-tenanted configuration as well as undertaking a comprehensive upgrade of the facilities and facade. A summary of the work being done is listed below:

- Major facade enhancement with new cladding and sunshade fins to minimise direct sunlight on the building glazing;
- Upgrades of all mechanical and engineering services to comply with the latest health, safety and regulatory standards, including new plumbing and sewerage piping, and an upgraded fire-fighting system;
- New R410A environmentally friendly air-conditioning system for the entire building to comply with ASHRAE (American Society of Heating, Refrigerating and Air-Conditioning Engineers) Standard 15 and 34 and consistent with Montreal Protocol worldwide standards coming into effect in 2020;
- New fibre optics for all telco lines for high-speed broadband connectivity;
- Refurbishment of all toilets and lift lobbies;
- Addition of a new surau and food and beverage outlet for tenant comfort;
- The addition of new toilet clusters in warehouse area and general improvements to the look and feel of the surrounding area;
- Additional car and motorcycle parking bays;
- Upgraded toilets and lobbies for the disabled; and
- Upgraded loading bay.



Before Enhancement



After Enhancement



New Drop-off Lobby



New Entrance Lobby



Modern Lift Lobby



New Toilet Designs

The Annex

The second project the Engineering Team was tasked with was the redevelopment of The Annex. The Annex was acquired in 2012 and is currently used as a futsal and sports centre. To maximise value and drive revenue growth, a new design for the Annex was commissioned. The new Annex will now be a five-and-a-half storey office-warehouse complex, complete with a two-level basement car parking facility. Dedicated cargo and passenger lifts will be constructed for tenant convenience. The building will boast sustainable features as part of the Manager's sustainability agenda. We are now waiting for approvals from the planning commission to move forward on this project.



The Annex – Current Condition



Proposed Design

Other Projects

During the year, we continued to commission several smaller scale projects as part of our overall portfolio enhancement strategy.

One such project was the upgrading of all seven lifts in Menara Axis, which was necessary to keep our flagship property as a leading office address in Petaling Jaya. A competitive tender was conducted and refurbishment will start in Q1 of 2015.

Another lift upgrading project is scheduled for Axis Business Park, Block B. This installation will also commence in Q1 of 2015.

Asset Enhancement Initiatives

In addition, we have planned a comprehensive enhancement of the Menara Axis drop-off lobby, lift lobbies and toilets. The work will be executed in phases throughout 2015 to minimize disruptions to tenants' comfort and operations. With these enhancements, we will continue to keep Menara Axis very competitive with other new buildings in the area.



Existing Ground Floor Lift Lobby in Menara Axis



New Ground Floor Lobby Enhancement

In 2014 we began a project to upgrade the air-conditioning systems in the building following an extensive energy audit conducted earlier in the year. It was decided that the Variable Refrigerant Volume (VRV) air-conditioning design would best suit our requirements and meet the objectives of our sustainability and energy-saving policies. We conducted a pilot programme, involving three floors, and monitored the performance of the new systems over several months. Actual comparison of electricity bills pre-upgrading and post-upgrading revealed an energy saving of between 27% and 34%.

Enhancements for 2015

The Manager will continue with its Asset Enhancement Initiatives strategy into 2015, with more planned upgrades to our portfolio. Our plans include upgrading the lifts in Wisma Academy Parcel and Wisma Kemajuan in Petaling Jaya which have been in service for more than 15 years. We are also initiating a project to refurbish Wisma Academy Parcel to make it more contemporary and competitive as a destination of choice for the corporate world. Work is expected to commence in Q3 of 2015.



The
Property
Management
Team

Property Manager's Report

The Property Manager remains focused on management, maintainance and the enhancement of the real estate investments by providing quality property management services.



Selina Khor
Property Manager
Axis Property Services

Siva Shankar
General Manager
Axis Facilities Management Sdn Bhd

Axis Property Services (APS or the Property Manager) has been appointed by the Trustees as the Property Manager for Axis-REIT. Together with Axis Facilities Management Sdn Bhd (AFMSB) a 100%-owned subsidiary of the Axis Group, they are jointly responsible for the daily management, maintenance and enhancement of the Axis-REIT's portfolio.

APS is headed by Ms Selina Khor; a registered valuer and AFMSB comprises 36 staff who are qualified professionals from the real estate sector, including engineers, facility managers, project managers, electrical chargemen, technicians, health and safety officers, and administrators.

The Property Manager's responsibilities include overseeing the day-to-day operational matters, such as working with the Real Estate Team in the marketing of space, property management and maintenance; coordinating tenants' fit-out requirements; supervising the performance of contractors; and ensuring building and safety regulations are complied with. APS is also responsible for overseeing all the revaluation exercises for the portfolio as well as the management of operating expenses.

More specifically, APS is tasked with the following:

Property Management and Services

Working hand-in-hand with the Real Estate Team, APS ensures that the property specifications and service levels are commensurate with the intended market positioning of each property. APS is also responsible for managing site staff to ensure that the desired level of property and customer care is implemented in all properties.

Expense Management

APS adopts a prudent operational strategy in line with the Manager's objective to maximise return without compromising service standards. The Property Management Team strives to improve operating processes and productivity, and enhance operational effectiveness so as to optimise operational costs. It also conducts energy audit services to identify, on a continual basis, buildings with the potential to save on energy consumption either through a more efficient management policy or a capital expenditure plan.

Project Management

Where required, the Property Management Team provides expertise in the area of project management for repair and maintenance projects undertaken by the Manager. In doing so, it liaises closely with the Engineering Team and external professionals to ensure each project is carried out in a timely and efficient manner.

Acquisition, Due Diligence and Valuation

APS is part of the acquisition team that undertakes the building inspection, engaging independent engineering consultants to conduct a thorough technical due diligence and ensuring all health and safety issues are resolved prior to purchase.

In addition, APS monitors the valuations undertaken by independent valuers engaged by the Trustee for properties that are to be acquired to ensure they are accurate and fair.

The Property Management Team continues to remain focused on the protection and enhancement of the investments made in real estate by providing the highest quality of property management services to all properties entrusted to them. They also work hard to establish themselves as a trusted business partner of Axis-REIT's tenants.

Other areas of responsibility for APS includes:

- Strategic asset planning and lifecycle analysis of all buildings;
- Governance and accountability;
- Compliance to local authorities and statutory requirements;
- End of lease management and reinstatement of vacated spaces;
- Car park management;
- Sustainability initiatives.

Market Indications

Malaysia's economy, which recorded an impressive gross domestic product (GDP) growth of 6.3% in the first half (1H) of 2014, moderated to register a 5.6% growth in the third quarter (3Q), compared with 6.5% in 2Q 2014. Private consumption expanded 6.7% in 3Q 2014 (against 6.5%) 2Q 2014, while private investment grew at a slower pace of 6.8% (12.1% in 2Q 2014). For the whole of 2014, the country's growth registered between 5.5% and 6.0%.

On 10 July 2014, Bank Negara Malaysia raised the Overnight Policy Rate (OPR) by 25 basis points to 3.25%, the first hike since May 2011 on the back of the country's steady economic growth performance.

Malaysia's Industrial Production Index (IPI) expanded 4.9% for the January to November 2014 period when compared to the corresponding period in 2013, attributed to the increase in all indices of manufacturing (5.9%), mining (2.2%) and electricity (4.8%).

The country's total trade in November 2014 was valued at RM116.3 billion, a 1.2% increase from the previous year. Year-on-year (YOY), exports grew 2.1% to RM63.7 billion while imports increased marginally by 0.1% to RM52.6 billion.

Industrial Sector Overview

The services and manufacturing sectors have consistently remained as the key engine to the country's growth. From 1Q 2010 to 3Q 2014, the contribution of the manufacturing sector to the country's total GDP (at current prices) has been fairly consistent, ranging from 23.6% to 25% quarterly.

Manufacturing Sector - Percentage Contribution to Total GDP in Malaysia

	1Q2010	1Q2011	1Q2012	1Q2013	1Q2014	2Q2014	3Q2014
Manufacturing (RM Million)	47,558	52,285	55,571	55,118	60,510	64,574	64,313
GDP (RM Million)	190,409	211,549	227,491	233,898	257,352	263,414	268,810
Percent of Total	24.98%	24.72%	24.43%	23.56%	23.51%	24.51%	23.93%

Source: Department of Statistics, Malaysia

The manufacturing sector continued to be an important part of Malaysia's industrialisation efforts, attracting both foreign and local investments. In the first nine months of this year, the sector saw 619 projects approved with a total investment of RM63.5 billion (about 36.9% of the country's total investments) and 65,400 jobs created.

Total Number of Approved Manufacturing Projects in Malaysia (2010 to Jan-Sept 2014)

	2010	2011	2012	2013	Jan-Sept 2014
Number of Approved Projects	910	846	804	787	619
Foreign Investment (RM Billion)	29.1	34.2	20.8	30.5	35.0
Total Capital Investment (RM Billion)	47.2	56.1	41.0	52.1	63.5

Source: Malaysian Industrial Development Authority (MIDA)

By industrial category, five industries made up of about 78% of the total approved investment, with petroleum products topping the list with investments of RM15.7 billion, followed by chemical and chemical products (RM10.4 billion), basic metal products (RM9.5 billion), electrical and electronics (RM8.9 billion) and transport equipment (RM5.4 billion).

Foreign investments amounting to RM35 billion made up about 55.1% of the total investments, whilst local investments contributed RM28.5 billion (44.9%). More than half of the foreign investments in the manufacturing sector were from Asian countries, such as Japan, Singapore and China, while member states of the European Union and the United States accounted for 26% of the total investments.

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Market Overview 2014

In terms of location, Johor accounted for RM20.1 billion or 31.7% of the total investments, followed by Sarawak with RM10 billion (15.6%), Penang at RM6 billion (9.4%), and Selangor with RM5.6 billion (8.9%).

Industrial Market

1.0 Selangor

1.1 Industrial Sector

According to data from the Malaysian Industrial Development Authority (MIDA), Selangor recorded a total of 182 approved manufacturing projects for the January to September 2014 period, reflecting a 16.7% increase when compared to the corresponding period in 2013 (156 projects). Simultaneously, total proposed capital investment surged by 46.4% to register at RM5.67 billion, up from RM3.87 billion recorded during the corresponding period in 2013.

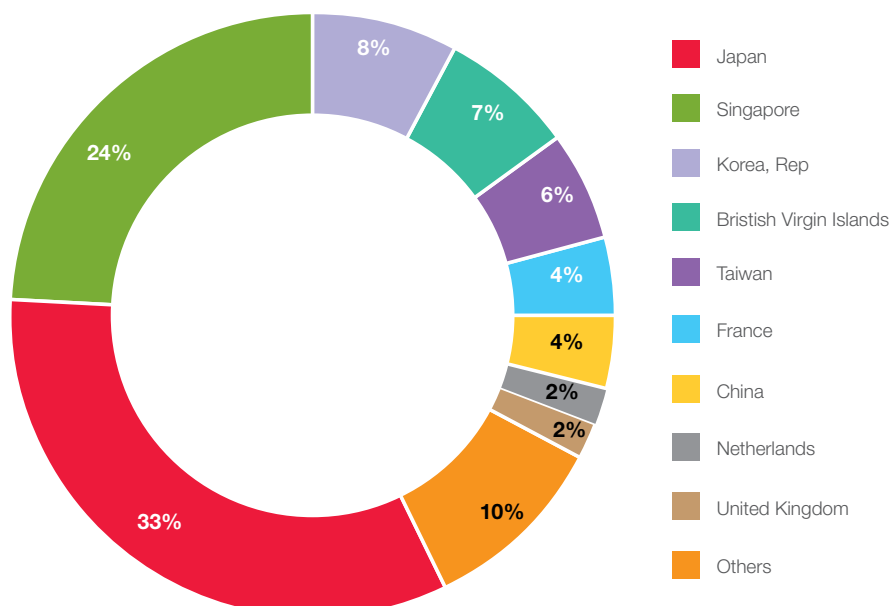
Selangor - Approved Manufacturing Projects (2010 to Jan-Sept 2014)

	2010	2011	2012	2013	Jan-Sept 2014
Number of Approved Projects	325	263	252	228	182
Total Capital Investment (RM Billion)	10,642	8,741	11,735	9,833	5,670

Source: MIDA

According to data from the Selangor State Investment Centre (SSIC), foreign direct investments (FDI) accounted for about 43.8% of the total approved capital investment, mainly from countries such as Japan, Singapore, Republic of Korea, British Virgin Islands and Taiwan.

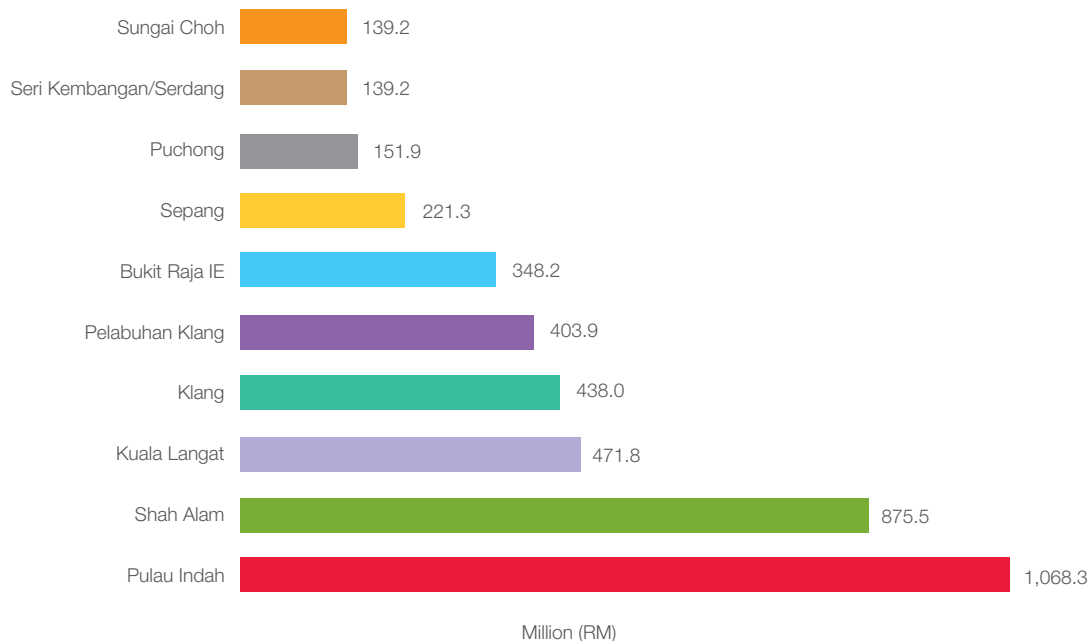
Selangor - Foreign Direct Investment in Manufacturing Projects by Country (Jan-Sept 2014)



Source: Selangor State Investment Centre (SSIC)

Location wise, most of the approved manufacturing projects within the state are located in Pulau Indah with total investments of RM1,068.3 million, followed by Shah Alam at RM875.5 million and Kuala Langat at RM471.8 million.

Selangor - Top 10 Locations of Approved Investments in Manufacturing Projects (Jan-Sept 2014)



Source: SSIC

1.2 Industrial Property Market

1.2.1 Overview

For the first nine months of 2014 (January to September), the volume of industrial property transactions in Selangor was recorded at 1,950, marginally lower than the 1,955 transactions recorded in the corresponding period in 2013. Total value of transactions, however, was significantly higher by 21.7% to register at about RM5.53 billion compared to the preceding period.

Selangor - Industrial Property Transactions (Jan-Sept 2013 and 2014)

Property Type	Jan-Sept 2013		Jan-Sept 2014	
	Volume of Transactions (No.)	Value of Transactions (RM million)	Volume of Transactions (No.)	Value of Transactions (RM million)
Terraced	1,015	632.65	917	666.58
Semi-detached	307	965.67	505	1,610.55
Detached	186	1,512.74	168	1,491.43
Others ⁽¹⁾	447	1,427.52	360	1,756.44
Total	1,955	4,538.58	1,950	5,525.00

Source: Jabatan Penilaian dan Perkhidmatan Harta (JPPH, Malaysia)

Note: (1) Others include industrial vacant plot, industrial complex unit and other types of industrial property

The terraced factory category was the most actively transacted, accounting for 51.9% and 47% of the total volume of transactions recorded in the first nine months of 2013 and 2014 respectively with corresponding value of RM632.65 million and RM666.58 million.

For the January to September period of 2014, the semi-detached and detached factory categories recorded 505 (25.9%) and 168 (8.61%) transactions respectively. These categories, however, reported higher transaction values of RM1.61 billion (29.2%) and RM1.49 billion (27.0%) respectively. The average value per detached factory transaction is analysed to about RM8.88 million in 2014, reflecting a 9.2% increase from RM8.13 million in 2013.

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Market Overview 2014

1.2.2 Supply – Existing & Future

The cumulative existing supply of industrial properties in Selangor stood at 35,664 units as of 3Q 2014. There was an increase of 142 units from 2013, made up of 118 semi-detached and 24 detached units respectively. The terraced factory category constitutes the bulk of existing supply at about 74.8%, followed by the detached and semi-detached categories at 11.9% and 12.2% respectively.

The existing stock is mainly located within District Petaling (40.6%), District Klang (18.8%) and District Hulu Langat (16.2%).

Property Type	Existing Supply (No. of Unit)						Future Supply (No. of Unit)	
	2009	2010	2011	2012	2013	3Q2014 ^(p)	Incoming	Planned
Terraced	26,310	26,310	26,307	26,424	26,662	26,662	2,289	409
Semi-Detached	3,367	3,409	3,569	3,765	4,136	4,254	1,164	1,074
Detached	4,222	4,234	4,261	4,291	4,337	4,361	247	685
Flatted Factory	270	270	270	272	272	272	0	5
Industrial Complex	105	106	108	114	115	115	6	23
Total	34,274	34,329	34,515	34,866	35,522	35,664	3,706	2,196

Source: JPPH Property Stock Report

Note: (p) = Preliminary

The terraced and semi-detached categories dominate the incoming supply with 2,289 units (61.2%) and 1,164 units (31.4%) respectively. In terms of location, the bulk of incoming supply will come from District Klang and District Petaling.

Selangor - Supply of Industrial Properties by District (2009 - 3Q2014)

District	Existing Supply (No. of Unit)						Future Supply (No. of Unit)	
	2009	2010	2011	2012	2013	3Q2014 ^(p)	Incoming	Planned
Petaling	14,087	14,089	14,161	14,362	14,478	14,494	686	178
Klang	6,501	6,510	6,522	6,546	6,638	6,696	1,603	1,282
Kuala Langat	293	295	295	295	298	298	73	218
Kuala Selangor	161	161	166	166	170	170	61	60
Sabak Bernam	21	21	21	21	35	35	26	1
Gombak	3,514	3,514	3,561	3,573	3,612	3,599	596	133
Hulu Selangor	3,771	3,771	3,721	3,721	3,721	3,721	100	0
Hulu Langat	5,156	5,172	5,247	5,356	5,686	5,768	561	238
Sepang	770	796	821	826	884	883	0	86
Total	34,274	34,329	34,515	34,866	35,522	35,664	3,706	2,196

Source: JPPH Property Stock Report

Note: (p) = Preliminary

A total of 2,196 units of factories are under planning, with some 48.9% comprising semi-detached units, followed by those in the detached category (31.2%). The majority of planned supply will be located within District Klang, District Hulu Langat and District Kuala Langat.

1.2.3 Capital Value

In Selangor, there were several notable detached factory / warehouse transactions reported in 2014. Transaction deals with values exceeding RM10 million were observed at Hicom Glenmarie Industrial Park in Shah Alam, Port Klang and Meru locality in Klang.

Selangor - Selected Industrial Property Transactions (2014)

Location	Type	Land Area (sq. ft.)	Tenure	Date	Consideration (RM)
GM 1894, Lot 765, Mukim of Kapar, District Klang, off Jalan Meru, Klang	Industrial property comprising a block of factory building and a 3-storey office building	190,575	Freehold	October 2014	19,000,000
GRN 177271, Lot 38170, Pekan Baru Hicom, District Petaling Taman, Perindustrian Subang, Shah Alam	Single storey detached factory/warehouse with an annexed 3-storey office, a guard house and a refuse chamber	42,410	Freehold	June 2014	7,200,000
HSM 18515, PT 3756, Selat Klang Utara, Mukim Kapar, District Klang, Selat Kelang Utara, Port Klang	Industrial premises	174,240	Leasehold	June 2014	14,300,000
HS(D) 116356 PT 170, Bandar Suleiman, District Klang, Bandar Sultan Suleiman, Port Klang	Double-storey office block with a connecting single-storey factory	130,685	Leasehold	June 2014	8,000,000
GRN 215183, Lot 61789, Bandar Glenmarie, District Petaling, Hicom Glenmarie, Industrial Park, Shah Alam	Industrial land together with a 3-storey office and warehouse building with a mezzanine floor annexe	45,768.5	Freehold	April 2014	18,500,000

Source: Bursa Malaysia / Knight Frank Research

1.2.4 Rental Value

Selangor, with its well-developed infrastructure network and a skilled labour force, continues to be the choice location for local and foreign investments. The state also houses the largest port in the country as well as the nation's biggest international airport.

In Petaling Jaya, asking rents for industrial premises in selected established areas such as Sections 51, 13 and 19, range from RM1.60 per sq. ft. to RM2.50 per sq. ft.

Detached factory/warehouse properties in Temasya Glenmarie and Hicom Glenmarie Industrial Park command monthly rental rates in the region of RM1.60 per sq. ft. and RM2.10 per sq. ft. respectively while asking rents in the established industrial areas of Shah Alam, such as Sections 15, 23, 26 (Hicom Industrial Estate) and 28, range from RM1.20 per sq. ft. to RM2.30 per sq. ft. per month.

Asking rents in Subang Hi-Tech Industrial Park are observed to be between RM1.60 per sq. ft. and RM2.00 per sq. ft. per month while over at the relatively newer industrial area of Bukit Jelutong, asking rents are quoted between RM1.50 per sq. ft. and RM2.00 per sq. ft. per month. In Bukit Raja Industrial Park, rentals range from RM1.30 per sq. ft. to RM1.80 per sq. ft. a month.

Meanwhile, rental rates for detached factory/warehouse properties in Klang are generally lower when compared to Petaling Jaya and Shah Alam. In the traditional industrial areas of Klang (including Port Klang, Telok Panglima Garang, Pandamaran and Meru), asking rents are quoted between RM0.70 per sq. ft. and RM1.60 per sq. ft.

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Market Overview 2014

2.0 Johor

2.1 Industrial Sector

Iskandar Malaysia continues to attract investments, both local and foreign. From January to October 2014, the region attracted investments amounting to RM24.87 billion, bringing its cumulative investment to RM156.51 billion (63% local: 37% foreign). Manufacturing remained the largest contributor of committed investments at 32.9% (RM50.97 billion). To date, about RM79 billion or 50.6% of the total investment has been realised.

Statistics from MIDA revealed that from January to September 2014, Johor recorded a total of 147 approved manufacturing projects with a corresponding capital investment of RM20.13 billion, exceeding investment for the whole year of 2013 which was recorded at RM14.4 billion

Johor - Approved Manufacturing Projects (2010 to Jan-Sept 2014)

	2010	2011	2012	2013	Jan-Sept 2014
Number of Approved Projects	172	188	184	197	147
Total Capital Investment (RM Billion)	7,464.9	6,584.6	5,534.3	14,444.6	20,129.9

Source: MIDA

Domestic investments made up about RM13 billion of the total, notably from the oil and gas industry with investments in the Refinery and Petrochemical Integrated Development (RAPID) project and its associated facilities.

2.2 Industrial Property Market

2.2.1 Overview

Johor recorded a total of 919 industrial property transactions in the first nine months of the year with a corresponding value of RM2 billion. This reflects a 2.9% and 23.9% increase in the volume and value of transactions when compared to the corresponding period in 2013.

Property Type	Jan-Sept 2013		Jan-Sept 2014	
	Volume of Transactions (No.)	Value of Transactions (RM million)	Volume of Transactions (No.)	Value of Transactions (RM million)
Terraced	283	141.82	281	150.58
Semi-detached	174	227.88	194	327.69
Detached	132	522.83	186	798.81
Others ⁽¹⁾	304	728.49	258	730.72
Total	893	1,621.02	919	2,007.80

Source: JPPH

Note: (1) Others includes industrial vacant plot, industrial complex unit and other types of industrial property

The volume and value of transactions for the detached factory category in the state grew significantly to record at 186 units valued at RM798.81 million, up by about 41% and 53% respectively from the corresponding period in 2013. In terms of value, this category accounts for about 39.8% of the total value of transactions, with the average value per detached factory analysed to about RM4.29 million per transaction, an 8.4% increment from RM3.96 million in the preceding period.

There were a total of 475 recorded transactions in the semi-detached and terraced factory categories, worth RM478.27 million. These categories account for some 51.6% and 23.8% of the total volume and value of industrial property transactions during the review period.

Meanwhile, there were some 221 transactions in the industrial vacant plot category with corresponding value of about RM695.36 million from January to September 2014.

2.2.2 Supply - Existing and Future

The cumulative existing supply of industrial property in Johor stood at 14,019 units as at 3Q2014, an increase of 226 units from 2013. Terraced factories formed the bulk of new supply with 94 units, followed by the semi-detached category (63 units) and cluster type (48 units). There were a total of 23 detached units slated for completion by 3Q2014.

The terraced factory category forms the bulk of existing supply at about 54.2%, followed by the semi-detached and detached categories at 21.2% and 20.9%, respectively.

The existing stock is largely located within District Johor Bahru (65.2%), followed by District Kulaijaya (9.6%) and District Batu Pahat (8.5%).

Johor - Supply of Industrial Properties by Type (2009 – 3Q 2014)

Property Type	Existing Supply (No. of Unit)						Future Supply (No. of Unit)	
	2009	2010	2011	2012	2013	3Q2014 ^(p)	Incoming	Planned
Terraced	7,459	7,469	7,471	7,509	7,509	7,603	409	804
Semi-Detached	2,779	2,779	2,825	2,855	2,911	2,974	809	955
Detached	2,712	2,734	2,750	2,855	2,901	2,924	329	1625
Flatted Factory	0	0	0	0	2	0	0	0
Industrial Complex	470	470	470	470	470	470	11	23
Cluster	0	0	0	0	0	48	260	112
Total	13,420	13,452	13,516	13,689	13,793	14,019	1,818	3,519

Source: JPPH Property Stock Report

Note: (p) – Preliminary

The semi-detached category dominate the incoming supply with 809 units (44.5%), followed by terraced category 409 units (22.5%) and detached category 329 units (18.1%) respectively. In terms of location, the bulk of incoming supply will come from District Johor Bahru and District Kulaijaya.

Johor - Supply of Industrial Properties by District (2009 – 3Q 2014)

District	Existing Supply (No. of Unit)						Future Supply (No. of Unit)	
	2009	2010	2011	2012	2013	3Q2014 ^(p)	Incoming	Planned
Johor Bahru	8,805	8,814	8,858	8,967	9,048	9,145	964	1,003
Kota Tinggi	389	389	389	389	389	389	0	16
Pontian	247	247	247	248	250	250	109	149
Kluang	909	909	909	909	909	911	66	7
Mersing	28	28	28	28	39	39	30	21
Muar	258	268	274	274	276	294	5	606
Batu Pahat	1,113	1,122	1,130	1,139	1,143	1,157	137	1,024
Segamat	265	265	265	280	282	376	62	413
Kulaijaya	1,314	1,318	1,324	1,340	1,342	1,343	445	280
Ledang	92	92	92	115	115	115	0	0
Total	13,420	13,452	13,516	13,689	13,793	14,019	1,818	3,519

Source: JPPH Property Stock Report

Note: (p) – Preliminary

A total of 3,519 units of factories are under planning, with some 46.2% comprising detached units, followed by those in the semi-detached category (27.1%) and terraced category (22.8%). The majority of planned supply will be located within District Batu Pahat and District Johor Bahru.

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Market Overview 2014

With the buoyant investment climate in the state's manufacturing sector, both foreign and local developers were actively setting the pace for industrial property developments. Notable industrial property developments announced in 2014 include the joint-venture (JV) project between Singapore-based developer Ascendas Pte Ltd and local developer UEM Sunrise Bhd. Nusajaya Tech Park at Gerbang Nusajaya, which has a gross development value (GDV) of RM3.7 billion, sits on a 210-hectare site. It will be developed in three phases over nine years.

Industrial Business Park (IBP) Park in SiLC Nusajaya by THAB Development Sdn Bhd was launched in October 2014. This JV project is between AME Group, SGX main board listed Tat Hong Group, Boustead Singapore, and CSC Holdings Limited. Phase 1 of the development comprising 52 units out of the total 101 units of semi-detached and detached factories reported 100% take-up rate within two hours. The selling prices range from RM350 per sq. ft. to RM410 per sq. ft. on built-up area.

In July 2014, WB Land Sdn Bhd launched Phase 2 of Frontier Industrial Park in Desa Cemerlang, Ulu Tiram in Johor. The 62-acre project offers 86 units of semi-detached and 6 detached factories with built-up areas ranging from 7,009 sq. ft. to 65,156 sq. ft., priced from RM2.2 million to RM9 million. The project is slated for completion by the fourth quarter of 2015.

Meanwhile, local-based logistics service provider, Warisan Sanubari Sdn Bhd, unveiled its plan to develop an integrated bio-logistics hub named WH Distripark on a 4.046-hectare land located at the Bio-Xcell Biotechnology Park in Nusajaya with completion expected by 2016.

2.2.3 Capital Value

There were several notable transactions of industrial premises reported in 2014.

Johor - Selected Industrial Property Transactions (2014)

Location	Type	Land Area (sq. ft.)	Tenure	Date	Consideration (RM)
HS(D) 17036 PTD No. 8790 & HS(D) 4681 PTD No. 18692, Mukim Senai, District Kulaijaya	1 unit of single storey detached factory with a mezzanine floor together with 1 guardhouse and 1 canteen	174,246	Leasehold	November 2014	9,000,000
HSD 458080/PTD 5755, Mukim Jelutong, District of Johor, Bahru ⁽¹⁾	3 one to three-storey detached factories, 2 single-storey factories, 1 two-storey office building and other supporting structures	1,176,120	Freehold	October 2014	153,500,000
HS(D) 454418 PTD 3932 Mukim Sungai Tiram, District Johor Bahru	Biodiesel and glycerine production facility	1,306,803 (30 acres)	Leasehold	August 2014	23,000,000
HSD 162767 PTD 90018, Mukim Plentong, District Johor Bahru	2 single-storey factories, double-story office block, a single-storey warehouse, 2 production factories and other ancillary buildings	332,798	Leasehold	April 2014	15,500,000

Source: Bursa Malaysia / Knight Frank Research

Note: (1) Purchased by Axis REIT. Property will be leased back to the Vendor for 15+15 years.

2.2.4 Rental Value

In Johor, the average asking rentals for industrial premises in selected prime industrial areas such as Pasir Gudang, Port of Tanjung Pelepas and Senai range from RM0.80 per sq. ft. to RM2.20 per sq. ft. per month.

Industrial premises in Senai command higher asking rents in the region of RM1.10 per sq. ft. to RM1.60 per sq. ft. per month when compared to those located in the Pasir Gudang, which range from RM0.80 per sq. ft. to RM1.30 per sq. ft. per month.

In the Port of Tanjung Pelepas, asking monthly rentals for warehouses are in the region of RM2.20 per sq. ft.

3.0 Penang

3.1 Industrial Sector

The state received a total of 121 approved projects in the first nine months of 2014 with corresponding capital investment of about RM6.0 billion.

Penang - Approved Manufacturing Projects (2010 to Jan-Sept 2014)

	2010	2011	2012	2013	Jan-Sept 2014
Number of Approved Projects	128	109	115	119	121
Total Capital Investment (RM Billion)	12,238.0	9,106.0	2,471.5	3,912.3	5,999.5

Source: MIDA

Foreign investments accounted for RM3.34 billion, or 55.7%, up significantly from RM1.04 billion recorded in the corresponding period in 2013. Domestic investment which constituted the remaining RM2.66 billion, was up by 64.7% compared to the preceding period in 2013.

The official opening of the Sultan Abdul Halim Muadzam Shah Bridge (Second Penang Bridge) in March 2014 has seen Batu Kawan in mainland Penang attracting foreign manufacturers to invest in the area.

During the year, several notable foreign manufacturers announced their mega investments in Batu Kawan, ranging from RM50 million to RM1.20 billion. They include US-based Hewlett-Packard, Seagate and SanDisk Corporation, as well as the German-based ZF Lenksysteme GmbH.

Hewlett-Packard will set up a manufacturing facility on a site of about 50 acres, and Seagate will invest RM1.05 billion over five years with the purchase of a 40 acre site plus an option to purchase another 30 acres of land at Batu Kawan Industrial Park.

The year also saw Singapore Aerospace Manufacturing Pte Ltd (SAM) opening its RM200 million subsidiary, Aviatron (M) Sdn Bhd at the Penang Science Park. SAM also has plans to expand its manufacturing facility over a period of three to five years in its second and third phase for future manufacturing activity.

In May 2014, the Penang Development Corporation (PDC) signed an RM11.3 billion agreement with Singapore's Temasek Holdings to develop the 197.68-acre Penang International Technology Park (PITP) in Batu Kawan, and the 6.67 acre Business Process Outsourcing Prime (BPO Prime) in Bayan Baru.

3.2 Industrial Property Market

3.2.1 Overview

From January to September 2014, Penang recorded a total of 347 industrial property transactions, lower by 14.7% compared to the corresponding period in 2013. Total value of transactions dipped by 12.6% to register at RM522.80 million.

Knight Frank

Market Overview 2014

Penang – Industrial Property Transactions (Jan-Sept 2013 & 2014)

Property Type	Jan-Sept 2013		Jan-Sept 2014	
	Volume of Transactions (No.)	Value of Transactions (RM million)	Volume of Transactions (No.)	Value of Transactions (RM million)
Terraced	184	129.02	187	111.74
Semi-detached	76	96.29	54	81.70
Detached	46	253.51	37	244.40
Others ⁽¹⁾	101	119.02	69	84.96
Total	407	597.84	347	522.80

Source: JPPH

Note: (1) Others include industrial vacant plot, industrial complex unit and other types of industrial property

The volume of transactions for the terraced factory category was the most active in Penang, accounting for 45.2% and 53.9% of the total volume of transactions recorded in the first nine months of 2013 and 2014 respectively with corresponding values of RM129.02 million and RM111.74 million.

Despite recording lower volume of transactions in 2014, the average value per transaction for the semi-detached and detached factory categories increased by 19.4% and 19.9% to record at RM1.51 million and RM6.60 million per unit respectively.

3.2.2 Supply – Existing and Future

As at 3Q2014, the cumulative existing supply of industrial property in Penang stood at 7,969 units. There was an increase of 138 units from 2013, comprising 77 units of terraced factories, 29 units of semi-detached and 28 units of detached factories respectively.

The existing stock is largely located within District Seberang Perai Tengah (57%), followed by District Seberang Perai Utara (15.9%) and District Barat Daya (10.2%).

Penang - Supply of Industrial Properties by Type (2009 – 3Q 2014)

Property Type	Existing Supply (No. of Unit)						Future Supply (No. of Unit)	
	2009	2010	2011	2012	2013	3Q2014 ^(p)	Incoming	Planned
Terraced	4,817	4,862	4,862	4,882	4,920	4,997	2	212
Semi-Detached	1,109	1,109	1,109	1,109	1,121	1,150	74	66
Detached	1,320	1,333	1,336	1,380	1,415	1,443	83	190
Flatted Factory	333	333	333	333	333	336	59	8
Industrial Complex	42	42	42	42	42	43	0	0
Total	7,621	7,679	7,682	7,746	7,831	7,969	218	476

Source: JPPH Property Stock Report

Note: (p) – Preliminary

The detached category dominates the incoming supply with 83 units (38.1%), followed by semi-detached category with 74 units (33.9%), and flatted factory (27.1%). In terms of location, the incoming supply will mainly come from District Timur Laut (65 units) and Seberang Perai Selatan (59 units), followed by District Seberang Perai Tengah (44 units) and District Barat Daya (40 units).

Penang - Supply of Industrial Properties by District (2009 – 3Q 2014)

District	Existing Supply (No. of Unit)						Future Supply (No. of Unit)	
	2009	2010	2011	2012	2013	3Q2014 ^(p)	Incoming	Planned
Timur Laut	631	631	631	631	635	635	65	5
Barat Daya	715	718	718	730	743	811	40	30
Seberang Perai Utara	1,265	1,266	1,267	1,267	1,268	1,268	10	51
Seberang Perai Tengah	4,359	4,380	4,381	4,410	4,474	4,544	44	251
Seberang Perai Selatan	651	684	685	708	711	711	59	139
Total	7,621	7,679	7,682	7,746	7,831	7,969	218	476

Source: JPPH Property Stock Report

Note: (p) – Preliminary

A total of 476 units of factories are under planning, with some 44.5% comprising terraced units, followed by the detached and semi-detached categories at 39.9% and 13.9% respectively. The majority of planned supply will be located within District Seberang Perai Tengah and District Seberang Perai Selatan.

3.2.4 Capital Value

There were two significant transactions during 2014 with both located within District of Seberang Perai Tengah.

Location	Type	Land Area (sq. ft.)	Tenure	Date	Consideration (RM)
No. H.S.(D) 4289, Mukim 1, Daerah Seberang Perai Tengah	A single-storey factory building	43,704	Leasehold	November 2014	4,500,000
No. H.S.(D) 4289, Mukim 1, Daerah Seberang Perai Tengah	Warehouse and office	82,067	Leasehold	September 2014	9,250,000

Source: Bursa Malaysia / Knight Frank Research

3.2.5 Rental Value

Industrial premises within Bayan Lepas Industrial Park, a premier industrial area command high asking rents ranging from RM1.30 per sq. ft. to RM2.20 per sq. ft. per month while asking rentals in Bukit Tengah Industrial Park are between RM1.00 per sq. ft. and RM1.70 per sq. ft. per month.

Rental rates in other industrial areas within Seberang Prai generally range between RM1.00 per sq. ft. and RM1.20 per sq. ft. per month.

Knight Frank Market Overview 2014

Office Market

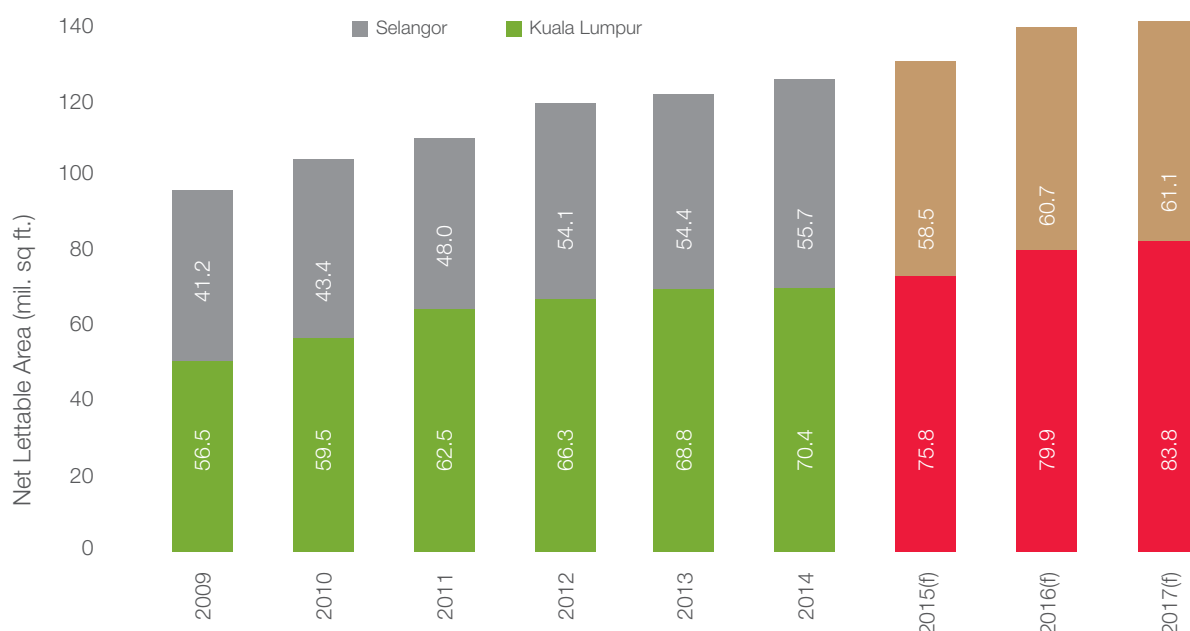
4.0 Greater KL / Klang Valley

4.1 Supply - Existing & Future

As of 2014, the total existing supply of office space in Greater KL / Klang Valley stands at about 126.1 million sq. ft., up by about 2.9 million sq. ft. (2.3% growth year-on-year) from 2013.

Notable office completions in 2014 include Menara TH (360,000 sq. ft. NLA) and Menara Hap Seng 2 (326,000 sq. ft.) in Kuala Lumpur; Menara Kembar Bank Rakyat (963,000 sq. ft.) in KL Sentral; and The Pinnacle (580,000 sq. ft.), Menara TSR (152,000 sq. ft.), Menara Dialog (154,000 sq. ft.) and Puchong Financial Corporate Centre (PFCC) Towers 4 & 5 (total 440,000 sq. ft.) from the Suburban office market (includes Cyberjaya and Putrajaya).

Greater KL / Klang Valley - Cumulative Supply of Purpose-Built Office Space 2009 - 2017 (f)



Source: JPPH / Knight Frank Research

Note: (f) - Forecast

There has been steady growth in the supply of office space in Greater KL/ Klang Valley with both the Kuala Lumpur and Suburban office markets growing 5% to 6% annually.

There is a high impending supply currently under construction and in the planning pipeline catering to demand for investment grade purpose-built office buildings. Between 2015 and 2017, an estimated 18.8 million sq. ft. of office space is expected to come on stream.

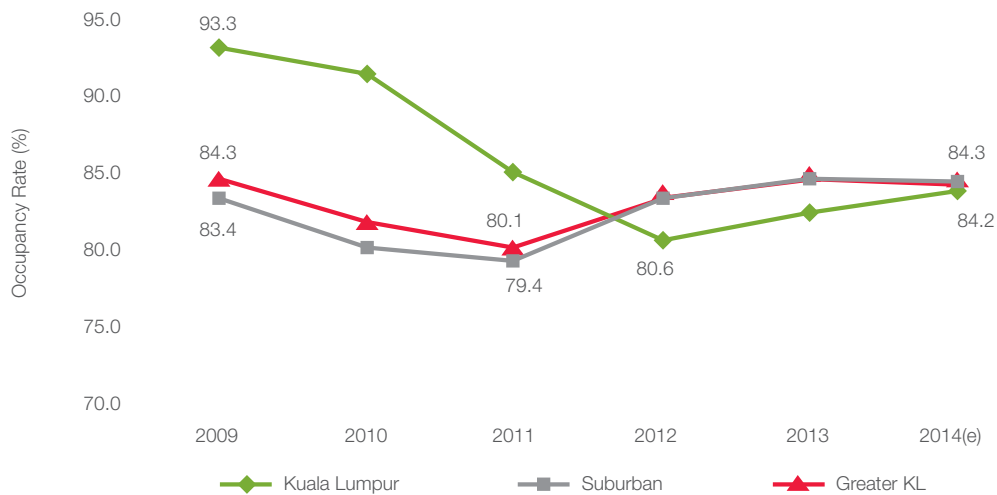
Kuala Lumpur will have some 13.4 million sq. ft. of incoming/future supply, with KL City and KL City Fringe contributing approximately 5.1 million sq. ft. and 8.3 million sq. ft. of office space, respectively.

Several notable office completions slated for 2015 include IB Tower, Menara Bangkok Bank, Naza Tower, and KL Trillion Office Tower in KL City; Q Sentral and Damansara City 2 Office Towers in KL City Fringe; and The Ascent @ Paradigm, Top Glove Tower and L&G Putrajaya Office Tower in the suburbs.

4.2 Occupancy Rates

The average occupancy rate in Kuala Lumpur which has been on a declining trend since 2009 (following the high completion of buildings) has improved since 2012 to record at about 84.2% in 2014.

Greater KL / Klang Valley - Occupancy Trend 2009 - 2014(e)



Source: JPPH / Knight Frank Research

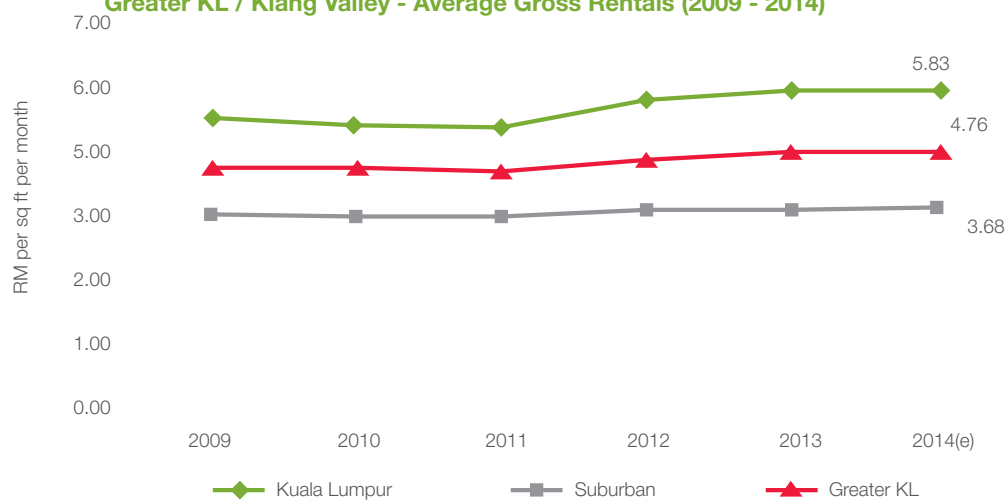
Note: (e) - Estimate

In the suburbs, average occupancy rate has remained fairly stable in recent years, hovering above 80% since 2012 due to improved occupancies in selected locations such as Petaling Jaya and Subang Jaya.

4.3 Rental Rates

The average gross rentals of purpose-built office buildings in Kuala Lumpur were fairly stable from 2009 to 2011. In 2012, following the completions of several Prime A+ office buildings such as Menara Binjai, Menara Darussalam and Integra Tower, overall asking rentals moved up by 8.5% to about RM5.60 per sq ft (2011: RM5.16 per sq ft) per month.

Greater KL / Klang Valley - Average Gross Rentals (2009 - 2014)



Source: JPPH / Knight Frank Research

Despite the widening gap between supply and demand, asking gross rents in Kuala Lumpur continue to hold, recording at about RM5.83 per sq. ft. per month in 2014. Rental rates of Prime A and Prime A+ grade offices in both KL City and KL City Fringe continue to command higher asking rents ranging between RM6.50 per sq. ft. and RM12.00 per sq. ft. per month.

In the suburbs, gross rentals have remained stable since 2009 averaging at RM3.62 per sq. ft. per month. In Putrajaya, average asking rentals are in the region of RM6.02 per sq. ft.; RM4.41 per sq. ft. in Cyberjaya; RM3.87 per sq. ft. in Subang Jaya; and about RM3.66 per sq. ft. in Petaling Jaya.

Knight Frank

Market Overview 2014

4.4 Capital Values

The investment market was fairly active in 2014 recording five notable transactions with a combined value of about RM1.12 billion.

Greater KL / Klang Valley - Notable Office Transactions (2014)

Date of Transaction	Building Name	Locality	Tenure	Estimated NLA (sq. ft.)	Consideration (RM)	Analysis (RM per sq. ft.)
Kuala Lumpur						
Dec 2014	Menara ING ⁽¹⁾	Jalan Raja Chulan	Freehold	160,413	132,340,000	825
Jan 2014	Platinum Sentral ⁽²⁾	KL Sentral	Freehold	475,857	740,000,000	1,424
April 2014	Bangunan Shell Malaysia ⁽³⁾	Damansara Heights	Freehold	212,857	138,000,000	648
Selangor						
May 2014	12½-storey office building ⁽⁴⁾	Petaling Jaya	Leasehold	93,381	49,000,000	525
Dec 2014	Wisma Sunway ⁽⁵⁾	Shah Alam	Leasehold	171,544	60,000,000	350

Source: Knight Frank Research

Notes:

- (1) Goldstone Kuala Lumpur Sdn Bhd is acquiring 19 office parcels and 190 car park bays within Menara ING from Tower Real Estate Investment Trust.
- (2) Platinum Sentral comprises five blocks of four- to seven-storey commercial buildings with office-cum-retail space, a multi-purpose hall and two levels of car park. As per tenancy schedule (March 2014), it has a total NLA of 475,857 sq. ft. (excluding licensed area/outdoor/terrace) made up of office: 419,643 sq. ft. and retail: 56,214 sq. ft.. The Heads of Agreement was executed in January 2014. On April 2014, MRCB Sentral Properties Sdn Bhd entered into a conditional Sale & Purchase Agreement with Maybank Trustees Berhad (acting solely as trustees for Quill Capita Trust) for the proposed disposal.
- (3) Bangunan Shell Malaysia, completed in 1986, is a 12-storey purpose-built office building with a basement car park, linked to Wisma Chase Perdana via a common ramp. Alloy Properties Sdn Bhd, a subsidiary of AlloyMtd Group, sold the office building to Malaysia Co-operative Societies Commission (Suruhanjaya Koperasi Malaysia).
- (4) The leasehold building is being occupied by Green Packet Berhad.
- (5) A stratified 19-storey office building (excluding Parcel No. 2, Ground Floor; identified as Unit No.L2A) together with elevated and basement car park and mechanical bays. A refurbishment exercise was completed within the office tower in 2013.

Moving forward, the widening gap between supply and demand will continue to exert further pressures on rental and occupancy rates as developers and landlords compete to secure and retain tenants. Thus, there may be need for developers/owners to review the timeline of proposed/planned projects to space out supply and prevent a potential oversupply situation in the market.

Well located good grade office buildings, supported by amenities and public transportation, as well as office space that are Multimedia Super Corridor (MSC) compliant and eco-friendly will continue to attract both tenants and investors alike, maintaining their high occupancy rates and competitive rentals.

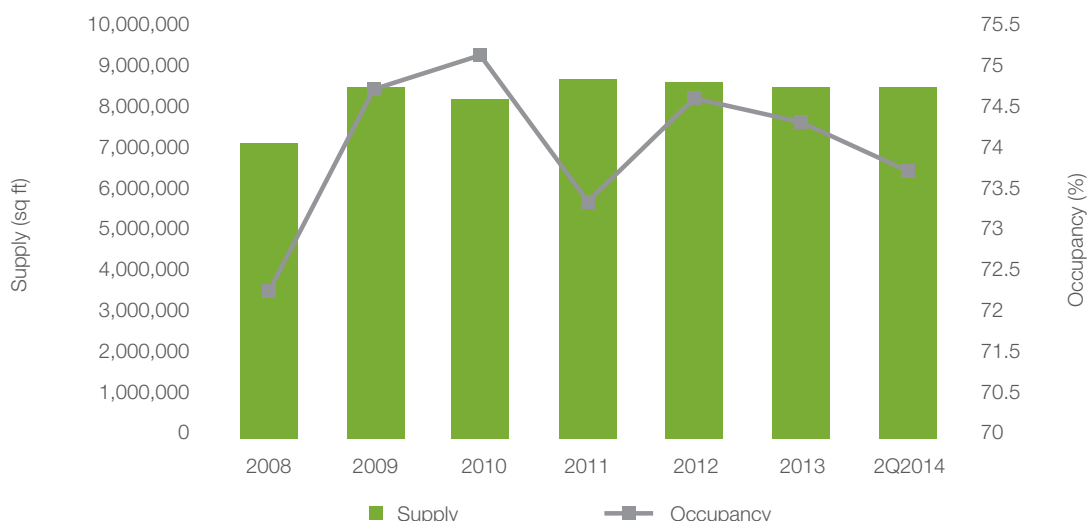
The popularity of KL City Fringe/Suburban as an alternative office location is supported by improved infrastructure which provides easy accessibility and good connectivity to various parts of Klang Valley. The demand for office space in these decentralised locations is anticipated to grow at a faster pace in line with more active office developments, especially in the localities of KL Sentral, Pantai and Bangsar and established/upcoming development corridors along the existing/ongoing transportation routes (LRT and MRT).

5.0 Johor

5.1 Supply & Occupancy

As at 2Q 2014, the total Net Lettable Area (NLA) of purpose-built office space which includes private buildings and government buildings in Johor Bahru stands at approximately 8.5 million sq. ft. with an overall average occupancy rate of about 73.5%.

Johor Bahru – Supply and Occupancy Trend (2008 – 2Q2014)



Source: JPPH / Knight Frank Research

Private buildings currently accounts for approximately 70% (5.87 million sq. ft.) of total purpose-built office space in Johor Bahru.

5.2 Rental Rates

Rentals for prime and non-prime Central Business District (CBD) office space remained stable. Monthly asking rental rates for prime space range from RM2.50 per sq. ft. to RM3.50 per sq. ft. per month while non-prime office space commands lower rates of between RM1.80 per sq. ft. and RM2.50 per sq. ft. per month. These quoted rates are generally inclusive of service charges.

Johor - Rental Range & Occupancy of Selected Office Buildings

Name of Building / Location	Estimated NLA (sq. ft.)	Estimated Occupancy Rate	Rental Range (per sq. ft. / month)
Johor Bahru City Square, Jalan Wong Ah Fook	460,000	80%	From RM3.50
Public Bank Tower, Jalan Wong Ah Fook	170,000	75%	RM2.30
Menara MSC Cyberport, Jalan Wong Ah Fook	370,000	90%	RM2.40 - RM3.00
Menara Ansar, Jalan Trus	240,000	80%	RM3.50
Bangunan KWSP, Jalan Dato Dalam/Jalan Syed Mohd Mufti	145,000	75%	RM2.80
Menara Tabung Haji, Jalan Air Molek	250,000	85%	Mezzanine: RM3.00 - RM4.00 Other Levels: RM2.00
Menara Pelangi, Taman Pelangi	230,000	80%	RM2.80
Menara Zurich, Jalan Dato' Abdullah Tahir	336,000	75%	RM2.50

Source: JPPH / Knight Frank Research

Several proposed/upcoming integrated developments have plans to incorporate purpose-built office buildings as one of their key components. They include Medini Empire, Zikay @ Medini, Southkey, Vantage Bay, Volt Corporate Park and 18 @ Medini.

Knight Frank

Market Overview 2014

6.0 Penang

6.1 Supply & Occupancy

The cumulative supply of purpose-built office space in Penang reduced slightly by 0.2% in 3Q 2014 to 11.45 million sq. ft. (2013: 11.48 million sq. ft.) as the market witnessed conversion of some office space in existing buildings to other usage.

Penang Island constitutes about 8.71 million sq. ft. or 76% of the total office supply while Mainland Penang made up the remaining 2.75 million sq. ft. or 24%.

The overall occupancy rate of office space in Penang was recorded at 81.2% in 1H of 2014 (1H 2013: 81.1%), with Penang Island and Mainland Penang recording 80.6% and 83.2% occupancy respectively (source: JPPH).

Selected prime office buildings on Penang Island have been maintaining their average occupancy rates at 98%, while two newer office buildings, namely Suntech and Menara IJM Land, reported 97% occupancy rate in 2014.

6.2 Rental Rates

Monthly asking rentals of selected existing prime office buildings have increased to the region of RM2.70 per sq. ft. to RM3.00 per sq. ft. during year 2014, from RM2.50 per sq. ft. to RM2.80 per sq. ft. reported in year 2013.

Meanwhile, rental rates for newer buildings, namely Gurney Paragon Office Tower, Suntech and Menara IJM, range from RM3.00 per sq. ft. to RM3.50 per sq. ft. per month.

While Penang continues to remain one of the preferred locations in attracting manufacturing projects in Malaysia, the state government's concerted efforts in promoting Penang to become a business process outsourcing hub in the region has seen two notable developments taking place in the office market.

In March 2014, Penang launched its RM3.3 billion Business Process Outsourcing – Information Technology Outsourcing Hub (BPO-ITO Hub) project. The BPO-ITO project will consist of three development components, which include the 74-acre BPO Park in Bayan Lepas, a 6.8-acre BPO Prime in Bayan Baru and a 100,000 sq. ft. space for the Creative Animation Triggers (CAT) within the George Town Heritage Enclave.

During the year, the state also witnessed the opening of a new 10,000 sq. ft. global shared service and outsourcing (SSO) centre by multinational firm First Solar. Other companies which have started their SSO operations in Penang include Citigroup Transaction Services Malaysia, IHS, Wilmar and AirAsia.



The
Business
Development
& Investor
Relations Team

Business Development Report

We continue to be aggressive on researching all possible REIT-able assets available to us in the market.



Chan Wai Leo
Head of Asset Management,
Investments & Investor Relations



Chan Tze Wee
Manager, Business Development
& Investor Relations

Acquisitions

In FY2014, Axis-REIT handled four acquisition transactions that totalled RM434 million and increased the portfolio's area under management by approximately 1.73 million sq. ft. Three of the four asset acquisitions were completed by 31 December 2014. The other one is pending fulfilment of a condition precedent and is anticipated to be completed by the first quarter of 2015.

The four asset acquisitions are:



Property Name	: Axis Shah Alam DC 3
Gross Floor Area	: 694,000 sq. ft.
Land Tenure	: Freehold
Occupancy	: 100%
Purchase Price	: RM183,000,000
Valuation	: RM183,245,000
Projected Initial Net Yield	: 7.06%
Overall WALE	: Approx. 4 years
Transaction Status	: Completed as of 18 December 2014



Property Name	: Axis MRO Hub
Gross Floor Area	: 172,000 sq. ft.
Land Tenure	: Leasehold expiring 12 January 2086
Occupancy	: 100%
Purchase Price	: RM52,500,000
Valuation	: RM53,000,000
Projected Initial Net Yield	: 7.07%
Overall WALE	: Approx. 7 years
Transaction Status	: Completed as of 18 December 2014



Property Name	: Axis Steel Centre @ SiLO
Gross Floor Area	: 688,011 sq. ft.
Land Tenure	: Freehold
Occupancy	: 100%
Purchase Price	: RM153,500,000
Valuation	: RM156,000,000
Projected Initial Net Yield	: 7.20%
Overall WALE	: 15 years
Transaction Status	: Completed as of 30 December 2014



Property Name	: Axis Shah Alam DC2
Gross Floor Area	: 171,650 sq. ft.
Land Tenure	: Leasehold expiring 8 August 2066
Occupancy	: 100%
Purchase Price	: RM45,000,000
Valuation	: RM46,000,000
Projected Initial Net Yield	: 7.00%
Overall WALE	: 3 years
Transaction Status	: Anticipated completion by first quarter of 2015

Disposals



As reported in the Annual Report 2013, the Trustees entered into a Sale & Purchase Agreement with Collective Developers Sdn Bhd on 26 December 2013 for the sale of Axis Plaza. The sale of Axis Plaza was completed on 25 March 2014.

The overview of the property and summary of the deal are as follows:

Address	: Axis Plaza, No. 5, Jalan Penyair U1/44, Seksyen 1, 40150 Shah Alam.
Acquisition Date	: 3 August 2005
Land Tenure	: Freehold
Net Lettable Area	: 117,450 square feet
Major Tenants	: Ricoh (Malaysia) Sdn Bhd, CSE Automotive Technologies Sdn Bhd, Electrolux Commercial Products Sdn Bhd

Purchaser	: Collective Developers Sdn Bhd – a private limited company and an indirect wholly-owned subsidiary of Singapore Post Limited.
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Purchase Consideration	: RM34,000,000
Completion Date	: 25 March 2014
Gain on Disposal	: RM10,952,000
Income Distribution	: 2.36 sen per unit

Moving Forward

In 2015, the Manager will maintain its strategy of buying and selling assets that can lead to maximising returns to our Unitholders; it will continue to source and evaluate potential transactions that are deemed investable in terms of having an excellent location, falling into our preferred asset classes, qualifying as being Shariah compliant and that can meet the Manager's required yield expectations. All our acquisitions are financed by a mix of Islamic Financing Facilities and equity.

The selection of assets will continue to focus on:

- Grade A logistics facilities and generic manufacturing facilities with long leases from tenants with strong covenants;
- Well-located retail warehousing in locations ideal for last-mile distribution;
- Office, business parks and industrial properties with a potential for future enhancement.

The Manager's acquisition strategy continues to be anchored by the following stringent requirements and corresponding risk assessment:

- Strategic key market locations with focus on Klang Valley, Johor and Penang;
- Core asset class;
- Yield accretive assets;
- Strong tenant covenants and lease structures;
- Land title security;
- Building age;
- Enhancement possibilities;
- Valuation;
- Capital appreciation potential;
- Future redevelopment potential.

Business Intelligence

We continue to be aggressive on researching all possible REIT-able assets available to us in the market. We do this by:

- Mapping out all available industrial zones in our core areas;
- Visiting prospects;
- Working with the Promoters' private equity vehicles;
- Working with real estate agents and banks; and
- Third party developers.

Investor Relations Report

The Manager is constantly seeking new and more efficient channels to better reach out and engage with stakeholders.



Chan Wai Leo
Head of Asset Management,
Investments & Investor Relations

Chan Tze Wee
Manager, Business Development
& Investor Relations

Engaging with the Investing Community

It has been our tradition to meet every half and full year with our analysts and fund managers as well as members of the media for a comprehensive results briefings. These sessions are led by the Chief Executive Officer as well as our Chief Operating Officer/Finance Director, Head of Real Estate and Head of Asset Management, Investments & Investor Relations. A comprehensive presentation on Axis-REIT's financial, operational metrics as well as business outlook is provided to allow participants to keep abreast of Axis-REIT's latest developments.

These briefings are also attended by our members of the Board and senior management of the Manager to enable the participants to interact with them and to clarify any queries they may have with the management team.

In addition to conventional channels of communications, such as investors' meetings and briefings (including non-deal roadshows), tele-conference, publications, annual reports and Axis-REIT's website, the Manager is constantly seeking new and more efficient channels to better reach out and engage with stakeholders.



Members of the media listening to a briefing by the Manager.



Dato' Stewart LaBrooy taking questions from the press.



Key management after the end of the second quarter 2014 results announcement.



Lunch with the attendees post-presentation of the second quarter 2014 results.

Annual General Meeting (AGM) and Unitholders' Meetings

Annual General Meeting 2014

In 2013, the Securities Commission revised the REIT Guidelines to rule that all Malaysian REITs had to hold an Annual General Meeting (AGM) within four months after their financial year closes.

The AGM enables the Manager to engage with our Unitholders and provide them with a comprehensive report on the status of the Fund. It also gives Unitholders an opportunity to participate in a face-to-face dialogue with the CEO and senior management.

The Manager held the Second Annual General Meeting on 29 April 2014 at Hilton Petaling Jaya, during which Unitholders approved the following:

- The Audited Financial Statements for FY2013; and
- The renewal of the authority to allot and issue up to 80,058,351 new Units for the Income Distribution Reinvestment Plan (IDRP) exercise.

Unitholders' Meetings 2014

The first Unitholders' Meeting of 2014 was held back-to-back with the AGM on 29 April 2014 for the convenience of Unitholders who were presented with the following resolutions:

- To vote on the allotment and issuance of up to 86,040,951 Units (representing 18.65% of the existing issued fund size) to facilitate a placement exercise;
- To vote on the proposed increase in the existing issued fund size of Axis-REIT from 461,239,089 Units up to a maximum of 547,280,040 Units; and
- To vote on the proposed subscription of new Units under the proposed placement by the interested Directors and persons connected to them.

The resolutions were passed by the Unitholders.

A second Unitholders' meeting was held on 19 November 2014 at Hilton Petaling Jaya at which Unitholders were asked to pass the following resolution:

- To approve three proposed related party acquisitions by RHB Trustees Berhad, on behalf of Axis-REIT.

The resolution was passed by the Unitholders.

In line with best practice since 2010, the Manager has adopted the use of poll-voting at Unitholders' meetings in respect of related party transactions for greater transparency.

All Unitholders are given the opportunity to raise questions and seek clarification with the Board of Directors and senior management during such Meetings. Results of such Meetings are made available on the Bursa Securities portal on the same day.

We are committed to continue to maintain our informative channels of communication and adhere to the highest standards of timely disclosure and transparency as we move forward.



Unitholders sign in for the AGM and the Unitholders' meeting at Hilton Petaling Jaya.



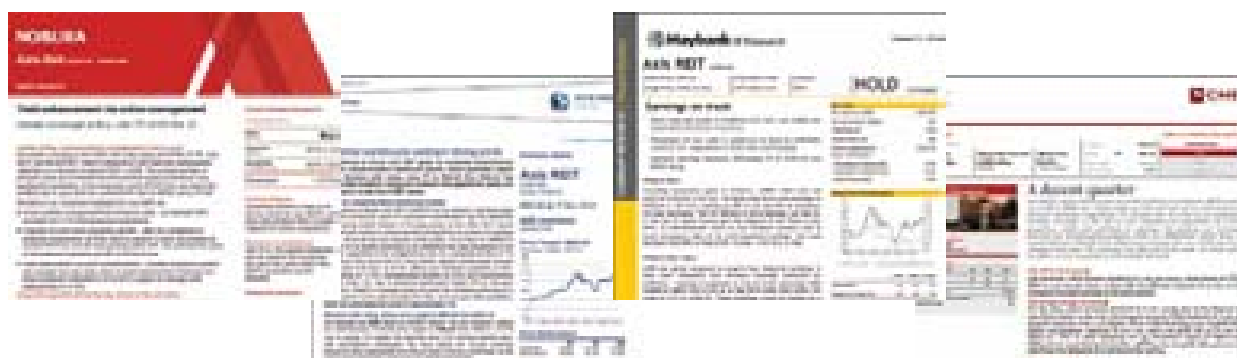
Dato' Stewart LaBrooy presents financial highlights to the Unitholders.

Investor Relations Report

Research Coverage in 2014

In 2014, Axis-REIT was covered by nine investment banks, this includes two newly-initiated coverage reports. Below is a snapshot of the reports published in the second half of 2014:

Coverage	Rating	Target Price (RM)	Coverage Period
CIMB Bank	Buy	3.85	3Q2014
RHB	Hold	3.55	3Q2014
Maybank	Hold	3.34	3Q2014
Kenanga	Underperform	3.48	3Q2014
Nomura	Buy	4.15	3Q2014
Alliance DBS	Hold	3.65	3Q2014
Affin Hwang	Hold	3.90	3Q2014
Nomura	Buy	4.15	4Q2014 (Post-placement)
Kenanga	Underperform	3.48	4Q2014 (Post-placement)
CIMB Bank	Buy	3.85	4Q2014
RHB	Hold	3.55	4Q2014
Maybank	Hold	3.37	4Q2014
Alliance DBS	Hold	3.60	4Q2014
MIDF	Hold	3.50	4Q2014
Hong Leong	Hold	3.57	4Q2014



In 2014, two investment banks initiated coverage reports on Axis-REIT.

Analyst & Press Briefings

The Manager held two analyst and press briefings on the following dates:

- 22 January 2014 - announcement of fourth quarter 2013 results;
- 5 August 2014 - announcement of second quarter 2014 results;

Media Engagement & Public Events

Continued engagement with the media throughout the year ensured that Axis-REIT sustained extensive coverage in the mainstream media, such as newspapers, radio and TV channels, and through financial blogs. Events and forums which our CEO was invited to speak at also attracted media coverage.

Axis-REIT thus continued to attract strong press coverage throughout 2014, with media values tracked independently by a media monitoring agency. Below are the media engagement events in 2014:

- Two press conferences organised in conjunction with the Unitholders' meetings on 29 April 2014 and 19 November 2014;
- Media appreciation night held on 5 December 2014 to thank members of the media for their support throughout the year.

Our investor outreach programmes also help keep current and prospective Unitholders informed about the Fund and its latest performance. These programmes include the management team's participation in the following public and private events:

Date	Events
11-Jan	Wealth Mastery Convention - presentation on 'Industrial Market Outlook and Performance for Year 2014'
26-Feb	Industrial Real Estate and Business Parks Conference
08-Apr	Asia Pacific Real Estate Association (APREA) Property Leaders Forum 2014
01-Jun	Star Property Fair 2014
26-Aug	ASLI's 17th National Housing and Property Summit - presentation on 'Commercial and Industrial Property Outlook: Where is the Market Heading?'
15-Dec	London Islamic Fund & Asset Management Expert Rounds - presentation on Improving Product Diversity and Innovation in Islamic Funds'
24-Dec	Submission for The Brand Laureate Best Brands award - Category: Corporate Branding, Best Brands in Financial Services - REIT



Speakers are invited to present to a select crowd of attendees as part of the Managers' outreach programme.

Awards & Recognition

In 2014, the Asia Pacific Property Awards 2014 - 2015 recognised Axis-REIT by announcing Axis Business Campus as the winner of the Five-Star Award for the Best Commercial Renovation/Redevelopment in Malaysia as well as for Asia Pacific.



Dato' Stewart LaBrooy accepts an award at the Asia Pacific Property Awards 2014 ceremony

Axis-REIT is also proud to be part of the The Edge Billion Ringgit Club.

Investor Relations Report

Price & Volume Metrics

An Overview

- Unit price appreciation for 2014 is 23.5% with an opening price on 1 January 2014 of RM2.93 and a closing price on 31 December 2014 of RM3.62;
- 2014 price movement - Highest RM3.70 (November); Lowest RM2.80 (January);
- Number of Unitholders increased year-on-year by 5.6% from 3,009 Unitholders recorded at 31 December 2013;
- Number of Unitholdings increased to 547,522,040 post-placement (Placement units amount to 83,579,942 Units and Manager Units of 242,000 Units).

Liquidity remained tight as investors held on to their Unitholdings, resulting in a cumulative volume decrease year-on-year by 20,871,900 Units to 92,609,600 Units.

Our top five increases in Unitholdings by Investors as at 31 December 2014 are:

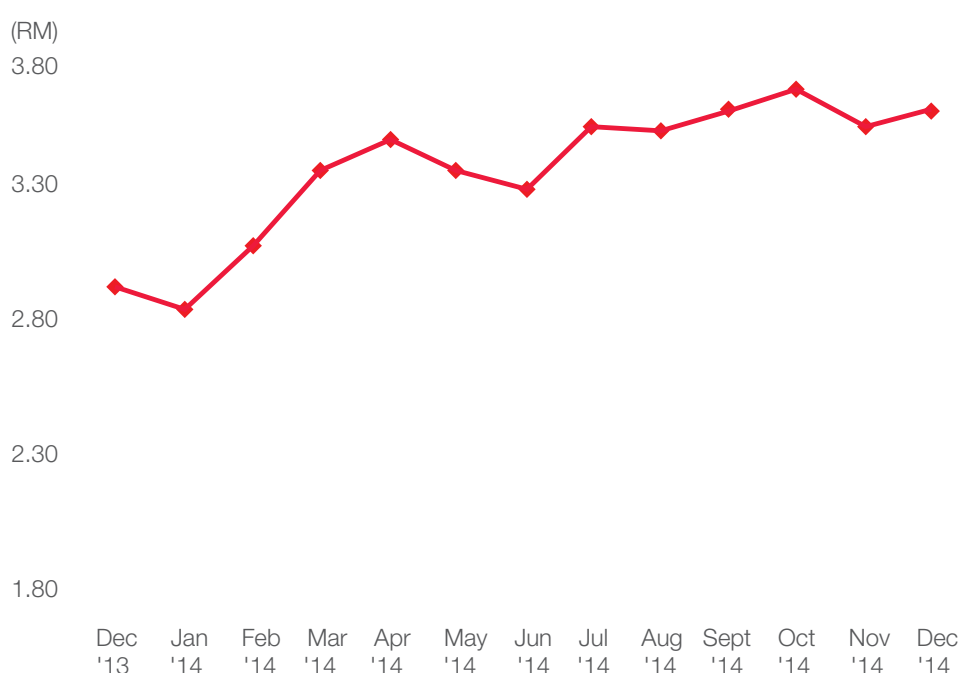
- Lembaga Tabung Haji
- Kumpulan Wang Persaraan (Diperbadankan)
- Employees Provident Fund
- Skim Amanah Saham Bumiputera
- Permodalan Nasional Berhad

Unit Price Performance Highlights

	2010	2011	2012	2013	2014
Closing Unit Price as at 31 December (2010-2014)	2.37	2.62	3.13	2.93	3.62
High	2.40	2.63	3.22	4.02	3.70
Low	1.92	2.30	2.62	2.93	2.80
NAV	2.01	2.08	2.17	2.23	2.42
Market Capitalisation (RM million)	891	1,189	1,429	1,351	1,982

Source: Bloomberg & Annual Report

Axis-REIT Unit Price

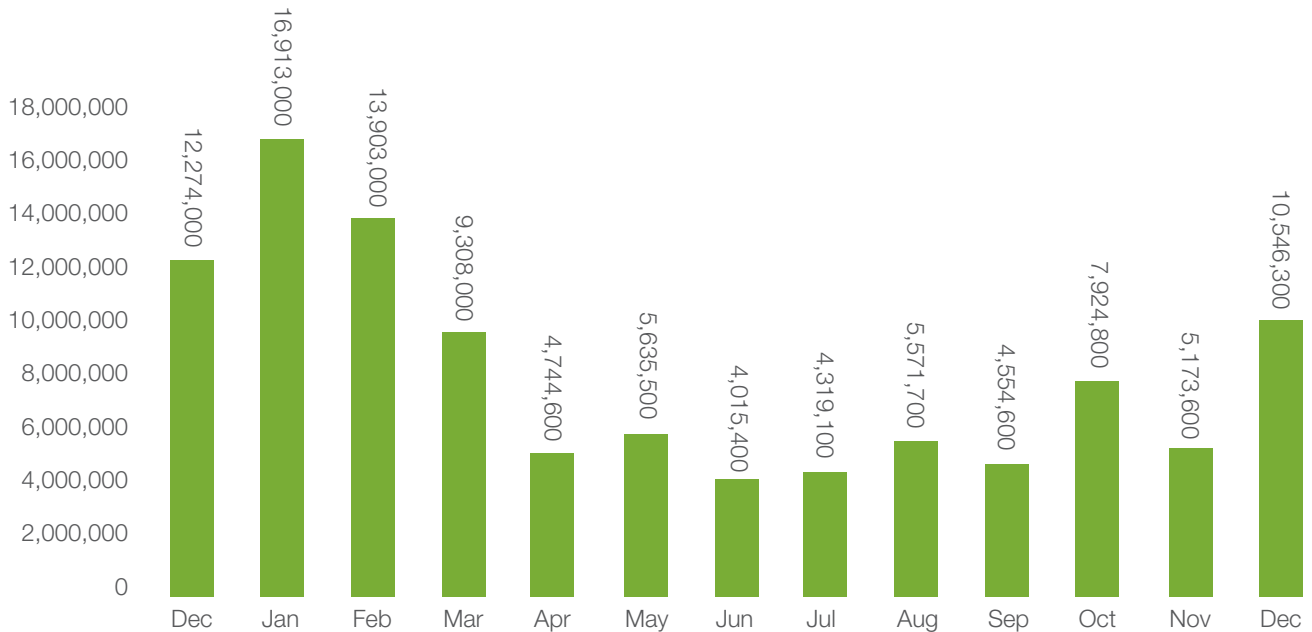


Transaction Volume Highlights

At 31 December 2014, Axis-REIT had shown a good momentum of trading volume at 92,609,000 Units for 2014.

- Average Monthly Volume 7,717,400 (1 Jan 2014 – 31 Dec 2014).
- Highest Monthly Volume 16,913,000 (January 2014).
- Lowest Monthly Volume 4,015,400 (June 2014).

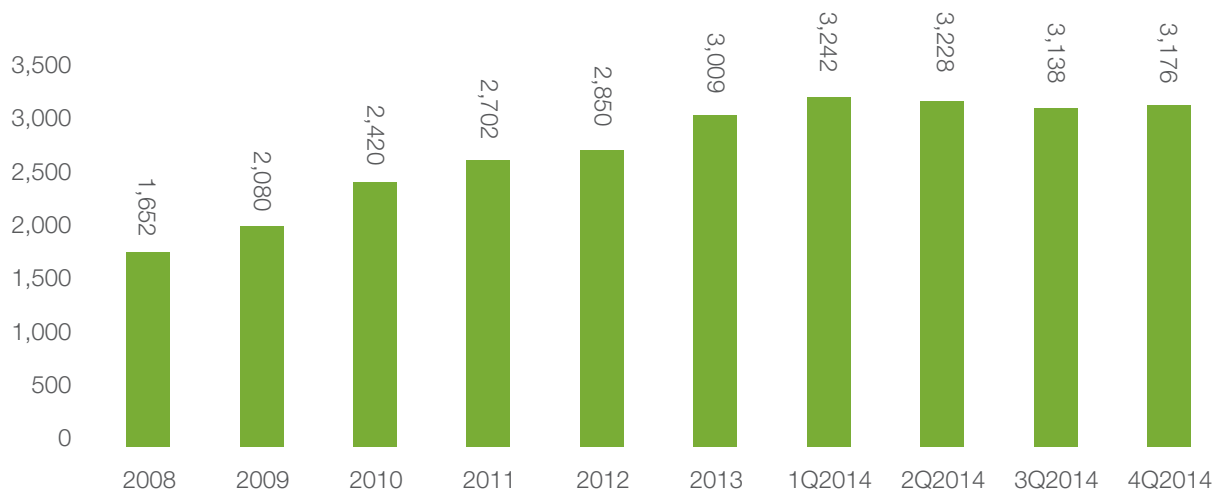
Volume Traded



CDS Accounts Highlights

The number of Central Depository System (CDS) accounts traded on Axis-REIT increased from 3,009 for the year ended 2013 to 3,176 for the year ended 2014.

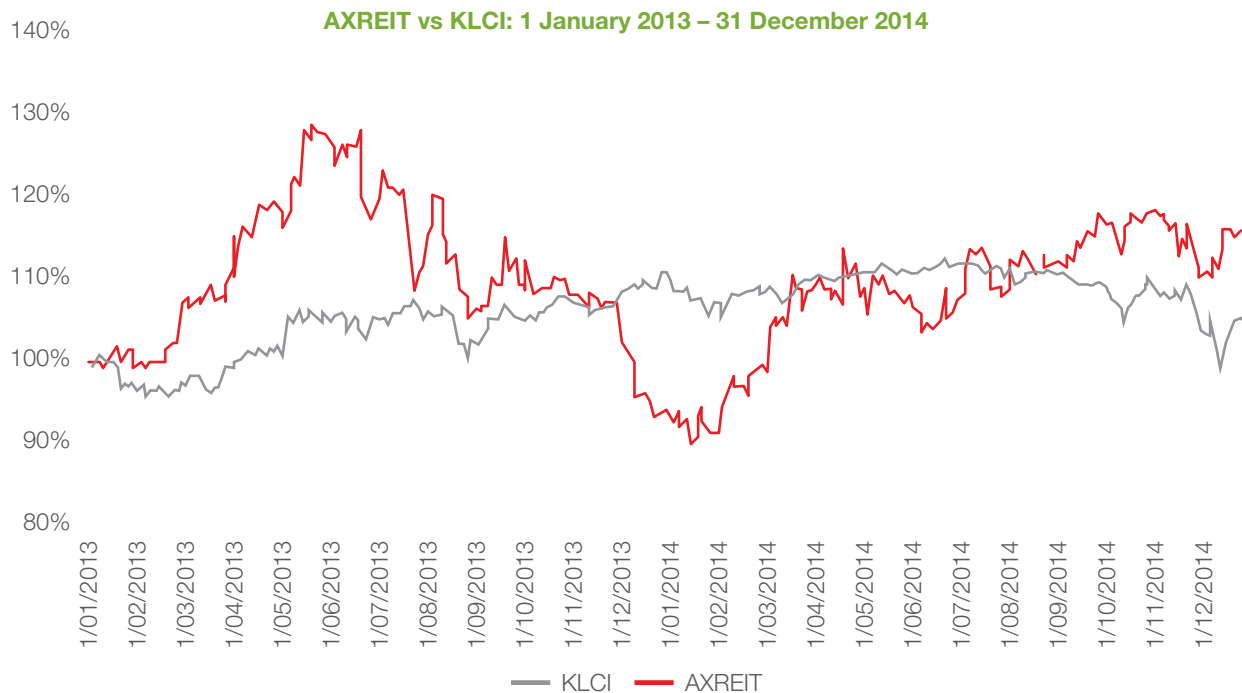
Number of CDS Accounts



Investor Relations Report

Price Performance Highlights

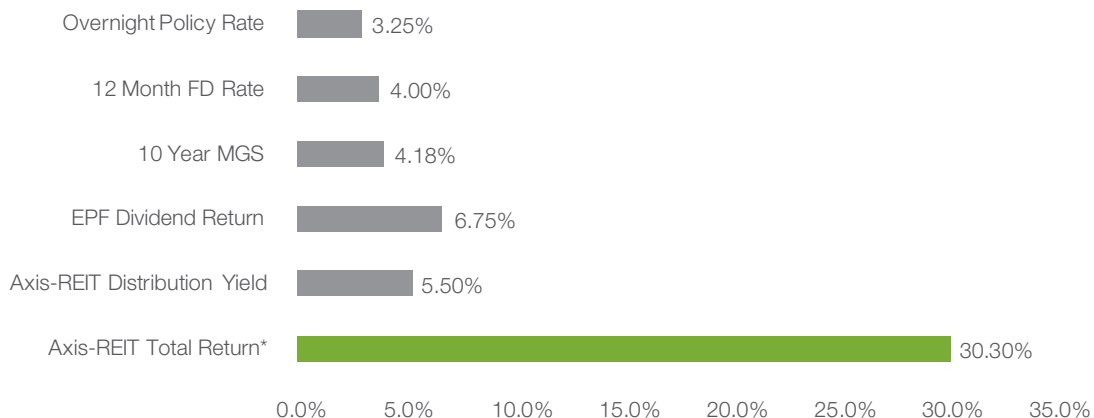
Indexed against the FTSE Bursa Malaysia-Kuala Lumpur Composite Index (FBM-KLCI) performance, Axis-REIT's share price regained its momentum and outperformed the market towards fourth quarter 2014.



Source: Bloomberg

Annual Returns Highlights

Axis-REIT continues to provide investors with superior returns when compared with similar investments instruments in the capital markets. In 2014 our total returns were 30.3%.



* (Based on Distribution per Unit, (DPU) from operations + gain on disposal + movement in market price)/ Opening market price as at 1 January 2014)

Malaysian REIT Managers Association (MRMA) Report

Membership

To date, the Malaysian REIT Managers Association (MRMA) has a total of 16 members with the following breakdown:

- 15 REIT Managers
- 1 Islamic Bank

Executive Committee & Working Committees

MRMA's Executive Committee for 2014:

- Chairman: Dato' Stewart LaBrooy of Axis REIT Managers Bhd
- 1st Vice Chairman: Zuhairy Md. Isa of AmARA REIT Managers Sdn Bhd
- 2nd Vice Chairman: Adenan Md Yusoff of Amanahraya REIT Managers Bhd
- Treasurer: Pn. Zalila Binti Mohd. Toon of Hektar Asset Management Sdn Bhd
- Secretary: Dr. James Tee of UOA Asset Management Sdn Bhd

The Association's working committees and their respective Chairpersons are:

- The Regulatory Committee headed by Dato' Stewart LaBrooy of Axis REIT Managers Bhd
- The Finance Committee headed by Zuhairy Md. Isa of AmARA REIT Managers Bhd
- The Islamic REITs Committee headed by Shahril Simon of CIMB Islamic Bank Bhd

Members' Meetings

The Association held 3 meetings in 2014, where each session featured prominent speakers who delivered on topics and issues pertinent to the REIT industry. With every member's meeting, the committee also took the opportunity to report on the progress of ongoing discussions with regulators such as the Securities Commission, Bursa Securities, Royal Malaysian Customs and the Ministry of Finance.

1st Meeting, 13 March 2014:

This breakfast meeting featured a research paper presentation by the Asia Pacific Real Estate Association (APREA) on the "Impact of REITs on Asian Economies", presented by Kevin Toohey of Achison Consultants and Victor Yeung of Admiral Investment Ltd Hong Kong. The event was hosted by Sunway REIT Managers and attended by 60 persons including the press.

2nd Meeting, 22 April 2014:

Professor Graeme Newell of the University of Western Sydney presented a paper on "The Increasing Importance of Real Estate for Asian Pension Funds". This event was attended by members from MRMA and the Asia Pacific Real Estate Association (APREA). The event was sponsored by Sunway REIT Managers.

3rd Meeting, 24 August 2014:

With the onset of GST and the surfacing of several issues relating to its implementation, the MRMA took the lead to hold a presentation by Jennifer Chang of PriceWaterhouseCoopers on "The Impact of GST on MREITs". The event was a members' only event held at Hilton Petaling Jaya.

4th Meeting, 6 January 2015:

The fourth meeting of the year was moved to 2015, this was also the 2014 Annual General Meeting (AGM).

The Association's AGM was held in Hilton Petaling Jaya. The Treasurer's report and proposed adoption of the unaudited 31 December 2013 financials was presented, followed by the election of the Management Board and Executive Committee. The meeting also featured a presentation on the "Economic Outlook for 2015 for Malaysia and ASEAN with a Focus on REITs", presented by Euben Paracuelles and Bernard Lim from Nomura Singapore Pte. Ltd.

Investor Relations Report

Highlights 2014

Federal Government Gazette on Income Tax Exemption for Islamic REIT Managers Obtained

Pursuant to MRMA's effort in lobbying for a tax exemption to be granted REIT Managers managing Islamic REITs, the Federal Government gazetted the Income Tax (Exemption) Order 2014 dated 15 May 2014. This exempts the Management Company/ Manager of a real estate investment trust from the payment of income tax in respect of its statutory income derived from a business of providing fund management services, managed in accordance with Shariah principles and certified by the Securities Commission. The exemption applies for year of assessment 2014 until the year of assessment 2016.

Ongoing Proposals with the Regulators

In line with the MRMA's objectives to represent the members' interests through lobbying to the Government and Regulators, the Regulatory Committee have met with the Securities Commission, Bursa Securities and the Ministry of Finance to put forward proposals that the Association feels are key to progressing the Industry.

In addition in October 2014 there was a dialogue held with the Royal Malaysian Customs on issues relating to the implementation of the Goods and Services Tax.



Members of the Malaysian REIT Managers Association at a lunch presentation.



Dato' Stewart LaBrooy taking questions from the MRMA briefing attendees.



MRMA members and speakers from Nomura Singapore Pte. Ltd. pose for a photograph before the breakfast presentation.



Full house at the 2014 Annual General Meeting & 2015 Outlook for Malaysia and ASEAN presentation.

Other Statutory Information

Directors' Benefits

For the year ended 31 December 2014, 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 25 of the Financial Statements.

There were no arrangements during and at the end of the 12-month period which had the object of enabling Directors of the Manager to acquire benefits by means of acquisition of Units 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 RM10,399,901 representing 1.0% per annum of the NAV of Axis-REIT for the period 1 January 2014 to 31 December 2014. 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 three acquisitions and one disposal successfully completed, which resulted in a fee of RM3,890,000 and RM170,000 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 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 realisable 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.

Other Statutory Information

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 12 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 2014 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 Manager's Report.

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

Stephen Tew Peng Hwee

Director

Dato' George Stewart LaBrooy

Chief Executive Officer/Executive Director

Kuala Lumpur

Date: 13 February 2015



Social
Responsibility
and Corporate
Governance

Corporate Social Responsibility Program

Corporate social responsibility (CSR) refers to a business practice that involves participating in initiatives that benefit society. CSR is becoming more mainstream in the operations in Axis-REIT as the Manager strives to embed sustainability into the core of our business operations and to undertake projects that we feel will have a long term impact on the lives of children.

We have commenced on a programme of sustainability for all the buildings in our portfolio by adopting a green agenda for all enhancement projects undertaken by the Manager.

In addition we have used our talent as an asset manager to undertake projects that have a long term impact on children's lives by enhancing the buildings that house orphanages and special schools.

In 2014, we undertook four CSR projects.

Construction of a physiotherapy unit and new play area at the Kiwanis Down Syndrome Foundation (Klang Centre)

Introduction

The idea of establishing a facility to help children with Down Syndrome was first mooted in 1988 by a group of members of the Kiwanis Club of Kuala Lumpur. A survey at the time showed that no organisation represented or helped children with Down Syndrome. From this discussion, the first Down Syndrome Centre was born. Located at 59 Jalan Gasing, Petaling Jaya, it started with 35 children in September 1989 and was subsequently declared open by Datuk (now Tun) Dr. Siti Hasmah, the wife of the then Prime Minister of Malaysia, Tun Dr. Mahathir Mohamad.

To ensure sound management, the Kiwanis Down Syndrome Foundation (KDSF) was formed in 1990 as a non-profit organisation with tax-exempt status. The KDSF is committed to the welfare of children with Down Syndrome, its main focus being the education of children under six years of age.

The KDSF now manages seven Down Syndrome Centres in Malaysia - Petaling Jaya, Johor Bahru, Klang, Seremban, Melaka, Kulai and Kota Kinabalu. These centres implement Australian psychologist Robert Deller's curriculum guide and Early Intervention Programme and a Special Needs Education Programme.

Project Description

This was the main CSR project in 2014 for Axis-REIT.

The Klang centre which caters for 54 Down Syndrome children was recently given a RM10,000 grant by the British Council to purchase equipment for a physiotherapy facility. Axis-REIT agreed to construct an extension at the back of the centre to house this equipment and permanently locate the physiotherapy and gross motor training programme (skills in use of arms, legs, feet or torso) there. A covered play area would also be constructed in the garden.

The project was managed by Axis REIT Managers Bhd staff member Tan Seong Seng. Hisham Mohamad Architects donated their services by designing and submitting building plans to Majlis Perbandaran Klang on behalf of the Centre. Once that was approved, the construction went to tender and was awarded to Dahlia Project Construction Sdn Bhd for RM68,000.



The Klang Centre at Jalan Kampar



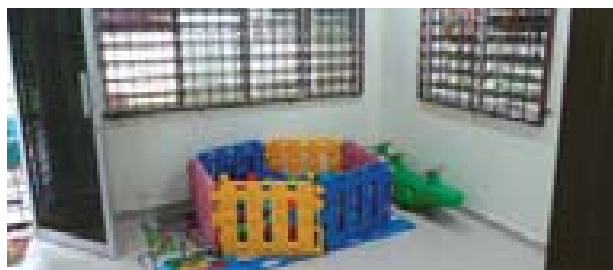
The new sand and water play area with the new gazebo.

Some additional items that were required were generously donated by other suppliers.

The work is now complete and has been handed over to the centre's administrator. Axis-REIT will apply for tax exemption on its contribution as the KDSF enjoys tax exempt status for all donations.



Handing over the new facilities to the Administrator and parents



The new extension

Supported and Attended the Charity Concert 'Larger than Life' in aid of the KDSF Klang Centre

To further raise funds for the KDSF Klang centre, we purchased 20 tickets for staff to attend a charity performance of the Broadway musical 'Larger than Life', on 4 October 2014 at the Kuala Lumpur Performing Arts Centre.



Members of the cast and guests

The Kuala Lumpur Rat Race 2014

Organised by national business and investment news publishing company The Edge Communications Sdn Bhd on 23 September, this annual 'run for charity' event encourages corporations to participate. In 2014, the run raised funds for various education and training programmes, and to promote financial literacy and the English language. The funds raised were distributed via The Edge's foundation arm, The Edge Education Foundation.

A team of five staff from Axis REIT the Managers participated in the race representing Axis-REIT. More than 600 runners representing 126 teams from 67 companies participated. Team Axis placed 26th in the mixed category out of a field of 67 companies, many of them considerably larger than us.

This annual event was previously known as The Edge-Bursa Malaysia Rat Race and this was the fourth time Axis-REIT had participated. The 2014 Rat Race raised RM1.83 million for 28 beneficiaries. Axis-REIT contributed RM18,000 to this cause.

Sponsored the Axis-REIT-Kiwanis Youth Leadership Camp

For the first time, Axis-REIT sponsored 60 young adults to a youth leadership camp in 2014. Staff from Axis-REIT Managers Bhd joined other young people at the Axis-REIT - Kiwanis Youth Camp which was held from 13 to 15 September 2014 at the Eagle Ranch Resort, Port Dickson. Our contribution to the event was RM15,000.



The Young Adults at the camp



Team Axis runners and supporters

Sustainability Initiatives

The year 2014 began with a promise by the Manager that it will become more committed to environmentally sustainable practices in its day-to-day business. As a result of this, the Manager took several measures to achieve this.

On 12 May 2014, the Manager became a Corporate Member of Malaysia Green Building Confederation (MGBC). This provides us a platform where we can be a part of the green-building movement and put into practice its ideas and innovations.

Internally, we established a Sustainability Committee to explore ways to develop Axis-REIT's Environmental Sustainability Policy which focus on environmental preservation, social and economic impact of that activity into our asset management approach.

In pursuing this objective, we will focus on:

- Incorporating green technologies to achieve energy efficiency in massive power consuming equipment
- Promote and manage water efficiency through rainwater harvesting, water recycling and water-saving fittings
- Promote approaches in reducing and recycling waste

Our asset management practices in 2014 incorporated many of the essence and spirit of the above policies such as:

- Comprehensive energy audit to establish the baseline of each property
- Establishing short term, mid-term and long term plans for facilities management for sustainable practices
- Establishing no or low cost, medium cost and high cost initiatives for energy-saving measures
- Creating awareness amongst employees and tenants for environmentally sustainable business practices
- Continuous training for employees in green building technologies

Among our sustainability initiatives throughout 2014 are:

- Energy audit initiated for Menara Axis as a test case. It was identified that the air-conditioning system is one of the biggest energy-consuming equipment and is due for replacement. Axis-REIT embarked on a pilot programme to upgrade to VRV air-conditioning system on 3 floors. "Before vs. After" analysis indicated energy saving of 27-34%.
- Energy audit for Crystal Plaza initiated
- Basement carpark lighting for Menara Axis and Crystal Plaza replaced with energy-efficient T8 lighting
- Total of 353,456 sq. ft. of roof space is being rented to generate solar energy giving us a monthly rent of RM72,898

Details Of The Income Distribution Reinvestment Plan

Axis-REIT has recurrent and optional reinvestment plan that allows Unitholders of Axis-REIT to reinvest their income distribution in new Units through an Income Distribution Reinvestment Plan (IDRP).

During the year, Axis-REIT has applied the IDRP to the 1st interim income distribution for the period from 1 January 2014 to 31 March 2014 that was declared on 21 April 2014, in which the gross electable portion of 2.20 sen per Unit (which is taxable in the hands of Unitholders) out of the 1st interim income distribution of 5.30 sen per Unit ("Electable Portion") could be elected to be reinvested in new Units and the remaining portion 3.10 sen per Unit (of which 2.22 sen per Unit is taxable and 0.88 sen per Unit is non-taxable in the hands of Unitholders) would be paid in cash.

The new Units were issued at the issue price of RM3.20 per Unit as determined on 21 April 2014 ("Price Fixing Date"). The issue price of RM3.20 per Unit was based on the 5-day volume weighted average market price ("VWAMP") of the Units up to and including 18 April 2014, being the last trading day prior to the Price-Fixing Date of RM3.4005 per Unit, after adjusting for a discount of RM0.2005 per Unit which is approximately a 5.9% discount to the 5-day VWAMP of RM3.4005 per Unit.

Pursuant to the IDRP, Axis-REIT allotted 2,461,009 new Units on 13 June 2014 and these Units were listed on the Main Market of Bursa Securities on 16 June 2014. The new Units of 2,461,009 represented a successful take up rate of approximately 84% of the 2,928,846 total number of new Units that would have been issued pursuant to the IDRP, had all entitled Unitholders of Axis-REIT elected to re-invest their respective Electable Portion in new Units.

Axis-REIT's fund size has increased from 461,239,089 Units to 463,700,098 Units as a result of the issuance and listing of total 2,461,009 new Units under the IDRP.

The net proceeds from the IDRP of RM7,844,229 (after deducting expenses for the IDRP) was utilised to refurbish and/or renovate Axis-REIT's properties. The refurbishment and/or the renovation of the properties is expected to enhance the future income to be generated from the said properties moving forward.

In an effort to further enhance the attractiveness of IDRP has provided an exemption of RM10 revenue stamp (setem hasil) payable upon execution of each notice of election of the IDRP for securities account holders that hold less than 8,000 units in Axis-REIT. This exemption was first applied to the IDRP in conjunction with the aforesaid 1st interim income distribution declared on 21 April 2014.

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

1. How does it work?

Whenever a cash income distribution (either an interim or final income distribution) is announced, the Board may, in its absolute discretion, determine that the 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; or
- (iii) Choose to receive part of the Electable Portion in cash, and 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 in the proportion determined by the Board in its absolute discretion.

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 IDRP, the issue price of such new Units shall not be more than 10% discounted to the 5-day volume weighted average market price (VWAMP) of the Units immediately before the Price-Fixing Date.

Details Of The Income Distribution Reinvestment Plan

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 IDRP and information memorandum (not applicable to subsequent IDRP) will be despatched to Unitholders. The Expiry Date will be stated in the Notice of Election.

Within 8 market days from Expiry Date or on such date as may be prescribed by Bursa Securities, Axis-REIT will allot and issue the new Units 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 the IDRP on the Main Market of Bursa Securities.

As the new Units to be issued under the 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.

The following is a timeline from the announcement date until the listing of new Units under the IDRP:

Description	Timeline
Announcement of Book Closure Date ("BCD") for income distribution for period end (at least 10 market days from the BCD)	T
BCD	T + 10
Despatch of withholding tax confirmation letter	T + 11
Dateline for withholding tax confirmation	T + 16
Despatch of Notice of Election	T + 18
Expiry Date	T + 28
Allotment and Payment	T + 36
Listing of new Units	T + 37

5. The Board's authority

The Board has full authority to determine if the IDRP will apply to a particular income distribution. If the Board has decided not to apply the 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 IDRP 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 Manager 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 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. The Board's authority to cancel the availability of the IDRP.

Notwithstanding any provision of the IDRP, if at any time after the Board has determined that the 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 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 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 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 IDRP 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 Third Principal Deed dated 28 November 2013 constituting Axis-REIT.

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 IDRП be terminated?

The IDRП 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 IDRП.

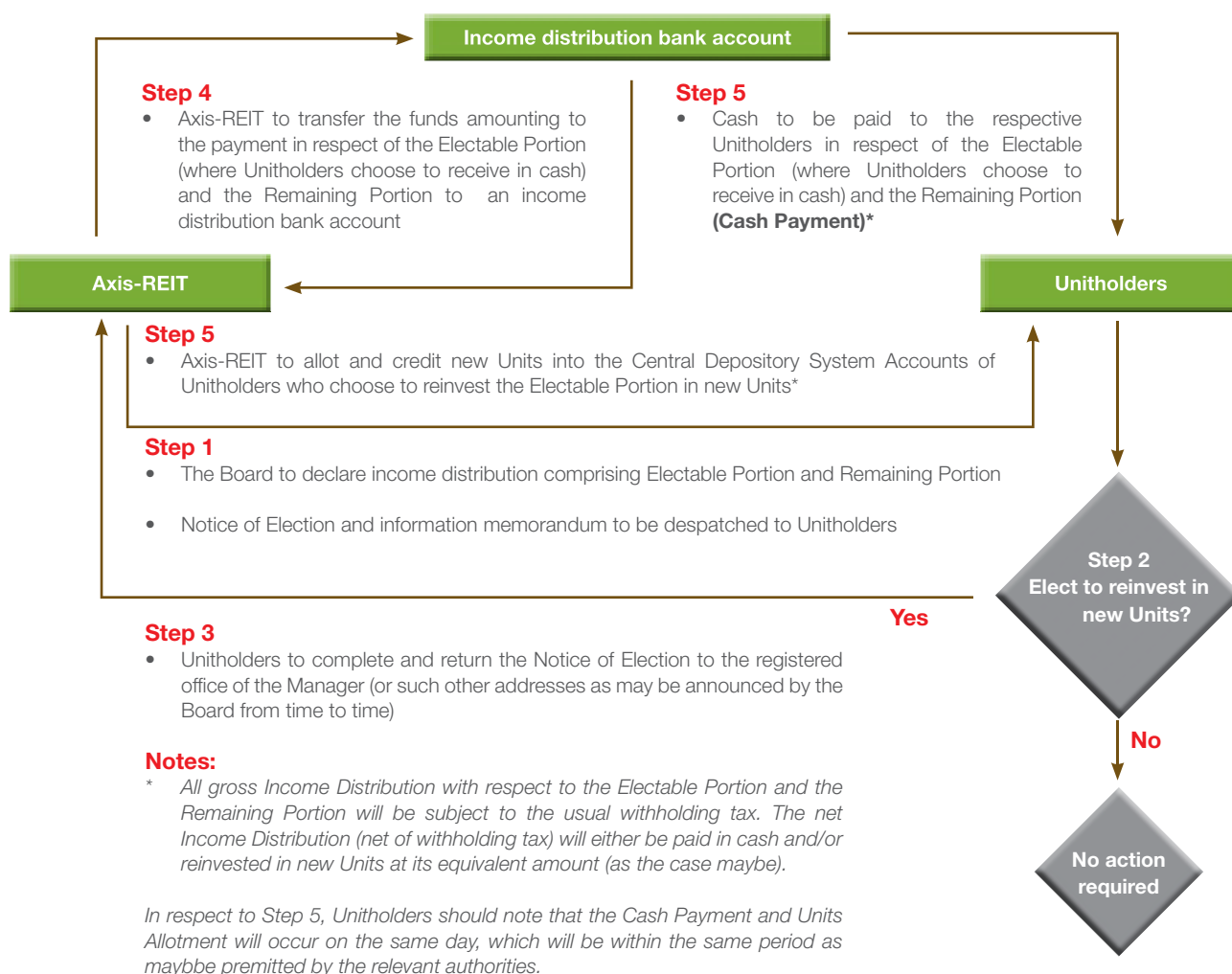
It should be noted that the grant of the right to participate in the IDRП, i.e. to elect to reinvest the Electable Portion in new Units, is made to all Unitholders, including the directors and major shareholder of the Manager, major Unitholders and persons connected to them who hold Units.

The net proceeds from the IDRП (after deducting estimated expenses for the IDRП) 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 renovation of the properties held by the Trustee are 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 Manager 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 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 Manager in its sole and absolute discretion from time to time.

The process flow chart in relation to any proposed income distribution and the IDRП is set out below:



Corporate Governance

The Manager recognizes that an effective corporate governance culture is critical to its performance and consequently the success of Axis-REIT.

The Manager is committed to high standards of corporate governance and 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Malaysian Code on Corporate Governance 2012 ("Code") are complied with, where applicable, and that the Manager's obligations as described in the Deed constituting Axis-REIT ("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.

As Axis-REIT is externally managed by the Manager, 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.

Board of Directors

As at 31 December 2014, the Board comprises eight (8) members, where the Executive Deputy Chairman and the Non-Independent Non-Executive Director have each an alternate director and three (3) members of the Board are independent directors. Total Directors of the Manager including the alternate directors are ten (10) in number. The Board comprises a mixture of Executive and Non-Executive Directors from diverse professional backgrounds, enabling the Management to tap into their expertise and broad business experience in deliberating issues presented to the Board. The roles and responsibilities of the Board in discharging its fiduciary leadership functions are elaborated in the Board Charter which was adopted by the Board in 2012. The Board has made public its Board Charter on its corporate website and will review and update the charter in accordance with the needs of the Manager and any regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter has also set out the expectation on time commitment for its members and protocols for accepting new directorships.

The Board has formalised and committed to ethical values through its Code of Conduct and a summary of this code is available on its corporate website.

A Whistleblowing Policy was also adopted for the management of reports and claims filed in relation to suspected or presumed violations of the Code of Conduct, financial reporting and other malpractice. The policy reaffirms the Manager's commitment to safeguard those who report in good faith against any form of reprisal.

Board Meetings and Procedures

The Board met every quarter in the financial year ended 2014 ("FYE2014"). The key management officers of the Manager are invited to be present at the Board and Audit Committee meetings to discuss and approve the release of the quarterly and annual financial results, review acquisitions or disposals, the corporate plans and annual budget, capital management proposals, property reports, investor relations reports, performance of the Manager (including its related entities) and Axis-REIT against the previously approved budget and other proposals tabled by the Management.

All meeting dates are determined and fixed annually in advance so that all directors are able to schedule their time effectively. Notices of meetings setting out the agendas of the meetings are issued to all directors no less than seven (7) days in advance by the Company Secretary and the relevant meeting papers are compiled and distributed to all directors as soon as practicable after the notices of meetings have been issued. In order to keep the investing public aware of the timing of the release of the quarterly financial results of Axis-REIT, the Manager announces the targeted date for such release within two (2) weeks prior to each Board Meeting.

All members of the Board have access to all information in relation to the Manager and Axis-REIT because the Manager has established a panel of financiers and consultants who provide professional advice in the areas of financing, capital markets, legal, property valuation and engineering due diligence, from whom advice can be sought.

The Board is supported by professionally qualified and competent Company Secretaries ("Company Secretary"), who are responsible for ensuring that the Board meeting procedures, applicable rules and regulations are adhered to. The Company Secretary attended every board meeting in FYE2014. The Company Secretary also kept the Board abreast of all relevant regulatory updates to laws and requirements, where applicable.

Chairman and Chief Executive Officer ("CEO")/ Executive Director

The positions of Chairman and CEO/Executive Director are held by separate persons in order to maintain an effective segregation of duties. This division of responsibilities is defined in the Board Charter.

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.

Board Remuneration

The remuneration of the directors is paid by the Manager and not from the Fund. Details of the Remuneration Committee, which is responsible for the determination of the remuneration policy framework of the Manager's directors, is set out in the Remuneration Committee section below.

The Board has, through its Remuneration Committee in consultation with the Executive Committee, established transparent remuneration policies and procedures. The remuneration of the Board is aligned with the business strategy and long-term objectives of the Manager. The remuneration reflects the Board's responsibilities, expertise and complexity of the Manager's activities.

The Remuneration Committee, upon the proposal from the Executive Committee, recommends to the Board the remuneration package of the directors and it is the responsibility of the Board as a whole to approve the remuneration package of the directors.

The remuneration of Executive and Non-Executive Directors for FYE2014 is as follows:

	Salaries and other Emoluments (RM)	Directors' Fee (RM)	Meeting Attendance Allowance (RM)	Executive Committee Allowance (RM)	Benefits in Kind (RM)	Total (RM)
Executive Directors	2,288,897	228,000	23,000	60,000	35,050	2,634,947
Non-Executive Directors	-	390,000	57,000	60,000	-	507,000

Range of Remuneration Per Annum	Executive Directors	Non-Executive Directors
RM50,000 - RM200,000	1	5
RM200,001 - RM400,000	-	-
RM400,001 - RM600,000	1	-
RM600,001 and above	1	-

Corporate Governance

Board Committees and their Roles

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

- Executive Committee;
- Audit Committee;
- Remuneration Committee;
- Nomination Committee.

Executive Committee

The Executive Committee operates under the delegated authority from the Board.

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

- Making recommendations to the Board on all acquisitions, investments and disposals;
- Making recommendations to the Board on any financing offers, capital management proposals and additional banking facilities;
- Reporting and recommending to the Board any corporate exercise, including the issuance of new Axis-REIT units;
- Making recommendations to the Board on financial budgets; and
- Forwarding summary reports on activities undertaken by the Manager and minutes of Executive Committee meetings to all Audit Committee and/or Board members, where applicable.

Audit Committee

The Board has an overall responsibility in ensuring that a balanced and understandable assessment of Axis-REIT's positions and prospects are presented to the investing public. The Audit Committee plays an important role in assisting the Board in this area. The Audit Committee ensures financial statements comply with applicable reporting standards. It also assists the Board in the area of internal controls, risk management and governance processes of Axis-REIT and the Manager. The Audit Committee Report, which contains the details on internal audit function and activities carried out during the FYE2014, is set out as a separate section of this Annual Report.

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

The assessment of the External Auditors for re-engagement is an annual affair for the Manager. The Audit Committee had evaluated the External Auditors of Axis-REIT during the FYE2014 in order to determine their suitability for re-appointment and independence. The assessment was carried out against criteria adopted by the Audit Committee and the Audit Committee recommended the re-engagement of Messrs KPMG as the External Auditors for Axis-REIT in respect of FYE2014. The Audit Committee also met independently twice in 2014 with the external auditors without the presence of Executive Board and key management officers.

Remuneration Committee

The Remuneration Committee is responsible for recommending to the Board the policy framework on terms of employment and on all elements of the remuneration of the Executive and Non-Executive Directors of the Board, key management officers (if any) and reviewing changes to the remuneration policy from time to time, so as to ensure that the Manager attracts and retains individuals of the highest calibre. As the directors of the Manager are remunerated by the Manager itself and not by the Fund, the Executive Committee of the Manager plays an important role in proposing to the Remuneration Committee the respective remuneration packages, including, but not limited to, bonuses, incentives and units option (if applicable), taking into consideration, among others, the level of performance against agreed targets. All proposals presented by the Executive Committee are considered carefully, drawing from outside advice as necessary.

During the year under review, the Remuneration Committee reviewed the remuneration packages of the Directors, including the CEO and the then Chief Financial Officer/Executive Director, based on the proposals presented by the Executive Committee, and made recommendations to the Board accordingly.

Nomination Committee

The responsibilities of the Nomination Committee are:

- To recommend to the Board, candidates for directorships proposed by the Executive Committee, any Board members, shareholders of the Manager or Unitholders, 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 fulfilment of such training, where appropriate.

The Nomination Committee had, during the FYE2014, carried out the following activities:

- Reviewed the performance evaluation on the Board, directors and Board Committees and the results of the evaluation have been properly documented by the Company Secretary of the Manager.
- Reviewed the existing recruitment criteria of the Manager and proposed no amendments thereto.
- Reviewed the criteria for annual assessment of Directors including assessment of independence and proposed no amendments thereto.
- Established the criteria for the assessment of a director whose tenure exceeds nine (9) years in year 2015. Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor would be the first Independent Director out of the three (3) Independent Directors, whose tenure as Independent Director shall exceed nine (9) years in year 2015. The Manager has adopted the best practice as recommended under the Code to subject the affected Independent Director to assessment by the Board for recommendation to the sole shareholder of the Manager at the Manager's 2015 annual general meeting for retention as Independent Director. The Board had satisfactorily made the recommendation.
- Reviewed the proposed promotion of Ms Leong Kit May from Chief Financial Officer/Executive Director to Acting Chief Operating Officer/Director of Finance as part of the succession plans of the Manager.
- Reviewed the proposed appointment of a new alternate director to Mr Alvin Dim Lao, Ms Jancis Anne Que Lao against the recruitment criteria established.
- Reviewed the composition of the Board and the Manager as a whole and was satisfied that there is an adequate support of female representation both at board and senior management levels.

The Board also undertook an annual assessment of the independence of its three (3) independent directors based on the independence criteria developed by the Nomination Committee. The three (3) independent directors of the Manager had confirmed in writing to the Board their independence.

Board of Directors and Meeting Attendance

As of 31 December 2014, the Board comprised of eight (8) members, three (3) of whom are independent directors in compliance with the SC's Guidelines on REITs. The Executive Deputy Chairman and the Non-Independent Non-Executive Director have each an Alternate Director.

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	3/4	No Change
Dato' George Stewart LaBrooy	Chief Executive Officer/ Executive Director	4/4	No Change
Stephen Tew Peng Hwee	Non-Independent Non-Executive Director	4/4	No Change
Y Bhg Datuk Seri 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	No Change
Leong Kit May*	Acting Chief Operating Officer/Director of Finance	4/4	Promoted on 4 August 2014
Alvin Dim Lao (Alternate Director: Jancis Anne Que Lao)	Non-Independent Non-Executive Director	3/4	Appointed an Alternate Director on 20 October 2014

* Redesignated to Chief Operating Officer / Finance Director on 19 January 2015.

Corporate Governance

Executive Committee and Meeting Attendance

Members	Designation	Attendance (No. of meetings held : 6)	Remarks
Dato' Abas Carl Gunnar Bin Abdullah (Alternate Director: Alex Lee Lao)	Chairman	6/6	No Change
Dato' George Stewart LaBrooy	Member	6/6	No Change
Stephen Tew Peng Hwee	Member	6/6	No Change
Leong Kit May	Member	6/6	Became a member in August 2014

Audit Committee and Meeting Attendance

Members	Designation	Attendance (No. of meetings held : 5)	Remarks
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Chairman	5/5	No Change
Mohd Sharif Bin Hj Yusof	Member	5/5	No Change
Alvin Dim Lao (Alternate Director: Jancis Anne Que Lao)	Member	4/5	Appointed an Alternate Director on 20 October 2014

Remuneration Committee and Meeting Attendance

Members	Designation	Attendance (No. of meetings held : 1)	Remarks
Y Bhg Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Chairman	1/1	No Change
Dato' Abas Carl Gunnar Bin Abdullah (Alternate Director: Alex Lee Lao)	Member	1/1	No Change
Stephen Tew Peng Hwee	Member	1/1	No Change

Nomination Committee and Meeting Attendance

Members	Designation	Attendance (No. of meetings held : 2)	Remarks
Mohd Sharif bin Hj Yusof	Chairman	2/2	No Change
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Member	2/2	No Change
Y Bhg Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Member	2/2	No Change

Directors' Training

The Board ensures its members have access to appropriate continuing education programmes to update their knowledge and enhance their skills to sustain their active participation in Board deliberations. The Board had at every meeting received a list of training available for selection. Details of training attended by directors were also reported to the meetings and recorded accordingly. In-house training was also organized for all the directors on 'Personal Data Protection Act 2010' in October 2014.

All the directors of the Manager have attended training during FYE2014 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	Events
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	<ul style="list-style-type: none"> • Common Breaches of the Listing Requirements with Case Study • Personal Data Protection Act 2010
Dato' Abas Carl Gunnar Bin Abdullah	<ul style="list-style-type: none"> • Personal Data Protection Act 2010
Dato' George Stewart LaBrooy	<ul style="list-style-type: none"> • Industrial Market Outlook and Performance for Year 2014 • Location, location, location : Selection of sites for industrial estates and business parks • APREA Property Leaders Forum 2014 - Hong Kong • Star Property Fair 2014 • Predicting Financial Crisis • Motivations and Strategies for Venture Capitals & Private Equities • Commercial and Industrial Property Outlook : Where is the Market Heading? • Personal Data Protection Act 2010 • Improving Product Diversity and Innovation in Islamic Funds - London
Stephen Tew Peng Hwee	<ul style="list-style-type: none"> • Innovative Solutions in a Challenging Market Ideas that Work • Personal Data Protection Act 2010
Y Bhg Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	<ul style="list-style-type: none"> • ASLI National Economic Summit & Dialogue • ASLI Greater KL & Smart City Conference • Maybank IB Roadshow 2014, Singapore • ASLI 17th National Housing & Property Summit • Invest Malaysia 2014 – London • Workshop by Minority Shareholder Watchdog • KPMG's 15th Global Real Estate & Construction Conference, Singapore • 24th National Real Estate Convention – Issues, Perceptions & Review by PEPS
Alvin Dim Lao	<ul style="list-style-type: none"> • Personal Data Protection Act 2010 • Corporate Governance Seminar
Mohd Sharif bin Hj Yusof	<ul style="list-style-type: none"> • Personal Data Protection Act 2010
Leong Kit May	<ul style="list-style-type: none"> • Technical Briefing for Company Secretaries of Listed Issuers • Common Offences under the Companies Act, 1965 • Valuation of Companies and Common Pitfalls in Mergers and Acquisitions • Overview of ESG Index and Industry Classification Benchmark • Corporate Counsel Day 2014 • CFO Dialogue 2014 : The Cutting Edge CFO • Personal Data Protection Act 2010 • SC Industry briefing
Alex Lee Lao	<ul style="list-style-type: none"> • Corporate Governance Seminar
Jancis Anne Que Lao*	<ul style="list-style-type: none"> • Corporate Governance Seminar

* Jancis Anne Que Lao has completed her Mandatory Accreditation Programme on 14-15 January 2015.

Disclosure and 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 press releases, analyst briefings and retail roadshows.

The Board has taken steps to promote effective communication and proactive engagements with Unitholders at the Unitholders' meetings to provide a better appreciation of the Manager's objectives and quality of its management and challenges, while also making the Manager aware of the expectations and concerns of the Unitholders.

Corporate Governance

The Board has also encouraged the Manager to leverage on information technology for effective dissemination of information by having in place a dedicated section for corporate governance on its corporate website. This section provides information such as the Board Charter, Code of Conduct, Whistleblowing Policy and Unitholders' voting rights. Further information is on the web site www.axis-reit.com.my.

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

Annual General Meeting (AGM) and Unitholders' Meeting

The Manager had in FYE2014 convened and held its second AGM in compliance with the requirements under the SC's Guidelines on REITs. At the AGM, the Manager updated all Unitholders present with the performance, activities, progress and prospects of Axis-REIT. Immediately after the AGM, the Unitholders also attended the Unitholders' Meeting which was convened and held to seek Unitholders' approval for corporate exercises of Axis-REIT.

The Board encouraged Unitholders' participation at both the meetings and active engagement took place. The Board also demonstrated its commitment to the Unitholders by informing them of their rights to demand for poll at the commencement of each meeting. At both the AGM and the Unitholders' Meeting, the Board provides opportunities to shareholders to raise questions pertaining to the business activities of Axis-REIT.

During FYE2014, another Unitholders' Meeting was held on 19 November 2014 to seek Unitholders' approval for the proposed related party acquisitions of Axis-REIT where active deliberation had taken place with unanimous approval being obtained from the Unitholders.

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 the Operations Manual 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 Manager had formulated and developed the Risk Management Framework and put in place a Risk Register where key risk profiles were established and updated periodically for reporting to the Audit Committee.

Further details on risk management are contained in the Statement on Risk Management and Internal Control.

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, the management company ("Manager") 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 2014 is:

- a. YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin
- Independent Non-Executive Chairman
- b. Mohd Sharif Bin Hj Yusof
- Independent Non-Executive Director
- c. Alvin Dim Lao
- Non-Independent Non-Executive Director

2. Terms of Reference

The Audit Committee has a set of Terms of Reference that guides the discharge of its roles and responsibilities. The details of the Terms of Reference are presented in an appendix to this Audit Committee Report.

3. Summary of Activities Carried Out By The Committee During The Financial Year

The primary role of the Audit Committee is to monitor, oversee, review and evaluate the effectiveness and adequacy of the Manager's risk and internal control environment and financial management and reporting. The Audit Committee had during the financial year under review, in the discharge of its duties, carried out the following:

- (i) reviewed the quarterly financial results 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 the internal audit plan and internal audit reports with the Internal Auditors and ensured that action plans recommended are agreed upon and implemented by Management on a timely basis. The detailed activities of the internal audit function is contained in the Statement on Risk Management and Internal Control of this Annual Report;
- (iii) reviewed the Risk Register on a quarterly basis;

- (iv) reviewed with External Auditors, their audit planning memorandum, audit approach and reporting requirements prior to the commencement of audit works;
- (v) discussed with the External Auditors audit issues arising from the final audit conducted on Axis-REIT where some of the new audit issues highlighted were, inter-alia, the consolidation of Axis-REIT's wholly-owned subsidiary, Axis REIT Sukuk Berhad, a special purpose vehicle established for Islamic financing programme and implications of Real Property Gains Tax on the investment properties of Axis-REIT;
- (vi) evaluated the suitability and independence of the External Auditors and recommended to the Board their re-appointment as Auditors of Axis-REIT in respect of the financial year ended 31 December 2014 for onward recommendation to the Trustee of Axis-REIT;
- (vii) ensured that Axis-REIT's appointed External Auditors were duly registered with the Audit Oversight Board of the Securities Commission; reviewed and recommended for Board's approval the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion into the Annual Report of Axis-REIT;
- (viii) reviewed the implementation of the income distribution reinvestment plan in conjunction with the 2014 First Interim Income Distribution of Axis-REIT;
- (ix) met with the External Auditors and Internal Auditors, in the absence of the Management, to discuss issues, problems and reservations (if any) which the External Auditors or Internal Auditors may wish to highlight to the Committee;
- (x) reviewed list of related party transactions ("RPT") involving interests of related parties who are Directors, substantial Unitholders and ultimate major shareholders of the Manager or persons connected to them and considered three (3) major RPT acquisition of properties i.e. Axis Shah Alam DC 3, Axis Shah Alam DC 2 and Axis MRO Hub;
- (xi) evaluated the out-sourced Internal Auditors and recommended to the Board for their re-engagement as the Internal Auditors of Axis-REIT in respect of the year 2014/2015.

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.

Audit Committee Report

Terms of Reference of The Audit Committee

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 Operating Officer/Finance Director 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 Real Estate Investment Trust ("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.

viii. to review the Statement on Risk Management & 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) Consider and approve the non-audit service(s) to be provided by the external auditors subject to the confirmation from the external auditors that such non-audit service(s) pose no threat to the independence of the external auditors.

(d) Promptly report to the Bursa Securities 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 Bursa Securities.

(e) 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.

Statement On Risk Management & Internal Control

Pursuant To Paragraph 15.26(b) Of The Main Market Listing Requirements

Introduction

The Board of Directors of Axis REIT Managers Berhad, being the management company ("Manager") of Axis Real Estate Investment Trust ("Axis-REIT" or "Fund") 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.

Key Elements of The Risk Management & Internal Control System Established

Internal control system, processes and risk management

Operations manual

The Manager has policies and procedures that are encapsulated in the Operations Manual which provide 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 is subject to periodic reviews and updates. The Management team of the Manager is committed to be guided by the Operations Manual and this ensures consistency of operational procedures and practices within the organisation.

In December 2014, the Manager carried out a review of the Operations Manual with a view to incorporate the relevant updates to certain processes and procedures arising from the need to comply with the requirements of the Goods and Services Tax Act 2014 ("GST"), which becomes effective from 1 April 2015 onwards. The updates are necessary to ensure the relevance of the Operations Manual to the daily operations of the Manager and compliance by the Manager with the prevailing laws and regulations moving forward.

Financial Controls

There is an annual budgeting and target-setting process which includes forecasts being formulated for each operating unit with detailed reviews at all levels of operation. The budget will be presented to the Board for review and approval and the Manager will be guided by the approved budget in managing Axis-REIT.

The Manager also has a policy on financial limits and approving authority for its operating and capital expenditure. All major capital expenditure will be first recommended by the Executive Committee and approved by the Board prior to implementation.

Management meetings are conducted regularly to review financial performance, business development, strategic business planning and deliberate on management issues. There are regular meetings between the Executive Committee with Management to discuss and resolve key operational, financial and other key management issues regularly. Significant issues are highlighted and discussed at Board meetings.

The Yardi system which is a synchronised platform for capturing and processing of data covering tenant and debt management, payment processing and financial reporting, is constantly being improved and tested to ensure processes are effective in ensuring timely generation of accurate information for management action and decision-making, operationally and financially. The Manager had during the financial year ended 31 December 2014 implemented the Advanced Budgeting & Finance and Job Costing modules to enhance the efficiency of financial, budgetary control and asset management.

During 2012 and 2013, a total of RM265 million in nominal value Islamic Medium Term Notes ("Sukuk") pursuant to an Islamic Medium Term Notes Programme ("Sukuk Programme") of up to RM300 million in nominal value had been issued via Axis-REIT's special purpose entity, Axis REIT Sukuk Berhad which had provided Axis-REIT a blended annual financing rate of 4.13% to 4.61% per annum. This Sukuk issuance had reduced Axis-REIT's exposure to short term financing.

In December 2014, the Manager had applied to the Securities Commission Malaysia ("SC") for the upsizing of Sukuk Programme from RM300 million to RM3 billion following the recent change in the Securities Commission's Guidelines on Sukuk, where it will enable Axis-REIT to secure long term financing in a more cost efficient manner without having to set up a new programme. The Manager had obtained the approval from SC for the said upsizing on 19 January 2015.

Risk Management and Risk Register

Risk management has been part of the Management's day-to-day operations and the Manager has in place a Risk Register where a key risk profile was established.

The Risk Register is updated periodically by the Manager and the same is presented at the Audit Committee meetings on a quarterly basis. During the financial year under review, new risks were identified particularly in relation to the compliance requirements of the Personal Data Protection Act 2010 ("PDPA") and GST, as well as human resource where there was a need to strengthen the Manager's human capital. Action plans were put in place and monitoring of the implementation progress is on-going.

Internal Audit Function and its Activities

Based on an 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 financial year ended ("FYE") 2014:

1. Internal audit review on Billing, Collection, Debts Monitoring and Rental or Lease Procedures of the Manager in managing the properties of Axis-REIT;
2. Internal audit review on Human Resource Management and Payroll Function of the Manager on the key internal controls in terms of sufficiency and adequacy;
3. Internal audit review on the compliance with PDPA in order to ensure that the relevant requirements are met;
4. Internal audit review on Yardi System (Phase 1) and General Information Technology ("IT") Control to assess timeliness, adequacy and completeness of tenancy information captured in system and access control, data backup and recovery procedures, licensing and security adequacy in general IT controls.

The costs incurred by the Manager for the outsourced Internal Audit Function in respect of FYE 2014 amounted to RM63,000.

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

Conclusion

The Board had appraised the adequacy, effectiveness and integrity of the system of risk management and internal controls framework which have been in place during the financial year under review. Assurances had been received from the Chief Executive Officer/Executive Director and Chief Operating Officer/Finance Director that the risk management and internal control system of the Manager in relation to managing the operations of Axis-REIT, is operating adequately and effectively, in all material aspects, based on the risk management and internal control system set in place by the Manager.

Shariah Adviser's Report



To the Unitholders of **AXIS REAL ESTATE INVESTMENT TRUST** (“**AXIS-REIT**”)

We have acted as the Shariah Adviser of **AXIS-REIT**. Our responsibility is to ensure that the procedures and processes employed by **AXIS REIT Managers Berhad** 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 2014.

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 **IBFIM**

MOHD NASIR ISMAIL

Shariah Advisor /Designated Person Responsible for Shariah Advisory

Kuala Lumpur

IBFIM (763075-W)

3rd Floor, Menara Takaful Malaysia, Jalan Sultan Sulaiman, 50000 Kuala Lumpur, MALAYSIA
Tel: (603) 2031 1010 Fax: (603) 2078 5250 E-mail: info@ibfim.com Website: www.ibfim.com

Statement On Directors' Responsibility

For Preparing The Annual Audited Financial Statements

In accordance with Paragraph 15.26(a) of the Main Market 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 financial year ended 31 December 2014, have been drawn up in accordance with the provisions of the Third Principal Deed of Axis-REIT dated 28 November 2013, the Securities Commission's ("SC") Guidelines on Real Estate Investment Trusts ("REITs"), SC's Guidelines for Islamic REITs, 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 2014 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 judgements 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.



Axis Steel Centre @ SiLC

Financial Statements

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Statement Of Financial Position

As at 31 December 2014

	Note	2014 RM'000	2013 RM'000
Assets			
Non-current assets			
Investment properties	4	1,982,587	1,543,248
Equipment	5	2,821	2,407
		1,985,408	1,545,655
Current assets			
Receivables, deposits and prepayments	6	10,359	4,045
Cash and cash equivalents	7	90,116	34,823
		100,475	38,868
Asset classified as held for sale	8	-	32,000
Total current assets		100,475	70,868
Total assets		2,085,883	1,616,523
Financed by:			
Unitholders' funds			
Unitholders' capital		1,044,664	750,966
Reserves		281,705	277,674
Total unitholders' funds	9	1,326,369	1,028,640
Non-current liabilities			
Tenants' deposits	10	35,984	24,936
Financing	11	264,434	263,857
		300,418	288,793
Current liabilities			
Payables and accruals	10	39,761	34,943
Financing	11	419,335	264,147
Total current liabilities		459,096	299,090
Total liabilities		759,514	587,883
Total unitholders' funds and liabilities		2,085,883	1,616,523
Net asset value ("NAV")		1,326,369	1,028,640
Number of units in circulation ('000 units)		547,522	461,239
NAV per unit (RM)			
- Before income distribution		2.4225	2.2302
- After income distribution		2.4080 [#]	2.1832

NAV after reflecting realised income to be distributed as final 2014 income distribution of 1.45 sen per unit payable on 27 February 2015.

The notes on pages 134 to 165 are an integral part of these financial statements.

Statement Of Profit Or Loss And Other Comprehensive Income

For the year ended 31 December 2014

	Note	2014 RM'000	2013 RM'000
Gross revenue			
- realised		137,625	141,314
- unrealised (in relation to unbilled lease income receivable)		2,424	2,271
	12	140,049	143,585
Property operating expenses	13	(21,553)	(20,812)
Net property income		118,496	122,773
Profit income		1,210	667
Net gain on disposal of investment property		1,614	-
Change in fair value of investment properties			
- as per valuation	4	25,970	27,206
- unbilled lease income receivable	4	(2,424)	(2,271)
Fair value change on derivatives		455	(366)
Net gain/(loss) on financial liabilities measured at amortised cost		2,744	(86)
Net property and investment income		148,065	147,923
Manager's fees	1(b)	10,400	10,051
Trustee's fees	1(c)	564	515
Auditor's fees			
- audit		103	103
- other services		11	11
Tax agent's fees		18	26
Impairment losses on trade receivables being recognised/(reversed)		37	(30)
Depreciation	5	298	152
Administrative expenses		1,769	1,384
Islamic financing cost		23,848	23,837
Valuation fees		562	593
Non-property expenses		37,610	36,642
Net income before tax		110,455	111,281
Income tax expense	14	-	-
Net income for the year attributable to unitholders		110,455	111,281
Other comprehensive income, net of tax			
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge		-	407
Total comprehensive income for the year attributable to unitholders		110,455	111,688

	Note	2014 RM'000	2013 RM'000
Net income for the year is made up as follows:			
Realised		81,286	84,527
Unrealised			
- Unrealised rental income (in relation to unbilled lease income receivable)		2,424	2,271
- Change in fair value of investment properties			
- as per valuation	4	25,970	27,206
- unbilled lease income receivable	4	(2,424)	(2,271)
- Gain/(Loss) on financial liabilities measured at amortised cost		2,744	(86)
Fair value change on derivatives		455	(366)
		29,169	26,754
		110,455	111,281
Earnings per unit (sen)	15	23.64	24.30
Number of units in circulation ('000 units)		547,522	461,239
Earnings per unit (before manager's fee)			
- Gross (sen)		25.87	26.49
- Net (sen)		25.87	26.49
Net income distribution			
First, Second and Third interim income distribution of 15.60 sen per unit paid on 13 June 2014, 5 September 2014, and 28 November 2014 (2013: 13.80 sen per unit paid on 13 June 2013, 30 August 2013 and 13 December 2013)		72,220	63,225
Fourth interim income distribution of 2.70 sen per unit paid on 8 January 2015 (2013: Nil)		12,526	-
Final income distribution of 1.45 sen per unit payable on 27 February 2015 (2013: 4.70 sen per unit paid on 28 February 2014)		7,938	21,678
	16	92,684	84,903
Distribution per unit			
- Gross (sen) - interim	16	18.30	13.80
- final	16	1.45	4.70
- Net (sen) * - interim	16	18.30	13.80
- final	16	1.45	4.70

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

	Withholding tax rate	
	2014	2013
Resident corporate	Nil^	Nil^
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	25%	25%
Non-resident institutional	10%	10%

^ to tax at prevailing rate

The notes on pages 134 to 165 are an integral part of these financial statements.

Statement Of Changes In Net Asset Value

For the year ended 31 December 2014

	Total unitholders' capital RM'000	Distributable Realised income RM'000	Non-distributable Unrealised income RM'000	Hedging reserves RM'000	Total unitholders' funds RM'000
At 1 January 2013	735,429	25,617	229,565	(906)	989,705
Net income for the year	-	84,527	26,754	-	111,281
Cash flow hedge	-	-	-	407	407
Total comprehensive income for the year	-	84,527	26,754	407	111,688
Cash flow hedge - reclassified to profit or loss upon termination of hedge	-	-	-	499	499
<i>Contributions by and distributions to unitholders</i>					
Placement of units	15,594	-	-	-	15,594
Issuing expenses	(57)	-	-	-	(57)
Distribution to unitholders	-	(88,789)	-	-	(88,789)
Total transactions with unitholders	15,537	(88,789)	-	-	(73,252)
At 31 December 2013/1 January 2014	750,966	21,355	256,319	-	1,028,640
Net income for the year	-	81,286	29,169	-	110,455
Realisation of unrealised income	-	9,338	(9,338)	-	-
Total comprehensive income for the year	-	90,624	19,831	-	110,455
<i>Contributions by and distributions to unitholders</i>					
Issuance and placement of units	297,097	-	-	-	297,097
Issuing expenses	(3,399)	-	-	-	(3,399)
Distribution to unitholders	-	(106,424)	-	-	(106,424)
Total transactions with unitholders	293,698	(106,424)	-	-	187,274
At 31 December 2014	1,044,664	5,555	276,150	-	1,326,369

Note 9

The notes on pages 134 to 165 are an integral part of these financial statements.

Statement Of Cash Flows

For the year ended 31 December 2014

	Note	2014 RM'000	2013 RM'000
Cash flows from operating activities			
Net income before taxation		110,455	111,281
Adjustments for:			
Islamic financing cost		23,848	23,837
Profit income		(1,210)	(667)
Change in fair value of investment properties (net of unbilled lease income receivable)	4	(25,970)	(27,206)
Depreciation of equipment	5	298	152
Net (gain)/loss on financial liabilities measured at amortised cost		(2,744)	86
Net gain on disposal of investment property		(1,614)	-
Impairment loss on trade receivables being recognised		37	-
Fair value change on derivatives		(455)	366
Operating income before changes in working capital		102,645	107,849
Changes in working capital:			
Receivables, deposits and prepayments		(6,216)	22,553
Payables and accruals		3,283	5,163
Tenants' deposits		6,521	1,352
Cash generated from operations		106,233	136,917
Tax refunded		-	154
Net cash from operating activities		106,233	137,071
Cash flows from investing activities			
Profit income received		1,210	667
Acquisition of investment properties	4	(395,039)	-
Acquisition of equipment	5	(712)	(2,038)
Enhancement of investment properties	4	(18,330)	(28,523)
Net proceeds from disposal of investment property		30,214	3,400
Net cash used in investing activities		(382,657)	(26,494)
Cash flows from financing activities			
Islamic financing cost paid		(23,848)	(23,837)
Proceeds from/(Repayment of) financing		155,197	(21,505)
Proceeds from finance lease liabilities		568	224
Income distribution paid to unitholders		(93,898)	(88,789)
Proceeds from issue of units		297,097	15,594
Issuing expenses	9	(3,399)	(57)
Net cash from/(used in) financing activities		331,717	(118,370)
Net increase/(decrease) in cash and cash equivalents		55,293	(7,793)
Cash and cash equivalents at 1 January		34,523	42,316
Cash and cash equivalents at 31 December	(i)	89,816	34,523

(i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	2014 RM'000	2013 RM'000
Cash and bank balances	7	9,822	10,617
Islamic deposits placed with licensed banks	7	80,294	24,206
		90,116	34,823
Less: Islamic deposit placed with a licensed bank - pledged	7	(300)	(300)
		89,816	34,523

The notes on pages 134 to 165 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 Third Principal Deed dated 28 November 2013 ("the Deed") between Axis REIT Managers Berhad ("the Manager") and RHB Trustees Berhad ("the Trustee"). The Deed is regulated by the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts, the 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 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

Penthouse, Menara Axis
No. 2, Jalan 51A/223
46100 Petaling Jaya
Selangor Darul Ehsan

The financial statements as at and for the financial year ended 31 December 2014 comprise the financial statements of Axis-REIT and its special purpose entity ("SPE"), Axis REIT Sukuk Berhad, a company incorporated in Malaysia, whose principal activity is to raise financing on behalf of Axis-REIT.

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 structures of these services are 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 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 Trusts. The property management fees are payable monthly in arrears.

(b) Manager's fees

Pursuant to the Deed, the Manager is entitled to receive a fee of up to a maximum of 1% (2013: 1%) 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 2014 of RM10,399,901 (2013: RM10,051,289) is 1% (2013: 1%) 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% (2013: 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 financial year ended 31 December 2014 is RM3,890,000 (2013: nil) which was 1% of the purchase price. The acquisition fees are included in the acquisition cost of the investment properties acquired (Note 4).

The disposal fee for the year ended 31 December 2014 of RM170,000 (2013: nil) is 0.5% of the disposal price.

(c) Trustee's fees

Pursuant to the Deed, the Trustee is entitled to receive a fee of 0.05% (2013: 0.05%) per annum of the Net Asset Value of Axis-REIT calculated on a monthly accrual basis and payable monthly in arrears. The trustee's fees for the year ended 31 December 2014 is RM564,421 (2013: RM514,749).

The financial statements were approved by the Board of Directors of the Manager on 13 February 2015.

2. Basis of preparation

(a) Statement of compliance

The financial statements of Axis-REIT have been prepared in accordance with the provisions of the Deed, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Securities Commission's Guidelines for Islamic Real Estate Investment Trusts, applicable securities laws, Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards 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.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by Axis-REIT:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Properties (Annual Improvements 2011-2013 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*

Notes To The Financial Statements

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective from annual periods beginning on or after 1 July 2014, except for MFRS 2, MFRS 119 and MFRS 138 which are not applicable to Axis-REIT.
- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 119 which is not applicable to Axis-REIT.
- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial applications of the accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of Axis-REIT except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

Axis-REIT is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

Axis-REIT is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except as otherwise stated in the financial statements.

(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 judgments

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

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

There are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than disclosed in Note 4 to the financial statements.

3. Significant accounting policies

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

(a) Basis of consolidation

(i) Special purpose entity

Axis-REIT has established an SPE for the purpose of raising financing on behalf of Axis-REIT for the acquisition of investment properties. An SPE is consolidated as if it is a subsidiary, if, based on an evaluation of the substance of its relationship with Axis-REIT and the SPE's risks and rewards, Axis-REIT concludes that it controls the SPE. The SPE controlled by Axis-REIT was established under terms that impose strict limitations on the decision-making powers of the SPE's management which result in Axis-REIT receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks incident to the SPE's activities and retaining the majority of the residual or ownership risks related to the SPE or its assets.

(b) Financial instruments

(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.

Shariah-compliant 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.

(b) *Loans and receivables*

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

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

Axis-REIT does not have or provide any loans.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3(h)(i)).

Notes To The Financial Statements

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

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

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 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.

Shariah-compliant derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise 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.

(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 control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset is transferred to another party. 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, 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.

3. Significant accounting policies (continued)

(c) Investment properties

Investment properties carried at fair value

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 properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties.

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.

(d) Equipment

(i) Recognition and measurement

Items of equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

The gain or loss on disposal of an item of equipment is determined by comparing the proceeds from disposal with the carrying amount of equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to Axis-REIT, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of equipment. The estimated useful lives for the current and comparative periods are per the following principal annual rates:

- Office equipment 10%
- Car park machine 10%
- Software 10%

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

Notes To The Financial Statements

3. Significant accounting policies (continued)

(e) Leases

(i) Finance lease

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.

Leasehold land which in substance is a finance lease is classified as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where Axis-REIT does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, 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 and measured using fair value model.

(f) 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 of disposal.

(g) Cash and cash equivalents

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

(h) 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 investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans 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 interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

3. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Other assets

The carrying amounts of other 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 cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated 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 financial year in which the reversals are recognised.

(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) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Units

Units are classified as equity.

Notes To The Financial Statements

3. Significant accounting policies (continued)

(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.

Rental income from investment properties is recognised in profit or loss on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

(ii) Profit income

Profit income is recognised as it accrues using the effective interest method in profit or loss.

(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 Axis-REIT.

Property management fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(a).

(ii) Manager's fees

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

(iii) Trustee's fees

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

(iv) Islamic financing cost

Islamic financing cost incurred in connection with financing are expensed using the effective interest method, in the period in which they are incurred.

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are 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 or receivable on the taxable income or loss 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 financial 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, 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 be applied 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.

3. Significant accounting policies (continued)

(m) Income tax (continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3(c), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

(n) Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, Axis-REIT uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation techniques as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that Axis-REIT can access at the measurement date.
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 : unobservable inputs for the asset or liability.

Axis-REIT recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. Investment properties

	Note	2014 RM'000	2013 RM'000
Land and buildings at fair value:			
At 1 January		1,543,248	1,519,519
Acquisitions		395,039	-
Enhancements		18,330	28,523
Change in fair value		25,970	27,206
Reclassified as asset held for sale	8	-	(32,000)
At 31 December		1,982,587	1,543,248

Notes To The Financial Statements

4. Investment properties (continued)

Description of property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Location	Existing use	Occupancy rates as at 31.12.2014 %	Fair value as at 31.12.2014 RM'000	Initial acquisition cost as at 31.12.2014 RM'000	Percentage of fair value to Net Asset Value as at 31.12.2014 %
Menara Axis * ###	Leasehold	99	51	Petaling Jaya	Commercial office	100.0	118,000	71,440	8.9
Crystal Plaza ^ ###	Leasehold	99	45	Petaling Jaya	Commercial office	81.3	109,000	56,400	8.2
Axis Business Park ^ ###	Leasehold	99	46	Petaling Jaya	Office/Industrial	58.5	119,000	84,600	9.0
Infinite Centre ^^ #	Leasehold	99	51	Petaling Jaya	Office/Industrial	69.0	41,500	25,450	3.1
Wisma Kemajuan ^ #	Leasehold	99	51	Petaling Jaya	Office/Industrial	97.4	57,700	29,192	4.4
Axis Business Campus ^ #	Leasehold	99	53/57	Petaling Jaya	Office/Industrial	-	68,000	32,681	5.1
Axis Shah Alam DC 1 * #	Freehold	-	-	Shah Alam	Warehouse/Logistics	100.0	25,700	18,783	1.9
Giant Hypermarket ^^ #	Freehold	-	-	Sungai Petani	Hypermarket	100.0	41,000	38,678	3.1
FCI Senai ^^^ #	Leasehold	60	53	Senai, Johor	Manufacturing facilities	100.0	16,000	12,538	1.2
Fonterra HQ * #	Freehold	-	-	Shah Alam	Office/Industrial	85.0	15,000	7,352	1.1
Quattro West ^^ ###	Leasehold	99	58	Petaling Jaya	Commercial office	84.2	55,800	40,376	4.2
Srateq Data Centre ^^^^ #	Leasehold	99	54	Petaling Jaya	Office/Industrial	100.0	53,000	37,549	4.0
BMW Centre PTP ^^^ #	Leasehold	60	41	Tanjung Pelepas	Warehouse/Logistics	100.0	30,000	27,470	2.3
Niro Warehouse ** #	Leasehold	60	37	Pasir Gudang	Warehouse/Logistics	100.0	17,700	14,811	1.3
Defli Warehouse ** #	Leasehold	60	53	Pasir Gudang	Warehouse/Logistics	100.0	15,600	12,743	1.2
Axis Vista ^^ #	Leasehold	99	52	Petaling Jaya	Office/Industrial	100.0	56,039	32,481	4.2
Axis Steel Centre ^^ #	Leasehold	99	88	Klang	Warehouse/Logistics	100.0	70,000	65,882	5.3
Bukit Raja Distribution Centre ^^^ #	Freehold	-	-	Klang	Warehouse/Logistics	100.0	94,500	72,636	7.1
Seberang Prai Logistic Warehouse 1 *** #	Leasehold	60	39	Seberang Prai	Warehouse/Logistics	100.0	20,200	17,695	1.5
Seberang Prai Logistic Warehouse 2 *** #	Leasehold	60	39	Seberang Prai	Warehouse/Logistics	100.0	8,000	6,981	0.6
Tesco Bukit Indah ^^^ #	Freehold	-	-	Johor Bahru	Hypermarket	100.0	90,500	76,750	6.8
Axis PDI Centre ^^^^	Leasehold	99	77	Kuala Langat	Warehouse/Logistics	100.0	92,000	86,146	6.9
Axis Technology Centre *	Leasehold	99	53	Petaling Jaya	Office/Industrial	88.3	53,000	49,697	4.0
D8 Logistics Warehouse ** #	Leasehold	60	41	Johor Bahru	Warehouse/Logistics	100.0	32,500	30,521	2.5
Axis Eureka ^^^^ #	Freehold	-	-	Cyberjaya	Commercial office	62.1	53,000	52,050	4.0
Bayan Lepas Distribution Centre ^^ #	Leasehold	60	48	Bayan Lepas	Warehouse/Logistics	100.0	50,579	49,471	3.8
Seberang Prai Logistic Warehouse 3 ****	Leasehold	60	38/54	Seberang Prai	Warehouse/Logistics	100.0	63,534	60,139	4.8
Emerson Industrial Facility Nilai **** #	Leasehold	99	81	Nilai	Manufacturing facilities	100.0	29,490	27,011	2.2
Wisma Academy Parcel ^ #	Leasehold	99	48	Petaling Jaya	Office/Industrial	94.3	77,000	74,242	5.8
The Annex ^ #	Leasehold	99	48	Petaling Jaya	Office/Industrial	100.0	17,000	12,289	1.3
Axis MRO Hub ^^^^	Leasehold	99	71	Shah Alam	Manufacturing facilities	100.0	53,000	53,357	4.0
Axis Shah Alam DC 3 ****	Freehold	-	-	Shah Alam	Warehouse/Logistics	100.0	183,245	185,661	13.8
Axis Steel Centre @ SILC * #	Freehold	-	-	Nusajaya	Manufacturing facilities	100.0	156,000	156,020	11.8
Investment properties							1,982,587	1,619,092	

4. Investment properties (continued)

- * Menara Axis, Axis Shah Alam DC 1, Fonterra HQ, Axis Technology Centre, and Axis Steel Centre @ SiLC were valued on 11 November 2014, 12 November 2014, 12 November 2014, 10 November 2014 and 15 August 2014 respectively, by CB Richard Ellis (Malaysia) Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- ** Niro Warehouse, Delfi Warehouse, and D8 Logistics Warehouse were valued on 10 November 2014, 11 November 2014, and 11 November 2014 respectively, by CB Richard Ellis (Johor) Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- *** Seberang Prai Logistic Warehouse 1 and Seberang Prai Logistic Warehouse 2 were valued on 10 November 2014 respectively, by CB Richard Ellis (Penang) Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- **** Emerson Industrial Facility Nilai and Axis Shah Alam DC 3 were valued on 21 October 2014 and 2 July 2014 respectively, by KGV International Property Consultants (M) Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison and investment methods of valuation, respectively.
- ***** Seberang Prai Logistic Warehouse 3 was valued on 4 July 2014, by Knight Frank Malaysia Sdn Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- ^ Crystal Plaza, Axis Business Park, Wisma Kemajuan, Axis Business Campus, Wisma Academy Parcel and The Annex were valued on 5 November 2014, 31 December 2014, 18 November 2014, 5 November 2014, 6 November 2014 and 6 November 2014 respectively, by PA International Property Consultants (KL) Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment and cost methods of valuation.
- ^^ Infinite Centre, Giant Hypermarket, Quattro West, Axis Vista, Axis Steel Centre and Bayan Lepas Distribution Centre were valued on 12 November 2014, 11 November 2014, 7 November 2014, 7 July 2014, 13 November 2014 and 6 August 2014 respectively, by Rahim & Co Chartered Surveyors Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment and comparison methods of valuation.
- ^^^ FCI Senai, BMW Centre PTP, Bukit Raja Distribution Centre and Tesco Bukit Indah, were valued on 13 November 2014, 14 November 2014, 6 November 2014 and 11 November 2014 respectively, by CH Williams Talhar & Wong Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- ^^^^ Strateq Data Centre, Axis PDI Centre and Axis Eureka were valued on 19 November 2014 respectively, by First Pacific Valuers Property Consultants Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers and Estate Agents Malaysia using the investment method of valuation.
- ^^^^^ Axis MRO Hub was valued on 30 June 2014, by VPC Alliance (KL) Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers and Estate Agents Malaysia using the investment method of valuation.
- # These properties are charged to financial institutions for revolving credit facilities granted to Axis-REIT (Note 11).
- ## These properties are charged to the Sukukholders for Islamic Medium Term Notes ("Sukuk") of RM110.0 million in nominal value (Note 11).
- ### These properties are charged to the Sukukholders for Sukuk of RM155.0 million in nominal value (Note 11).

Included in the acquisition cost of investment properties is RM3,890,000 (2013: nil) which relates to acquisition fees paid to the Manager (Note 1(b)).

Notes To The Financial Statements

4. Investment properties (continued)

The following are recognised in profit or loss in respect of investment properties:

	Note	2014 RM'000	2013 RM'000
Gross revenue			
- realised		137,625	141,314
- unrealised (in relation to unbilled lease income receivable)		2,424	2,271
	12	140,049	143,585
Property operating expenses	13	(21,553)	(20,812)
Net property income		118,496	122,773

4.1 Fair value information

As at 31 December 2014, fair value of investment properties amounting to RM1,982,587,000 (2013: RM1,543,248,000) and investment property classified as asset held for sale amounting to RM nil (2013: RM32,000,000) (Note 8), respectively, are categorised as Level 3 in accordance to MFRS13, using unobservable inputs.

Level 3 fair value

The following table shows a reconciliation of Level 3 fair values:

	2014 RM'000	2013 RM'000
At 1 January	1,543,248	1,519,519
Additions	413,369	28,523
Reclassified as asset held for sale	-	(32,000)
	1,956,617	1,516,042
Gains and losses recognised in profit or loss		
Change in fair value - Unrealised	25,970	27,206
At 31 December	1,982,587	1,543,248

4. Investment properties (continued)

4.1 Fair value information (continued)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The investment method considers income and expense data relating to the subject property being valued and estimates value through a capitalisation process. Capitalisation relates income (usually a net income figure) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalisation rates), yield or discount rates (reflecting measures of return on investment), or both. In general, the principle of substitution holds that the income stream which produces the highest return commensurate with a given level of risk leads to the most probable value figure.	<ul style="list-style-type: none"> • Risk-adjusted capitalisation rates ranging from 6.50% - 8.50% (2013: 6.50% - 8.25%). • Risk-adjusted discount rate of 7.00% - 8.50% (2013: 7.00% - 8.50%). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • Risk-adjusted capitalisation rates were lower (higher). • Risk-adjusted discount rates were lower (higher).
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.	<ul style="list-style-type: none"> • Adjusted land value ranging from RM35.00 per sq. ft. - RM40.00 per sq. ft. (2013: RM27.00 per sq. ft. - RM58.59 per sq. ft.), and RM372.00 per sq. ft. - RM378.00 per sq. ft.. • Weighted average value: RM36.00 per sq. ft. (2013: RM34.00 per sq. ft.), and RM370 per sq. ft. 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • Adjusted land value per sq. ft. was higher (lower). • Weighted average value per sq. ft. was higher (lower).
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, reconstruction cost less depreciation or replacement cost less depreciation, obsolescence and existing physical condition of the building. The reconstruction 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.	<ul style="list-style-type: none"> • Land value ranging from RM170.00 per sq. ft. - RM200.00 per sq. ft. (2013: RM170.00 per sq. ft. - RM200.00 per sq. ft.), and RM220.00 per sq. ft. (2013: RM210.00 per sq. ft.). • Main floor area cost ranging from RM110.00 per sq. ft. (2013: RM110.00 per sq. ft.), and RM90.00 per sq. ft. (2013: RM90.00 per sq. ft.). • Depreciation rates ranging from 0% (2013: 0%), and 33% (2013: 33%). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • Land value were higher (lower). • Main floor area cost were higher (lower). • Depreciation rates were lower (higher).

Valuation processes applied by Axis-REIT for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. A valuation is carried out on each property within Axis-REIT's investment property portfolio once every calendar year.

Highest and best use

Axis-REIT's current use of the properties are their highest and best uses as there are no other factors to suggest that a different use would maximise the value of the properties.

Notes To The Financial Statements

4. Investment properties (continued)

Description of property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Location	Existing use	Occupancy rates as at 31.12.2013 %	Fair value as at 31.12.2013 RM'000	Initial acquisition cost as at 31.12.2013 RM'000	Percentage of fair value to Net Asset Value as at 31.12.2013 %
Menara Axis * ###	Leasehold	99	52	Petaling Jaya	Commercial office	96.5	113,097	71,440	11.0
Crystal Plaza ^ ###	Leasehold	99	46	Petaling Jaya	Commercial office	100.0	106,162	56,400	10.3
Axis Business Park ^ ##	Leasehold	99	47	Petaling Jaya	Office/Industrial	100.0	112,398	84,600	10.9
Infinite Centre ^^ #	Leasehold	99	52	Petaling Jaya	Office/Industrial	89.2	41,694	25,450	4.1
Axis Plaza ^^^ #	Freehold	-	-	Shah Alam	Office/Industrial	89.3	32,000	22,500	3.1
Wisma Kemajuan ^^^^ #	Leasehold	99	52	Petaling Jaya	Office/Industrial	92.8	56,890	29,192	5.5
Axis Business Campus ^ #	Leasehold	99	54/58	Petaling Jaya	Office/Industrial	-	68,000	32,681	6.6
Axis Shah Alam DC 1 * #	Freehold	-	-	Shah Alam	Warehouse/Logistics	100.0	21,514	18,783	2.1
Giant Hypermarket ^^ #	Freehold	-	-	Sungai Petani	Hypermarket	100.0	40,049	38,678	3.9
FCI Senai ^^^ #	Leasehold	60	54	Senai, Johor	Manufacturing facilities	100.0	15,900	12,538	1.6
Fonterra HQ * #	Freehold	-	-	Shah Alam	Office/Industrial	85.0	14,006	7,352	1.4
Quattro West ^^ ###	Leasehold	99	59	Petaling Jaya	Commercial office	100.0	53,638	40,376	5.2
Strateq Data Centre ^^^^ #	Leasehold	99	55	Petaling Jaya	Office/Industrial	100.0	52,698	37,549	5.1
BMW Centre PTP ^^^ #	Leasehold	60	42	Tanjung Pelepas	Warehouse/Logistics	100.0	29,684	27,470	2.9
Niro Warehouse ** #	Leasehold	60	38	Pasir Gudang	Warehouse/Logistics	100.0	17,000	14,811	1.7
Delfi Warehouse ** #	Leasehold	60	54	Pasir Gudang	Warehouse/Logistics	100.0	14,500	12,743	1.4
Axis Vista * ##	Leasehold	99	53	Petaling Jaya	Office/Industrial	100.0	36,000	32,481	3.5
Axis Steel Centre ^^ #	Leasehold	99	89	Klang	Warehouse/Logistics	100.0	75,800	65,882	7.4
Bukit Raja Distribution Centre * ##	Freehold	-	-	Klang	Warehouse/Logistics	100.0	90,400	72,636	8.8
Seberang Prai Logistic Warehouse 1 *** #	Leasehold	60	40	Seberang Prai	Warehouse/Logistics	100.0	20,000	17,695	1.9
Seberang Prai Logistic Warehouse 2 *** #	Leasehold	60	40	Seberang Prai	Warehouse/Logistics	100.0	8,000	6,981	0.8
Tesco Bukit Indah ^^^ #	Freehold	-	-	Johor Bahru	Hypermarket	100.0	90,000	76,750	8.8
Axis PDI Centre ^^^^	Leasehold	99	78	Kuala Langat	Warehouse/Logistics	100.0	92,107	86,146	9.0
Axis Technology Centre *	Leasehold	99	54	Petaling Jaya	Office/Industrial	88.3	52,391	49,697	5.1
D8 Logistics Warehouse ** #	Leasehold	60	42	Johor Bahru	Warehouse/Logistics	100.0	32,000	30,521	3.1
Axis Eureka ^^^^ #	Freehold	-	-	Cyberjaya	Commercial office	91.6	54,500	52,050	5.3
Bayan Lepas Distribution Centre *** #	Leasehold	60	49	Bayan Lepas	Warehouse/Logistics	100.0	49,500	49,471	4.8
Seberang Prai Logistic Warehouse 3 ***	Leasehold	60	39/55	Seberang Prai	Warehouse/Logistics	100.0	63,000	60,139	6.1
Emerson Industrial Facility Nilai **** #	Leasehold	99	82	Nilai	Manufacturing facilities	100.0	29,320	27,011	2.9
Wisma Academy Parcel ^	Leasehold	99	49	Petaling Jaya	Office/Industrial	90.0	77,000	74,242	7.5
The Annex ^	Leasehold	99	49	Petaling Jaya	Office/Industrial	100.0	16,000	12,289	1.6
Investment property classified as asset held for sale (Note 8)							1,575,248	1,246,554	
Investment properties							(32,000)	(22,500)	
							1,543,248	1,224,054	

4. Investment properties (continued)

- * Menara Axis, Axis Shah Alam DC 1, Fonterra HQ, Axis Vista, Bukit Raja Distribution Centre and Axis Technology Centre, were valued on 2 August 2013, 13 March 2013, 3 May 2013, 2 December 2013, 4 June 2013 and 3 May 2013 respectively, by CB Richard Ellis (Malaysia) Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- ** Niro Warehouse, Delfi Warehouse and D8 Logistics Warehouse were valued on 13 September 2013, 13 September 2013 and 15 April 2013 respectively, by CB Richard Ellis (Johor) Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- *** Seberang Prai Logistic Warehouse 1, Seberang Prai Logistic Warehouse 2, Bayan Lepas Distribution Centre and Seberang Prai Logistic Warehouse 3 were valued on 5 June 2013, 5 June 2013, 28 February 2013 and 28 February 2013 respectively, by CB Richard Ellis (Penang) Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- **** Emerson Industrial Facility Nilai was valued on 3 December 2013 by KGV International Property Consultants (M) Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison method of valuation.
- ^ Crystal Plaza, Axis Business Park, Axis Business Campus, Wisma Academy Parcel and The Annex were valued on 1 August 2013, 5 August 2013, 3 December 2013, 3 December 2013 and 3 December 2013 respectively, by PA International Property Consultants (KL) Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment and cost methods of valuation.
- ^^ Infinite Centre, Giant Hypermarket, Quattro West and Axis Steel Centre were valued on 1 August 2013, 4 June 2013, 8 May 2013 and 6 December 2013 respectively, by Rahim & Co Chartered Surveyors Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- ^^^ Axis Plaza, FCI Senai, BMW Centre PTP and Tesco Bukit Indah, were valued on 30 July 2013, 3 July 2013, 4 June 2013 and 29 July 2013 respectively, by CH Williams Talhar & Wong Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.
- ^^^^ Wisma Kemajuan, Strateq Data Centre, Axis PDI Centre and Axis Eureka were valued on 2 December 2013, 11 September 2013, 2 May 2013 and 5 December 2013 respectively, by First Pacific Valuers Property Consultants Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers and Estate Agents Malaysia using the investment method of valuation.
- # These properties are charged to financial institutions for revolving credit facilities granted to Axis-REIT (Note 11).
- ## These properties are charged to the Sukukholders for Islamic Medium Term Notes ("Sukuk") of RM110.0 million in nominal value (Note 11).
- ### These properties are charged to the Sukukholders for Sukuk of RM155.0 million in nominal value (Note 11).

Notes To The Financial Statements

5. Equipment

Cost

At 1 January 2013

Additions

At 31 December 2013/1 January 2014

Additions

At 31 December 2014

Accumulated depreciation

At 1 January 2013

Depreciation for the year

At 31 December 2013/1 January 2014

Depreciation for the year

At 31 December 2014

Carrying amounts

At 31 December 2014

At 31 December 2013

Office equipment RM'000	Car park machine RM'000	Software RM'000	Total RM'000
12	564	-	576
3	1,541	494	2,038
15	2,105	494	2,614
-	498	214	712
15	2,603	708	3,326
1	54	-	55
1	117	34	152
2	171	34	207
1	230	67	298
3	401	101	505
12	2,202	607	2,821
13	1,934	460	2,407

6. Receivables, deposits and prepayments

Trade

Trade receivables

Non-trade

Other receivables

Prepayments and deposits

Shariah-compliant derivative asset

2014 RM'000	2013 RM'000
574	1,072
6,996	718
2,654	2,255
135	-
9,758	2,973
10,359	4,045

7. Cash and cash equivalents

Cash and bank balances

Islamic deposits placed with licensed banks

2014 RM'000	2013 RM'000
9,822	10,617
80,294	24,206
90,116	34,823

Included in Islamic deposits placed with licensed banks is an amount of RM300,000 (2013: RM300,000) which is pledged for banking facilities granted to Axis-REIT (Note 11).

8. Asset classified as held for sale

On 26 December 2013, Axis-REIT entered into a sale and purchase agreement for the disposal of an investment property, Axis Plaza ("the Property") for a total consideration of RM34,000,000. Accordingly, the fair value less costs of disposal of the Property was classified as asset held for sale.

The disposal of the Property was completed on 25 March 2014.

9. Total unitholders' funds

9.1 Unitholders' capital

	2014 Number of units '000	2013 Number of units '000
Authorised:		
At 1 January	461,239	456,517
Increase during the year	86,283	4,722
At 31 December	547,522	461,239
Issued and fully paid up:		
At 1 January	461,239	456,517
Issued for cash	83,822	-
Issued under Income Distribution Reinvestment Plan ("IDRP")	2,461	4,722
At 31 December	547,522	461,239
	2014 RM'000	2013 RM'000
At 1 January	750,966	735,429
Issue of new units:		
2,461,009 units @ RM3.20 per unit, 242,000 units @ RM3.60 per unit, 83,579,942 units @ RM3.45 per unit (2013: 2,423,762 units @ RM3.40 per unit and 2,298,106 units @ RM3.20 per unit)	297,097	15,594
Issuing expenses (Note 17)	(3,399)	(57)
At 31 December	1,044,664	750,966

Notes To The Financial Statements

9. Total unitholders' funds (continued)

9.2 Unitholdings of substantial unitholders, Directors and their related parties

As at 31 December 2014, the Manager held 242,000 units in Axis-REIT (2013: Nil). The Directors of the Manager and their related parties also held units in Axis-REIT, details of which are as follows:

	2014		2013	
	Number of units '000	Market value RM'000	Number of units '000	Market value RM'000
Direct unitholdings of a company controlled by the Manager's Directors: Axis REIT Managers Berhad ^	242	876	-	-
Axis-REIT's substantial unitholders' direct unitholdings in Axis-REIT: Tew Peng Hwee @ Teoh Peng Hwee	27,338	98,963	27,000	79,110
Alex Lee Lao #	-	-	24,723	72,438
The Manager's Directors' direct unitholdings in Axis-REIT: Dato' Abas Carl Gunnar Bin Abdullah	14,253	51,596	13,967	40,923
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	10	36	10	29
Tew Peng Hwee @ Teoh Peng Hwee	27,338	98,963	27,000	79,110
Dato' George Stewart LaBrooy	222	804	171	501
Alex Lee Lao #	25,076	90,775	24,723	72,438
Leong Kit May	21	76	21	62
Jancis Anne Que Lao ##	415	1,502	-	-
The Manager's Directors' indirect unitholdings in Axis-REIT: Dato' Abas Carl Gunnar Bin Abdullah *	5,268	19,070	4,995	14,636
Tew Peng Hwee @ Teoh Peng Hwee **	242	876	-	-
Alex Lee Lao ***	1,781	6,447	1,530	4,483
Direct unitholdings of close family members of the Manager's Directors: Datin Kuyas Emiloglu (also known as Ka Ya-Shih)	4,991	18,067	4,960	14,533
Leon Lee Lao	1,125	4,072	1,119	3,279
Yin-Yong Lee Lao	414	1,499	411	1,204
Tan Siew Geok	346	1,253	344	1,008
Jeanette Ivy Robertson Lomax	407	1,473	407	1,193
Amanda Tan Myhre	35	128	35	103
John Lee Lao	306	1,108	304	891
Dean Lee Lao	607	2,197	603	1,767
Datin Janet Mary Kay	20	72	20	59

Notes:

Alex Lee Lao is an alternate director to Dato' Abas Carl Gunnar bin Abdullah.

Jancis Anne Que Lao is an alternate director to Alvin Dim Lao.

* Deemed interested in the direct unitholdings of his spouse, Datin Kuyas Emiloglu (also known as Ka Ya-Shih) and his daughter, Amanda Tan Myhre, and the direct unitholdings held by the Manager pursuant to Section 6A(4) of the Companies Act, 1965.

** Deemed interested in the direct unitholdings held by the Manager pursuant to Section 6A(4) of the Companies Act, 1965.

*** Deemed interested in the direct unitholdings of his brothers, Yin-Yong Lee Lao and Leon Lee Lao, and the direct unitholdings held by the Manager pursuant to Section 6A(4) of the Companies Act, 1965.

^ The Manager is a company indirectly controlled by Dato' Abas Carl Gunnar Bin Abdullah, Tew Peng Hwee @ Teoh Peng Hwee and Alex Lee Lao.

The market value of the units was determined by multiplying the number of units with the market price as at 31 December 2014 of RM3.62 (2013 : RM2.93).

9. Total unitholders' funds (continued)

9.3 Breakdown of realised and unrealised net income

The breakdown of the undistributed income of Axis-REIT as at 31 December 2014, into realised and unrealised net income, pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	2014 RM'000	2013 RM'000
Total undistributed income of Axis-REIT		
- realised	5,555	21,355
- unrealised	276,150	256,319
Total undistributed income	281,705	277,674

The determination of realised and unrealised profits is based on 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 on 20 December 2010.

The unrealised income relates to the cumulative fair value adjustment to investment properties (Note 4), net gain or loss on financial liabilities measured at amortised cost, fair value change on derivatives and unbilled lease income receivable.

10. Payables and accruals

	2014 RM'000	2013 RM'000
Non-Current		
Non-trade		
Tenants' deposits - payable after 12 months	35,984	24,936
Current		
Trade		
Trade payables	4,746	4,422
Non-trade		
Tenants' deposits - payable within 12 months	8,590	15,861
Other payables and accrued expenses	26,379	14,294
Shariah-compliant derivative liability	46	366
	39,761	34,943
	75,745	59,879

Included in other payables and accrued expenses are amounts due to the Manager and the Property Manager of RM1,086,000 (2013: RM999,000) and RM483,000 (2013: RM485,000) respectively, which are unsecured, interest-free, and payable monthly in arrears.

Notes To The Financial Statements

11. Financing

Non-current

Islamic medium term notes ("Sukuk")
Finance lease liabilities
Transaction costs
- Sukuk

Current

Secured revolving credit
Finance lease liabilities

Note	2014 RM'000	2013 RM'000
11.1	265,000	265,000
11.2	821	416
11.1	(1,387)	(1,559)
	264,434	263,857
11.3	419,025	264,000
11.2	310	147
	419,335	264,147
	683,769	528,004

11.1 Islamic Medium Term Notes ("Sukuk")

First Sukuk

On 13 July 2012, Axis-REIT, via its special purpose entity, Axis REIT Sukuk Berhad, issued RM110.0 million Sukuk in nominal value pursuant to an Islamic Medium Term Notes Programme ("Sukuk Programme") of up to RM300.0 million in nominal value.

The tenure of the Sukuk Programme is fifteen (15) years from the date of the First Sukuk issuance on 13 July 2012. The First Sukuk of RM110.0 million was issued to re-finance Axis-REIT's existing financing facilities. The First Sukuk, which comprise of four tranches have obtained long-term ratings of AAA, AA1, AA2 and AA3 respectively by RAM Rating Services Berhad ("RAM"). The expected maturity date is 10 years from the issuance date and the legal maturity date is 12 years from the issuance date.

The transaction costs relating to the First Sukuk issuance of RM110.0 million which amounted to RM1.277 million are amortised and charged to profit or loss over the expected tenure of the First Sukuk of 10 years.

The First Sukuk issue is secured inter-alia by the following:

- A first ranking third party legal charge over the following properties of Axis-REIT:
 - H.S.(D) 77831, Lot Plot 19, Bandar Sultan Sulaiman, Daerah Klang, State of Selangor together with all building(s) erected or to be erected on all or any part thereof and all fixtures affixed or to be affixed on all or any part thereof ("Axis Steel Centre");
 - H.S.(D) 159847, Lot PT 11, Bandar Petaling Jaya, Daerah Petaling, State of Selangor together with all building(s) erected or to be erected on all or any part thereof and all fixtures affixed or to be affixed on all or any part thereof ("Axis Vista");
 - GRN 59001, Lot 26028 and H.S.(D) 99548, PT 48025, both in the Mukim Kapar, Daerah Klang, State of Selangor, together with all building(s) erected or to be erected on all or any part thereof and all fixtures affixed or to be affixed on all or any part thereof ("Bukit Raja Distribution Centre"); and
 - GRN 427597, Lot 138207, Mukim Pulai, Daerah Johor Bahru, State of Johor together with all building(s) erected or to be erected on all or any part thereof and all fixtures affixed or to be affixed on all or any part thereof ("Tesco Bukit Indah").
- Other securities as advised by the legal counsel of CIMB Investment Bank Berhad ("the Lead Manager") and mutually agreed between Axis-REIT, Axis REIT Sukuk Berhad and the Lead Manager.

11. Financing (continued)

11.1 Islamic Medium Term Notes (“Sukuk”) (continued)

Second Sukuk

On 15 August 2013, Axis-REIT, via its special purpose entity, Axis REIT Sukuk Berhad, issued Sukuk of RM155.0 million pursuant to the Sukuk Programme of up to RM300.0 million in nominal value.

The Second Sukuk of RM155.0 million was issued to re-finance Axis-REIT's existing financing facilities. The Second Sukuk, which comprise of five tranches have obtained long-term ratings of AAA, AAA, AA1, AA2 and AA3 respectively by RAM. The expected maturity dates are 7 years for RM70.0 million and 5 years for RM85.0 million from the issuance dates and the legal maturity dates are 9.5 years and 7.5 years from the issuance date, respectively.

The transaction costs relating to the Second Sukuk issuance of RM155.0 million which amounted to RM525,000 are amortised and charged to profit or loss over the expected tenure of the Second Sukuk of 7 years and 5 years.

The Second Sukuk issue is secured inter-alia by the following:

1. A first ranking third party legal charge over the following properties of Axis-REIT:
 - (i) PN 12419, Lot No. 91, Seksyen 13, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor, together with all building(s) erected or to be erected on all or any part thereof and all fixtures affixed or to be affixed on all or any part thereof (“Axis Business Park”);
 - (ii) PN 50492, Lot No. 1476, Seksyen 14, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor, together with all building(s) erected or to be erected on all or any part thereof and all fixtures affixed or to be affixed on all or any part thereof (“Crystal Plaza”);
 - (iii) PN 6871, Lot No. 309, Seksyen 14, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor, together with all building(s) erected or to be erected on all or any part thereof and all fixtures affixed or to be affixed on all or any part thereof (“Menara Axis”); and
 - (iv) H.S.(D) 59450, PT No. 4, Seksyen 26, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor, together with all building(s) erected or to be erected on all or any part thereof and all fixtures affixed or to be affixed on all or any part thereof (“Quattro West”).
2. Other securities as advised by the legal counsel of the Lead Manager and mutually agreed between Axis-REIT, Axis REIT Sukuk Berhad and the Lead Manager.

11.2 Finance lease liabilities

Finance lease liabilities are subject to effective interest rate at 3.5% (2013: 3.5%) per annum.

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2014 RM'000	Interest 2014 RM'000	Present value of minimum lease payments 2014 RM'000	Future minimum lease payments 2013 RM'000	Interest 2013 RM'000	Present value of minimum lease payments 2013 RM'000
Less than one year	364	54	310	173	26	147
Between one and five years	965	144	821	488	72	416
	1,329	198	1,131	661	98	563

Notes To The Financial Statements

11. Financing (continued)

11.3 Secured revolving credit

The secured revolving credit is secured over the investment properties as indicated in Note 4 to the financial statements.

12. Gross revenue

	2014 RM'000	2013 RM'000
Rental income from investment properties		
- realised	127,969	133,008
- unrealised (in relation to unbilled lease income receivable)	2,424	2,271
Car park income	6,283	5,572
Other income	3,373	2,734
	140,049	143,585

13. Property operating expenses

	2014 RM'000	2013 RM'000
Assessment	3,149	3,352
Service contracts and maintenance	5,462	5,550
Property management fees	2,928	3,020
Property management reimbursements	2,587	2,511
Utilities	3,601	3,900
Others	3,826	2,479
	21,553	20,812

14. Income tax expense

	2014 RM'000	2013 RM'000
Reconciliation of tax expense		
Net income before taxation	110,455	111,281
Income tax using Malaysian tax rate of 25%	27,614	27,820
Non-deductible expenses	462	472
Effect of fair value change on investment properties which is not subject to tax	(6,493)	(6,801)
Effect of income exempted from tax	(21,583)	(21,491)
	-	-

Pursuant to the amendment to 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% (2013: 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 exempted from tax.

15. Earnings per unit

The calculation of earnings per unit is based on the net income for the year of RM110,455,000 (2013: RM111,281,000) and on the weighted average number of units in circulation during the year of 467,203,663 (2013: 457,952,689).

16. Distribution to unitholders

Distribution to unitholders is from the following sources:

	2014 RM'000	2013 RM'000
Net realised rental income		
- current year	116,072	120,502
- prior year (already subject to tax)	41	295
Realisation of unrealised income	9,338	-
Net gain on disposal of investment property	1,614	-
Profit income	1,210	667
	128,275	121,464
Less: Non-property expenses	(37,610)	(36,642)
	90,665	84,822
Adjustments to earnings available for distribution:		
- management fees in units	1,720	-
- depreciation	298	152
- impairment losses on trade receivables	37	(30)
	92,720	84,944
Less: Undistributed income	(36)	(41)
	92,684	84,903
Gross distribution per unit (sen)	19.75	18.50
Net distribution per unit (sen)	19.75	18.50

17. Issuing expenses

	2014 RM'000	2013 RM'000
Professional fees	3,260	47
Miscellaneous expenses	139	10
Total	3,399	57

Note

9.1

18. Portfolio turnover ratio

	2014	2013
Portfolio Turnover Ratio ("PTR") (times)	0.11	-

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.

Notes To The Financial Statements

19. Management expense ratio

	2014	2013
Management expense ratio ("MER") (%)	1.29	1.25

The calculation of the MER is based on the total fees of Axis-REIT incurred, including Manager's fees, Trustee's fees, auditor's 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.

20. Financial instruments

20.1 Categories of financial instruments

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

	Carrying amount RM'000	Loans and receivables RM'000	Fair value through profit or loss - held for trading RM'000
Financial assets			
2014			
Receivables and deposits	8,462	8,327	135
Cash and cash equivalents	90,116	90,116	-
	98,578	98,443	135
2013			
Receivables and deposits	3,288	3,288	-
Cash and cash equivalents	34,823	34,823	-
	38,111	38,111	-

	Carrying amount RM'000	Financial liabilities measured at amortised cost RM'000	Fair value through profit or loss - held for trading RM'000
Financial liabilities			
2014			
Payables and accruals	31,171	31,125	46
Tenants' deposits	44,574	44,574	-
Financing	682,638	682,638	-
Finance lease liabilities	1,131	1,131	-
	759,514	759,468	46
2013			
Payables and accruals	19,082	18,716	366
Tenants' deposits	40,797	40,797	-
Financing	527,441	527,441	-
Finance lease liabilities	563	563	-
	587,883	587,517	366

20. Financial instruments (continued)

20.2 Net gains and (losses) arising from financial instruments

	2014 RM'000	2013 RM'000
Net gains/(losses) on:		
Shariah-compliant derivatives		
- change in fair value	455	133
- reclassified to profit or loss upon termination of hedge	-	(499)
Loans and receivables	(37)	30
Financial liabilities measured at amortised cost	2,744	(86)
Total	3,162	(422)

20.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

20.4 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. Axis-REIT's exposure to credit risk arises principally from its receivables from tenants. Axis-REIT performs ongoing credit evaluation of its tenants and generally does not require collateral other than tenants' deposits.

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.

Exposure to credit risk, credit quality and collateral

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated 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.

The exposure of credit risk for trade receivables as at the end of the reporting period amounts to RM574,000 (2013: RM1,072,000) and are secured by tenants' deposits.

Notes To The Financial Statements

20. Financial instruments (continued)

20.4 Credit risk (continued)

Impairment

Axis-REIT maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
2014			
Past due 1-30 days	(475)	-	(475)
Past due 31-60 days	159	-	159
Past due 61-90 days	142	-	142
Past due more than 90 days	1,234	(486)	748
	1,060	(486)	574
2013			
Past due 1-30 days	(233)	-	(233)
Past due 31-60 days	70	-	70
Past due 61-90 days	(2)	-	(2)
Past due more than 90 days	1,888	(651)	1,237
	1,723	(651)	1,072

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

	2014 RM'000	2013 RM'000
At 1 January	651	723
Impairment loss recognised	37	-
Impairment loss reversed	-	(30)
Impairment loss written off	(202)	(42)
At 31 December	486	651

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 tenants. For the purpose of quantifying individual impairment, Axis-REIT utilises 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.

20.5 Liquidity risk

Liquidity risk is the risk that Axis-REIT will not be able to meet its financial obligations as they fall due. Axis-REIT's exposure to liquidity risk arises principally from its 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 Trusts concerning limits on total financing.

20. Financial instruments (continued)

20.5 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:

	Carrying amounts RM'000	Contractual interest rate %	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Financial liabilities							
2014							
Payables and accruals	31,171	-	31,171	31,171	-	-	-
Tenants' deposits	44,574	4.14	53,762	8,590	11,605	14,203	19,364
Revolving credit	419,025	4.00 – 4.65	420,532	420,532	-	-	-
Finance lease liabilities	1,131	3.50	1,329	365	365	599	-
Sukuk	263,613	4.13 – 4.61	335,066	11,448	11,448	109,187	202,983
	759,514		841,860	472,106	23,418	123,989	222,347
2013							
Payables and accruals	19,082	-	19,082	19,082	-	-	-
Tenants' deposits	40,797	4.19	47,242	15,861	8,765	9,916	12,700
Revolving credit	264,000	4.02 – 4.19	264,897	264,897	-	-	-
Finance lease liabilities	563	3.50	661	173	173	315	-
Sukuk	263,441	4.13 – 4.61	349,492	11,440	11,440	114,066	212,546
	587,883		681,374	311,453	20,378	124,297	225,246

20.6 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.

The interest rate is a general economic indicator that will have an impact on Axis-REIT's financial position or cash flows regardless whether it is a Shariah-compliant real estate investment trust or otherwise.

Interest rate risk

Axis-REIT's exposure to changes in interest rates relates primarily to interest-related financial assets, such as Islamic deposits and interest-related financial liabilities such as Sukuk. 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.

Risk management objectives, policies and processes for managing the risk

Axis-REIT entered into two interest rate swaps with a notional contract amount of RM50,000,000 each (2013: one interest rate swap with a notional contract amount of RM50,000,000) in order to achieve an approximate mix of fixed and floating rate exposure that is deemed acceptable for Axis-REIT.

Notes To The Financial Statements

20. Financial instruments (continued)

20.6 Market risk (continued)

Interest rate risk (continued)

Exposure to interest rate risk

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

	2014 RM'000	2013 RM'000
Financial asset		
Floating rate instrument		
Islamic deposits with licensed banks	80,294	24,206
Financial liabilities		
Fixed rate instruments		
Finance lease liabilities	1,131	563
Sukuk	263,613	263,441
	264,744	264,004
Floating rate instruments		
Revolving credit	419,025	264,000

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis

Axis-REIT does not account for any fixed rate financial liabilities at fair value through profit or loss, and Axis-REIT does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) 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
2014				
Floating rate instruments	-	-	(2,540)	2,540
Interest rate swaps	-	-	(750)	750
2013				
Floating rate instruments	-	-	(1,798)	1,798
Interest rate swap	-	-	(375)	375

20. Financial instruments (continued)

20.7 Fair value information

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

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amounts RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
2014										
Financial asset										
Shariah-compliant derivative asset	-	135	-	135	-	-	-	-	135	135
	-	135	-	135	-	-	-	-	135	135
Financial liabilities										
Tenants' deposits	-	-	-	-	-	-	(44,574)	(44,574)	(44,574)	(44,574)
Financing	-	-	-	-	-	(258,233)	(403,814)	(662,047)	(662,047)	(682,638)
Finance lease liabilities	-	-	-	-	-	-	(1,329)	(1,329)	(1,329)	(1,131)
Shariah-compliant derivative liability	-	(46)	-	(46)	-	-	-	-	(46)	(46)
	-	(46)	-	(46)	-	(258,233)	(449,717)	(707,950)	(707,996)	(728,389)
2013										
Financial liabilities										
Tenants' deposits	-	-	-	-	-	-	(40,797)	(40,797)	(40,797)	(40,797)
Financing	-	-	-	-	-	(265,195)	(254,244)	(519,439)	(519,439)	(527,441)
Finance lease liabilities	-	-	-	-	-	-	(661)	(661)	(661)	(563)
Shariah-compliant derivative liability	-	(366)	-	(366)	-	-	-	-	(366)	(366)
	-	(366)	-	(366)	-	(265,195)	(295,702)	(560,897)	(561,263)	(569,167)

Notes To The Financial Statements

20. Financial instruments (continued)

20.7 Fair value information (continued)

Level 2 fair value

Shariah-compliant derivatives

The fair value of interest 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 interest 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 interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Tenants' deposits, financing and finance lease liabilities	Discounted cash flows using a rate based on the current market rate of Islamic financing facilities of Axis-REIT at the reporting date.

21. 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 the Manager monitor and are determined to maintain an optimal gearing ratio that complies with regulatory requirements.

During 2014, Axis-REIT's strategy, which was unchanged from 2013, was to maintain a maximum gearing threshold of 35%, which is below the optimal gearing threshold allowed by the Securities Commission's Guidelines on Real Estate Investment Trusts of 50%. The gearing ratio at 31 December 2014 and at 31 December 2013 were as follows:

	Note	2014 RM'000	2013 RM'000
Total financing	11	683,769	528,004
Total assets		2,085,883	1,616,523
Gearing ratio (%)		32.78	32.66

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

22. Operating leases

Leases as lessor

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

	2014 RM'000	2013 RM'000
Less than one year	140,303	104,601
Between one and five years	389,709	200,049
More than five years	414,959	218,718
	944,971	523,368

23. Operating segments

Segment information is presented based on the information reviewed by Axis-REIT's Chief Operating Decision Makers ("CODMs") for performance assessment and resource allocation. For the purpose of the assessment of segment performance, Axis-REIT's CODMs have focused on its investment properties. This forms the basis of identifying the operating segments of Axis-REIT under MFRS 8, *Operating Segments*.

As the investment properties are similar in terms of economic characteristics and nature of services, the CODMs are of the view that Axis-REIT only has one reportable segment – leasing of investment properties.

Accordingly, no operating segment information has been prepared as Axis-REIT only has one reportable segment.

No geographical segment information has been prepared as all the investment properties of Axis-REIT are located in Malaysia.

24. Capital commitments

Capital expenditure commitments

Investment properties

Contracted but not provided for and payable:

- Within one year

2014 RM'000	2013 RM'000
47,003	10,761

25. Related parties

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 or jointly 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. Related parties may be individuals or other entities.

Related parties also include key management personnel 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 the Manager and the Trustee, and certain members of senior management of the Manager and the Trustee.

Significant related party transactions

Related party 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.

	2014 RM'000	2013 RM'000
Acquisition cost of investment properties payable to related parties of the Directors of the Manager	235,500	-

Statement By The Manager

In the opinion of the Directors of the Manager, the financial statements set out on pages 129 to 165 are drawn up in accordance with the Third Principal Deed dated 28 November 2013, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Securities Commission's Guidelines for Islamic Real Estate Investment Trusts, applicable securities laws, Malaysian Financial Reporting Standards and International 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 2014 and of its financial performance and cash flows for the financial year ended on that date.

In the opinion of the Directors of the Manager, the information set out in the statement of changes in net asset value and Note 9.3 to the financial statements has 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, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Dato' George Stewart LaBrooy

Kuala Lumpur,

Date: 13 February 2015

Statutory Declaration

I, **Leong Kit May**, 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 129 to 165, 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 13 February 2015.

Leong Kit May

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 2014. 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 Third Principal Deed ("the Deed") dated 28 November 2013, the Securities Commission's Guidelines on Real Estate Investment Trusts, the 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 Deed and other regulatory requirements.

We also confirm that the income distributions declared and paid during the financial year ended 31 December 2014 are in line with and are reflective of the objectives of Axis-REIT. Five distributions have been declared for the financial year ended 31 December 2014 as follows:

- 1) 1st interim income distribution of 5.30 sen per unit paid on 13 June 2014;
- 2) 2nd interim income distribution of 5.30 sen per unit paid on 5 September 2014;
- 3) 3rd interim income distribution of 5.00 sen per unit paid on 28 November 2014;
- 4) 4th interim income distribution of 2.70 sen per unit paid on 8 January 2015; and
- 5) Final income distribution of 1.45 sen per unit payable on 27 February 2015.

For and on behalf of the Trustee,
RHB Trustees Berhad
(Company No.: 573019-U)

Tony Chieng Siong Ung
Director

Kuala Lumpur,

Date: 13 February 2015

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 2014, and the statements of profit or loss and other comprehensive income, changes in net asset value and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 129 to 165.

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

The Directors of Axis REIT Managers Berhad are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible 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 about 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 judgement, 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 entity's preparation of 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Axis-REIT as of 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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 9.3 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: 13 February 2015

Abdullah Abu Samah

Chartered Accountant
Approval Number: 2013/06/16(J)

Unitholders' Statistics

ANALYSIS OF UNITHOLDINGS AS AT 31 DECEMBER 2014

Size of Holdings	Number of Unitholders	%	Number of Units Held	%
1 - 99	378	11.90	5,467	0.00
100 - 1000	675	21.25	402,969	0.07
1,001 - 10,000	1,346	42.38	5,721,116	1.04
10,001 - 100,000	562	17.70	16,638,824	3.04
100,001 - 27,376,102 (*)	212	6.68	366,550,470	66.95
27,376,102 and above (**)	3	0.09	158,203,194	28.89
Total	3,176	100.00	547,522,040	100.00

* less than 5% of total issued holdings

** 5% and above of issued holdings

TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2014 AS LISTED IN THE RECORD OF DEPOSITORS

No	Unitholders	@ 31 Dec 2014	% of Total Issued Units
1	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	61,289,731	11.19
2	AMANAHRAYA TRUSTEES BERHAD SKIM AMANAH SAHAM BUMIPUTERA	58,175,534	10.63
3	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	38,737,929	7.08
4	TEW PENG HWEE @ TEOH PENG HWEE	27,137,731	4.96
5	ALEX LEE LAO	24,724,143	4.52
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD	20,414,375	3.73
7	PERMODALAN NASIONAL BERHAD	17,917,833	3.27
8	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	15,813,898	2.89
9	CARTABAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD	14,280,194	2.61
10	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	13,544,398	2.47
11	LEMBAGA TABUNG HAJI	13,349,500	2.44
12	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM DIDIK	13,347,814	2.44
13	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	12,623,944	2.31
14	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	12,356,314	2.26
15	ABAS CARL GUNNAR BIN ABDULLAH	9,414,578	1.72

**TOP 30 UNITHOLDERS AS AT 31 DECEMBER 2014
AS LISTED IN THE RECORD OF DEPOSITORS (CONTINUED)**

No	Unitholders	@ 31 Dec 2014	% of Total Issued Units
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)	9,000,000	1.64
17	HSBC NOMINEES (ASING) SDN BHD SIX SIS FOR LIECHTENSTEINISCHE LANDESBANK AKTIENGESELLSCHAFT	7,437,395	1.36
18	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	6,016,799	1.10
19	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 2)	5,431,466	0.99
20	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	5,114,525	0.93
21	KA, YA-SHIH ALSO KNOWN AS MYHRE, KUYAS	4,990,526	0.91
22	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM BUMIPUTERA 2	4,642,100	0.85
23	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR ABAS CARL GUNNAR BIN ABDULLAH	4,570,143	0.83
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	3,612,646	0.66
25	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	3,177,461	0.58
26	AMANAHRAYA TRUSTEES BERHAD PB ASIA REAL ESTATE INCOME FUND	3,150,513	0.58
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	3,088,052	0.56
28	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM NASIONAL 3 IMBANG	3,087,581	0.56
29	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 3)	3,056,103	0.56
30	HSBC NOMINEES (ASING) SDN BHD TNTC FOR MONDRIAN EMERGING MARKETS SMALL CAP EQUITY FUND, L. P.	2,814,414	0.51

Frequently Asked Questions (FAQs)

1. How often does Axis-REIT make 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 1-month from the book closure date. In the event of IDRPs in conjunction with income distribution, the income distribution will be paid no later than 5 market days after 1-month from book closure date. 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 direct credit / cheques to each Unitholder with an attached Distribution Tax Voucher detailing entitlement and gross/net amount payable.

3. Are there different types of income distribution?

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

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

4. What is the tax treatment of Unitholders?

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

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

Type of Unitholder	Withholding tax rate		
	2015	2014	2013
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%

[^] 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 2014, the total distribution was 19.75 sen per unit of which 2.89 sen derived from utilization of capital allowances, tax exempt profit income and distribution on net gain on disposal of investment property, which is not 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*	1,975.00	1,975.00
Resident individual/institutional	1,975.00	1,806.40
Foreign corporate	1,975.00	1,553.50
Foreign institution	1,975.00	1,806.40
Foreign individual	1,975.00	1,806.40

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

6. What is my net distribution yield for 2014?

For the financial year ended 31 December 2014, the total distribution was 19.75 sen per unit.

Type of Unitholder	Net Distribution based on IPO price of RM1.25	Net distribution based on closing price of RM3.62 on 31 December 2014
Resident corporate	15.80%	5.46%
Resident individual/institutional	14.45%	4.99%
Foreign corporate	12.43%	4.29%
Foreign institution	14.45%	4.99%
Foreign individual	14.45%	4.99%

7. Where can I view the 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.

8. What is the total number of Axis-REIT Units currently in issue?

A total of 547,522,040 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 financing-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; receive 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 realisation of the assets of Axis-REIT less any liabilities, in accordance with their proportionate interests in Axis-REIT.

11. How can the 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. When is the management company required to hold the Annual General Meeting ("AGM") of Axis-REIT?

The management company shall call an AGM once in every calendar year and not more than 15 months after the holding of the last preceding AGM and at the AGM, lay before the Unitholders, the Financial statements of the REIT made up to date not more than 4 months before the date of the said meeting.

13. 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 no fewer 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 or majority resolution is to be proposed, at least five persons holding or representing by proxy 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 25% 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;
- (b) it is demanded by the Chairman;
- (c) it is demanded by the Trustee or the Management Company; or
- (d) it is demanded by the Unitholders present (or represented by proxy) holding between them not less than 1/10 of the total number of Units issued.

14. 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.

Frequently Asked Questions (FAQs)

15. Why was Axis-REIT reclassified into an Islamic REIT?

- (a) To widen its investor base to include local Shariah-compliant Funds and also to develop investors interest from Shariah-compliant 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.

16. 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 activities 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 any new tenant(s) whose activities are fully non-permissible.

17. 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 Shariah?

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 tenant(s) who operates mixed activities.

18. 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 will be referred to the 20% benchmark as determined by the Shariah Advisory Council (SAC)

of the Securities Commission for the criteria on rental revenue 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.

19. What are non-permissible activities?

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

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

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

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

20. 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%).

21. What if an Islamic REIT owns real estate that is vacant and plans to rent it out to new tenant(s)? Is it bound by the application of the 20% benchmark as mentioned in the answer for question 20 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.

22. 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 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.

23. 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.

24. 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.

25. 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

26. Must Axis-REIT comply with the Guidelines on Islamic REITs and the SC's Guidelines on REITs?

Yes. The Guidelines on Islamic REIT essentially provide Shariah guidance on the investment and business activities of Islamic REIT and complement the SC's Guidelines on Real Estate Investment Trusts.

Glossary

AUM	: Asset Under Management
Axis-REIT / the Trust / the Fund	: Axis Real Estate Investment Trust
Bursa Securities / the Exchange	: Bursa Malaysia Securities Berhad (Company No. 635998-W)
CDS	: Central Depository System
Deed	: The Third Principal Deed dated 28 November 2013 signed between the Trustee and the Manager constituting Axis-REIT
DPU	: Distribution per Unit
GAV	: Gross Asset Value
GST	: Goods and Services Tax
Gearing	: Financing 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 (updated 28 December 2012), as amended from time to time
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	: RHB 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

Penthouse, Menara Axis
No. 2, Jalan 51A/223,
46100 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 Bin Tunku Besar Burhanuddin

Independent Non-Executive Chairman

Y Bhg Dato' George Stewart LaBrooy

Chief Executive Officer / Executive Director

Y Bhg Dato' Abas Carl Gunnar Bin Abdullah

Non-Independent Executive Deputy Chairman

Stephen Tew Peng Hwee

Non-Independent Non-Executive Director

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

Independent Non-Executive Director

Mohd Sharif Bin Haji Yusof

Senior Independent Non-Executive Director

Leong Kit May

Chief Operating Officer / Finance Director

Alvin Dim Lao

Non-Independent Non-Executive Director

Alex Lee Lao

Alternate to Y Bhg Dato' Abas Carl Gunnar
bin Abdullah

Jancis Anne Que Lao

Alternate to Alvin Dim Lao

AUDIT COMMITTEE :

YAM Tunku Dato' Seri Shahabuddin Bin
Tunku Besar Burhanuddin (Chairman)
Mohd Sharif bin Haji Yusof
Alvin Dim Lao

EXECUTIVE COMMITTEE :

Y Bhg Dato' Abas Carl Gunnar
Bin Abdullah (Chairman)
Y Bhg Dato' George Stewart LaBrooy
Stephen Tew Peng Hwee
Leong Kit May

REMUNERATION COMMITTEE :

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

NOMINATION COMMITTEE :

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

COMPANY SECRETARY OF THE MANAGER :

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

SHARIAH ADVISOR :

IBFIM
3rd Floor, Menara Takaful Malaysia
Jalan Sultan Sulaiman
50000 Kuala Lumpur
Tel : 03-2031 1010
Fax : 03-2078 5250
Website: www.ibfim.com

PROPERTY MANAGER :

Axis Property Services
Suite 6.04, Penthouse Wisma Academy
No. 4A, Jalan 19/1
46300 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7958 5928
Fax : 03-7958 3882

TRUSTEE :

RHB Trustees Berhad
6th Floor Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Tel : 03-2333 8333
Fax : 03-2175 3288
Email : rhbtrustees@rhbgroupp.com
Website : www.rhbgroupp.com

PRINCIPAL BANKERS OF THE FUND :

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

CIMB Islamic Bank Berhad
17th Floor Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 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
KPMG
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya

INTERNAL AUDITOR :

Baker Tilly Monteiro Heng
Governance Sdn Bhd
Level 10, MH Tower,
Avenue 5, Bangsar South City
59200 Kuala Lumpur

TAX AGENT :

PricewaterhouseCoopers Taxation
Services Sdn Bhd
Level 10, 1 Sentral, Jalan Travers
Kuala Lumpur Sentral, PO Box 10192
50706 Kuala Lumpur

REGISTRAR :

Symphony Share Registrars Sdn Bhd
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Tel : 03-7841 8000
Fax : 03-7841 8008
Email : ssrs@symphony.com.my
Website : www.symphony.com.my

BURSA SECURITIES NAME AND STOCK CODE :

AXREIT 5106

Investor Relations Contact Information

To find out more about Axis-REIT please contact:

Dato' George Stewart LaBrooy

Chief Executive Officer / Executive Director

Or

Leong Kit May

Chief Operating Officer / Finance Director

Or

Chan Tze Wee

Manager, Business Development
and Investor Relations

Email : info@axis-reit.com.my

Tel : +603 7958 4882 Fax : +603 7957 6881

Office Address

Penthouse, Menara Axis

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

Bursa Malaysia Securities Berhad

Email : customerservice@bursamalaysia.com

Tel : +603 2034 7000 Fax : +603 2732 5258

Registrar

Symphony Share Registrars Sdn Bhd

Level 6, Pusat Dagangan Dana 1, Jalan PJU 1A/46

47301 Petaling Jaya, Selangor

Tel : +603 7841 8000 Fax : +603 7841 8150

Email : ask_us@symphony.com.my

Website : www.symphony.com.my

Calendar 2015

JANUARY

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
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FEBRUARY

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MARCH

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APRIL

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MAY

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JUNE

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JULY

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AUGUST

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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 CALENDAR OF FINANCIAL EVENTS 2015

January 2015

- Announcement of Unaudited Results for FY14
- Announcement of the 4Q14 Final Income Distribution

February 2015

- Book Closure date to determine the entitlement to 4Q14 Final Income Distribution
- Payment of the 4Q14 Final Income Distribution
- Release of the 2014 Annual Report

April 2015

- Announcement of Unaudited Results for 1Q15
- Announcement of the 1Q15 Interim Income Distribution
- Annual General Meeting

May 2015

- Book closure date to determine the entitlement to 1Q15 Interim Income Distribution
- Payment of 1Q15 Interim Income Distribution

July 2015

- Announcement of the Unaudited Results for 2Q15
- Announcement of the 2Q15 Interim Income Distribution

August 2015

- Book Closure date to determine the entitlement to 2Q15 Interim Income Distribution
- Payment of 2Q15 Interim Income Distribution

October 2015

- Announcement of the Unaudited Results for 3Q15
- Announcement of the 3Q15 Interim Income Distribution

November 2015

- Book Closure date to determine the entitlement to 3Q15 Interim Income Distribution

December 2015

- Payment of 3Q15 Interim Income Distribution

January 2016

- Announcement of the Unaudited Results for FY15
- Announcement of the 4Q15 Final Income Distribution

AXIS REIT MANAGERS BERHAD

(Company Number 649450-W)

(Incorporated in Malaysia under the Companies Act, 1965)

Penthouse Menara Axis, No. 2 Jln 51A/223,
46100 Petaling Jaya, Selangor, Malaysia.

Tel : +603 7958 4882 / 4881 / 4886

Fax : +603 7957 6881

E-mail : info@axis-reit.com.my

Website : www.axis-reit.com.my